

## Coronavirus Food Assistance Program (CFAP)

On May 19, 2020, USDA released details of the Coronavirus Food Assistance Program (CFAP). CFAP's \$19 billion package contains two primary components. First, USDA will partner with regional and local distributors to purchase \$3 billion in fresh produce, dairy and meat and provide those commodities to those in need. The bulk of the program is designed to provide \$16 billion in direct support to farmers and ranchers affected by the COVID-19 pandemic. Eligible commodities for the direct support include:

- Livestock: cattle, hogs, and sheep (lambs and yearlings only)
- Dairy
- Wool
- Non-specialty crops: malting barley, canola, corn, upland cotton, millet, oats, soybeans, sorghum, sunflowers, durum wheat, and hard red spring wheat.
- Specialty Crops -- Fruits: apples, avocados, blueberries, cantaloupe, grapefruit, kiwifruit, lemons, oranges, papaya, peaches, pears, raspberries, strawberries, tangerines, tomatoes, and watermelons
- Specialty Crops -- Vegetables: artichokes, asparagus, broccoli, cabbage, carrots, cauliflower, celery, sweet corn, cucumbers, eggplant, garlic, iceberg lettuce, romaine lettuce, dry onions, green onions, peppers, potatoes, rhubarb, spinach, squash, sweet potatoes and taro.
- Nuts: almonds, pecans, walnuts
- Other: beans, mushrooms

Signup will be from May 26 to August 28, 2020. Once signup begins, eligible producers should call their county Farm Service Agency (FSA) office to schedule an appointment.

To help affected producers navigate this new program, Agricultural and Food Policy Center (AFPC) at Texas A&M University co-directors Dr. Bart Fischer and Dr. Joe Outlaw, and Texas A&M AgriLife Extension Service economists Dr. David Andersons and Dr. Justin Benavidez authored a timely report. *Overview of the Coronavirus Food Assistance Program (CFAP)* is available at <https://www.afpc.tamu.edu/research/publications/files/699/RR-20-02.pdf>. The report provides an excellent overview of the program, provides clarification on payment rates and eligible commodities, payment limits, income tests, and payment reductions. It also provides payment calculations and examples by commodity.

The report's lead author, Dr. Bart Fischer, notes that while CFAP provides a significant amount of aid, there are a number of losses not covered. A previous AFPC report, estimated Texas agricultural losses alone could exceed \$8 billion. That report can be read at <https://afpc.tamu.edu/research/publications/files/698/RR-20-01.pdf>.

Dr. Fischer identified some areas of concern not addressed by CFAP:

- 2020 Row Crops: CFAP only provides assistance for crops held in inventory as of January 15, 2020. In other words, it provides no assistance for the 2020 crop year.
- Livestock: While livestock producers in general and cattle producers in particular are the biggest recipients of assistance from CFAP, the estimated support for cattle is still

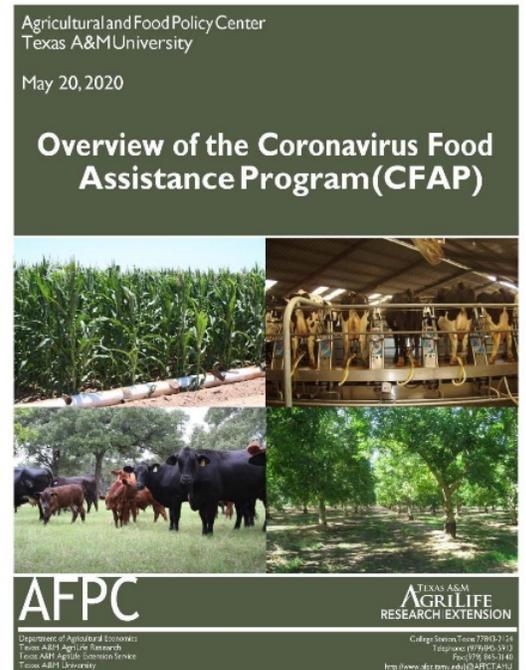
significantly less than half of the damages estimated by industry. While animals in inventory from April 16 to May 14, will be eligible for a CFAP payment, there likely will be calls to provide additional assistance to producers who had to depopulate animals in response to COVID-19. Also, those producing poultry on contract and paid by pounds produced may accrue significant additional losses.

- Others in the Supply Chain: CFAP provides no direct benefits to anyone in the supply chain after leaving the farm gate. For example, ethanol producers are under tremendous strain. Also, the merchandising supply chain for cotton has incurred significant carrying charges, logistical costs, and market disruptions not currently addressed by CFAP.

As Congress continues to debate the next steps, these and other issues will be in the forefront.

## Key Takeaways

- **CFAP has two components**
  - **USDA Purchase and Distribution (\$3 billion)**
  - **Direct Support to Farmers and Ranchers (\$16 billion)**
- **Signup starts May 26<sup>th</sup> and runs through August 28<sup>th</sup>**
- **There are two sources of funds (CARES Act and Commodity Credit Corporation (CCC)) but producers will receive one payment**
- **A producer's payment will be prorated. They will receive 80% initially and the final 20% depending on funding availability**
- **Some crops will get nothing due to 5% price decline requirement**



# CFAP: Direct Support to Farmers and Ranchers

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- **Signup runs from May 26<sup>th</sup> to August 28<sup>th</sup>**
- **USDA is drawing from two separate authorities (sources of funds):**
  - \$9.5 billion from the CARES Act
  - \$6.5 billion from the Commodity Credit Corporation (CCC)
- **Having two separate authorities leads to separate payment rates for each commodity**
- **NOTE: Any commodity that did not experience a price drop of more than 5% (from the week of January 13-17 to April 6-9) is ineligible for support under CFAP**
- **The following commodities are specifically excluded:**
  - Sheep more than two years old
  - Eggs/layers
  - Soft red winter wheat
  - Hard red winter wheat
  - White wheat
  - Rice
  - Flax
  - Rye
  - Peanuts
  - Feed barley
  - Extra long staple (ELS) cotton
  - Alfalfa
  - Forage crops
  - Hemp
  - Tobacco
- **Other than Hemp and Tobacco, USDA may reconsider the excluded commodities if credible evidence is provided that supports a 5% decline**

# CFAP:

## Direct Support to Farmers and Ranchers

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### Payment Calculations

- **In general, CFAP provides payments for losses incurred on production that was at risk and marketed or held in inventory**
- **For traditional row crops that would be for 2019 crop that had not been sold**
  - Specifically, payments are based on “unpriced” inventory which is “any production that is not subject to an agreed-upon price in the future through a forward contract agreement, or similar binding document.
- **Production and inventory amounts are self-certified through producers must be able to provide supporting documentation if requested by FSA**
  - Examples of supporting documents for the amount of production or inventory include copies of receipts, ledgers of income, deposit slips, veterinarian records, register tapes, invoices for custom harvesting
  - Examples of supporting documents for production costs include contemporaneous measurements, truck scale tickets or contemporaneous diaries that are determined acceptable by USDA

# CFAP: Direct Support to Farmers and Ranchers

## Livestock

- **A single CFAP payment will be made to livestock producers based on the sum of two distinct components:**
  - A payment for livestock marketed between January 15<sup>th</sup> and April 15<sup>th</sup>
  - A payment for the highest inventory of unpriced livestock between April 16<sup>th</sup> and May 14<sup>th</sup>
  
- **The number of head are multiplied by the relevant payment rate**

Table 2. Payment Rates for Livestock			
Commodity	Unit	CARES Act	CCC
Slaughter cattle – mature cattle	Head	\$92	\$33
Slaughter cattle – fed cattle	Head	\$214	\$33
Feeder cattle less than 600 pounds	Head	\$102	\$33
Feeder cattle 600 pound or more	Head	\$139	\$33
All other cattle	Head	\$102	\$33
Pigs	Head	\$28	\$17
Hogs	Head	\$18	\$17
Lambs and yearlings	Head	\$33	47

# CFAP: Direct Support to Farmers and Ranchers

## Cattle

Example operation with 100 cow/calf pairs (including 100 unweaned, 250# calves) and last year's 100 weaned calves were retained and have been grazing on wheat pasture. Assume the 100 weaned calves were sold on **April 13, 2020** weighing 800#

- Weaned Calves: 100 head x **\$139.00/head** - \$13,900
- Cows: 100 head X **\$33/head** - \$3,300
- Unweaned Calves: 100 head x **\$33/head** - \$3,300
- Total CFAP payment - \$20,500
- 80% proration = \$16,400

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## Cattle

Example operation with cow/calf pairs (including 100 unweaned, 250# calves) and last year's 100 weaned calves were retained and have been grazing on wheat pasture. Assume the 100 weaned calves were sold on **April 20, 2020** weighing 800#

- Weaned Calves: 100 head x \$33/head - \$3,300 
- Cows: 100 head x \$33/head x 3,300
- Unweaned Calves: 100 head x \$33/head - \$3,300
- Total CFAP payment = \$9,900
- 80% proration = \$7,920

Commodity	Unit	CARES Act Payment Rate (\$/unit)	CCC Payment Rate (\$/unit)
Slaughter cattle – mature cattle	Head	\$92	\$33
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## Cattle

- **A couple of Concerns**
  - Arbitrary sales date of April 15<sup>th</sup> makes a big difference in payment
  - Treatment of cattle being sold from feedlot to packer...rule states: "Slaughter cattle-fed cattle" are defined in the rule as "cattle with an average weight in excess of 1,400 pounds which yield average carcass weights in excess of 800 pounds and are intended for slaughter"

**NOTE: while USDA must ultimately confirm this, sources indicate that the CFAP Handbook will clarify that finished cattle averaging 1,200 – 1,600 pounds will be eligible**

# CFAP: Direct Support to Farmers and Ranchers

## Hogs, Pigs and Sheep

- **As for cattle, payments for hogs & pigs are based on the weight of the animal**
  - Pigs are any animal less than 120 pounds at sale
  - Hogs are any animal weighing more than 120 pounds at sale
- **Producers of all sheep less than 2 years old that were sold between January 15<sup>th</sup> and April 15<sup>th</sup> are eligible for a payment of \$33/head**
- **All sheep less that 2 years old are eligible for a payment of \$7/head on unpriced lamb and yearling inventory between April 16<sup>th</sup> and May 14<sup>th</sup>**

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Commodity	Unit	CARES Act Payment Rate (\$/unit)	CCC Payment Rate (\$/unit)
Slaughter cattle – mature cattle	Head	\$92	\$33
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## Wool

- Payments are based on unpriced inventory that is harvested but held in inventory as of January 15<sup>th</sup> not to exceed 50% of 2019 total production
- Half of that eligible inventory is paid the “CARES Act Payment Rate” in Table 4 and the other half is paid the “CCC Payment Rate”.

Commodity	Unit	CARES Act Payment Rate (\$/unit)	CCC Payment Rate (\$/unit)
Wool (graded, clean basis)	lb	\$0.71	\$0.78
Wool (non-graded, greasy basis)	lb	\$0.36	\$0.39

# CFAP: Direct Support to Farmers and Ranchers

## Non-Specialty Crops

- Payments are based on unpriced inventory that is harvested but held in inventory as of January 15<sup>th</sup>, not to exceed 50 percent of 2019 total production
- Half of that eligible inventory is paid the “CARES Act Payment Rate” in Table 4 and the other half is paid the “CCC Payment Rate”
- Concerns about inventory held in marketing pool

Table 5. payment Rates for Non-specialty Crops

Commodity	Unit	Cares Act Payment Rate (\$/unit)	CCC Payment Rate (\$/unit)	Average Payment Rate (\$/unit)
Barley (malting)	bu	\$0.34	\$0.37	\$0.355
Canola	lb	\$0.01	\$0.01	\$0.010
Corn	bu	\$0.32	\$0.35	\$0.335
Durum wheat	bu	\$0.19	\$0.20	\$0.195
Hard red spring wheat	bu	\$0.18	\$0.20	\$0.190
Millet	bu	\$0.31	\$0.34	\$0.325
Oats	bu	\$0.15	\$0.17	\$0.160
Sorghum	bu	\$0.30	\$0.32	\$0.310
Soybeans	bu	\$0.45	\$0.50	\$0.475
Sunflowers	lb	\$0.02	\$0.02	\$0.020
Upland cotton	lb	\$0.09	\$0.10	\$0.095

# CFAP:

## Direct Support to Farmers and Ranchers

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### Specialty Crops

- **Payments are based on the following three scenarios and in each case, the affected inventory is multiplied by the relevant payment rate**
  - For specialty crops sold between January 15 and April 15, 2020, the quantity sold is multiplied by the “CARES Act Payment Rate for Sale Losses” (see Table 6)
  - For specialty crops harvested and shipped but subsequently spoiled due to loss of marketing channels between January 15 and April 15, 2020, the harvested and shipped quantity that spoiled is multiplied by the “CARES Act Payment Rate for Product that Left the Farm but Spoiled Due to Loss of Marketing Channel” (see Table 6)
  - For unpriced specialty crop shipments that did not leave the farm between January 15<sup>th</sup> and April 15<sup>th</sup> – including mature crops that remained unharvested – the total quantity is multiplied by the “CCC Payment Rate” (see Table 6)

# CFAP: Direct Support to Farmers and Ranchers

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## What Do Producers Need to Do?

- **If a producer wants to sign up but has not signed up for any FSA programs recently, there will be several forms that are required of them. Depending upon their operation they may need to fill out:**
  - AD-3114 **CFAP Application**
  - CCC-902 **Farm Operating Plan for Payment Eligibility**
  - CCC-901 **Member Information for Legal Entities (if applicable)**
  - CCC-941 **Average Adjusted Gross Income (AGI) Certification**
  - CCC-942 **Certification of Income Farming, Ranching, and Forestry Operation (if applicable)**
  - AD-1026 **HELC & WC Certification**
- **The CFAP application form is AD-3114**
  - In the next few days it will be available on FARMERS.GOV/CFAP
  - They may want to watch the video on the use of their calculator [https://youtu.be/Rne7\\_cIVeFU](https://youtu.be/Rne7_cIVeFU)
- **Producers need to download the form and begin gathering supporting documentation**
  - Note: documentation is only required upon spot check or when requested by the county committee
- **Completed AD-3114 can be submitted to any USDA Service Center**