



USDA Coronavirus Food Assistance Program, Before Final Rulemaking

On April 17th, the U.S. Department of Agriculture (USDA) announced the \$19 billion Coronavirus Food Assistance Program (CFAP) to support farmers and ranchers during the COVID-19 pandemic. USDA must draft a rule and submit it to the Office of Management and Budget before we will know the specific program details.

The \$19 billion in funding comes from the \$9.5 billion in appropriated funds from the CARES Act, \$6.5 billion in existing Credit Commodity Corporation (CCC) funding, and \$3 billion from the "such sums" authority under Section 1101 of the Families First law. The CARES Act also provided \$14 billion in additional CCC funding that will become available in late June.

The CFAP includes:

- \$16 billion in direct payments for crop and livestock farmers and ranchers
- \$3 billion in purchases of meat, dairy, and specialty crops.

*******The information provided below is based on Committee and agricultural legislative staff briefings. The details are our understanding of USDA's current plans. We will not know the final details of the program until USDA signs and posts a rule to carry out the CFAP.*******

CFAP Direct Assistance for Farmers and Ranchers

USDA will provide \$16 billion in direct payments to crop and livestock farmers and ranchers. We have not officially seen details for how these payments will be calculated but currently expect that producers will receive a single payment determined using two national calculations:

- Price losses that occurred January 1-April 15, 2020. Producers may be compensated for 85% of price loss during that period.
- Second part of the payment may be expected losses from April 15 through the next two quarters and may cover 30% of expected losses.

The estimated losses are being calculated by the USDA Chief Economist's Office. We will not have per animal, acre, or hundredweight estimated payment rates until the final rule is issued.

In trying to calculate the potential funding needed for covered losses for all producers in a sector, USDA used the figures below. USDA has not officially published or committed to these numbers. They were simply used in their policy discussions to determine how much funding might be necessary to cover the loss thresholds they were considering.

- \$9.6 billion for the livestock industry
 - \$5.1 billion for cattle
 - \$2.9 billion for dairy
 - \$1.6 billion for hogs

- \$3.9 billion for row crop producers (we do not know which crops will be eligible at this time)
- \$2.1 billion for specialty crops producers (we do not know which crops will be eligible at this time, but we do expect it to cover some destroyed produce)
- \$500 million for other producers (we do not know which other products will be eligible at this time)

While USDA is indicating that all producers are eligible, they also indicated that they will apply payment eligibility tests and limits. We expect USDA to operate payments limits very similarly to how they applied them for the Market Facilitation Program, but this has not been confirmed. If so, the payment limit is \$125,000 per commodity with an overall limit of \$250,000 per individual or entity. For any applicant who does not generate at least 75% of their income through agriculture, they will not be eligible for payments if their Adjusted Gross Income is above \$900,000

In general, for entities structured as a general partnership, each individual partner is separately and individually eligible for these payments up to the limit. This applies to joint ventures structured as general partnerships. For entities structured as an LLC, LLP, S-Corp, or C-Corp, members (owners) are generally treated as a single person, collectively eligible for a single payment limit. In certain situations, a husband and a wife may each qualify for his and her own payment limit so that the household receives two sets of payments up to the limit.

USDA expects to begin sign-up for the new program by the end of May and payments to go out to producers in late May or early June. The Agricultural Marketing Service will work with fruit and vegetable producers to determine their losses and forward that information to the Farm Service Agency, which will make the payments. Livestock and row crop producers will sign-up through the Farm Service Agency.

CFAP Purchase Program

The other portion of CFAP will include at least \$100 million per month in purchases of meat, dairy, and specialty crops, up to \$3 billion.

USDA will work with local food and regional distributors to deliver food to food banks, as well as community and faith-based organizations to provide food to those in need. We have been told that the term 'meat' is not meant to exclude poultry or other animal proteins.

USDA is hoping to have the distribution companies certified in the next two weeks and be able to start purchases and food deliveries in the next 3-4 weeks.

Additional Purchases

USDA has up to an additional \$873.3 million available in Section 32 funding to purchase a variety of agricultural products for distribution to food banks. The use of these funds will be determined by industry requests, USDA agricultural market analysis, and food bank needs.

The FFCRA and CARES Act provided an at least \$850 million for food bank administrative costs and USDA food purchases, of which a minimum of \$600 million will be designated for food purchases. The use of these funds will be determined by food bank need and product availability.