

# Coronavirus Food Assistance Program (CFAP) Direct Payments to Dairy, Crop, and Cattle Producers

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Aaron Smith, Charley Martinez, and Andrew Griffith

[aaron.smith@utk.edu](mailto:aaron.smith@utk.edu); [cmart113@utk.edu](mailto:cmart113@utk.edu); [agriff14@utk.edu](mailto:agriff14@utk.edu)

Department of Agricultural and Resource Economics

University of Tennessee Institute of Agriculture

<https://utia.tennessee.edu/extensioncovid19/decision-making-resources-for-producers-and-agribusinesses/>

USDA FSA: <https://www.farmers.gov/cfap>

# Overview

- The information presented is based on our interpretation as of today and may change as USDA provides additional clarification.
  - Language, commodity definitions, and inventory/sales categories will need to be clarified by USD
- Direct payments to producers of eligible commodities from two sources:
  - Coronavirus Aid, Relief, and Economic Security Act (CARES) - \$9.5 Billion.
  - Commodity Credit Corporation (CCC) at this time \$6.5 billion.
- **One payment application and one payment amount will be issued by USDA** to eligible producers by combining CARES Act and CCC funds. 80% of the total payment initially and 20% at a later date.
- \*\*\*Farmers and ranchers will self-certify their claims/inventory\*\*\*

# Implementing Agencies

- FSA will be the principal agency charged with implementing CFAP and AMS will assist FSA with respect to matters dealing with producers of specialty crops.
  - Submit a completed CFAP application either in person, by mail, e-mail, or facsimile to an FSA county office.
    - If you are new to FSA additional forms are required.
  - If supporting documentation is requested to verify the amounts specified on the application, the producer must provide records that substantiate the reported amounts.
  - Schedule an appointment with your FSA Service Center or visit <https://www.farmers.gov/cfap>

# Timeline

- USDA will accept CFAP applications beginning May 26, 2020 and will conclude August 28, 2020.
- An initial payment will be issued for 80 percent of each CFAP payment commencing early-June.
- A final payment will be issued on a date determined by the Secretary, to the extent such funds are available.
- Producers who are approved for participation in CFAP are required to retain documentation in support of their application for 3 years after the date of approval.

# Eligible Commodities

- Non-specialty crops eligible for CFAP payments malting barley, canola, **corn**, **upland cotton**, millet, oats, sorghum, **soybeans**, sunflowers, durum wheat, and hard red spring wheat.
- **Dairy**, **cattle**, lambs and yearlings, wool, and hogs and pigs.
- Specialty Crops: See list on <https://www.farmers.gov/cfap>
- CFAP eligibility for **certain other agricultural commodities** including agricultural commodities for which sufficient information is not currently available to USDA may be announced through a NOFA. Approximately 4 percent of the CFAP budget--\$637 million-- is available to provide assistance to producers of other commodities that are identified through the NOFA process  
Notice of Funding Availability

# Producer Eligibility

- To be eligible for a CFAP payment, a person or legal entity must:
  - Complete a CFAP application form and provide any required documentation (as specified in the final rule); and
  - Be a producer having a share in the eligible commodity between January 15, 2020, and April 15, 2020, or April 16, 2020, through May 14, 2020.

# Payment Limitations

- These provisions are separate from other payment limitations established by the 2018 Farm Bill.
- CFAP payments are subject to a per person and legal entity payment limitation of \$250,000.
- This limitation applies to the total amount of CFAP payments made with respect to all eligible commodities.

# Payment Limitations

- Special payment limitation rules for corporations, limited liability companies, and limited partnerships. Based upon the number of shareholders (not to exceed three shareholders) who are contributing substantial labor or management (each provide at least 400 hours).
  - One shareholder = \$250,000
  - Two shareholders = \$500,000
  - Three Shareholders = \$750,000
- If payments are calculated for a corporate entity and those payments exceed the applicable limit of \$250,000, \$500,000 or \$750,000, the reduction will be attributed to all members of the entity to ensure that a net payment to the entity is not in excess of the applicable limitation.



# Average Adjusted Gross Income (AGI)

- Ineligible for payments if AGI, using the average of the adjusted gross incomes for the 2016, 2017 and 2018 tax years, is more than \$900,000, unless at least 75 percent of that person's or legal entity's average AGI is derived from farming, ranching, or forestry-related activities.

# Other Requirements

- General requirements that apply to other FSA-administered commodity programs also apply to CFAP, including compliance with the provisions of Highly Erodible Land and Wetland Conservation.
- There is no requirement to have crop insurance coverage or coverage under the Noninsured Crop Disaster Assistance Program (NAP) for an eligible CFAP commodity to be eligible for participation in CFAP.

# Prices (used to calculate payments)

- Payments provided for commodity and livestock losses due to price declines of greater than 5% that occurred between mid-January 2020 and mid-April 2020.
- For producers of non-specialty crops, an average payment rate per unit (bushel, pound, or hundredweight) was determined for each eligible commodity based on the decline in the weekly average of the futures prices (or weekly average of the cash prices, if futures prices are unavailable) between the average for the week of January 13-17, 2020, and the average for the week of April 6-9, 2020.

# Inventory (general)

- The producer's self-certified production for the commodity, which includes non-specialty crops, dairy, and specialty crops, is based on production records.
- The producer's self-certified inventory, which includes livestock, non-specialty crops, and wool, is based on inventory records.
- Examples of supporting documentation include evidence provided by the producer that is used to substantiate the amount of production or inventory reported, including copies of receipts, ledgers of income, income statements of deposit slips, veterinarian records, register tapes, invoices for custom harvesting, and records to verify production costs, contemporaneous measurements, truck scale tickets, or contemporaneous diaries that are determined acceptable by USDA.

# Inventory/Production Dairy

- For dairy producers,
  - Payments using funding from the CARES Act will be determined by multiplying a producer's milk production for the first quarter of calendar year 2020.
  - Payments under the CCC Charter Act will be determined by multiplying a producer's milk production for the first quarter of calendar year 2020 by a factor of 1.014 —in order to account for increased production in the second quarter of calendar year.

# Inventory Livestock

- For cattle, hog and pig, and lamb and yearling producers:
  - Payments will be made using CARES Act funds by multiplying a payment rate per head—specified by species and class—by the volume of sales occurring between January 15 and April 15, 2020, by the applicable payment rate.
  - CCC funds will be used to make a payment to the producer by multiplying a payment rate per head—specified by species—by the highest inventory number between April 16 and May 14, 2020.

# Inventory Crops

- Eligible inventory for the purpose of non-specialty crops is the lower of self-certified unpriced inventory that an eligible producer has vested ownership in as of January 15, 2020, or 50 percent of the eligible producer's 2019 production of that commodity.
- Unpriced inventory means any production that is not subject to an agreed-upon price in the future through a forward contract, agreement, or similar binding document.

	CARES Act Payment Rate (\$/unit)	CCC Payment Rate (\$/unit)	Inventory Receiving Payments
Corn (bu)	\$0.32	\$0.35	Unpriced inventory held as of January 15, 2020, cannot exceed 50% of 2019 production
Soybeans (bu)	\$0.45	\$0.50	
Upland Cotton (lb)	\$0.09	\$0.10	
Dairy (cwt)	\$4.71	\$1.47	CARES - First quarter production  CCC - First quarter production, multiplied by 1.014
Slaughter cattle-mature (head)	\$92	\$33	CARES Act- Cattle sold between January 15, 2020, to April 15, 2020  CCC - Unpriced cattle inventory between April 16, 2020, to May 14, 2020 (highest inventory level in the period)
Slaughter cattle—fed (head)	\$214	\$33	
Feeder cattle < 600 lb (head)	\$102	\$33	
Feeder cattle > 600 lb (head)	\$139	\$33	
All other cattle (head)	\$102	\$33	



# CFAP Payments to Crop Producers

- Payments are made on:
  - Self-certified unpriced inventory that is harvested but held in inventory as of January 15, 2020, not to exceed 50 percent of 2019 total production, multiplied by 50 percent, multiplied by the CARES Act payment rate; and
  - Unpriced inventory as of January 15, 2020, not to exceed 50 percent of 2019 total production, multiplied by 50 percent, multiplied by the CCC payment rate.
- Example: Corn
  - $(10,000 \text{ bu} \times 0.5 \times \$0.32) + (10,000 \times 0.5 \times \$0.35)$
  - $\$1,600 + \$1,750$
  - $\$3,350$  (or  $\$0.335/\text{bu}$ ) – initial payment 80% of this total.

# CFAP Payments to Crop Producers

- Example: Cotton ( $48,000 \text{ lb} \times 0.5 \times \$0.09$ ) + ( $48,000 \text{ lb} \times 0.5 \times \$0.10$ )
  - \$2,160 + \$2,400
  - \$4,560 (or \$0.095/lb) – initial payment 80% of this total.
- Example: Soybeans
  - ( $10,000 \text{ bu} \times 0.5 \times \$0.45$ ) + ( $10,000 \times 0.5 \times \$0.50$ )
  - \$2,250 + \$2,500
  - \$4,750 (or \$0.475/bu) – initial payment 80% of this total.

**\*\*\* If producers have more than 50% of the 2019 crop held unpriced as of January 15, 2020, then payment eligible inventory is capped at 50% of 2019 production\*\*\***

# CFAP Payments to Dairy Producers

- Payments are made on:
  - First quarter production, multiplied by the CARES Act payment rate; and
  - First quarter production, multiplied by 1.014, multiplied by the CCC payment rate.
- Example: Dairy
  - $(9,200 \text{ cwt} \times \$4.71) + (9,200 \times 1.014 \times \$1.47)$
  - $\$43,332 + \$13,713$
  - $\$57,045$  (or  $\$6.20058 \text{ cwt}$ ) – initial payment 80% of this total.

# CFAP Payments to Cattle Producers

- Payments are made on:
  - Cattle sold between January 15, 2020, to April 15, 2020, multiplied by the CARES Act payment rate; and
  - Unpriced cattle inventory between April 16, 2020, to May 14, 2020, multiplied by the CCC payment rate.
    - CCC payment rate is the same regardless of category (CARES is different).
- Example: Feeder cattle > 600 lb
  - (10 head sold x \$139/head) + (10 head in inventory x \$33/head)
  - \$1,390 + \$330
  - \$1,720 – initial payment 80% of this total.

# Concluding Thoughts

- Get your documentation together production, sales, and inventory records.
- Some categories need to be clarified.
  - Priced versus unpriced.
  - Pay attention to cattle weights.
  - Double counting inventory?
- Additional details and clarification will need to be provided by USDA.

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# Thank You.

Questions?