

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

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

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

Overview

*****Some language and commodity definitions will need to be clarified by USDA*****

- 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.
- In general, commodities are eligible for a payment if a 5-percent-or-greater price loss occurred over a specified time (starting in January 2020) due to the COVID-19 outbreak.
- **One payment application and one payment amount will be issued by USDA** to eligible producers by combining CARES Act and CCC funds.
- *****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.
- The total of all CFAP payments made, including all initial and final payments, cannot exceed a total of \$9.5 billion for CARES Act funds and \$6.5 billion for CCC funds.
- 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: almonds; apples; artichokes; asparagus; avocados; beans; blueberries; broccoli; cabbage; cantaloupe; carrots; cauliflower; celery; corn, sweet; cucumbers, eggplant; garlic; grapefruit; kiwifruit; lemons; lettuce, iceberg; lettuce, romaine; mushrooms; onions, dry; onions, green; oranges; papayas; peaches; pears; pecans; peppers, bell type; peppers, other; potatoes; raspberries; rhubarb; spinach; squash; strawberries; sweet potatoes; tangerines; taro; tomatoes; walnuts; watermelons; and any crops for which funds are made available and announced in a subsequent NOFA.
- 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 this 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

- 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.
- 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.
- These provisions are separate from other payment limitations established by the 2018 Farm Bill.

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

- Payments provided for commodity and livestock losses due to price declines that occurred between mid-January 2020 and mid-April 2020 and, in the case of specialty crops, for products that were shipped but spoiled and no payment was received.
- 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 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 by a pre-specified payment rate calculated as 80 percent of the decline in prices as determined by USDA during that quarter.
 - 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 2020—by a pre-specified payment rate calculated as 25 percent of the decline in prices as determined by USDA during the first quarter of calendar year 2020.

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 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 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 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.
 - Pay attention to cattle weights.
 - Double counting inventory?
- Additional details and clarification will need to be provided by USDA.

Spreadsheet - Charley

Paycheck Protection Program

- Coronavirus Aid, Relief and Economic Security Act (CARES Act) allocated \$349 billion to support small businesses on March 27
- Funds awarded on a first-come-first-serve basis; funds were exhausted in less than two weeks
- On April 24, Paycheck Protection Program and Health Care Enhancement Act added an additional \$310 billion into the Paycheck Protection Program
- An overview of Paycheck Protection Program and Economic Injury Disaster Loans (EIDL)

Round II of Paycheck Protection Program

- An additional \$310 billion added to assist small business owners
- \$60 billion – Economic Injury Disaster Loans (EIDL)
 - \$50 billion to support loans
 - \$10 billion in grants
- \$250 billion – Paycheck Protection Program Loans
- Confirms agricultural enterprises to be eligible
- Use formula - \$1K per employee up to \$10K for a business with 10 employees through an EIDL
- Applications were accepted from April 27th onwards.

Paycheck Protection Program (PPP)

payroll & approved operating expenses

no collateral required

up to **100%** with approval if employee and compensation levels are maintained for 8 weeks after the loan is made

2.5X average monthly payroll for the prior 12 months
maximum **\$10M**

1% on unforgiven portion
2 year fixed income

no payments for first
6 months

- all for-profits
- Sole proprietors & Independent contractor
- private non-profits

SBA APPROVED LENDER

USES

COLLATERAL

FORGIVENESS

AMOUNT

TERMS

DEFERMENT

ELIGIBLE ENTITIES

APPLY

Economic Injury Disaster Loan (EIDL)

working capital

- no collateral on loans u/\$25K
- collateral required for loans o/\$25K SBA will take real estate as collateral when available

100% of up to \$10K EIDL advance
(\$1,000 per employee up to \$10K)

up to 2 months of operating expenses
not to exceed **\$15,000**

3.75% small businesses
2.75% non-profits
30 year fixed note

no payments for first
12 months

- Small business with 500 or fewer employees
- Sole proprietors & Independent contractor
- small agriculture coops & aquaculture
- private non-profits

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Paycheck Protection Program

- Small businesses affected by Coronavirus (COVID-19) are eligible to apply for 100% federally guaranteed loans to cover payroll expenses
- Eligibility:
 - Small business with less than 500 employees/meets SBA's size standard
 - Sole-proprietors/independent contractors/self-employed persons
 - Private non-profit/501(c)(19) organizations
 - Small businesses in accommodation and food services sector (NAICS 72) with less than 500 employees per location
- Covered Period: Businesses that were operational from February 15 through June 30, 2020.

Paycheck Protection Program

- Maximum Loan Amount:
 - Loans up to 2.5 times the small business's monthly pay rolls – max \$10 million
 - Existing small businesses:
 - (Total average monthly payroll – Compensation above \$100K/employee) X 2.5 + Unrealized share of any 7(a) loan approved in FY 2020
 - Other businesses not in business during covered period:
(Total average monthly payroll between Jan. 1 and Feb. 29, 2020) X 2.5 + Unrealized share of any 7(a) loan approved in FY 2020
 - Maximum Loan term – 2 years; Interest rate is fixed at 1% with no loan fees or prepayment penalty. All payments are deferred for 6 months and interest will continue to accrue
- Allowable uses:
 - Payroll costs, employee benefits, commissions, operating costs including rent, mortgage interest, utilities and interest on debt
 - Sole proprietors, independent contractors, and self-employed individuals: wages, income, commission, or compensation that is no more than \$100,000 in one year
 - Excluded costs:
 - Compensation above \$100,000
 - Payroll taxes, railroad retirement taxes and income taxes
 - Compensation of employee who resides outside of the United States
 - Qualified sick leave wages (section 7001) and qualified family wages (7003)

Paycheck Protection Program

- Loan Forgiveness: Small businesses are eligible for loan forgiveness to the amount spent during the covered eight-week period on:
 - Payroll costs, mortgage interest, rent, utility payments (electric, gas, water, telephone, internet and transportation), tips and additional employee wages
- Reduction in loan forgiveness:
 - Reduced number of employees or laid-off workers
 - Reduction in more than 25% in wages paid
- Provision to not reduce loan forgiveness if employees are put back on payroll or wages restored by June 30, 2020.

Economic Injury Disaster Loan

- Eligibility:
 - Agricultural businesses and other businesses with less than 500 employees
 - Sole proprietors/Independent contractors
- Allowable Uses:
 - Payroll, fixed debts, accounts payable
 - Other expenses that can't be paid due to disaster
- Up to \$15K; Cash advance of \$10K (applied at the same time as loan)
- Interest rate – 3.75% for businesses; 2.75% for non-profits
- No payments for 12 months; up to 30 year loan term
- No prepayment or early payment penalty

References

- Small Business and Technology Development Center – North Carolina Resources: <http://www.sbtcd.org/coronavirus/money.html>
- U.S. Small Business Administration – Economic Injury Disaster Loan Emergency Advance. Available at: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/economic-injury-disaster-loan-emergency-advance>
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- <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/economic-injury-disaster-loan-emergency-advance>

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Thank You.

Questions?