USDA Coronavirus Food Assistance Program (CFAP) & Crop Market Update

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Percent Decline in Tennessee Row Crop Spot Prices (Old Crop) Reported by Elevators and Barge Points, January 1 - May 29, 2020

**January 2, 2020 Prices**
- **Corn:** $4.07
- **Cotton:** $0.676
- **Soybeans:** $9.57
- **Wheat:** $5.89

The chart shows the percent decline in prices for corn, soybeans, cotton, and wheat from January 1 to May 29, 2020. Key observations include:
- **February 1, 2020:**
  - Corn: -12.8%
  - Soybeans: -24.1%
  - Wheat: -32.3%
  - Cotton: -14.7%
- **May 1, 2020:**
  - Corn: -17.8%
  - Soybeans: -17.3%
  - Wheat: -17.3%
  - Cotton: -14.7%

The decline in prices varied significantly across the crops, with soybeans experiencing the largest decline at 24.1% in February 2020.
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 (20%) 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.

- **No winter wheat.**

- **Dairy, cattle**, lambs and yearlings, wool, and hogs and pigs.

- Specialty Crops: See list on [https://www.farmers.gov/cfap](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.
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. Exception for some corporate entities can get up to $750,000.

• This limitation applies to the total amount of CFAP payments made with respect to all eligible commodities.
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.
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.
<table>
<thead>
<tr>
<th>Product</th>
<th>CARES Act Payment Rate ($/unit)</th>
<th>CCC Payment Rate ($/unit)</th>
<th>Inventory Receiving Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn (bu)</td>
<td>$0.32</td>
<td>$0.35</td>
<td>Unpriced inventory held as of January 15, 2020, cannot exceed 50% of 2019 production</td>
</tr>
<tr>
<td>Soybeans (bu)</td>
<td>$0.45</td>
<td>$0.50</td>
<td>CARES - First quarter production</td>
</tr>
<tr>
<td>Upland Cotton (lb)</td>
<td>$0.09</td>
<td>$0.10</td>
<td>CCC - First quarter production, multiplied by 1.014</td>
</tr>
<tr>
<td>Dairy (cwt)</td>
<td>$4.71</td>
<td>$1.47</td>
<td>CARES Act - Cattle sold between January 15, 2020, to April 15, 2020</td>
</tr>
<tr>
<td>Slaughter cattle-mature (head)</td>
<td>$92</td>
<td>$33</td>
<td>CCC - Unpriced cattle inventory between April 16, 2020, to May 14, 2020 (highest inventory level in the period)</td>
</tr>
<tr>
<td>Slaughter cattle—fed (head)</td>
<td>$214</td>
<td>$33</td>
<td></td>
</tr>
<tr>
<td>Feeder cattle &lt; 600 lb (head)</td>
<td>$102</td>
<td>$33</td>
<td></td>
</tr>
<tr>
<td>Feeder cattle &gt; 600 lb (head)</td>
<td>$139</td>
<td>$33</td>
<td></td>
</tr>
<tr>
<td>All other cattle (head)</td>
<td>$102</td>
<td>$33</td>
<td></td>
</tr>
</tbody>
</table>
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 (silage can be converted to bushel equivalents 7.94/ton)
  – \((10,000 \text{ bu} \times 0.5 \times \$0.32) + (10,000 \times 0.5 \times \$0.35)\)
  – $1,600 + $1,750
  – $3,350 (or $0.335/bu) – initial payment 80% of this total.
CFAP Payments to Crop Producers

• Example: Cotton (48,000 lb x 0.5 x $0.09) + (48,000 lb x 0.5 x $0.10)
  – $2,160 + $2,400
  – $4,560 (or $0.095/lb) – initial payment 80% of this total.

• Example: Soybeans
  – (10,000 bu x 0.5 x $0.45) + (10,000 x 0.5 x $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***
Net Price per Bushel ($/lb)

Average TN Cash Corn Prices (Old Crop) at Elevators and Barge Points With and Without CFAP Payments, January 2-May 29, 2020

- $4.04, January 14
- $3.09, April 28
- $3.85, March 13
- $3.34, May 29

**Sold Inventory between January 15-March 13:** Limited Covid-19 impact plus $0.335/bu CFAP payment (subject to eligible inventory & payment limits).

**Sold after March 13:** Covid-19 related price declines exceeded CFAP payment ($0.335).

TN Average Cash Corn Price
TN Cash Corn + $0.335
Estimated Seasonally Adjusted Price

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Average TN Cash Soybean Prices (Old Crop) at Elevators and Barge Points
With and Without CFAP Payments, January 2-May 29, 2020

Sold Inventory between Jan 15-Mar 4: CFAP payments ($0.475/bu) brought net producer compensation back to early January prices (seasonally adjusted) (subject to eligible inventory & payment limits).

Sold after March 4: Covid-19 related price declines exceeded CFAP payment ($0.475).

Impact occurred earlier than corn due to China import concerns.

$9.47, January 14
$9.64, March 4
$8.34, March 18

TN Average Cash Soybean Price
TN Cash Soybean + $0.475
Estimated Seasonally Adjusted Price
Steps to Sign up for CFAP

• Organize inventory and sales records for all eligible crops and livestock.

• Call FSA service center or visit www.farmers.gov/cfap.

• Fill out and sign required documents before August 28.
New Crop

• CFAP payments do not compensate producers for any (2020) new crop price losses.
  – 2019 production may have received MFP, Crop Insurance, PLC/ARC, and CFAP payments.
  – What will 2020 government payments be?

• New crop price declines have time to recover between now and harvest…… will they?

• Compression of the marketing window.
Overview

• Demand is typically less interesting than supply, however this year demand has taken on a life of its own for agricultural markets and threatens to act as a dampener for an indefinite period.
  – Trade, ethanol, livestock use, quarantine effects on consumer spending etc.
  – Is Phase 1 falling apart?

• Combined with new crop supply uncertainty and large global stocks this creates the potential for a challenging price environment.
• Bringing ethanol back to pre-covid-19 production levels is important for domestic corn demand.

• The financial health of the ethanol industry has taken a massive hit with the collapse in energy/fuel prices.

• Will idled or reduced production ethanol facilities recover? How long will it take?
US Corn Production, Consumption, and Ending Stocks, 2016-2020

97 million acres projected to be planted. Actual will likely be less.

What will yields be?
Global Corn Production, Consumption, and Ending Stocks, 2016-2020

Can global demand recover and meet USDA projections?
Abundant global supplies.

Ending Stocks  Production  Consumption


Billion Bushels

- 45.51
- 46.72
- 44.32
- 44.11
- 43.89
- 44.23

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If prices rallied like last year (80+ cents), we would be just above $4. Is this realistic? Probably not without a major weather event.
Export sales are almost half of consumption. Can we export that amount without strong purchases from China?
Where would stocks be without the 2019 prevented planting issues?
How many acres moved from corn to soybeans this spring? Corn 97 million; Soybeans 83.5 million were projected. 1.04 and 1.5 in TN.
World Soybean Production, Consumption, and Ending Stocks, 2016-2020

ASF – China Imports are demand keys.
US and South American growing conditions are supply keys.

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Domestic Consumption</th>
<th>Ending Stocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>3.47</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>2017</td>
<td>3.62</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>2018</td>
<td>4.13</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>2019</td>
<td>3.68</td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>2020</td>
<td>3.62</td>
<td></td>
<td>10</td>
</tr>
</tbody>
</table>

Billion Bushels

Real. Life. Solutions.
Prices are back down near trade war induced lows of 2018/19.
2020 Crop What can I Do?

• Current prices are not attractive for sales.

• Evaluate storage capacity (know how much you will need to sell between now and harvest).

• Basis opportunities? Poultry, Livestock, Distilleries…
  – Need to seek out price premiums or beneficial arrangements.

• Act incrementally with price improvements… be realistic about price expectations.

• Government payments are likely to be less than 2019, but stay informed on policy.