

USDA Announces \$14 Billion in Aid to Farmers

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Original post [here](#).

The United States Department of Agriculture (USDA) [announced](#) on September 18 that a second tranche of approximately \$14 billion in federal aid will be made available to agricultural producers struggling as a result of the ongoing COVID-19 pandemic. The Coronavirus Food Assistance Program (CFAP 2) provides direct support to farmers facing significant price declines.

The previous CFAP 1 distributed \$9.9 billion to farmers affected by the COVID-19 pandemic, [of a total \\$16 billion](#) allocated to the program, before September 18. However, the program faced [criticism](#) from World Trade Organization member countries. Similar programs initiated in recent years have been the subject of [watchdog](#) and [congressional](#) investigations. The European Union, China, Brazil, and others have raised [concerns](#) that the CFAP violates the WTO Agriculture Agreement.

Agriculture Economic Situation

The USDA [projects](#) that farm cash receipts will decline 3.3% (\$12.3 billion) in 2020 as a result of the COVID-19 demand shock. Prices have fallen for many crops as a result of supply surpluses and weak demand.

Corn prices have fallen 18% and have not [recovered](#) due to the drastic reduction in gasoline demand. As of April, ethanol production has dropped about 50% this year compared to last. Additionally, corn and wheat future prices have declined nearly 20% and 15%, respectively, as a result of continuing uncertainty regarding foodservice sales. Live cattle futures price and dairy product prices have fallen 10% and 12%, respectively.

Overview of the Program

Most of the funds for CFAP 2 will [come](#) from the Commodity Credit Corporation (CCC) Charter Act. However, tobacco products will be financed up to \$100 million through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Tobacco commodities were not eligible for funding in the original CFAP. The CCC is [unable](#) to provide funding for tobacco products, per regulation 15 U.S.C. 714c.

There are three categories of commodities that are eligible to receive CFAP 2 payments:

- Price Trigger Commodities,
- Flat-rate Crops, and
- Sales Commodities.

Price trigger commodities are those commodities that experienced at least a five percent decline in prices from January through July. Prices for these crops dropped an average of 14% from mid-January to late July. The eligible crops in this category are barley, corn, sorghum, soybeans, sunflowers, upland cotton, and all classes of wheat. The payments for these commodities are based on 80% of the price decline and eligible acreage, weighted by actual 2002 production. Also, if the payment calculated under this formula's conditions are less than \$15 per acre, then the payment will be raised to \$15 per acre.

The second category is flat-rate crops, defined as crops whose prices did not fall by five percent from January through July. Payments related to these commodities will be calculated by multiplying eligible 2020 acres by \$15 per acre. The [USDA](#) identified the following crops in this category: alfalfa, extra long staple (ELS) cotton, oats, peanuts, rice, hemp, millet, mustard, safflower, sesame, triticale, rapeseed, and several others.

Sales commodities, the third category, include a broad range of specialty crops, aquaculture, nursery crops and floriculture, and livestock. Payments under this category will be calculated on a sales-based approach with five payment gradations associated with 2019 sales.

It is important to note that none of the payments under CFAP 1 or 2 are based on actual losses to agricultural producers. Additionally, no specific provisions are granted for producers selling locally rather than at wholesale or at different price points, such as organic or grass-fed price points. Rather, they are estimated levels of previous yields or sales. These calculations may favor relatively large producers who sell into commodity and wholesale markets over smaller, family-owned farms. [Critics](#) such as the National Sustainable Agriculture Coalition (NSAC), which advocates for family farms, have focused on this aspect as reductive and lacking accurate targeting measures to provide proper payments based on losses.

Only commercially produced commodities are eligible for CFAP 2 and producers must be operating at the time they submit their applications. Crops intended for grazing or manure are not eligible for CFAP 2. Producers are only eligible for a CFAP payment if their average adjusted gross income (AGI) from the 2016, 2017, and 2018 is less than \$900,000. However, the income cap does not apply if at least 75% of their average AGI comes from farming or foresting activities.

The NSAC also [criticized](#) this AGI provision for allowing large producers to claim the maximum payment possible. This might limit the funds available for small and medium-sized producers. Furthermore, the program operates on a "first-come, first-served" basis, which indirectly prioritizes larger producers with simple production mechanics since they can quickly file for CFAP payments, unlike smaller producers or those with more specialized production systems. Also, since CFAP payments are generated by commodity, diverse producers may face a more difficult time in gathering documentation.

The [NSAC](#) also criticized the CFAP 2 for not directly addressing difficulties of producers of color and others who have historically been underserved by USDA aid or have experienced difficulty obtaining service from FSA offices.

Producers cannot receive more than \$250,000 under CFAP 2 for the combined commodities they grow; payments received from the original CFAP are not considered towards this limit. The payment ceiling can rise to as high as \$750,000 if three different members of the legal entity applying each provide 400 hours of active personal labor.

In order to apply, producers must submit an application to the Farm Service Agency (FSA), as well as certifications of AGI and eligible crop acreages. The signup period will be open from September 21 through December 11.

The USDA [estimates](#) that \$10.72 billion in CFAP 2 payments will go to price trigger commodities, after payment limitations are calculated; \$0.32 will go to flat-rate commodities; and \$2.17 billion will go to sales commodities.

CFAP 1

As of September 13, the original CFAP had [approved](#) 621,919 applications for funds, with over \$9.9 billion in payments disbursed or in review for disbursement. About 77% of those funds went to cattle, milk and corn producers. Unlike [complaints](#) about the USDA's 2019 Market Facilitation Program, the CFAP funds do not appear to have an overly concentrated geographic density in the South.

During the original CFAP, the USDA determined that payment limitations only affected 1% of applicants. The USDA did not provide detailed information on the concentration of payments to these producers. Payments were about 77% of the level that they would have been without payment limitations. According to the USDA cost-benefit [analysis](#), this saved the federal government approximately \$3 billion. The USDA maintains that these payment limitations are an effective way to ensure equity and fairness in its distribution of CFAP funds.

Some [critiques](#) of the CFAP have focused on the lack of a commitment to reducing inequalities in the farming industry. Specifically, CFAP does not reserve funding for historically underrepresented groups of farmers, such as members of the Black, Latinx, and immigrant communities. These farmers, as well as new and inexperienced producers, are more [likely](#) to be unaware of the CFAP, despite its potential to be the largest direct payment program to producers.

Commodity Credit Corporation

The CCC is a Depression-era program that allows the USDA to borrow as much as \$30 billion from the Treasury Department. President Trump [requested](#) that an additional \$21 billion be allocated to the CCC in the short-term spending resolution to avoid a government shutdown. The CARES Act [allocated](#) \$14 billion to replenish the CCC, which is the source of funding for CFAP 2. This appropriation is not specifically limited to COVID-19 programs, but the

equivalent headline numbers imply that those funds allotted to the CCC in the CARES Act are the basis for CFAP 2.

However, the Farm Bureau, a lobbying organization representing the agriculture industry, still [estimates](#) that the CCC funds will be depleted by November, since the original CFAP used \$6.5 billion in CCC funds. The CCC currently has about \$2 billion in borrowing authority, with projected outlays of another \$7 billion. This means that noncontroversial annual support aid and conservation payments could be delayed for several months, causing further uncertainty and instability. Congressional Democrats are [hesitant](#) to fund the CCC further. The top Democrat on the Senate Agriculture Committee said the administration of CFAP has “not been fair,” prioritizing large over small farmers and southern over midwestern districts.

Despite these disagreements, the Continuing Resolution (CR) that [passed](#) the House on September 22 states that the CCC will be reimbursed for entitlements and mandatory 2020 payments, ensuring that the CCC will be able to fund conservation programs and annual aid payments. The CR also restricts CCC and USDA funds from supporting oil refineries or importers, directly or indirectly. Prior to this limitation, reports [indicated](#) that the Trump Administration considered using \$300 million in USDA funds, likely through the CCC, to provide cash aid to US oil refineries. However, this would no longer be possible if the CR becomes law.