

CARES Act Ag Programs Summary from NFU – April 20, 2020

On Friday evening, USDA [announced](#) \$19 billion in assistance to U.S. farmers and ranchers and other actors in the food supply to survive and recover from the coronavirus pandemic. The bulk of the funds will be made available to farmers and ranchers facing losses due to declining prices and radically-altered supply chains, while money will also be used to purchase and distribute excess commodities. The funding stems from the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act), the \$2 trillion economic stimulus package passed by Congress in late March, as well as from other USDA authorities.

Later on Friday, NFU issued a [statement](#) with initial impressions of the program. The aid from USDA should make its way to family farmers and ranchers relatively quickly in a matter of weeks but many questions remain.

While Secretary Perdue has said he plans for assistance to be distributed to farmers by the end of May, USDA has yet to develop payment rates, a sign-up process, eligibility guidelines, and resolve other payment and program logistics. The plan will also be subject to a rulemaking process, which will require notice and comment periods and White House review, further throwing in doubt the payment timeframe. USDA is also expecting to provide additional assistance in July once additional funding is replenished through the Commodity Credit Corporation (CCC).

Below is a summary of the available information on USDA's plan for how the assistance will be distributed and how other agencies – most notably the Small Business Administration (SBA) are continuing in to implement aid to farmers during the pandemic. When more information is made available on this program and other aid packages for family farmers and ranchers, NFU will provide further updates. Additionally, **NFU government relations staff will be available to answer these questions tomorrow, Tuesday, April 21, during the "All Farmers Union Staff COVID-19 Update" call at 3pm Eastern.**

Coronavirus Food Assistance Program

USDA consolidated into one program the funding and authorities provided by the [Coronavirus Aid, Relief, and Economic Security Act \(CARES\) Act](#) and the [Families First Coronavirus Response Act \(FFCRA\)](#), along with authorization and money already available. The new program is known as the Coronavirus Food Assistance Program (CFAP). There are two major parts of CFAP:

Direct Support to Farmers and Ranchers: CFAP will provide \$16 billion in direct support based on actual losses farmers suffered as a result of lower prices and supply chain disruptions. Help is also provided for farmers who have been affected by additional marketing costs because of decreased demand or oversupply due to COVID-19.

Of the \$16 billion in direct support, **\$9.6 billion will be spent on the livestock industry**, which is broken down so that \$5.1 billion will be directed to cattle producers, \$2.9 billion for

dairy farmers, and \$1.6 billion for hog growers. Furthermore, **\$3.9 billion will be directed to commodity or row crop farmers, \$2.1 billion is intended for specialty crops producers**, and the remaining **\$500 million is for other crops**.

Starting in late May, farmers will receive a one-time, single payment determined by calculating:

1. 85 percent of the price losses that between January 1 through April 15, 2020.
2. 30 percent of the expected losses from April 15 through September 2020.

A commodity must have suffered at least a five percent decrease in price between January and April of this year in order to be covered by the program. USDA says that payments to farmers will be based on actual production and actual losses, although it is unclear how production will be calculated or which price series will be used for each commodity. These figures will likely be used to create a payment rate for each commodity or crop that is eligible to be part of CFAP, but this remains uncertain.

To receive aid, recipients will be subject to an eligibility threshold of \$900,000 AGI for any individual or entity, unless more than 75 percent of their income was derived from agriculture. There will be a payment limit of \$125,000 per affected commodity with an overall limit of \$250,000 per individual or entity. Secretary Perdue and other USDA officials have expressed a degree of disappointment that these restrictions are set to be part of the program, citing a desire from the White House to address some of the concerns that were raised about the Market Facilitation Program and its lax payment limitations.

Purchases and Distribution: The second main component of CFAP relates to the purchase of commodities for use in hunger programs. USDA will work with regional and local distributors, whose workforce has been significantly impacted by the closure of many restaurants, hotels, and other food service entities, to purchase \$3 billion in fresh produce, dairy, and meat. The agency will assist with the procurement of an estimated \$100 million per month of fresh fruits and vegetables, \$100 million per month of dairy products, and \$100 million per month of meat. Distributors and wholesalers will provide a pre-approved box of produce, dairy, and meat products to food banks, community and faith-based organizations, and other non-profits serving Americans in need.

USDA is hosting a webinar on the purchasing and distribution program tomorrow, Tuesday, April 21, 2020. Stakeholders are invited to join in the call and may [register here](#).

There are many details of USDA's plan that have yet to be finalized. In fact, as USDA advances the direct support component of CFAP through the rulemaking process and the Office of Management and Budget, it is likely there will be significant differences between what has been announced and the final version of the program.

Outside of CFAP, USDA is using its continued and expanded authorities from pandemic response legislation. This includes \$873 million in acquisition of excess commodities through Section 32 and another \$850 million for food bank administrative costs and USDA food purchases.

Throughout the last few days, Secretary Perdue has reiterated his desire for Congress to raise the cap on the CCC, which is presently \$30 billion. He made clear his support for efforts to increase the fund to \$50 billion, which was part of the debate on the CARES Act. The Secretary also noted that the cap was last raised in 1987 and, when factoring in inflation, that amount would be equivalent to \$68 billion today.

Paycheck Protection Program

The SBA Paycheck Protection Program (PPP) authorized by the CARES Act ran out of its authorized \$349 billion last Thursday, April 16. The appropriation of additional funds for PPP has been a central focus of a possible interim stimulus bill for the past week or so. Reports Monday morning of a deal include about \$300 billion for PPP.

As noon on April 16, SBA [reported](#) having approved 46,334 loans in the agriculture, forestry, fishing and hunting sectors, totaling about \$4.4 billion. A more granular breakdown of loans in these combined sectors is not yet available. These loans encompassed about 1.28 percent of approved loans at that time; when reporting, about \$342 of \$349 billion had been approved.

While the appropriation of additional funds for PPP may help some farmers (some farmers have reported having an easy time accessing the program), there have been many reports of problems accessing the program. Much seems to depend on the lender and their ability to interface successfully with SBA.

PPP was clearly not designed with farm businesses in mind. While sole proprietors, independent contractors, and self-employed individuals are eligible to use the program, it is designed for greatest ease of use for businesses employing traditional employees. Farmers may also have trouble with PPP if they employ seasonal labor, if their income is highly variable year to year, and if they have unique lease or rental arrangements.