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**COVID-19 Impacts on Arkansas’ Agricultural and Rural Economies**

**UPDATE:**

**Coronavirus Food Assistance Program Summary**

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The Coronavirus Food Assistance Program (CFAP), a relief program for agricultural producers to address losses related to COVID-19, was authorized in the Coronavirus Aid, Relief, and Economic Stability (CARES) Act. Details of CFAP were released recently, and sign-up for the program is currently open and will remain so until Aug. 28, 2020. Applications for support under this program are being accepted at USDA Farm Service Administration offices.

The program includes significant support for producers of cattle, hogs, and sheep; a variety of specialty crops; and a number of major row crops (referred to as non-specialty crops in program documents).

***Non-Specialty Crops***

Row crops produced in significant quantity in Arkansas that are eligible for support under CFAP include corn, upland cotton, soybeans, and grain sorghum. The program also includes support for malting barley, canola, millet, oats, sunflowers, and durum and hard red spring varieties of wheat.

The intent of the CFAP program for non-specialty crops is to compensate producers for the loss in the value of old crop inventories that occurred in early 2020 as a result of the COVID-19 pandemic. Payments are thus tied to the unpriced inventory of eligible crops held as of Jan. 15, 2020. A payment may be received on the smaller of 50 percent of 2019 production or the Jan. 15, 2020 inventory of 2019’s production. **To document eligibility, producers will be asked to provide information on 1) 2019 production of the eligible commodity and 2) unpriced inventory of the 2019 crop as of Jan. 15, 2020.**

The criterion for payment eligibility is the crop inventory was subject to price risk at the onset of COVID-19 market disruptions. Thus, inventory held under contract may not be eligible for payment. USDA identifies the following contract types as ineligible for a CFAP payment: cash contract, fixed price contract, forward price contract, cash forward contract, minimum price contract, option contract, window contract, hedge-to-arrive contract, futures-fixed contract, and futures contract. If inventory was placed under any of these contract terms prior to Jan. 15, that inventory is not eligible for a CFAP payment. By contrast, inventory placed under a basis or basis-fixed contract or a delayed or deferred price contract would still be eligible for CFAP because those contract terms leave the covered inventory unpriced.

According to the CFAP Final Rule published by USDA, the CPAP will make a single payment that is based on both a CARES Act and Commodity Credit Corporation (CCC) payment rate for each crop according to the following formula:

1. CFAP Payment = [0.5 x (Eligible Inventory x CARES Rate)] + [0.5 x (Eligible Inventory x CCC Rate)],

where, as noted, eligible inventory is the lesser of the January 15 unpriced inventory of the 2019 crop or one-half of 2019 total production of the crop.

CFAP and CCC payment Rates for CFAP-eligible non-specialty crops are summarized in table 1 below.

**Table 1.** Payment Rates for CFAP Payment Calculation on Non-Specialty Crops

|  |  |  |  |
| --- | --- | --- | --- |
| **Commodity** | **Units** | **CARES Act Pmt. Rate** | **CCC Pmt. Rate** |
| Corn | Bushels | $0.32 | $0.35 |
| Cotton (Upland) | Pounds | $0.09 | $0.10 |
| Sorghum | Bushels | $0.30 | $0.32 |
| Soybeans | Bushels | $0.45 | $0.50 |
|  |  |  |  |
| Barley (Malting) | Bushels | $0.34 | $0.37 |
| Canola | Pounds | $0.01 | $0.01 |
| Millet | Bushels | $0.31 | $0.34 |
| Oats | Bushels | $0.15 | $0.17 |
| Sunflowers | Pounds | $0.02 | $0.02 |
| Wheat (Durum) | Bushels | $0.19 | $0.20 |
| Wheat (HRS) | Bushels | $0.18 | $0.20 |

For example, a farmer with 20 percent of a 50,000-bushel 2019 corn crop left unpriced as of Jan. 15, 2020 (i.e., 10,000 bushels), would be eligible for the following payment under CFAP:

1. 0.5($0.32 x 10,000 bushels) + 0.5($0.35 x 10,000 bushels) = $3,350

***Specialty Crops***

A variety of specialty crops are eligible for relief payment under CFAP. Because specialty crops may have actually been in production when COVID-19 market impacts began, the payment provisions for these crops are a bit different than for non-specialty crops. Specialty crop payments are intended to cover three sources of potential loss: 1) a 5 percent or greater price decline from mid-January through mid-April, 2) spoilage of already-shipped produce due to the loss of a marketing channel (i.e., food service closures), or 3) produce that did not leave the farm or that went unharvested due to lost markets. Payment rates (all in $/pound) related to each of these sources of losses for eligible specialty crops are included in Table 2. Note that not all crops are eligible for all three types of payment.

Payment calculation for specialty crops under CFAP is straightforward: quantity of product experiencing loss under any of the three categories multiplied by the relevant payment rate. Payment caps and AGI limitations apply as for non-specialty crops.

**Table 2.** Payment Rates for CFAP Payment Calculation on Eligible Specialty Crops

|  |  |  |  |
| --- | --- | --- | --- |
| **Commodity** | **CARES Rate for Price Loss** | **CARES Rate for Shipped Product** | **CCC Rate for Unshipped or Unharvested Product** |
| Almonds | $0.26 | $0.57 | $0.11 |
| Apples | -- | $0.18 | $0.03 |
| Artichokes | $0.66 | $0.49 | $0.10 |
| Asparagus | -- | $0.38 | $0.07 |
| Avocados | -- | $0.14 | $0.03 |
| Beans | $0.17 | $0.16 | $0.03 |
| Blueberries | -- | $0.62 | $0.12 |
| Broccoli | $0.62 | $0.49 | $0.10 |
| Cabbage | $0.04 | $0.07 | $0.01 |
| Cantaloupe | -- | $0.10 | $0.02 |
| Carrots | $0.02 | $0.11 | $0.02 |
| Cauliflower | $0.11 | $0.31 | $0.06 |
| Celery | – | $0.07 | $0.01 |
| Corn, sweet | $0.09 | $0.13 | $0.03 |
| Cucumbers | $0.13 | $0.15 | $0.03 |
| Eggplant | $0.07 | $0.15 | $0.03 |
| Garlic | – | $0.85 | $0.17 |
| Grapefruit | – | $0.11 | $0.02 |
| Kiwifruit | – | $0.32 | $0.06 |
| Lemons | $0.08 | $0.21 | $0.04 |
| Lettuce, iceberg | $0.20 | $0.15 | $0.03 |
| Lettuce, romaine | $0.07 | $0.12 | $0.02 |
| Mushrooms | – | $0.59 | $0.11 |
| Onions, dry | $0.01 | $0.05 | $0.01 |
| Onions, green | – | $0.30 | $0.06 |
| Oranges | – | $0.14 | $0.03 |
| Papaya | – | $0.32 | $0.06 |
| Peaches | $0.08 | $0.32 | $0.06 |
| Pears | $0.08 | $0.18 | $0.03 |
| Pecans | $0.28 | $0.93 | $0.18 |
| Peppers, bell type | $0.14 | $0.22 | $0.04 |
| Peppers, other | $0.15 | $0.22 | $0.04 |
| Potatoes | – | $0.04 | $0.01 |
| Raspberries | – | $1.45 | $0.28 |
| Rhubarb | $0.15 | $1.03 | $0.20 |
| Spinach | $0.37 | $0.37 | $0.07 |
| Squash | $0.72 | $0.39 | $0.08 |
| Strawberries | $0.84 | $0.72 | $0.14 |
| Sweet potatoes | – | $0.18 | $0.04 |
| Tangerines | – | $0.22 | $0.04 |
| Taro | – | $0.23 | $0.05 |
| Tomatoes | $0.64 | $0.38 | $0.07 |
| Walnuts | – | $0.45 | $0.09 |
| Watermelons | – | $0.02 | – |
|  |  |  |  |

***Livestock***

For cattle, CFAP includes two types of payments on four five classes of cattle. The payments are for 1) cattle marketing between January 15 and April 15 and 2) the highest inventory of livestock owned between April 16 and May 14. That is, the program provides a payment to address the loss in realized income on cattle sold and also the lost value on cattle owned. The five classes of cattle are 1) feeder cattle < 600 pounds, 2) feeder cattle >600 pounds, 3) slaughter cattle – fed cattle, 4) slaughter cattle – mature cattle, and 5) all other cattle (excluding cattle used for dairy production).

For hogs, the arrangement of payments is similar: one payment for lost revenue, another for lost inventory value. Two classes of hogs are specified: pigs < 120 pounds and hogs > 120 pounds. Lambs and yearling sheep are also eligible for payments based on number sold and number in inventory.

Payment rates under the program are summarized in table 3 below. As with the specialty crop program, payments are calculated simply as number of head in the eligible payment category multiplied by the relevant payment rate.

**Table 3.** Livestock Classes and Payment Rates under Coronavirus Food Assistance Program

| **Livestock** | **Eligible Livestock** | **Unit of Measure** | **CARES Act Part 1 Payment Rate** | **CCC Part 2 Payment Rate** |
| --- | --- | --- | --- | --- |
| **Cattle** | Feeder Cattle: Less than 600 Pounds | Head | $102.00 | $33.00 |
|  | Feeder Cattle: 600 Pounds or More | Head | $139.00 | $33.00 |
|  | Slaughter Cattle: Fed Cattle | Head | $214.00 | $33.00 |
|  | Slaughter Cattle: Mature Cattle | Head | $92.00 | $33.00 |
|  | All Other Cattle | Head | $102.00 | $33.00 |
| **Hogs and Pigs** | Pigs: Less than 120 Pounds | Head | $28.00 | $17.00 |
|  | Hogs: 120 Pounds or More | Head | $18.00 | $17.00 |
| **Lambs & Yearlings** | All Sheep Less than 2 Years Old | Head | $33.00 | $7.00 |

***Other Payment Provisions***

For all commodity classes covered by CFAP individuals are subject to a $250,000 payment cap. CFAP includes special payment limitation provisions such that corporations, limited liability companies, and limited partnerships may receive up to $750,000 if multiple shareholders (up to three) in the entity each contribute at least 400 hours of active personal management or labor. CFAP payments are also subject to a $900,000 adjusted gross income (AGI) limitation, meaning that individuals with AGI in excess of $900,000 are not eligible for CFAP payments unless at least 75% of that income is from farming, ranching, or forestry-related activities.

Initial CFAP payments to individuals will only amount to 80 percent of the calculated payment for which the producer is eligible. The remaining 20 percent of the CFAP payment will be made at a later date, subject to the availability of funds. These funds are limited. According to the CFAP final rule, the total of all CFAP payments is limited to a total of $9.5 billion for CARES Act funds and $6.5 billion for CCC funds. Given that USDA has included a mechanism for additional crops to receive consideration for payment under this program, there is a very good chance that those spending limits will be tested.

Data on CFAP provisions, including all data in tables 1-3 were obtained from USDA’s CFAP information page: <https://www.farmers.gov/cfap>. Additional information on the program – including access to the final rule; detailed provisions for non-specialty crops, specialty crops, and livestock; and a CFAP payment calculator – is available at that link.

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