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Coronavirus Food Assistance Program (CFAP) payments

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Cornhusker Economics

Coronavirus Food Assistance Program (CFAP) payments

Market Report	Year Ago	4 Wks Ago	6-5-20
Livestock and Products, Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	114.00	95.00	*
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	174.72	155.96	168.26
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	147.46	133.40	142.48
Choice Boxed Beef, 600-750 lb. Carcass.	222.57	441.53	297.91
Western Corn Belt Base Hog Price Carcass, Negotiated	*	*	*
Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean.	82.28	115.75	72.72
Slaughter Lambs, woolled and shorn, 135-165 lb. National.	157.80	162.25	NA
National Carcass Lamb Cutout FOB.	388.26	408.26	418.35
Crops, Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu.	4.08	4.25	4.11
Corn, No. 2, Yellow Columbus, bu.	4.00	2.81	3.02
Soybeans, No. 1, Yellow Columbus, bu.	7.60	7.91	7.95
Grain Sorghum, No.2, Yellow Dorchester, cwt.	6.36	5.70	6.32
Oats, No. 2, Heavy Minneapolis, Mn, bu.	3.25	3.37	3.29
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	*	*	*
Alfalfa, Large Rounds, Good Platte Valley, ton.	110.00	90.00	87.50
Grass Hay, Large Rounds, Good Nebraska, ton.	97.50	80.00	80.00
Dried Distillers Grains, 10% Moisture Nebraska Average.	128.50	165.00	121.60
Wet Distillers Grains, 65-70% Moisture Nebraska Average.	50.00	51.88	40.50
* No Market			

On April 17, 2020, U.S. Secretary of Agriculture Sonny Perdue announced the Coronavirus Food Assistance Program (CFAP), a new program to assist producers and consumers affected by the COVID-19 pandemic (USDA 2020b). CFAP will provide \$19 billion in relief to producers and entities throughout the supply chain. This will be done through two programs, Direct Support to Farmers and Ranchers (\$16 billion) and USDA Purchase and Distribution (\$3 billion) (USDA 2020a). Producers will be paid on actual losses due to decreases in prices and/or disruption of supply chains. On May 19, 2020 USDA announced the details of the CFAP. There are three support payments for producers affected by the pandemic: euthanasia and disposal support¹, support from the CARES Act, and support from Commodity Credit Corporation (CCC) payments.

Non-specialty crop corn and soybean producers are eligible to receive one CFAP payment in two installments, from two sources, CFAP and CCC. In order to be eligible, producers must have Average Gross Income (AGI) less than \$900,000 for tax years 2016, 2017, and 2018, comply with conservation program regulations, and have no

¹ Only hog producers are eligible for depopulation support due to disruption in the supply chain from the CARES Act. However, other producers might be able to get support from other sources such as FEMA. Also, there have been no reports of cattle depopulation as of May 20, 2020

controlled substance violations. There is also a payment limit of \$250,000 per person/entity (USDA 2020b). The CFAP payment is 50% of the two combined payments from the CARES Act and the CCC. These per-bushel payments for corn and soybean producers are \$0.32, \$0.35 and \$0.45, \$0.50, respectively from the CARES Act and CCC. Therefore, the combined CFAP payment is \$.335 per bushel for corn and \$.475 per bushel for soybeans. The CFAP payment will be made in two installments. The first installment will be 80% of the total payment and the remaining 20% will be disbursed later depending on the availability of funds in the two pools.

The payments will be made based on a producer's self-certified unpriced inventory vested ownership as of January 15, 2020 or 50% of the producer's 2019 production. Unpriced inventory is defined as "any production that is not subject to an agreed-upon price in the future through a forward contract, agreement or similar binding document" (CFAP Final Rule 2020). Producers will each have their own unpriced inventory so until we know what their inventories are, it is impossible to calculate what their CFAP payment will be if their unpriced inventory turns out to be less than 50% of their 2019 production.

Table 1 illustrates an example of the expected CFAP payment for corn and soybean producers of the state based on 2019 state yield, average farm size based on the 2017 Census of Agriculture. For the purposes of this example, the unpriced inventory as of January 15, 2020 is assumed to be greater than 50% of 2019 production so that the estimated payments are based on known 2019 production. Producers who have unpriced inventory that is lower than half their 2019 production can change the calculations by simply using the unpriced inventory instead of the 2019 production.

Conclusion

The CFAP payments seem to be substantial for an average Nebraska corn and soybean producer. If both installments of the CFAP come through, an average corn producer can expect to receive payments of \$30.49 per acre. Similarly, an average soybean producer can expect to receive \$14.01 per acre. Producers can apply for CFAP payments from May 26, 2020 through August 28, 2020 and more information can be found at <https://www.farmers.gov/cfap/non-specialty>. There are also other government assistance programs, the Paycheck Protect Program (PPP), the Economic Disaster Injury Loan (EIDL), and support for de-population.

Table 1: Expected CFAP payment for average corn and soybean producers of Nebraska

	2019 Production	Corn	Soybean
Acres		971	971
Yield		182	59
Total Bushels		176,722	57,289
50% of production (a)		88,361	28,645
Unpriced inventory on January 15, 2020 (b)		-----	-----
Total Bushels used for calculation of CFAP payment (lower of a or b)		88,361	28,645
Rate		\$0.335	\$0.475
Total CFAP payment		\$29,601	\$13,606
CFAP payment per acre		\$30.49	\$14.01
Installment one, 80%, farm, (acre)		\$23,681 (\$24.39)	\$10,885 (\$11.21)
Installment two, 20%, farm, (acre)		\$5,920 (\$6.10)	\$2,721 (\$2.80)

Disclaimer

The findings and conclusions in this presentation have not been formally disseminated by the U.S. Department of Agriculture and should not be construed to represent any determination or policy.

References:

Coronavirus Food Assistance Program Final Rule. 2020. Federal Register Volume 85, No. 99. Available online : <https://www.farmers.gov/sites/default/files/documents/cfapfrm-05212020.pdf>

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