

Sign up for USDA-CFAP Direct Support to Begin May 26, 2020

Ben Brown, Peggy Kirk Hall, David Marrison, Dianne Shoemaker and Barry Ward
The Ohio State University

Since the enactment of the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020 and the announcement of the Coronavirus Food Assistance Program (CFAP) on April 17, 2020, producers in Ohio and across the country have been anxiously awaiting additional details on how the Coronavirus Food Assistance Program (CFAP) will provide financial assistance for losses experienced as a result of lost demand, short-term oversupply and shipping pattern disruptions caused by COVID-19. The additional details on CFAP eligibility, payment limitations, payment rates, and enrollment timeline arrived on May 19, 2020, when the USDA issued its Final Rule for CFAP. We explain the Final Rule in this issue of *News from the Farm Office*.

Background

CFAP will utilize \$9.5 billion of funding provided from the CARES Act and \$6.5 billion from the Commodity Credit Corporation (CCC) to provide \$19 billion in total support to agricultural producers through two elements: \$16 billion in *Direct Support to Farmers and Ranchers* and \$3 billion in the *USDA Purchase and Distribution Program*. The Purchase and Distribution Program is already underway.

Until May 19, little was known about the *Direct Support for Farmers and Ranchers Program*. Early in May, Senate Agricultural Appropriations Chairman John Hoeven (SD) released to reporters the anticipated payment breakdowns per commodity at \$5.1 billion for cattle, \$2.9 billion for dairy, \$1.6 billion for hogs, \$3.9 billion for row crops, \$2.1 billion for specialty crops and \$0.5 billion for other crops. These breakdowns in funding **have not been confirmed** by USDA nor were they mentioned in USDA's press conference and press release on May 19, 2020. The remainder of this article focuses on what we do know about the *Direct Support to Farmers and Ranchers Program* portion in CFAP based upon the USDA's Final Rule.

Eligibility Requirements

Eligible producers are defined as any person or legal entity that shared in the risk of producing the crop or is entitled to share in the revenue from marketing on January 15, 2020 or April 16, 2020 through May 14, 2020. An eligible producer must also be a U.S. citizen or resident alien.

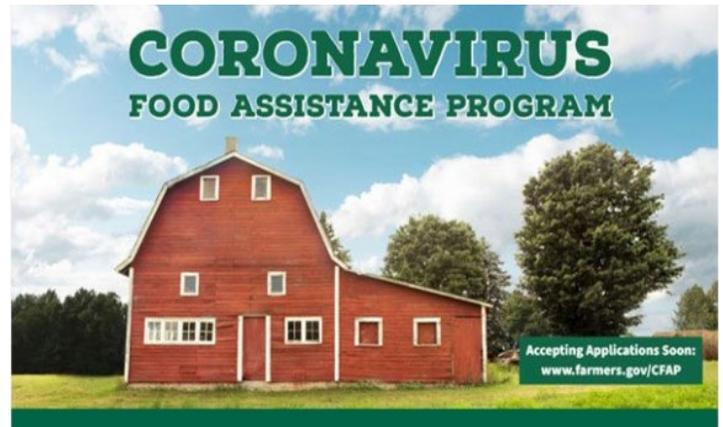


Photo Source: United States Department of Agriculture

Eligible non-specialty crops and wool include malting barley, canola, corn, upland cotton, millet, oats, soybeans, sorghum, sunflowers, durum wheat, hard red spring wheat, and wool. Notable for Ohio producers is the absence of soft red winter wheat.

Eligible specialty crops include apples, avocados, blueberries, cantaloupe, grapefruit, kiwifruit, lemons, oranges, papaya, peaches, pears, raspberries, strawberries, tangerines, tomatoes, and watermelons, artichokes, asparagus, broccoli, cabbage, carrots, cauliflower, celery, sweet corn, cucumbers, eggplant, garlic, iceberg lettuce, romaine lettuce, dry onions, green onions, peppers, rhubarb, spinach, squash, sweet potatoes, taro, almonds, pecans, walnuts, beans, and mushrooms. Additional crops may be added later, specifically aquaculture and nursery crops including cut flowers. The Agricultural Marketing Service will assist the Farm Service Agency with respect to matters dealing with producers of specialty crops.

Eligible livestock include cattle, sheep (yearlings and lambs only), and hogs. Dairy milk is eligible but has a separate payment calculation.

To be eligible, commodities had to experience a 5% or greater drop in their corresponding futures prices between the weeks of January 13-27 and April 6-9, 2020. For non-specialty crops and livestock, the decline in price was calculated by using the average of futures prices or cash prices if futures prices were not available. For specialty crops, the price decline was calculated using the same periods and reported prices by the Agricultural Marketing Service.



Payment Limitations

CFAP payments are subject to a per person or per legal entity payment limitation of \$250,000. This is an increase from normal USDA payment limitations of \$125,000. This limit is the sum of all eligible commodity payments paid to a person or entity. The total payment amount of CFAP payments attributed to one individual will be determined by taking into account the individual's direct and indirect ownership interest of all the entities participating in CFAP funding. Unlike other FSA administered programs, special payment limitations will be applied to participants that are corporations, LLCs, and limited partnerships classified as corporate entities. In these cases, the entity can only receive funds for up to three shareholders who are contributing at least 400 hours of management or active personal labor to the business. The rate is \$250,000 per person with a maximum of \$750,000 per entity.

A person or legal entity other than a joint venture or general partnership is ineligible for payments if the average Adjusted Gross Income (AGI) for the 2016, 2017 and 2018 tax years is more than \$900,000 unless at least 75% of that person's AGI is derived from farming, ranching or forestry related activities.

Timeline and Application

Eligible producers can start signing up for assistance at their local Farm Service Agency office on **Tuesday, May 26, 2020**. Currently due to COVID-19 restrictions, FSA Service Centers are open for business by phone appointment only. The FSA has streamlined the sign-up process and will be working with producers via phone and using e-mail, fax, mail, and online tools to accept applications. Producers can find the local FSA Service Center contact information by visiting this link: <https://offices.sc.egov.usda.gov/locator/app>. Sign up concludes at close of business on **August 28, 2020**.

Required forms at time of sign up include:

- A farm operating plan.
- CCC-901: name, address, Tax ID, citizen status.
- CCC-941: reports average gross income.
- CCC-942: certifies income source, if applicable.
- AD-1026: highly erodible land and wetland certification.
- AD-2047: provides basic customer contact information.
- SF-3881: collects bank information for direct deposit.

Producers who have previously participated in FSA programs will have most of these forms on record at their local FSA office. However, the forms are also available on USDA's website at <https://forms.sc.egov.usda.gov/eForms>.

The USDA may also require documentation of ability to harvest, transport, or market the crop in a quantity determined based on the producer's approved yield, expected production

or inventory of livestock, and the applicant's ownership or risk in the commodity.

Producers who are approved for participation in CFAP funding **must retain** documentation in support of their application for **three years** after the date of approval.

Payments and Payment Rates

Since funding sources include both the CARES Act and the Commodity Credit Corporation with two stated objectives, payment rates are split in three parts for specialty crops and two parts for non-specialty crops and livestock. The CFAP portion is intended to provide producers with financial assistance to "help offset sales losses and increased marketing expenses associated with the COVID-19 pandemic." Commodity Credit Corporation funding is used to provide partial compensation for the "purchases of materials and facilities required in connection with the production and marketing of agricultural commodities and the disposal of surplus commodities from normal marketing channels that may be currently unavailable." This support is to assist producers with losses, but not intended to cover total losses.

As applications are approved, 80% of the payment will be released with the remaining 20% held and paid at a later date if adequate funds remain. For all commodities listed below, the CFAP and CCC rates mentioned are appended in Tables 1 and 2. We explain the formulas and provide examples for each commodity below.

Payments for non-specialty crops and wool

The formula to calculate non-specialty crops and wool has two parts:

- Part 1: The **lesser** of either 50% of 2019 production or the unpriced inventory on hand as of January 15, 2020 multiplied by 50% and the CFAP per unit rate per commodity.
- Part 2: The **lesser** of either 50% of 2019 production or the unpriced inventory as of January 15, 2020 multiplied by 50% and the CCC per unit rate per commodity.

The January 15, 2020 inventory is calculated by adding current inventory plus sales records between January 15 and the date of enrollment. Other forms of acceptable documentation include ledgers of income, income statements of deposit slips, register tapes, invoices for custom harvesting, records to verify custom harvesting, records to verify production costs, truck scale tickets, or contemporaneous diaries that are determined acceptable by USDA. It is uncertain at this time how held futures contracts of commodities on January 15 will be treated. This is the case for producers who sell their entire crop at

(Payments and Payment Rates, continued)

harvest then buy futures contracts to capture market rallies. The grain producer has market risk, but no language was included for these producers.

Non-specialty crop and wool formula

$$(50\% * (\text{Lesser of 50\% 2019 production or inventory 1/15/20}) * \text{CFAP Rate}) \\ + \\ (50\% * (\text{Lesser of 50\% 2019 production or inventory 1/15/20}) * \text{CCC Rate}) = \text{Payment}$$

Non-specialty crop and wool example

Scenario: 40,000 bushels of unpriced corn on hand 1/15/2020 representing 40% of 2019 production.

$$(40,000 \text{ bu.} * 50\% * \$0.32/\text{bu.}) = \$6,400 \\ + \\ (40,000 \text{ bu.} * 50\% * \$0.35) = \$7,000 \\ \text{equals} \\ \text{Total Payment of } \$13,400 \text{ (80\% will be paid up front)}$$

Payments for livestock

For livestock, the payment is the sum of two parts:

- Part 1: Livestock sales (number of head) between January 15, 2020 and April 15, 2020 multiplied by the corresponding animal species CFAP payment rate per head.
- Part 2: The highest amount of livestock inventory (number of head) on any day between April 16, 2020 and May 14, 2020 multiplied by the corresponding species CCC payment rate per head.

Separate payment rates exist for cattle and hogs of different size and age classifications: slaughter cattle-mature cattle, slaughter cattle-fed cattle, feeder cattle less than 600 pounds, feeder cattle 600 pounds or more; all other cattle, pigs (less than 120 pounds) and hogs.

Livestock formula

$$(\text{Animals (head) sold 1/15/20-4/15/20} * \text{CARES Rate}) \\ \text{plus} \\ (\text{Head of unpriced animals 4/16/20-5/14/20} * \text{CCC Rate}) = \\ \text{Payment}$$

Livestock example

Scenario: 50 head of feeder cattle more than 600 pounds sold 3/20/20 and 100 head of other cattle 5/1/20.

$$(50 * \$139) = \$6,950 \\ + \\ (100 * \$33) = \$3,300 \\ \text{equals} \\ \text{Total Payment of } \$10,250 \text{ (80\% will be paid up front)}$$

Payments for dairy

Dairy payments also have a two part formula:

- Part 1 is based on the producer's certified milk production during the first quarter of 2020 (January through March). The CARES rate represents 80% of the USDA calculated first quarter price decline.
- Part 2 multiplies first quarter production by 1.014 (adjusting for increased second quarter production) and the CCC payment rate representing 25% of the calculated price decline.

Dairy formula

$$(\text{1st quarter production} * \text{CARES Rate}) \\ + \\ (\text{1st quarter production} * 1.014 * \text{CCC Rate}) = \text{Payment}$$

Dairy example

Scenario: 1st quarter milk production of 600,000 (6,000 cwt)

$$(6,000 * \$4.71) = \$28,260 \\ + \\ (6,000 * 1.014 * \$1.47) = \$8,943.48 \\ \text{equals} \\ \text{Total Payment of } \$37,203.48 \text{ (80\% will be paid up front)}$$

Payments for specialty crops

Specialty crop producers will receive a payment based on the sum of three parts:

- Part 1: Total sales multiplied by the CARES Act rate for sales lost, production that was shipped but unpaid.
- Part 2: Production multiplied by CARES Act rate for product that left the farm but spoiled due to loss of marketing channel, and unharvested production that was wasted due to lack of market access.
- Part 3: Unharvested production multiplied by the CCC payment rate.

Specialty crop formula

$$\text{Part 1} * \text{CARES Payment (Table 1, Column 2)} \\ \text{plus} \\ \text{Part 2} * \text{CARES Payment (Table 1, Column 3)} \\ \text{plus} \\ \text{Part 3} * \text{CCC Payment (Table 1, Column 4)}$$

Specialty crop example

Scenario: A producer sold 1,000 lbs. of tomatoes on 3/1/20, had 200 lbs. shipped but unpaid, and had 4,000 lbs. rot in the hoop house.

$$(1,000 \text{ lbs.} * \$0.64) = \$640 \\ + \\ (200 \text{ lbs.} * \$0.38) = \$76 \\ + \\ (4,000 \text{ lbs.} * \$0.07) = \$280 \\ \text{equals} \\ \text{Total Payment of } \$996 \text{ (80\% will be paid up front)}$$

Conclusion

Starting Tuesday, May 26, 2020, producers can contact their local FSA office and begin to sign up for CFAP funding authorized under the CARES Act and the Commodity Credit Corporation. Producers who are new to FSA programs will need to fill out paperwork and verify their ownership share or risk exposure, adjusted gross income, wetland and erodible land compliance and their contact information. Producers who participate in Farm Bill programs like Agricultural Risk Coverage, Price Loss Coverage or Dairy Margin Coverage will already have these forms on file. While the payment rates per commodity are the same for all producers, these payments are based on actual losses experienced earlier this year and as a result require certification of inventories, sales, or sometimes both. While many forms of verification exist, sales tickets, certified inventory statements or insurance records appear the easiest to obtain.

We await additional details about this program. This bulletin serves as the authors' interpretations of the Final Rule released by USDA, and FSA interpretation may be different.

OSU Extension and Ohio FSA will conduct a webinar in the upcoming days to outline program materials and answer questions. For information about the webinar and additional information on CFAP, please visit farmoffice.osu.edu. Information provided on the program by USDA along with a webinar for new FSA program participants is available at farmers.gov/CFAP.

References

"Coronavirus Food Assistance Program." *Coronavirus Food Assistance Program Farmers.gov: Resources for Farmers and Producers*, www.farmers.gov/cfap.

7 CFR Part 9, Coronavirus Food Assistance Program, Final Rule, available at www.farmers.gov/cfap.

Appendix 1

Table 1. Payment rates for specialty crops			
Commodity	CARES Act Payment Rates for Sales Losses (\$/lb.) Column 2	CARES Act Payment Rate for Product that left the farm, but spoiled due to loss of marketing channel (\$/lb.) Column 3	CCC Payment Rate (\$/lb.) Column 4
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	\$0.2	\$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
Onion, 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	\$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	--

Table 2: Payment rates for non-specialty crops, dairy, and livestock			
Commodity	Unit	CARES Act Payment Rate (\$/unit)	CCC Payment Rate (\$/unit)
Barley (malting)	bushel	\$0.34	\$0.37
Canola	pound	\$0.01	\$0.01
Corn	bushel	\$0.32	\$0.35
Durum Wheat	bushel	\$0.19	\$0.20
Hard Red Spring Wheat	bushel	\$0.18	\$0.20
Millet	bushel	\$0.31	\$0.34
Oats	bushel	\$0.15	\$0.17
Sorghum	bushel	\$0.30	\$0.32
Soybeans	bushel	\$0.45	\$0.50
Sunflowers	pound	\$0.02	\$0.02
Upland Cotton	pound	\$0.09	\$0.10
Dairy	hundredweight	\$4.71	\$1.47
Slaughter Cattle-Mature cattle	head	\$92	\$33
Slaughter Cattle-Fed cattle	head	\$214	\$33
Feeder cattle less than 600 pounds	head	\$102	\$33
Feeder cattle 600 pounds or more	head	\$139	\$33
All other cattle	head	\$102	\$33
Pigs	head	\$28	\$17
Hogs	head	\$18	\$17
Lambs and Yearlings	head	\$33	\$7
Wool (graded, clean basis)	pound	\$0.71	\$0.78
Wool (non-graded, greasy basis)	pound	\$0.36	\$0.39