

2020 CFAP PAYMENT SUMMARY

Written by Kent Thiesse
Farm Management Analyst and Senior Vice President, MinnStar Bank

USDA announced details for enrollment in the Coronavirus Food Assistance Program (CFAP), which will authorize up to \$16 billion in direct payments to farmers and ranchers to partially help offset the financial impacts that U.S. farmers and ranchers have incurred as a result of the COVID-19 pandemic. The aid package also included \$3 billion for USDA to purchase fresh produce and meat to be delivered to those in need through food banks and other charitable organizations, which is already occurring. The payment structure and formulas for CFAP crop and livestock payments are somewhat complex.

Sign-up details and payment calculations for the CFAP payments:

- **CFAP Enrollment** --- Sign-up for the CFAP program is May 26 through August 28, 2020 at local Farm Service Agency (FSA) offices, which are currently open for business by phone appointment only. Once FSA has verified CFAP eligibility, producers can complete the application on-line. **The CFAP payment calculator and application form (AD-3114) are available at: www.farmers.gov/CFAP**
- **Other CFAP requirements** --- For producers that normally enroll in farm programs or utilize other FSA services, the FSA offices likely already have most of the background information needed to apply for CFAP payments. For producers that are new to utilizing FSA programs and services, they may need to complete all or some of the following FSA forms:
 - **CCC-901** --- Identifies all members of a farm or ranch that is a legal entity, including name, address, and tax identification number.
 - **CCC-902** --- Farm operating plan for payment eligibility.
 - **CCC-941** --- Reports the adjusted gross income (AGI) to determine payment eligibility.
 - **CCC-942** --- Reports the amount of the AGI that is derived from farming.
 - **AD-1026** --- Ensures compliance with highly erodible land and wetland conservation practices.
 - **SF-3881** --- Collects customer banking information to allow FSA to direct deposit CFAP payments.**All of the listed FSA forms and the CFAP application are available at: www.farmers.gov/CFAP.**
- **Covered Commodities** ---
 - Field Crops** --- Corn, soybeans, spring wheat, durum wheat, sorghum, oats, malting barley, canola, upland cotton, millet, and sunflowers.
 - Livestock** --- Cattle, hogs, sheep, wool, and dairy.
 - Specialty Crops** --- Numerous fruits, vegetables, nuts, and other specialty crops.**For a complete list, go to: www.farmers.gov/CFAP**
- **Commodities Not Covered** --- Winter wheat, rice, rye, flax, feed barley, peanuts, alfalfa, forage crops, ESL cotton, eggs, poultry, hemp, and tobacco.
- **Note** --- Commodities were deemed eligible for CFAP based on a 5 percent or more price decline from January 15 to April 15, 2020. Except for hemp and tobacco, USDA may reconsider eligibility of the other commodities, if there is evidence that supports the required 5 percent price decline.
- **Payment structure and timeline** --- The funding for the CFAP direct payments will be derived as follows: \$9.5 billion from the \$2.2 trillion CARES Act and \$6.5 billion that is currently available through Commodity Credit Corporation (CCC) funds. There are two listed payment rates for each commodity, one for the CARES Act funds and one for the CCC funds. The eligible payments are then combined into one payment to producers, which will be paid at 80 percent as an initial payment and the final 20 percent will be paid later, as funds become available. FSA hopes to have initial payments out very soon after the CFAP application process is completed.

- **Field Crop payment rates** --- Following are the payment rates for common crops:

Corn --- CARES rate = \$.32 per bushel; CCC rate = \$.35 per bushel.

Soybeans --- CARES rate = \$.45 per bushel; CCC rate = \$.50 per bushel.

Spring Wheat --- CARES rate = \$.18 per bushel; CCC rate = \$.20 per bushel.

- **Livestock payment rates** ---

Hogs --- CARES rate = \$18 per head for market hogs; \$28 per head for hogs under 120 pounds.
CCC rate = \$17 per head for all hogs.

Cattle --- CARES rate = \$214 per head for market cattle; \$102 per head for feeder cattle under 600 Pounds and \$139 per head for 600 pounds and over; \$92 per head for market cows.
CCC rate = \$33 per head for all cattle.

Sheep --- CARES rate = \$33 per head for market sheep less than two years old.
CCC rate = \$7 per head for all sheep.

Dairy --- CARES rate = \$4.71 per hundredweight of eligible production.
CCC rate = \$1.47 per hundredweight of eligible production.

- **CFAP payment calculations** ---

Field Crops --- Both the CARES and CCC payments will be based on the following bushels or amount:

The lesser of 50 percent of the verified 2019 production for a crop or the “unpriced” bushels in inventory on January 15, 2020. Please refer to the Table on the next page regarding details for “unpriced” grain.

The CARES and CCC rates are then applied on 50 percent (.50) of the eligible bushels. Please refer to examples in the attached Table.

Livestock --- The CARES rate funding is based on the number of head sold from Jan. 15 to April 15.

The CCC rate funding is based on the highest inventory between April 16 and May 14.

Please refer to examples in the attached Table.

Dairy --- CARES payments will be based on the certified milk production for the first quarter of 2020.

The CCC payments will be based on the first quarter production times a factor of 1.014.

The CFAP payment calculator for all commodities is available at: www.farmers.gov/CFAP

- **Breeding Livestock Eligibility** --- Following is a breakdown of the eligibility of various livestock species, which were in inventory from April 16 to May 14, regarding breeding animal eligibility for CFAP payments

➤ **Cattle** --- Beef cows and bred heifers are eligible to be counted as inventory for CCC payments.

➤ **Hogs** --- Sows and bred gilts are eligible to be counted as inventory for CCC payments.

➤ **Sheep** --- Breeding ewes less than 2 years old are eligible to be counted for CCC payments.

Any breeding stock in these categories that were sold for market between January 15 and April 15 would be eligible for the CARES funding portion of CFAP payments.

➤ **Dairy** --- Dairy cows and heifers are not eligible to be counted as breeding stock. Dairy CFAP payments are based on milk production during the first quarter of 2020.

- **Payment Limits** --- Following are payment limits that apply to CPAP payments:

\$250,000 per individual or entity or all commodities.

A corporation or partnership may have payment limits for up to 3 individuals, for a total of \$750,000, provided that they meet eligibility requirements.

A person must have an adjusted gross income of less than \$900,000 to be eligible.

- **“Unpriced” Grain** --- There have been many questions regarding what USDA is considering as “unpriced” grain. USDA has released a clarification on grain contracts or risk management strategies (entered into on or before 1-15-20) regarding eligibility for CFAP payments. Use the following chart as a guideline to determine eligibility for CFAP.

Marketing Contract Eligibility for CFAP	
Type of Contract in Existence on or before Jan. 15, 2020	Explanation
Contracts Eligible for CFAP	
Basis Contract	Producer locks in a basis leaving the future price to be set later.
Basis Fixed Contract	
No Price Established	Producer delivers commodity without setting a sales price.
Delayed Price	
Deferred Price Contract	
Contracts Ineligible for CFAP	
Cash Contract	Producer receives a cash price for a commodity when sold.
Fixed Price Contract	
Forward Price Contract	Producer receives a cash price for a commodity based on a future delivery.
Cash Forward Contract	
Minimum Price Contract	Producer locks in the cash price and buys a call option to establish a minimum price. The net cash price will never be less than the original cash value minus the cost of the call option.
Option Contract	
Window Contract	
Hedge to Arrive	Producer locks in a futures price leaving the basis to be set later.
Futures Fixed Contract	
Futures Contract	

- **Where to get more details regarding CFAP enrollment and payments** --- Sign-up for CFAP payments will be administered through local FSA offices; however much of the application process can be completed on-line. Producers are encouraged to be patient with FSA office staff, as this is a new program and there is likely to be heavy demand for enrollment, due to the wide range of commodities that are eligible for CFAP payments. **The CFAP calculator, application form, FSA forms, and other details are available at: www.farmers.gov/CFAP. USDA has also established a toll-free call-in line (877-508-8364) to assist producers with the CFAP application process.**

Note --- For additional information contact Kent Thiesse, Farm Management Analyst and Vice President, MinnStar Bank, Lake Crystal, MN. (Phone --- (507) 381-7960); E-mail --- kent.thiesse@minnstarbank.com) Web Site --- <http://www.minnstarbank.com/>

CFAP PAYMENTS --- CROP EXAMPLES

Background Information

Farmer produced 200,000 bushels of corn and 60,000 bushels of soybeans in 2019.

Farmer had 150,000 bushels of corn and 20,000 bushels of soybeans in inventory on 1-15-20 (unpriced).

Eligible Bushels

Lesser of 50 percent (.50) of production or the unpriced inventory on 1-15-20.

Corn --- 100,000 Bu. (200,000 Bu. x .50) is less than 150,000 Bu. (Inventory on 1-15-20).

Soybeans --- 20,000 Bu. (Inventory on 1-15-20) is less than 30,000 Bu. (60,000 Bu. x .50).

Payment Rates

Corn --- \$.32/Bu. CARES rate; \$.35/Bu. CCC rate

Soybeans --- \$.45/Bu. CARES rate; \$.50/Bu. CCC rate

Payment Calculations and Amounts

CFAP payments for crops are paid on 50 percent (.50) of the eligible bushels (calculated above).

The initial CFAP payment will be 80 percent (.80) of the eligible amount, with 20 percent (.20) later.

Corn --- CFAP = 100,000 Bu. x .50 = 50,000 Bu. x \$.32/Bu. = \$16,000 x .80 = \$12,800

CCC = 100,000 Bu. x .50 = 50,000 Bu. x \$.35/Bu. = \$17,500 x .80 = \$14,000

TOTAL = \$26,800 (Initial Payment)

Soybeans --- CFAP = 20,000 Bu. x .50 = 10,000 Bu. x \$.45/Bu. = \$4,500 x .80 = \$3,600

CCC = 20,000 Bu. x .50 = 10,000 Bu. x \$.50/Bu. = \$5,000 x .80 = \$4,000

TOTAL = \$7,600 (Initial Payment)

CFAP PAYMENTS --- LIVESTOCK EXAMPLES

Background Information

Hogs --- Farmer sold 5,000 market hogs from 1-15-20 to 4-15-20, with 8,000 head in inventory on 5-01-20.

Cattle --- Farmer sold 100 yearling steers (700 lb.) on 3-01-20 and has 400 calves in inventory on 5-14-20.

Payment Rates

Hogs --- \$18 per head (CARES rate on hogs marketed) and \$17 per head (CCC rate on inventory).

Cattle --- \$139 per head (CARES rate on yearlings sold) and \$33 per head (CCC rate on calves in inventory).

Payment Calculations and Amounts

Livestock CFAP payments are paid as follows CARES payment rate on animals sold from 1-15-20 to 4-15-20, and the CCC rate on the highest inventory number between 4-16-20 and 5-14-20.

The initial CFAP payment will be 80 percent (.80) of the eligible amount, with 20 percent (.20) later.

Hogs --- 5,000 head sold x \$18/head. = \$90,000 (CARES) + 8,000 head inv. x \$17/head = \$136,000 (CCC).

CFAP payment = \$90,000 + \$136,000 = \$226,000 (Total) x .80 = \$180,800 (Initial Payment)

Cattle --- 100 steers sold x \$139/head. = \$13,900 (CARES) + 400 head inv. x \$33/head = \$13,200 (CCC).

CFAP payment = \$13,900 + \$13,200 = \$27,100 (Total) x .80 = \$21,680 (Initial Payment)

*** Table developed by Kent Thiesse, Farm Management Analyst ***