

Coronavirus Food Assistance Program (CFAP): What Dairy and Beef Producers Need to Know

Background:

The USDA CFAP Program has allocated \$16 billion in funds for direct payments to farmers to help with the fallout from the COVID-19 pandemic. The funds are derived from two sources: the Coronavirus Aid Relief and Economic Security (CARES) Act and the Commodity Credit Corporation (CCC) Charter Act. Funds from the CARES Act are meant to help farmers cope with price reductions incurred between mid-January and mid-April while funds from the CCC Charter Act are meant to help farmers cope with market disruptions.

Eligibility:

All producers who incurred a 5% or greater reduction in commodity prices due to the COVID-19 pandemic are eligible to apply for aid. If more than 75% of an applicant's income is from farming, there are no gross income restrictions. However, if less than 75% of income is derived from non-farming sources, the average adjusted gross income on the applicant's 2016, 2017, and 2018 tax returns must be less than \$900,000. Participation in risk management programs, such as the Dairy Margin Coverage Program, and Small Business Administration (SBA) programs, such as the Paycheck Protection Program (PPP), do not affect a producer's eligibility for CFAP aid.

Funding Limitations:

Individual producers or farms are eligible for up to \$250,000 of aid. However, if your farm business is structured as a Corporation, Limited Liability Company, Limited Partnership, etc., you may be entitled to a higher limit of up to \$750,000 depending on the number of shareholders who contribute more than 400 hours of labor annually to the farm business.

Applications and Payments:

The application period begins on Tuesday, May 26th and goes through August 28th, 2020. Producers must call their local Farm Service Agency (FSA) office in order to schedule an appointment to complete the application process. Producers will receive 80% of their payment as soon as their application is completed and processed. The remaining 20% of their payment will be dispersed at a later date, as funds are available.

A payment estimate calculator and other resources will be made available at <https://www.farmers.gov/cfap> beginning May 26th to help farmers estimate the amount of aid they should receive.

For Dairy Producers:

Dairy producers will receive aid based on production during the first quarter of 2020. Producers will receive \$4.71/cwt from CARES Act funds plus an additional \$1.47/cwt from the CCC Charter Act funds for a total payment of **\$6.18/cwt**. Producers will need to report the total amount of milk produced (including any milk dumped or discarded) in January, February, and March 2020. Cull cows or bull calves sold during the period of January 15 to April 15 can also be reported for payment. Cull cows should be reported as “Slaughter Cattle: Mature” and bull calves should be reported as “Feeder Cattle: <600 lb”. Producers will receive \$92 per cull cow sold and \$102 per bull calf sold. If producers raise or sell other cattle from the farm strictly for beef, those can also be reported for additional aid (see the “For Beef Producers” section below for more details).

Dairy CFAP Payment Example:

An individual farm applies for CFAP as a Limited Partnership. A brother and sister run the farm together as their full time professions. The farm shipped 1,092,000 lbs of milk during the first quarter (January, February, and March) of 2020. There were also 4 cull cows sold between January 15 and April 15.

This farm should be eligible for up to \$500,000 of CFAP funds because there are two shareholders in the partnership. The farm should expect to receive a payment of \$67,485.60 for their milk production:

- CARES Act Funds: \$51,433.20
 - \$4.71/cwt × 10,920 cwt
- CCC Charter Act Funds: \$16,052.40
 - \$1.47/cwt × 10,920 cwt

They should also receive an additional \$368 (\$92/head × 4 head) for the cull cows they sold. *The total maximum payment this farm can expect would be \$67,853.60.* Therefore, an initial payment of \$54,282.88 (80% of \$67,853.60) could be expected.

For Beef Producers:

Beef producers are eligible to apply for aid based on the number of cattle marketed between January 15 and April 15, 2020 (CARES Act payments; column 1 in Table 1) and the greatest number of cattle on inventory between April 16 and May 14, 2020 (CCC Charter Act payments; column 2 in Table 1). Payment rates vary depending on the type of cattle sold or in inventory during these time periods.

Table 1. Payment scheme by cattle class for CARES and CCC Charter Acts.

| Class of Cattle | CARES Act Payment (per head) – Sold January 15 to April 15, 2020 | CCC Payment (per head) – Highest Inventory April 16 to May 14, 2020 |
|----------------------------------|--|---|
| Feeder Cattle (<600 lb) | \$102 | \$33 |
| Feeder Cattle (>600 lb) | \$139 | \$33 |
| Slaughter Cattle (Fed Cattle) | \$214 | \$33 |
| Slaughter Cattle (Mature Cattle) | \$92 | \$33 |
| All Other Cattle* | \$102 | \$33 |

*The “All Other Cattle” class excludes those cattle that are intended or raised for dairy purposes.

Beef CFAP Payment Example:

A beef producer applies for aid as an individual. She sold a total of 3 cull cows and 20 feeder cattle (<600 lb) between January 15 and April 15. From April 16 to May 14, she managed 30 cow/calf pairs, 1 mature breeding bull, and 3 feeder cattle (>600 lb) that she intends to finish out and sell as freezer beef.

This producer should be eligible for up to \$250,000 of aid because she is applying as an individual. The total maximum payment she can expect is calculated as follows:

- CARES Act Funds (column 1): \$2,316
 - \$276 for the 3 cull cows sold: \$92/head × 3 head
 - \$2,040 for the 20 feeder calves (<600 lb) sold: \$102/head × 20 head
- CCC Charter Act Funds (column 2): \$2,112
 - \$1,980 for the 30 cow/calf pairs: 30 cows + 30 calves = 60 head × \$33/head
 - \$33 for the breeding bull: 1 bull × \$33/head
 - \$99 for the 3 feeder cattle (>600 lb): 3 head × \$33/head

This producer is expected to receive a maximum payment of \$4,428. The initial payment this producer can expect to receive is \$3,542.40 (80% of \$4,428).

For additional information, visit <https://www.farmers.gov/cfap> or contact your local FSA office.

This article was written by Dr. Sarah Potts, Extension Specialist with University of Maryland Extension.