

USDA's Coronavirus Food Assistance Program

COVID-19 Response Resource Center: Timely Counsel for your Business

By Jamey Lowdermilk on 04.23.2020

Posted in Financial Relief

On Friday, April 17, 2020, USDA introduced the Coronavirus Food Assistance Program (CFAP), which aims to compensate farmers, maintain supply chains, and support food security. At least \$19 billion will be distributed to agricultural producers under CFAP through two mechanisms, direct payments and commodity purchases. Note that the Agricultural Marketing Service (AMS) expects to release its solicitation for food box distribution proposals on Friday, April 24, 2020, with applications due by the following Friday, May 1.

Direct Payments: \$16 billion

Commodity producers will receive monetary support for actual and anticipated losses from price declines and supply chain disruptions. To qualify, a commodity price must have declined by at least 5% since January. Initial reports indicate that prices for most commodity products, if not all, have fallen by at least this much.

Some sources describe an allocation of funding amongst commodity groups as summarized in the table below; however, USDA has not confirmed any funding priorities by commodity.

Livestock

Cattle

Dairy

Hogs

\$9.6 billion

\$5.1B

\$2.9B

\$1.6B Row crop producers \$3.9 billion Specialty crop producers \$2.1 billion Other crops \$500 million

Details & Qualifications

Producers will receive a single payment determined by two calculations:

1. Compensation for 85% of price losses that occurred from Jan. 1 to April 15, 2020; and
2. Coverage for 30% of anticipated losses from April 15 through the next two quarters.

Note that payments will be limited to \$125,000 per commodity and \$250,000 per individual or entity. Further, at least one source suggests that payment will be limited to persons or entities with adjusted gross income under \$900,000 unless at least 75% of their income is derived from agriculture.

USDA expects some self-certification of business impacts. As such, producers should save records to demonstrate any losses, especially for losses incurred from having to depopulate livestock or destroy product. Similarly, for those commodities without a reflective price series, producers should prepare to demonstrate price fluctuations to AMS or the Farm Service Agency.

Timing

The federal rulemaking process for CFAP will be expedited, suggesting early May registration for direct payments with compensation arriving at the end of May or early June. Additionally, the Commodity Credit Corporation will be replenished with \$14 billion in July, reflecting additional funds available to USDA.

Product Purchases: \$3 billion

Under the Food Box Distribution Program, AMS will award contracts for food distribution proposals to deliver fresh produce, dairy, and meat products to qualifying nonprofits.

Details & Qualifications

AMS intends to fund "truck to trunk" proposals; that is, food boxes similar to what consumers would purchase at a grocery store or farmers' market, or through a community-supported agriculture program, delivered to food banks and similar community organizations for distribution. To qualify, the contracting entity must partner with an existing nonprofit capable of receiving, storing, and distributing the food boxes. Only fresh produce, dairy products, and precooked chicken and pork will be purchased and all products must be domestically grown and processed.

AMS anticipates that proposals should cover specific time periods: July-August; September-October; or November-December. Competitive proposals will detail the products to be delivered, the supply chain organization, the participating nonprofit, and the estimated number of recipients.

USDA's Coronavirus Food Assistance Program

If a contract is awarded, funds may be applied to compensate producers, and to reimburse packaging assembly and delivery. AMS plans to procure \$100 million of each commodity group—fresh fruits and vegetables, dairy products, and meat products—per month. Once the solicitation is officially published, the request for proposals will provide additional details and templates for applications.

Timing

AMS expects to release its request for proposals on Friday, April 24, 2020. Proposals will be due by the following Friday, May 1. AMS anticipates making awards by May 8 and delivering funds by May 18.

If you have questions regarding USDA's Coronavirus Food Assistance Program, please contact Jamey Lowdermilk, linked below.

Brooks Pierce is dedicated to keeping our clients fully informed during the COVID-19 crisis. For more information, please visit our COVID-19 Response Resources page.

Tags: U.S. Department of Agriculture, USDA Coronavirus Relief Fund Program