Agricultural and Food Policy Response to Coronavirus (COVID-19)

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This preliminary working paper is being released to stimulate discussion of the impacts of COVID-19 on agriculture. The preliminary findings and conclusions in this working paper are subject to change and do not necessarily represent any final position or policy of the USDA or the U.S. Government.
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Abstract

This working paper provides an overview of the major emergency actions taken to address food and agriculture needs during the pandemic. We focus primarily on the Coronavirus Food Assistance Program, a direct payment program to producers, administered by the U.S. Department of Agriculture, highlighting its uniquely broad-based scope.
Agricultural and Food Policy Response to Coronavirus (COVID-19)\textsuperscript{1, 2}

Introduction

On March 13, 2020, President Trump declared the U.S. outbreak of COVID-19 a national emergency, authorizing use of emergency authorities and releasing emergency aid to assist in response to conditions created by the disease outbreak, including for food and agriculture (White House, 2020). Even before the declaration, the Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020 enacted on March 6, 2020 (Public Law 116-123) provided $8.3 billion in emergency funding for Federal agencies to prepare for and respond to COVID-19. Further legislative and regulatory actions followed in the coming months, many with direct impact on food supply chains and agriculture.

In this article, we provide an overview of the major emergency actions taken to address food and agriculture needs during the pandemic, including enhanced flexibility in nutrition programs, deployment of novel distribution channels for Government food purchases that tapped into food supply networks disrupted by the pandemic, and implementation of emergency regulatory/discretionary actions that helped to keep critical inputs, such as agricultural commodities, labor, transportation, personal protective equipment, and infrastructure, available to ensure efficient operation of national food and agriculture systems. We focus primarily on the Coronavirus Food Assistance Program (CFAP), a direct payment program to farmers and ranchers administered by the U.S. Department of Agriculture (USDA), highlighting its uniquely broad-based scope designed to potentially cover an unprecedentedly wide range of commodities, from corn to cabbage to cattle to catfish. We detail the authority, design, and implementation of CFAP and examine the distribution of outlays across commodities. In addition, while recognizing that the policy response to COVID-19 is still evolving, we consider how the landscape for farm and food policy has already changed due to the pandemic.

Timeline and Provisions of Legislation

Legislative action in response to COVID-19 was unusually swift, with the first two laws each introduced and enacted within approximately 1 week. The Coronavirus Preparedness and Response Supplemental Appropriations Act (Public Law 116-123) was introduced on March 4, 2020 and enacted on March 6, 2020. The Families First Coronavirus Response Act (FFCRA) (Public Law 116-127) followed, being introduced on March 11, 2020 and enacted on March 18, 2020. While the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (Public Law 116-136) was introduced on January 24, 2019, as the Middle Class Health Benefits Tax Repeal Act of 2019, amendments were made by the Senate relating to COVID-19 in March 2020, and the bill was renamed and enacted on March 27, 2020. For context, the 2018 Farm Bill, one of the more rapidly enacted farm bills in recent years, took 8 months. While the Coronavirus Preparedness and Response

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Supplemental Appropriations Act of 2020 did not include provisions specific to food and agriculture, the FFCRA and the CARES Act covered much broader swaths of the economy.

Chief among its provisions for food and agriculture, the FFCRA provided additional funding and flexibility for food assistance programs. The USDA Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) saw an increase in appropriations of $500 million, and the Commodity Assistance Program received additional appropriations of $400 million. FFCRA also established conditions under which States facing school closures of at least 1 week due to the pandemic could provide assistance to children eligible for free and reduced lunches through the USDA Electronic Benefits Transfer (EBT) system. The law also provided $100 million in grants to U.S. territories for food assistance.

The CARES Act, the last of the three initial responses to COVID-19, addressed the widest range of needs, particularly for food and agriculture. The CARES Act provided funding to programs implemented by the USDA, Food and Nutrition Service, including $8.8 billion for child nutrition programs, $15.81 billion in contingency funds for the USDA Supplemental Nutrition Assistance Program (SNAP) in case participation exceeds budget estimates, and $450 million in additional funding for the USDA Commodity Assistance Program, food distribution on Indian reservations, facility and equipment upgrades for food purchases, and additional grant funds for U.S. territories.

The CARES Act also provided the first direct COVID-19 assistance for farmers and ranchers. The Act provides $9.5 billion in appropriations “to prevent, prepare for, and respond to coronavirus by providing support for agricultural producers impacted by coronavirus, including producers of specialty crops, producers that supply local food systems, including farmers markets, restaurants, and schools, and livestock producers, including dairy producers.” Loan maturity for marketing assistance loans was extended from 9 months to 12 months, to remain in effect through September 30, 2020, offering producers additional flexibility in marketing decisions. The law also provides $14 billion in replenishment of Commodity Credit Corporation (CCC) borrowing authority to assist in funding necessary programs for pandemic response. USDA agencies received additional funding to assist with implementing the additional measures in response to COVID-19.

Also authorized by the CARES Act, the Paycheck Protection Program (PPP), the Small Business Administration (SBA) with support from the U.S. Department of Treasury offered up to $349 billion in forgivable loans to small businesses, those with 500 or fewer employees, to maintain those employees on their payrolls during the pandemic. Farmers and ranchers were eligible to receive loans on the same basis as other employers. The Paycheck Protection Program and Health Care Enhancement Act (Public Law 116-139, enacted April 24, 2020) increased the authorized spending to $659 billion.

**Labor Initiatives**

In addition to congressional action through legislation, USDA and other executive departments took a number of regulatory and discretionary actions in response to the pandemic, particularly to protect access to the labor needed to support agricultural production. The State Department and Department of Homeland Security relaxed requirements for in-person interviews for visas required for the H-2A program, which authorizes non-citizen seasonal labor for agricultural businesses, by allowing
consular officers to waive the interview requirement for first-time and returning applicants if there was no “apparent or potential ineligibility” (U.S. Department of State, 2020). The U.S. Citizenship and Immigration Services (USCIS) temporarily amended certain H-2A requirements, including waiving the 3-year maximum allowable period for H-2A visas (U.S. Citizenship and Immigration Services, 2020). The White House also issued an executive order to keep meat and poultry facilities operational, accompanied by guidance on maintaining employee safety from the Centers for Disease Control and Prevention (CDC) and Occupational Health and Safety Administration (OSHA) (White House, 2020a; U.S. Department of Agriculture, 2020). In May 2020, USDA and the Food and Drug Administration (FDA) established a Memorandum of Understanding to clarify procedures in order to “prevent interruptions at FDA regulated food facilities,” including fruit and vegetable processing facilities (U.S. Department of Agriculture, 2020a).

Program Details

**Food Programs**

With the funding provided for food and nutrition assistance, USDA created a food distribution program tailored to the challenges created by the pandemic, such as the difficulties of enforcing social distancing at food banks using traditional onsite pickup systems and the opportunity to tap into the food supplies stranded as a result of food service shutdowns. USDA announced the Farmers to Families Food Box (FFFN) program on April 17, 2020, using the authority provided under the food assistance authorities of FFCRA (U.S. Department of Agriculture, 2020b). Originally funded at up to $3 billion, with an additional $1 billion added on August 25, 2020, and $500 million on October 23, 2020 (U.S. Department of Agriculture, 2020c; U.S. Department Agriculture, 2020d) with the additional funding also authorized under FFCRA. USDA designed a new program to distribute food directly to individual households through distributor partnerships, leveraging food supplier networks impacted by COVID-19 disruptions and non-profit organizations experienced in delivering food assistance to low-income households. USDA’s Agricultural Marketing Service (AMS) managed the competitive bid process for awarding contracts and provided specifications for the food products to be provided, including fresh fruits and vegetables, dairy products, and pre-cooked meats, either in boxes specialized by food type or in combination (U.S. Department of Agriculture, 2020e).

In addition to the FFFN program, FFCRA and USDA made policy and administrative changes to existing nutrition assistance that made use of existing infrastructure to accelerate access to food programs for individuals and households impacted by the pandemic. The SNAP Online Purchasing Pilot program that had launched in April 2019 quickly expanded to include the 8 original pilot States by March 2020 and 46 States and the District of Columbia by October 2020, allowing SNAP recipients the flexibility during the pandemic disruptions to purchase food online (U.S. Department of Agriculture, 2020f). The FFCRA also authorized emergency allotments of SNAP benefits in all States, leading to a 40-percent increase in SNAP benefits, roughly $2 billion a month (U.S. Department of Agriculture, 2020g). Also under FFCRA authorities, USDA established the Pandemic EBT program, which transfers funds through the nutrition assistance EBT system to families who qualify for free or reduced lunches so that they can continue to provide their children with nutritious meals even while schools are closed due to the pandemic. Pandemic EBT has been approved in 50 States along with the U.S. Virgin Islands and the District of Columbia (U.S. Department of Agriculture, 2020h). In addition, the “Meals to You” program, organized as a partnership among USDA, Baylor University Collaborative on Hunger and Poverty, McLane Global, and PepsiCo, has
provided millions of meals directly to children in rural areas where sources of nutritious foods may be more difficult to access (28.5 million meals as of July 16, 2020) in 41 States and 2 U.S. territories (U.S. Department of Agriculture, 2020j).

**Direct Payments to Producers: the Coronavirus Food Assistance Program (CFAP)**

The U.S. Department of Agriculture implemented direct payments related to the COVID-19 impact on agricultural producers through two rounds of the Coronavirus Food Assistance Program, which are referred to here as Coronavirus Food Assistance Program 1 (CFAP 1) and Coronavirus Food Assistance Program 2 (CFAP 2).

**CFAP 1**

To facilitate rapid delivery of assistance to farmers and ranchers affected by COVID-19 food system disruptions, USDA utilized the $9.5 billion in CARES Act appropriations in combination with CCC funding to launch CFAP 1. While the CARES Act authorized an additional $14 billion in CCC replenishment, that replenishment could not be made available until after June 30, 2020, so CFAP 1 used $6.5 billion in already available CCC funding (U.S. Department of Agriculture, 2020j).

CFAP 1 provided payments to producers to prevent, prepare for, and respond to market impacts of COVID-19. Generally, commodity eligibility was determined by whether the weekly average price of the commodity fell more than 5 percent between the week of January 13, 2020, and the week of April 6, 2020. The exception to this eligibility requirement was that specialty crops could also qualify for payments based on unpaid shipments or crop that remained on farm due to loss of market. Crops—including forage—and livestock, animal products, floriculture, aquaculture, and nursery products could be considered for CFAP 1 eligibility. To make these determinations for inclusion in CFAP 1 required weekly price series, which proved to be a challenge for many commodities. For this reason, USDA published a Request for Information (RFI) with the Notice of Funding Availability (NOFA) on May 22, 2020, which allowed the public to submit data for agricultural commodities for which USDA had insufficient data to use for determining whether a 5-percent price decline had occurred. The initial list of eligible commodities using the 5-percent price decline determination included swine, cattle, sheep under 2 years old, milk, wool, canola, corn, upland cotton, malting barley, millet, oats, sorghum, soybeans, sunflowers, wheat (durum and hard red spring wheat) along with two dozen fruits and vegetables.

The structure of payments varied, depending on the type of commodity. One key feature for payments based on price decline under CFAP 1 is that payments were only made on commodities that were “unpriced” prior to January 15, 2020. “Unpriced” as defined in the CFAP regulations “means any production that is not subject to an agreed-upon price in the future through a forward contract, agreement, or similar binding document.”

For non-specialty crops, the CARES-funded portion of the payment was 55 percent of the price decline from weekly average prices for the week of January 13, 2020, and the week of April 6, 2020; the CCC-funded portion of the payment paid 50 percent on the same price decline. Price data was sourced from futures contracts and the USDA, Agricultural Marketing Service. Non-specialty crops were paid based on the unpriced inventory on January 15, 2020, with a maximum of 25 percent of
2019 production multiplied by the CARES-funded payment rate and the same quantity multiplied by
the CCC-funded payment rate, respectively (totaling no more than 50 percent of 2019 crop
production eligible for payment). Therefore, a producer could not receive more than 26.5 percent (25
percent x 55 percent +25 percent x 50 percent) of the commodity’s price decline on a share of the
previous year’s production.

The CFAP 1 payments for livestock were calculated using a producer’s volume of sales and
inventory, where eligible livestock had to be unpriced prior to January 15, 2020. CARES funding was
used for payments related to price losses on swine and beef cattle sales volume that occurred between
January 15 and April 15, 2020. CCC-funded payments for livestock were made on the highest
unpriced inventory of the producer between April 16 and May 14, 2020. Under the CARES funding,
owners of hogs and beef cattle were paid on 80 percent of the estimated price decline using price data
from the AMS. While the CARES-funded payments had multiple payment categories for both swine
and beef cattle based on weight and use, the CCC-funded payment rates were a flat rate per head for
beef cattle and a flat rate per head for swine, regardless of weight or use. The CCC-funded portion
was calculated on 25 percent of estimated losses due to price declines for calendar 2020 second and
third quarters with the price decline estimated from futures contracts. This 25 percent of estimated
losses for hogs and beef cattle was distributed across all inventory, not just market inventory. Since
the swine life cycle is approximately 6 months and breeding inventory is a small percentage of the
overall inventory (8 percent), spreading the price loss across all inventory did not have as large an
impact on the per animal rate as it did for beef cattle. Not all beef cattle may be sold during a 6-
month period and a large percentage of the overall beef cattle inventory is composed of breeding
inventory (over 40 percent), so spreading the 25 percent of estimated losses across the entire beef
inventory resulted in a much lower rate than if payments were made only for cattle actually marketed
during the 6-month period (U.S. Department of Agriculture, 2020k; U.S. Department of Agriculture,
2019).

Payment calculations for milk used the all-milk price indicator of futures contracts (60 percent of
Class III Milk and 40 percent of Class IV Milk) for the estimated all-milk price decline, with 80
percent of the price decline funded under CARES and 25 percent of the same price decline funded by
CCC. Milk payments under CARES funding were paid on first quarter production, from January 1
through March 31, 2020, while the CCC-funded portion was paid on second quarter production,
estimated as the January through March production multiplied by a factor of 1.014. This factor was
determined based on the ratio of the 2020 second quarter national milk production projection and
2020 first quarter national milk production estimate in the USDA World Agricultural Supply and
Demand Estimates available at the time of the program’s development.

Unlike non-specialty crops and livestock, which had one component funded from the CARES Act
and one from the CCC, specialty crops had two components funded from the CARES Act and one
from the CCC. Like non-specialty crops and livestock, one share of CARES funded payments were
made on crops that experienced a price decline greater than 5 percent between weeks of January 13,
2020 and April 6, 2020 with the payment rate equal to 80 percent of the price decline and applied to
crops sold between January 15 and April 15, 2020. The second CARES-funded component paid 30
percent of the value of crops that were shipped but then spoiled in transit (for which producers would
forfeit expected payment for purchase) prior to April 15, 2020. The final component, which was
funded from CCC, paid roughly 6 percent of the value of mature crops unsold or unharvested due to lack of buyers by April 15, 2020.

When the CFAP 1 rule was published on May 21, 2020, the public was informed of which crops were eligible for CFAP 1 based on USDA’s initial determinations of commodity eligibility. Two additional NOFAs were released later based on price data collected through the RFI. The second NOFA—released on July 9, 2020—added and updated a few dozen payment rates for specialty crops. The third NOFA—announced August 11, 2020—added another several dozen specialty crops eligible for the payments as a result of price declines, along with payment rates for aquaculture, nursery crops and flowers, liquid and frozen eggs, and sheep over 2 years old (previously only sheep under 2 years old qualified).

**CFAP 1 payment distribution**

For CFAP 1, outlays were originally anticipated at $16 billion in the cost-benefit analysis, however, as of October 26, 2020 outlays stood at $10.3 billion (U.S. Department of Agriculture, 2020l; Farmers.gov, 2020a). The distribution for CFAP 1 payments differed substantially from other farm safety net programs, such as crop insurance. Roughly half of the payments were distributed to livestock producers with over $4 billion to cattle producers. Milk payments have exceeded $1.7 billion. For reference, the farm safety net program for milk—the Dairy Margin Coverage Program—has disbursed approximately $510 million since the beginning of 2019 (U.S. Department of Agriculture, 2020m). While non-specialty crops in total accounted for over one-fourth of the payments, three specialty crops (almonds, potatoes, and walnuts) were among the commodities to receive the most payments, as shown in table 1.

**Table 1: Outlays by Commodity for Coronavirus Food Assistance Program 1**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Commodity</th>
<th>Total (mil $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cattle</td>
<td>$4,312</td>
</tr>
<tr>
<td>2</td>
<td>Corn</td>
<td>$1,767</td>
</tr>
<tr>
<td>3</td>
<td>Milk</td>
<td>$1,761</td>
</tr>
<tr>
<td>4</td>
<td>Hogs</td>
<td>$603</td>
</tr>
<tr>
<td>5</td>
<td>Soybeans</td>
<td>$511</td>
</tr>
<tr>
<td>6</td>
<td>Cotton-Upland</td>
<td>$262</td>
</tr>
<tr>
<td>7</td>
<td>Almonds</td>
<td>$115</td>
</tr>
<tr>
<td>8</td>
<td>Potatoes-Russets-Fresh-RUS</td>
<td>$89</td>
</tr>
<tr>
<td>9</td>
<td>Walnuts</td>
<td>$75</td>
</tr>
<tr>
<td>10</td>
<td>Crustacean-Crayfish</td>
<td>$67</td>
</tr>
<tr>
<td></td>
<td>Other Livestock and Animal Products (Excluding Milk)</td>
<td>$69</td>
</tr>
<tr>
<td></td>
<td>Other Non-specialty Crops</td>
<td>$102</td>
</tr>
<tr>
<td></td>
<td>Other Specialty Crop</td>
<td>$524</td>
</tr>
<tr>
<td></td>
<td>Other Aquaculture/Nursery/Floriculture</td>
<td>$46</td>
</tr>
<tr>
<td></td>
<td><strong>Grand Total</strong></td>
<td><strong>$10,302</strong></td>
</tr>
</tbody>
</table>

Source: U.S. Department of Agriculture-Farm Service Agency

**CFAP 2**

8
Given the length of the market disruption, CFAP 2 was implemented on September 21, 2020, which made use of the $14 billion CCC replenishment provided by the CARES Act. The payment scheme for dairy, non-specialty crops, swine, and cattle remained similar to the CCC component of CFAP 1 with a few exceptions. First, breeding stock was excluded from the livestock payments. Second, CFAP 2 payments were generally based on 80 percent of estimated losses with the price decline calculated from the weekly average price of the week of January 13, 2020, and the week of July 27, 2020. Additionally, non-specialty crop payments under CFAP 2 are directed at assisting producers in marketing their 2020 crop in calendar year 2020, as opposed to compensating for price declines affecting the 2019 crop under CFAP 1. Given CFAP 2 was implemented prior to harvest, instead of paying on the producer’s unpriced non-specialty crop production, payments are made on a fixed historical average yield multiplied by 2020 planted acreage, an estimate of the percent of crop marketed by December 31, 2020, and 80 percent of the price decline. If a non-specialty crop had insufficient data for a price decline determination greater than 5 percent or the commodity did not meet the 5 percent decline, the crop received a flat rate of $15 per acre. Broilers and all table eggs were added under CFAP 2 with the payment rates equal to 80 percent of the estimated price decline multiplied by 75 percent of 2019 production, where 75 percent of 2019 production serves as a proxy for 2020 second quarter through fourth quarter production of these commodities. Contract producers were not eligible for payment since they do not market the commodity themselves. The owners of the contracted animals/products may receive payment if they meet the Adjusted Gross Income eligibility criteria.

The specialty crop payments under CFAP 2 were redesigned to be calculated using marginal rates at different sized sales classes and applied to 2019 gross sales of specialty crops (table 2). For example, suppose a producer had $350,000 in gross sales in 2019. Then the producer’s payment under CFAP 2 would be as follows:

\[(10.6\%) \times ($49,999) + (9.9\%) \times ($99,999 - $50,000) + (9.7\%) \times ($350,000 - 100,000) = $34,499.70\]

As described in the cost-benefit analysis for CFAP 2, these marginal rates were developed using a cost-based approach to capture that larger operations generally face lower variable cost per unit of production compared to smaller operations. (U.S. Department of Agriculture, 2020n). Animal products and livestock other than beef cattle, swine, broilers, and eggs were eligible under the same payment scheme as specialty crops.

Table 2: CFAP 2 Specialty Crop Payment Rates

<table>
<thead>
<tr>
<th>2019 Sales</th>
<th>Marginal Payment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤$49,999</td>
<td>10.6%</td>
</tr>
<tr>
<td>$50,000-$99,999</td>
<td>9.9%</td>
</tr>
<tr>
<td>$100,000-$499,999</td>
<td>9.7%</td>
</tr>
<tr>
<td>$500,000-$999,999</td>
<td>9.0%</td>
</tr>
<tr>
<td>≥$1 million</td>
<td>8.8%</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Agriculture-Farm Service Agency
Concluding Remarks

At the time of this article, the response to COVID-19 is still developing and more aid to agriculture may be under development. The relief for COVID-19 along with other recent direct aid programs outside of the Farm Bill— the Cotton Ginning Cost Share Program, the Wildfires and Hurricanes Indemnity Program, the Wildfires and Hurricane Indemnity Program Plus, and the Market Facilitation Programs—have been a departure from the farm policy paradigm of the previous decade (2009 – 2017), when direct payments to producers were limited to benefits from standing Farm Bill programs. Whether this change represents a long-term shift in agricultural policy as the farm economy faces continued downward pressure on commodity prices in a context of trade tensions and repeated extremes in natural disaster events or a short-term response to unprecedented conditions will likely depend on whether these unusual conditions continue and will certainly influence the debate surrounding the next Farm Bill.

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References


Available online: https://www.uscis.gov/working-in-the-united-states/temporary-workers/h-2a-temporary-agricultural-workers#:~:text=The%20maximum%20period%20of%20stay,as%20an%20H%2D2A%20nonimmigrant

