

Prepared by: New Zealand Embassy, Washington DC

### Summary

- The US Department of Agriculture launched a US\$19 billion Coronavirus Food Assistance Program (CFAP) on 17 April, providing direct support to farmers and ranchers (US\$16 billion) and government purchase and distribution of surplus production (US\$3 billion).
- Livestock (US\$9.6 billion), row crop (US\$3.9 billion) and speciality crop producers (US\$2.1 billion) have received the bulk of direct support payments, as well as being the principal beneficiaries of schemes to purchase and redistribute surplus production.
- Industry reaction has been appreciative but muted, with all arguing that this initial tranche will need to be followed by further support for producers and processors alike as the impact of coronavirus on the US food sector deepens.
- With the CFAP coming after two years of direct payments to farmers as mitigation for losses during the US-China trade war, there is a heightened risk that these payments will be trade distorting and potentially breach the US' WTO commitments.

### Report/findings

On 17 April, US Secretary of Agriculture Sonny Perdue launched the US Department of Agriculture's Coronavirus Food Assistance Program (CFAP). The CFAP provides for US\$19 billion of funding to support agricultural sectors impacted by the coronavirus through US\$16 billion in direct support to farmers and ranchers and US\$3 billion in USDA food purchase for distribution.

#### *Direct support to farmers*

2. The \$16 billion in direct support is for "actual losses for agricultural producers where prices and market supply chains have been impacted and will assist producers with additional adjustment and marketing costs resulting from lost demand and short-term oversupply for the 2020 marketing year caused by COVID-19".
3. USDA has yet to publish a detailed breakdown of which sectors will benefit from these funds, but Senate Agriculture Appropriations Chair [John Hoeven](#) has said these will include:
  - a. \$9.6 billion for the livestock industry
    - \$5.1 billion for cattle
    - \$2.9 billion for dairy
    - \$1.6 billion for hogs
  - b. \$3.9 billion for row crop producers
  - c. \$2.1 billion for specialty crops producers
  - d. \$500 million for others crops

4. The focus on the livestock and specialty crop sectors recognises the particular impact of the coronavirus crisis on sectors exposed to the food service sector that industry groups and local congressional representatives have raised. To qualify for a payment under CFAP, a given commodity must have declined by at least 5 percent between January and April 2020. The Farm Bureau has provided analysis which demonstrates this will not be a difficult requirement for many products, while also noting that not all covered commodities having an obvious price series to base these determinations on.
5. Under the CFAP eligible producers will receive a single payment of up to \$125,000 per commodity with an overall limit of \$250,000 per individual or entity. The exact amount will be determined using two calculations: producers will be compensated for 85 percent of price loss during the period 1 January–15 April 2020; and 30 percent of expected losses from 15 April through the next two quarters.
6. Perhaps in recognition of the growing range of USDA support, USDA has also indicated that CFAP may be cross-referenced with other payments to prevent farmers benefiting from multiple farm programmes inappropriately.

#### *Purchase of surplus production*

7. USDA will also partner with regional and local distributors impacted by the shift from food service to retail and supply-demand imbalances to purchase \$3 billion in fresh produce, dairy, and meat for redistribution through “food boxes” to food banks, community and faith based organizations, and other non-profits serving Americans in need.
8. USDA will reportedly start the roll out of this programme in mid-May and procure an estimated \$100 million per month of three sets of products: fresh fruits and vegetables; a variety of dairy products, and; meat products. Likely possibilities for inclusion in the food boxes include: pre-cooked pork and chicken; yogurt, butter and milk; and apples, oranges, pears, tomatoes, blueberries and salad mixes.
9. USDA will draw on other funding sources to purchase \$873 million of a variety of agricultural products for distribution to food banks, using industry requests, USDA agricultural market analysis, and food bank needs to guide use of these funds.

#### *US industry reaction appreciative, but muted*

10. US industry reaction to the announcement has been appreciative, while at the same time pressing for further support as the impacts of coronavirus continue to flow through the agriculture and food sectors.
11. The Farm Bureau noted that the “program is an important down payment in making agriculture whole from the unprecedented and unexpected economic fallout related to COVID-19” but argued that “more help will be needed as the full extent of the crisis becomes known”.
12. International Dairy Foods Association President Michael Dykes has indicated that the damage done by COVID-19 will continue to bring “financial hardship to producers and processors alike”

over the coming months. He went on to suggest that the sector expects to lose between \$5 billion to \$10 billion in sales over the rest of the year as an estimated 10 percent excess in supply and loss of food service sales are felt through the system.

13. Colin Woodall, the CEO of the National Cattlemen's Beef Association, which earlier this month released an [Oklahoma State University report](#) that estimated losses for the sector from coronavirus impacts at \$13.6 billion, said: "While the relief funds that have been allocated to USDA by Congress represent a start to stabilizing the industry, there is much more work to be done to protect the cattle producers who are an essential component of the agriculture industry and the anchor for rural America."
14. Other sectors that have been impacted directly by food service shut downs and broader economic impacts but have not been identified for support under the CFAP have again pushed their case for support. This includes the aquaculture sector, which has been hard hit by the loss of food service markets, and the ethanol sector, which has seen half of its productivity capacity mothballed on the back of falling gasoline demand. The latter is likely to further impact the availability and price of distillers dried grains with soluble (DDGS), a corn ethanol by-product used as a supplementary feed in New Zealand's livestock sectors.

#### *WTO consistency questionable*

15. The CFAP is the latest in a series of relief packages to be distributed to US agricultural producers. It follows two years of Market Facilitation Programs (MFP) designed to mitigate the impacts of the US-China trade war that provided some US\$28 billion of direct support. The combination of these packages would likely increase the possibility of the US exceeding its WTO commitments relating to domestic support, which were already [assessed as being under pressure](#) prior to the launch of CFAP.
16. Funding for the CFAP draws on \$9.5 billion made available under the CARES Act, and residual 2019-2020 borrowing authority under the Commodity Credit Corporation (CCC), the Depression-era body which was the vehicle for providing MFP payments. A further \$14 billion of funding was made available under the CARES Act to replenish the borrowing authority of the CCC, but this will not be available until 1 July.
17. With expectations of a third round of MFP payments in July/August growing there are concerns that it will become increasingly difficult to track what impacts justify what relevant mitigations. Prior to the announcement Joe Glauber, a Senior Research Fellow at the International Food Policy Research Institute and former USDA Chief Economist, noted he was "not sure how you would separate out price impacts from COVID-19 versus other market factors".
18. Glauber went on to note that "US government support, coronavirus stimulus funds for agriculture, already approved trade relief and traditional farm subsidies could total \$50 billion in payments in fiscal 2020 alone". With USDA's own figures indicating that some 24 percent of farm income in 2019 was from government assistance, the possibility of market distortion is significant.