



Cornhusker Economics

Coronavirus Food Assistance Program (CFAP) Payments for Nebraska Livestock Producers

Market Report	Year Ago	4 Wks Ago	7-10-20
Livestock and Products.			
Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	*	*	*
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	183.32	166.12	172.36
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	161.56	132.45	147.06
Choice Boxed Beef, 600-750 lb. Carcass.	214.64	240.77	204.54
Western Corn Belt Base Hog Price Carcass, Negotiated	*	*	*
Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean.	71.14	67.79	66.46
Slaughter Lambs, woolled and shorn, 135-165 lb. National.	166.65	NA	103.81
National Carcass Lamb Cutout FOB.	394.50	415.16	NA
Crops.			
Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu.	4.09	3.96	4.12
Corn, No. 2, Yellow Columbus, bu.	4.42	3.01	2.95
Soybeans, No. 1, Yellow Columbus, bu.	8.16	8.04	7.97
Grain Sorghum, No.2, Yellow Dorchester, cwt.	6.80	6.05	6.14
Oats, No. 2, Heavy Minneapolis, Mn, bu.	3.16	3.42	3.25
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	172.75	*	172.50
Alfalfa, Large Rounds, Good Platte Valley, ton.	*	*	*
Grass Hay, Large Rounds, Good Nebraska, ton.	100.00	*	*
Dried Distillers Grains, 10% Moisture Nebraska Average.	149.50	121.67	123.00
Wet Distillers Grains, 65-70% Moisture Nebraska Average.	44.50	35.00	36.61
* No Market			

In the June 10, 2020 issue of *Cornhusker Economics* (<https://agecon.unl.edu/cornhuskereconomics/2020/Impact-of-COVID-19-on-Demand-for-Distillers-Grains-from-Livestock-Operations.pdf>), the Coronavirus Food Assistance Program (CFAP) was described and the average level of payments to Nebraska Corn and Soybean Producers from this program were estimated. CFAP includes payments for both livestock and crops and in this issue, I explain eligibility requirements, payment sources, and expected payments for Nebraska livestock producers. The COVID-19 epidemic in the United States caused hardships for both producers and consumers of livestock products. The virus affected workers in livestock processing and packing plants, in particular, due to the nature of the work which normally requires working in close quarters. Some plants were closed for a certain period while others operated below capacity. As a result, animals already in the pipeline could not be handled and, in the case of hog producers particularly, some animals had to be euthanized. Without depopulation, producers would have had to continue feeding the animals which would then have ended up weighing more than the equipment in most packing plants could handle. Producers who had to depopulate their hogs are also eligible for payments under the CFAP. As of June 12, 2020, the capacity of pork production in federally inspected processing plants was more than 76% and rebounding (Hahn 2020).

Cattle, dairy, hog, and sheep producers are eligible for CFAP payments. Producers receive one payment from two sources: the Coronavirus Aid, Relief, and Economic Security (CARES) Act Payment 1 (CAP1) and the Commodity Credit Corporation (CCC) Charter Act. Both payments are differentiated by the size and type of animal. CAP1 is calculated by multiplying the number of livestock sold between January 15 and April 15, 2020 by the applicable rate. The CCC payment is calculated based on the highest inventory number between April 16 and May 14, 2020 multiplied by the applicable payment rate (USDA 2020a). The sum of CCC and CAP1 payment is the CFAP payment. The payment rates are based on the observation that producers faced significant price declines and experienced other losses from supply chain disruptions and marketing uncertainties. Producers need to keep and/or obtain documentation concerning the

number of animals sold or held in inventory. Just as with crops, livestock producers will also receive payment in two tranches, 80% at the time of approval of the application and 20% at a later date (USDA 2020a).

Table 1 lists the livestock by type and size that are eligible for CFAP payments and the payment rate for each of the categories. The highest rate is for slaughter cattle and the lowest is for hogs more than 120 pounds.

Based on the Nebraska Agriculture Fact Card of the Nebraska Department of Agriculture (2020), the state ranked first in the United States in beef and veal exports (more than \$1.3 billion in 2018) and had more than 7.6 million head of commercial slaughter cattle in 2019. In addition, Nebraska ranked sixth in hogs and pigs on farms in 2019 and seventh in pork exports in 2018 (Nebraska Depart-

Table 1: CFAP payment rates for livestock

Livestock	Eligible Livestock	Unit of Measure	CARES Act Part 1 (CAP 1) Payment Rate	CCC Part 2 Payment Rate
Cattle	Feeder Cattle: Less than 600 pounds	Head	\$102.00	\$33.00
	Feeder Cattle: 600 pounds or more	Head	\$139.00	\$33.00
	Slaughter Cattle: Fed Cattle	Head	\$214.00	\$33.00
	Slaughter Cattle: Mature Cattle	Head	\$92.00	\$33.00
	All Other Cattle	Head	\$102.00	\$33.00
Hogs and Pigs	Pigs: Less than 120 pounds	Head	\$28.00	\$17.00
	Hogs: 120 pounds or more	Head	\$18.00	\$17.00
Lambs and Yearlings	All Sheep Less than 2 Years Old	Head	\$33.00	\$7.00

Source: U.S. Department of Agriculture 2020

ment of Agriculture 2020). Below, we present examples of the estimated payments for a Nebraska feeder cattle finisher an independent hog producer

Example 1: A feeder cattle finisher who sold 1,000 slaughter cattle between January 15 and April 15 and recorded an inventory high of 500 cattle between April 16 and May 14.

CARES ACT payment = \$214,000 (1,000 sold slaughter cattle X \$214 CAP1 rate)

CCC payment = \$16,500 (500 inventory X \$33 CCC rate)

Total CFAP payment = \$230,500 (\$214,000 + \$16,500)

First installment payment (80%) = \$184,400 (80% of \$230,500)

Second installment payment (20%) = \$46,100 (20% of \$230,500)

Example 2: An independent hog producer who sold 1,000 market size hogs between January 15 and April 15 and registered an inventory high of 500 hogs less than 120 pounds and 500 hogs more than 120 pounds between April 16 and May 14.

CARES Act payment = \$18,000 (1,000 sold X \$18 CAP1 rate)

CCC payment for 500 hogs less than 120 lbs. = \$8,500 (500 X \$17)

CCC payment for 500 hogs more than 120 lbs. = \$8,500 (500 X \$17)

Total CFAP payment = \$35,000 (\$18,000 + \$8,500 + \$8,500)

First installment payment (80%) = \$28,000 (80% of \$35,000)

Second installment payment (20%) = \$7,000 (20% of \$35,000)

As of June 29, 2020, based on data released by USDA, 11,791 applications from Nebraska livestock producers had been approved and more than \$201 million in payments had been made. The calculated average payment is \$17,127.

The eligibility requirements are the same as for other government programs: Average Gross Income (AGI) less than \$900,000 for tax years 2016, 2017, and 2018, compliance with conservation program regulations,

and no controlled substance violations. Payments are limited to \$250,000 per person/entity unless the entity is a corporation with two (\$500,000) or three (\$750,000 -the maximum limit) partners who contributed at least 400 hours to the operation (USDA 2020b). Producers can apply for CFAP payments from May 26, 2020 through August 28, 2020 (additional information can be found at: <https://www.farmers.gov/cfap/livestock>). Only hog producers are provided compensation for costs incurred to depopulate and dispose of their animals. In order to receive payments, hog producers need to file an Environmental Quality Incentives Program (EQIP) application in their local NRCS field office, and meet eligibility requirements including swine mortality certification by a veterinarian or animal health specialist, approved early start waiver, and other administrative requirements (USDA 2020a). More information about the rates for depopulation can be found at: https://www.farmers.gov/sites/default/files/documents/EQIP_Livestock_Mortality_Initiative_Factsheet-v2.pdf

Dairy operators are also eligible for CFAP payments from both sources, the CARES Act and the CCC, as one payment for milk produced and/or dumped during January, February, and March of this year. One single payment, paid in two tranches, 80% and 20%, is equal to the sum of milk produced in the first quarter of 2020 times \$4.71 per hundredweight and nationally adjusted per producers' output for the first quarter times \$1.47 per hundredweight (USDA 2020b). Payment limitations are the same as for other livestock producers. More information about dairy payments can be found at: https://www.farmers.gov/sites/default/files/documents/FSA_CFAP_Dairy_Fact-Sheet.pdf

Conclusion

Over the past several years, agricultural markets have been seriously disrupted by a series of extraordinary events including the trade war with China, flooding in the Great Plains and Midwest, and the global pandemic. The federal government has responded to these perturbations with a wide variety of support measures including the Market Facilitation Program aimed at the effects of China's retaliatory tariffs on agricultural prices, disas-

ter relief in response to flooding and other extreme weather events, and, more recently, CFAP which is designed to compensate producers for losses occasioned by the COVID-19 pandemic. These programs are in addition to the normal support included in the 2018 Farm Bill. While it will be some time before the full effects of all these programs can be evaluated, it seems clear that in the absence of such interventions, the economic wellbeing of farm households and the agricultural sector more generally would have been seriously impaired as a result of these disturbances.

References:

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