

Prepared by the New Zealand Embassy in Washington DC in collaboration with the Ministry for Primary Industries

Summary

- The US\$16 billion Coronavirus Food Assistance Program (CFAP) has paid out over US\$9 billion in direct payments on more than 550,000 applications since May. A further US\$2.6 billion has been spent on agricultural purchases for food boxes for needy families.
- The US has been working to ensure the current programmes are fully utilised by farmers. The range of commodities eligible for CFAP payment has been expanded twice since its launch while the upcoming deadline for applications has been extended by two weeks.
- Farming groups have lobbied for further assistance to avoid disruption to food supply. Both the House and Senate have included further funds for agriculture in their respective next coronavirus stimulus Bills. Agriculture Secretary Sonny Perdue has indicated further support regardless of Congressional action.

Report/findings

The [Coronavirus Food Assistance Program](#) (CFAP) is the centrepiece of US government support for the agriculture sector in response to COVID-19. CFAP [launched](#) on 17 April to provide US\$16 billion in direct payments to US agricultural producers. A further US\$3 billion was made available under the Farmers to Families Food Box program for the purchase and distribution of excess production to those in need.

2 These programmes were implemented following two years of direct support totalling US\$23 billion through the Market Facilitation Program (MFP) to alleviate the impacts of the US' trade war with China. Recent [analysis](#) by former US Department of Agriculture (USDA) Chief Economist Joe Glauber suggests that the combination of MFP payments, CFAP payments and forgivable loans through the Paycheck Protection Program on top of other programmes under the Farm Bill will see total direct support reach US\$32.7 billion for 2019. This level of expenditure would see the US exceed its Aggregate Measurement of Support (AMS) commitments to the WTO, which are set at US\$19.1 billion.

CFAP eligibility expanded and extended

3 As of 17 August, CFAP has paid out over US\$9 billion in direct payments to agricultural producers on 557,592 individual applications. Payments to livestock producers account for just under 50% of payments to date, with non-specialty (row crops) receiving just over 26%, dairy just under 19% and specialty crops the remaining 5%.

4 The range of products eligible for CFAP funds has twice been extended reflecting evolving understanding of which sectors were experiencing challenges from falling prices and disrupted supply chains. On 9 July, 40 new speciality crops were made eligible for CFAP payments, while on 11 August, nearly 60 new commodities were

made eligible, including further specialty crops and sheep over 2 years of age. Applications for CFAP have also now been extended to 11 September – two weeks longer than the initial scheduled closing date of 28 August.

5 Product groups eligible for direct payments include [livestock](#), [non-specialty crops](#), [wool](#), [dairy](#), [specialty crops](#), nursery and cut flowers, aquaculture and eggs. Eligibility and payment calculations across these product groups vary, but there are broadly three main categories:

- A decline in price of more than 5% over a set period (normally mid-January to mid-April).
- Producers facing additional marketing costs due to supply chain and market disruption.
- Producers with product that was either shipped but subsequently spoiled or not harvested due to market disruption.

6 The US\$3 billion Families to Farmers Food Box program has to date made US\$2.6 billion in agricultural purchases to provide over 70 million food boxes to those in need. This has included purchases of US\$973 million of fresh fruit and vegetables, US\$615 million of dairy products, US\$491 of meat products, and US\$601 billion of combination boxes incorporating a mix of the above products.

More support on the way

- Both the Democratic-led House and Republican-led Senate have included further funds for agriculture in their respective next coronavirus stimulus Bills indicating broad agreement that agriculture producers should be given more support to weather the ongoing impacts of coronavirus. The draft Bills each contain between US\$15-20 billion of funds for this purpose, but lawmakers have so far failed to agree a package.
- Agriculture Secretary Sonny Perdue has indicated that further funds will be made available regardless of the result in Congress. Secretary Perdue has said that USDA is already working on a second round of funding, with new details expected to be announced within the month. , Secretary Perdue acknowledged that for some commodities the mid-April cut-off for eligibility represented a funding “cliff” for producers while the challenges caused by COVID-19 wore on.
- “Congress has the purse strings, and they need to be cooperative, but I think most people in Congress, certainly those with agricultural districts, know that there may be some additional needs out there and that is what we have been documenting for them,” he said. To deliver on this promise, USDA will be able to turn to the borrowing authority for the Commodity Credit Corporation, which was replenished with US\$9 billion to support CFAP and which was also used to provide MFP to farmers during the trade war.

Ongoing support risks building dependency

- In 2019, direct government payments to US farmers accounted for some 25% of total farm income. The University of Missouri’s Food and Agricultural Policy Research Institute has forecast that this could climb to 36% in 2020. With net farm income expected to decrease from US\$90.6 billion to US\$79.4 billion over the same period the loss of direct payments could be enough to see some farmers go out of business.
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