

Prepared by the New Zealand Embassy in Washington

Summary

- The US Department of Agriculture has [confirmed](#) a further US\$14 billion of direct assistance for farmers and ranchers impacted by the Coronavirus, bringing to US\$30 billion the total funds made available by the Trump Administration under the Coronavirus Food Assistance Program (CFAP).
- International concern is growing on the potential for this near doubling of US farm subsidies to impact global markets, resulting in a number of countries seeking information on the payments at the WTO Committee on Agriculture.
- Congressional Democrats reacted strongly to what Speaker of the House Pelosi's office reportedly called in a statement an "unaccountable political slush fund", strengthening recent criticisms from Senate Democrats on the equity of the first round of payments and leading to a brief withholding of funds to support farm payments.
- US agriculture sector representatives have been understandably positive in their response to further support, while continuing to highlight inadequacies in existing programmes and pushing for more comprehensive, legislated support.

Report/Findings

A second round of direct support payments will see a further US\$14 billion made available to US farmers under the Coronavirus Food Assistance Program (CFAP), almost doubling the total amount available to US\$30 billion.

CFAP-2 will again provide direct payments to producers of row crops, livestock, specialty crops, dairy, aquaculture and other commodities. Payments will be for three categories of products, reflecting different reference periods and criteria for assessing price disruption: price trigger commodities, flat-rate crops, sales commodities. A full list of products covered by the program and respective payment rates and calculations can be found [here](#).

Direct government support for agriculture before this new round of funding was already expected to increase to US\$37 billion in 2020, up 65.7% on 2019, potentially more than doubling the country's WTO commitments of US\$19 billion. The climbing level of support has been met by increased interest at the World Trade Organisation Committee on Agriculture, where a number of countries, including New Zealand, requested more information on the US' agriculture payments.

Initial US agriculture industry response to the announcement has been understandably positive, with many calling for more support and noting that the impact of Coronavirus is only one of a number of challenges the sector is facing. National Milk Producers Federation President Jim Mulhern stated that "Dairy farmers have been especially hard-hit by supply-chain disruptions... and many are still struggling to repair balance sheets after five years of low prices that were only beginning to recover before COVID-19 shutdowns hit". National Cattlemen's Beef Association Vice-President Government Relations Ethan Lane noted the organisation was "pleased to see that USDA is using unspent funds in the Coronavirus Food Assistance Program to provide further relief to cattle producers", but highlighted "disparities" in the programme they want to see eliminated.

With Congress struggling to reach an agreement on a new, comprehensive coronavirus economic stimulus package, no new funds were allocated for this second round of CFAP payments. The programme will, as a result, draw on residual funds made available under the Coronavirus Aid, Relief and Economic Security (CARES) Act and residual borrowing authority available under the Commodity Credit Corporation (CCC) Charter Act. Of the US\$16 billion made available under the first CFAP, just

over US\$10 billion has been distributed to producers as of 20 September.

Democratic leaders in the House briefly exploited this funding gap to highlight their criticisms of what House Speaker Nancy Pelosi's office reportedly referred to as a "political slush fund". The House omitted a provision in a forthcoming stop-gap funding bill to allow replenishment of the CCC, which the Trump Administration has used to deliver the support payments. Recent analysis by the American Farm Bureau Federation, indicated there could be as little as US\$2 billion of borrowing authority available to the CCC on 1 October to meet US\$6.9 billion of existing commodity and conservation payments as well as the US\$14 billion of new CFAP funding.

The action was short-lived, however, as failure to replenish the CCC will not only deprive US Department of Agriculture of funds for CFAP payments, but also a range of existing programmes under the Farm Bill, including crop insurance, price margin coverage programmes and conservation programmes. Pressure from farm State democrats saw Congress reach an agreement with the Administration to allow CCC replenishment in exchange for a US\$8 billion increase in nutrition assistance and language within the bill that excludes oil companies from benefiting from CFAP payments.

Despite this climb down, Congressional interest in the distribution of funds to an agricultural community that remains an important constituency leading into the Presidential election in November is likely to continue. Senate Agriculture Committee Ranking Member Debbie Stabenow, for example, has recently highlighted a Government Accountability Office (GAO) report that identified State and regional disparities in the distribution of Market Facilitation Payments (MFP) made in response to retaliatory tariffs from China. Senator Stabenow has also raised concerns with the Administration's use of the CCC for repeated "ad hoc" aid programmes that avoid effective congressional oversight. Noting the CCC's borrowing authority is also used for Farm Bill programmes, Stabenow has argued: "We should be sitting down in a bipartisan way like we do in the farm bill."

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