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More Government Money on the Way for Kentucky Farmers

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The latest COVID-19 stimulus package ([Consolidated Appropriations Act of 2021](#)) contains more funding for U.S. agriculture. Last year, U.S. farmers received an estimated \$46 billion of direct federal funding, accounting for nearly 40% of projected U.S. net farm income for 2020 -- boosting net farm income to its second-highest level on record. Within the nearly 5,600 page \$900 billion stimulus/government funding package adopted last month, \$13 billion is designated for agriculture and an additional \$13 billion for food assistance programs.

Note: [USDA announced](#), on January 19, 2021, additional Coronavirus Food Assistance Program (CFAP) payments (up to \$2.3 billion) will be made available for certain producers using leftover funds from the first two rounds of CFAP. These additional payments (labeled CFAP 2.1) address some of the components outlined in the latest stimulus package, but certainly not all. For more details on CFAP 2.1, click on the [USDA's CFAP website](#) and a summary located [here](#).

As a result of the stimulus package that became law at the end of 2020, Kentucky farmers are set to receive a third round of CFAP payments in 2021. Currently, USDA is developing specific rules/details on the new CFAP program with farmer sign-up and payments to follow. We will update these provisions in the coming editions of this newsletter. Based on our present information, CFAP 3.0 is expected to include:

- \$20/acre for row crop producers
- \$7 to \$63/head payment for cattle producers[i]
- payments to specialty crop producers based on sales adjusted by crop insurance/disaster payments
- supplemental Dairy Margin Coverage (DMC) for small/mid-size dairies
- payments totaling 80% of market value for livestock and poultry producers who had to depopulate herds/flocks as a result of supply chain disruptions caused by COVID.

In addition, the stimulus package extends tax incentives for biofuels and renewable biofuels and provides funding for:

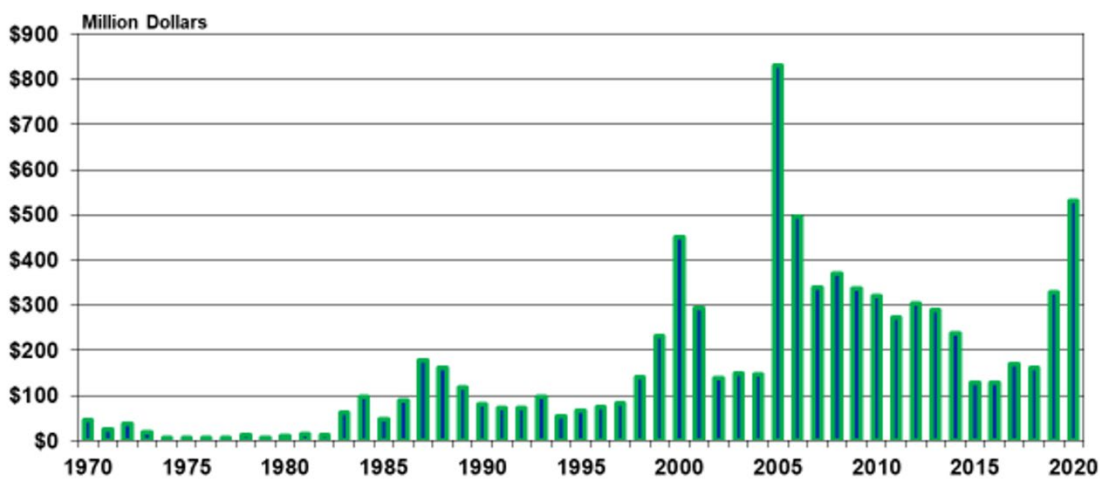
- Food purchases, dairy donations, funding for meat and poultry processors, additional specialty crop grants
- Timber harvesting and timber hauling businesses which experienced a loss of at least 10% of gross revenue in 2020
- Rural broadband expansion
- Farm stress management programs
- Paycheck Protection Program (PPP) and clarifies that PPP loans will not be taxable income and allows deductions for expenses using PPP loans

These provisions will likely result in an excess of \$100 million of direct CFAP payments to Kentucky farmers in 2021, plus additional funding to support Kentucky businesses and rural communities. Stay tuned for more specific details to follow.

Overview of Government Payments on Kentucky Farm Income in Recent Years

According to the [USDA CFAP dashboards](#), Kentucky farmers received \$179.2 million for the first round of CFAP payments and an additional \$209.3 million for a more broadly defined CFAP 2.0 – totaling \$388.5 million in 2020. This is compared to \$385 million received by Kentucky farmers in 2019-2020 under two rounds of Market Facilitation Program (MFP) trade assistance payments. Putting this in perspective, direct government farm payments for Kentucky farmers averaged less than \$150 million annually from 2015-2018 (primarily farm bill program price/income support and conservation payments), swelled to \$328 million on the heels of an infusion of MFP payments in 2019, and will likely exceed \$500 million in 2020, boosted by the last portion of the 2019 MFP payments, CFAP, PPP, and WHIP payments. The relatively high level of government payments KY farmers received in 2020 was only surpassed in 2005 when a large number of tobacco farmers opted for a lump-sum distribution during the first year of the ten year tobacco buyout program.

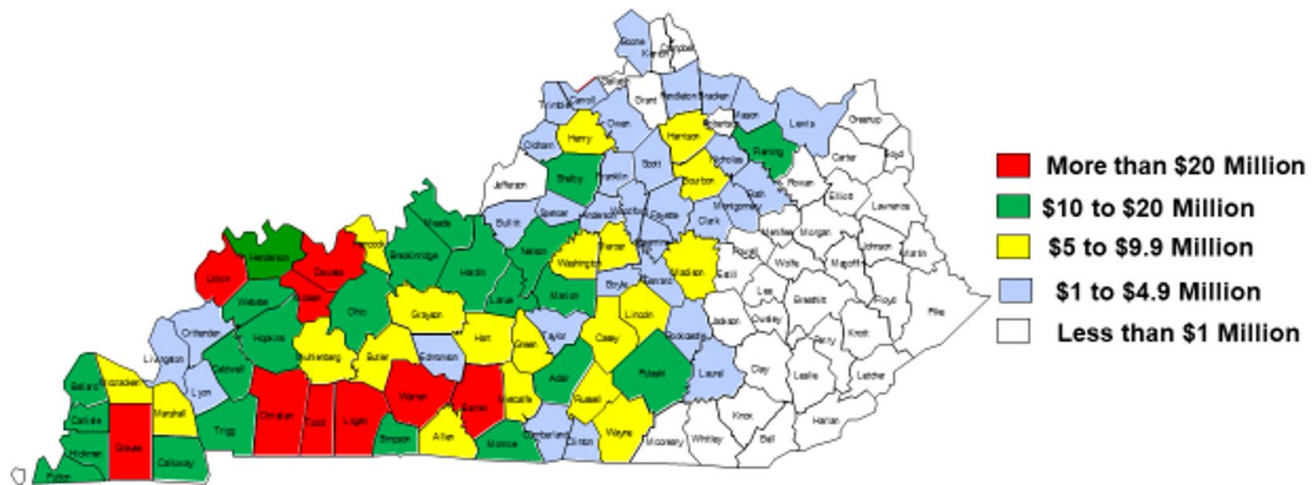
Kentucky Direct Government Farm Payments



Source: ERS, UK Forecast for 2020

Accounting for all sources of government support (farm bill programs plus recent ad hoc trade assistance, disaster, and coronavirus payments, Kentucky row crop farmers have received over 70% of direct government payments in recent years comprising over 50% of net farm income for many grain farmers. Consequently, a large portion of the federal dollars have been concentrated in Western Kentucky. Overall, government payments are estimated to account for around 20% of Kentucky's net farm income in 2020 – much lower than the projected 40% of national net farm income and compared to many surrounding states. Keep in mind that two of Kentucky's largest sectors, contract poultry production and our equine sector, were not included in these federal ad hoc (supplemental or non-traditional farm bill) programs last year.

Ad Hoc Govt Farm Payments by Kentucky County (2019-2020)



Data Source: KY FSA Office – Includes MFP, WHIP and CFAP totals through late November 2020

While crops have dominated the payment distribution, CFAP payments have been a relatively large source of income for cattle and dairy producers. Kentucky cattle farmers received nearly \$200 million in CFAP funding in 2020 – equaling around 30% of projected (gross) cash receipts, while coronavirus payments for Kentucky dairy producers amassed over 10% of projected dairy receipts. We estimate that beef prices would have to increase 17-23 cents/lb (depending on size), corn prices 35 cents/bushel (or an additional 15 bushel/acre yield) and burley tobacco prices 20 cents/lb (or an additional 200 lbs/acre yield) in 2021 to net the same dollars producers received from 2020 CFAP payments.

2020 KY Coronavirus Food Assistance Program (CFAP) Payments by Commodity

	CFAP 1 mil \$	CFAP2 mil \$	Total CFAP mil \$	CFAP as % of Cash Receipts %
Cattle	\$121.3	\$75.8	\$197.1	30.8%
Dairy	\$11.1	\$6.5	\$17.6	11.0%
Wheat	\$0.0	\$11.8	\$11.8	9.1%
Corn	\$30.3	\$54.7	\$85.0	8.9%
Tobacco	\$0.0	\$20.7	\$20.7	8.6%
Hogs	\$6.1	\$4.7	\$10.8	8.5%
Soybeans	\$9.2	\$27.7	\$36.9	4.0%
Poultry	\$0.0	\$0.2	\$0.2	0.0%
Other	\$1.35	\$7.27	\$8.62	n/a
Totals	179.2	209.3	388.5	7.1%

Source: Calculations from USDA's CFAP Database as of January 18, 2021
(<https://www.farmers.gov/cfap/data>)

[i] Estimated by American Farm Bureau (see <https://www.fb.org/market-intel/whats-in-the-new-covid-19-relief-package-for-agriculture> for details)

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