COVID-19 Relief Programs Have Kept U.S. Farm Income High but Shortchanged California Producers

Aaron Smith

Since 1950, the only years with higher real net farm income than 2020 were 1973–74 and 2011–14. This high income was facilitated by two waves of COVID-19 relief payments totaling $23.8 billion. A third wave is set to occur in 2021. Most of these payments were determined by seemingly arbitrary formulas and were only weakly tied to pandemic-induced losses. Corn, soybeans, cattle, and milk are the four largest value commodities in the country and they received a disproportionately large share of payments. Specialty crops and dairy, which California specializes in, received some support, but much less as a percent of gross farm income. Congress has allocated a further $13 billion to farmers for COVID-19 relief, most of which is slated to go to the major row crops, livestock, and biofuels.

The federal government has taken significant actions to mitigate the effects of COVID-19 on the economy. Congress has passed two large bills, the $2.2 trillion CARES Act in April 2020, and the $900 billion Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) in December 2020. These laws provided direct payments to farmers, ostensibly as compensation for losses due to the pandemic. In this article, I analyze these payments and how they were distributed across farm types and across states. Farmers were also eligible for the same programs open to all Americans, such as cash payments, unemployment insurance, and paycheck protection loans; I do not discuss those programs in this article.

Three Waves of Farm COVID Relief

Direct farm support for COVID relief has come in three waves. First, using funds allocated in the CARES Act, the USDA implemented the Coronavirus Food Assistance Program in May 2020. This program, known as CFAP1, distributed $10.6 billion to farmers. Then, in September 2020, USDA implemented CFAP2 using funds from the CARES Act and the Commodity Credit Corporation, distributing a further $13.2 billion. Finally, the CRRSAA allocated an additional $13 billion for agricultural producers.

To put these numbers in perspective, Figure 1 shows net cash farm income in the United States since 1950. Farm income boomed in 1973–74 and 2011–14 due to high prices. Since 2015, it has averaged just over $100 billion per year. The coronavirus relief payments helped to increase provisional farm income in 2020 to its highest level since 2014. It is projected to be almost as large in 2021.

In an average year in the last decade, direct government payments contributed about 10% of net farm income in the United States. Figure 2 shows that just under half of these payments come through conservation programs. A similar component comes from base acre programs, which pay farmers based on historical plantings. Compensation for the trade war with China caused government payments...
to increase in 2019 and the CFAP programs propelled government support for agriculture to its highest levels ever in 2020.

Figure 3 breaks the CFAP program payments down by commodity group. In CFAP1, 80% of the payments went to either corn, dairy, or livestock (mostly cattle). Specialty crops received 10%.

Corn farmers received twice as much money from CFAP2 as CFAP1, and soybean producers also received substantially more. The non-specialty category, which includes row crops other than corn and soybeans, also received more from CFAP2 as the payment formula moved in their favor.

The CRRSAA allocates $13 billion for agricultural production, including $11.2 billion specifically allocated to the Office of the Agriculture Secretary for distribution. Specific provisions include payments of $20 per acre to growers of corn, soybeans, and other non-specialty crops and $3 billion for supplemental payments to livestock producers who were forced to euthanize livestock or poultry due to the COVID crisis.

The only components targeted specifically to specialty crops are $225 million for supplemental payments to producers and $100 million for Specialty Crop Block Grants. Provisions in the CRRSAA specify that CFAP3 include aid for biofuel producers who were affected by the decrease in ethanol production due to the pandemic-induced reduction in driving. It remains unclear how much of the remaining $4 billion will be allocated to biofuels versus other sectors, including specialty crops.

**How Were CFAP Payments Determined?**

For non-specialty crops including corn and soybeans, USDA designed CFAP1 around “unpriced” inventories held on January 15, 2020. Farmers could claim a certain payment for every bushel they had in storage on that date up to a maximum of 50% of the 2019 harvest. The payment rates varied by commodity; for corn it was $0.32 per bushel and for soybeans it was $0.45. It is unclear from the documentation how these rates were determined.

USDA defined unpriced inventory as “any production that is not subject to an agreed-upon price in the future through a forward contract, agreement, or similar binding document.” The objective of excluding priced inventory was to avoid paying farmers who had hedged against price declines.

Livestock or specialty crops sold between January 15 and April 15, 2020 received payments equal to the quantity sold multiplied by the stated payment rate. The payment rate for almonds was $0.26 per lb. Farmers could also receive compensation for specialty crops that went unharvested or that were harvested and shipped but subsequently spoiled due to lost marketing channels.
CFAP2 was announced in September 2020, as the harvest for many crops was beginning. USDA tied the payments for non-specialty crops to the (i) price declines that occurred between January and July, (ii) 2020 plantings, and (iii) average yield according to crop insurance records. Corn and soybean prices declined by $0.73 and $0.72 per bushel in this period, which helped drive the high payments. Since August, corn prices have risen by $2 per bushel and soybean prices by $5, which has further increased farmer incomes.

In CFAP2, dairy received payments of $1.20 per hundredweight on estimated milk produced from April through the end of the year (less than 10% of the value), down from the CFAP1 payment of $4.71 for production in the first-quarter of 2020 (more than 25% of the value).

Specialty crops received much larger payments in CFAP2 than CFAP1. Rather than a payment rate that varied in a seemingly arbitrary way across commodities, USDA paid out a constant percentage of a farmer’s 2019 sales for a large number of commodities.

**California’s Share**

California grows very little corn and soybeans, but it has a large dairy industry and grows a very large amount of specialty crops. Thus, dairy and specialty crops dominate California’s CFAP receipts, as shown in Figure 4.

In CFAP1, almond growers received $129 million and walnut growers $88 million, which is just over half the payments to California specialty crop growers. Pistachio’s production in California is now almost three times as much as walnut production by value, so it is somewhat surprising that CFAP1 yielded only $22 million for pistachio growers. USDA provides no breakdown of CFAP2 specialty crop payments by commodity.

To understand the magnitude of these payments, it is useful to compare them to farm income. Figure 5 shows, for states with more than $5 billion in gross cash income, the magnitude of these payments as a percent of gross cash income on farms.

CFAP1 and CFAP2 payments to California farmers in 2020 were about 3.5% of 2019 gross farm income. This is substantially lower than for corn belt states such as Iowa (6.5%) and Illinois (6.5%). States with large livestock industries, such as Wisconsin (8.1%) and Oklahoma (8.3%), have even higher percentages.

**What Explains the Magnitude of CFAP Payments?**

Cattle, milk, corn, and soybeans are the largest agricultural products in the...
U.S. by a significant margin. In 2019, sales of cattle and milk made up about 20% of gross cash income on farms; the next largest categories, hogs and chickens, were each less than 5%. Corn and soybeans also made up about 20% of gross cash income in 2019; the next largest categories, wheat and hay, were each less than 5%.

Figure 6 plots payments received under CFAP1 and CFAP as a percent of gross cash income against the proportion of gross cash income from the four big commodities. These payments totaled 5.5% of gross cash income in the U.S. as a whole. Larger dots indicate states with larger gross cash income.

If all commodities were compensated equally under CFAP1 and CFAP2, then the circles in Figure 6 would lie along a flat line at 5.5%. This is not the case. Most states with an above-average concentration in the big four commodities received more CFAP payments than average. The state with the highest concentration in the big four commodities is Wisconsin at 75%. The strong dairy industry in that state carries it above neighboring corn belt states. California gets less than 20% of its farm income from the big four, with dairy being the only one of the four with a substantive presence in the state.

The colors in Figure 6 indicate whether more big four revenue comes from corn and soybeans or from cattle and milk. Both corn-and soybean-focused states, such as Iowa and Illinois, and cattle-and milk-focused states, such as New York and Wisconsin, received high CFAP payment rates. It does not appear that payments systematically favored the two big crop commodities over the two big animal commodities.

The big four commodities apparently exert significant political power. A total of 21 states have a higher than average concentration of the big four commodities, and each one has two senators to advocate for the state’s farmers. Many of the states with a low concentration of the big four commodities specialize in crop and animal products that few other states produce. These include tree nuts and grapes in California, cotton in Texas, rice in Arkansas and California, lettuce in Arizona and California, and grass seed in Oregon.

Conclusion

Two waves of COVID relief have arrived on agriculture’s shores and a third is on the way. The first two waves propelled net farm income to its highest level since the boom years of 2011–14 and were particularly generous to cattle and to corn and soybean producers.

The third wave will arrive in 2021 with funds authorized in the CRRSAA. This legislation specifies payments of $20 per acre for the major row crops and significant funds for livestock. It specifies relatively little support for specialty crops, but the Secretary of Agriculture has about $4 billion still to allocate. Some of these funds are earmarked for biofuels.

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Author’s Bio

Aaron Smith is the DeLoach Professor in the Department of Agricultural and Resource Economics at UC Davis. His website is https://asmith.ucdavis.edu. It includes tools to view and download agricultural data and weekly Ag Data News articles. He can be contacted at asmith@ucdavis.edu.

For additional information, the author recommends:

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