

Coronavirus Food Assistance Program (CFAP)

Dr. Andrew Novakovic, Cornell University

April 18, 2020 - I'm sure you have all seen the announcement that USDA has more formally announced what it is calling the [Coronavirus Food Assistance Program](#), about which I wrote to you recently. This current announcement pretty much just confirms what was hinted at previously and remains devoid of details on what dairy farmers can expect. The press release is available [here](#).

2019 Farm Cash Receipts are estimated to have been about \$375 Billion, with a little over half coming from animal agriculture. \$16B equals 4% of that total. If dairy got a share based on its share of cash receipts in 2019 (roughly 10% of total farm receipts), that gives dairy about \$1.6 billion. That money spread over 220 billion pounds of milk (give or take) amounts to about 73¢ per cwt. In my humble opinion, that represents an upper bound on what dairy can expect. We'll see soon enough shortly.

(By comparison, If Congress decided to re-open DMC and every farmer enrolled in the maximum coverage, the total payout would average at least twice that and farms of average size or smaller would get a good deal more per hundredweight. (Note that with prices as forecasted today, even the largest farms would have positive returns from enrolling the maximum amount of milk at the highest coverage levels - something like \$1.6 million on a farm of several thousand cows producing 100 million pounds of milk per year.) Secretary Perdue has stated very plainly that he does not support re-opening the DMC. Of course, this does not prevent Congress from requiring USDA to do so, but it signals resistance to that idea among Republicans (at least).

The Secretary has conveniently provided a round number to be allocated to purchasing dairy products - \$100 million per month. And, he has also indicated that USDA will target "market supply chains [that] have been impacted". This may mean dairy has been impacted so it has been targeted, or it may signal a more granular analysis. For example, certain cheeses and butter have been severely impacted but fluid milk has benefited. Thus, we might have a program that emphasizes buying and distributing cheese - good old government cheese. So, what could one do with \$1 billion of processed cheese purchases? Let's assume that USDA buys 5 lb. loaves of processed cheese, which would be among the cheapest products it could buy that would be in a form amenable to donations. In mid-April, USDA reports 5 lb. loaves selling for \$1.15 to \$1.65, depending on the market. Let's go with \$1.50, to reflect purchase and delivery costs. That equates to about 660 million pounds of cheese, which is roughly equal to 6.6 billion pounds of milk, which in turn equals about 3% of the US milk supply. USDA isn't going to buy just one thing, but this provides a ballpark.

Although just a simple ballpark estimate, this suggests to me that the cash benefits to dairy farmers will assuredly be helpful but will only partially cover the several dollars lost from what we had expected milk prices to be. On the other hand, the donation program could go a longer way towards providing a use for milk and creating an inexpensive but decent food product for people who lack the means to feed themselves, including a whole lot of people newly added to that category. Also, creating a demand for farm milk, even if it is an artificial one, should strengthen milk prices. That may mean hardening the floor we are already on. I think it more likely means breathing a little bit of life back into prices, although I wouldn't raise that expectation very high. In any case, it would be a good thing.

Hope this helps put CFAP into some perspective. More details will of course follow.

*A. Novakovic, The E.V. Baker Professor of Agricultural Economics Emeritus
Charles H. Dyson School of Applied Economics and Management
SC Johnson College of Business, College of Agriculture and Life Sciences, Cornell University*