

Cornell Cooperative Extension

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Small Business Paycheck Protection Program Additional Funding Bill

The bill, which passed on 4/22 by unanimous consent and is expected to be signed into law, provides an additional \$310 billion to the PPP and \$60 billion in SBA disaster relief loans and grants (EIDL). Farms are now eligible for the SBA EIDL program.

Now Farms Have Two SBA Options

	EIDL + Advance	PPP
Max Loan Amount	\$2 million	2.5 x avg monthly payroll up to \$10 million
Interest Rate	3.75% (2.75% non profit)	1%
Forgivable Amount (grant)	\$10,000 – even if loan is not approved	8 weeks of payroll + $((8\text{wkamt}/.75)*.25)$
Repayment Period	up to 30 years	2 years
Allowable uses	working capital	payroll, mortgage interest, rent, utilities
Who is the Lender?	SBA	commercial banks

Now Farms Have Two SBA Options

You can apply for both grants, but you cannot use the money for the same purpose.

So if you receive PPP for payroll you cannot use EIDL for payroll.

SMALL BUSINESS PAYCHECK PROTECTION PROGRAM

The Paycheck Protection Program provides small businesses with loans for pay payroll costs including benefits. PPP funds can also be used to pay interest on mortgages, rent, and utilities.

All Small Businesses, Including Farms Are Eligible

Small businesses with 500 or fewer employees—including farms, nonprofits, veterans organizations, tribal concerns, self-employed individuals, sole proprietorships, and independent contractors—are eligible.

Businesses with more than 500 employees are eligible in certain industries.

Maximum Loan Size

Loans can be for up to two months of your average monthly payroll costs from the last year plus an additional 25% of that amount. That amount is subject to a \$10 million cap.

If you are a seasonal or new business, you will use different applicable time periods for your calculation.

Payroll costs will be capped at \$100,000 (annualized) for each employee.

What Counts as Payroll

- Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee);
- Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit;
- State and local taxes assessed on compensation; and
- For a sole proprietor, partnership, or independent contractor: net earnings, capped at \$100,000 on an annualized basis for each owner or partner. This is based on the net income reported on the 2019 Schedule C or Schedule F.

Uses for PPP Loans

- Payroll costs, including benefits and also including the income of owners, and sole-proprietors;
- Interest on mortgage obligations, incurred before February 15, 2020;
- Rent, under lease agreements in force before February 15, 2020. This includes vehicles used for the business; and
- Utilities, for which service began before February 15, 2020. This includes fuel for work vehicles.

For sole proprietors and self-employed who use the schedule C or F from 2019 to calculate net income for PPP, the expenses for rent, mortgage and utilities must also have been reported on schedule C or F (2019) to be allowable for PPP.

100% of the Loan can be Fully Forgiven

The portion of the loan that meets the following conditions can be forgiven:

- Payroll costs paid in the first 8 weeks after receiving the funding. Payroll includes the income of the business owners or partners. The first 8 weeks of payroll will comprise at least 75% of the forgivable amount. Mortgages, rent, and utilities expenses, up to 25% of the forgivable amount can be included.
- 8 weeks of payroll + $((8\text{wkamt}/.75)*.25)$ ← This is the most that can be forgiven for other uses

Funds that are used for allowable purposes, but do not meet the conditions for forgiveness, will be a 1% loan, payable within 2 years.

Forgiveness is Dependent on Performance in 2020. Must Keep Employees on the Payroll—or Rehire Quickly.

Forgiveness is currently based on the employer maintaining or quickly rehiring employees and maintaining salary levels.

Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease compared to prior year.

There are also some bills in Congress to limit forgiveness to businesses that can't show they suffered economic harm in 2020 compared to 2019

Example Forgiveness Scenarios

\$50,000 PPP grant.

Payroll paid in first 8 weeks is \$40,000 or 80% of grant, so up to \$10,000 in utilities, rent or mortgage interest could also be forgiven.

Payroll paid in first 8 weeks is \$25,000 which is less than 75% of the total amount. The maximum forgivable amount is now **\$33,333**. Only up to \$8,333 in utilities, rent or mortgage interest could be forgiven. The remainder of the funds would be a 1% loan, payable within 2 years.

How to Apply

Funding is first come first served and limited.

You can apply through any participating lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating.

You should consult with your local bank or lender as to whether it is participating.

All loans will have the same terms regardless of lender or borrower. A list of participating lenders as well as additional information and full terms can be found at www.sba.gov.

SBA EIDL + Advance

The new disaster bill opens up EIDL to farms

EIDL is the traditional SBA Disaster Loan Program. Helps with working capital. Help businesses pay bills that they otherwise can't pay due to business interruption (solving cash flow problems). Much more flexible than PPP.

Higher interest rate (3.75% vs 1%) BUT longer repayment terms (30 years vs 2 years) so payments for EIDL could be lower.

Apply through SBA vs through commercial lenders

EIDL Advance is a Grant

The EIDL Advance provides a quickly available \$10,000 to businesses that are facing an immediate cash-flow problem due to COVID-19.

The EIDL Advance is included in the EIDL application

(Currently) the EIDL Advance does not need to be paid back if the loan is not ultimately approved (as long as the applicant was eligible and the proposed use of the EIDL was eligible)

Note – everything can change.

USDA AMS Food Box Distribution Program

As part of the Coronavirus Farm Assistance Program Secretary Perdue announced on April 17th that the USDA is exercising authority under the Families First Coronavirus Response Act to purchase and distribute up to \$3 billion of agricultural products to those in need.

USDA will partner with regional and local distributors, whose workforce has been significantly impacted by the closure of many restaurants, hotels, and other food service entities, to purchase fresh produce, dairy, and meat.

How the Proposal Process Works

On April 24th USDA will issue a solicitation to invite proposals from offerors to supply commodity boxes to non-profit organizations, identified by the offeror, on a mutually agreeable, recurring schedule.

Proposals will be due on May 1st

On May 8th USDA will award contracts for the purchase of the agricultural products, the assembly of commodity boxes and delivery to identified non-profit organizations that can receive, store and distribute food items.

Bids are based on 5 types of Boxes

The distributor is responsible for packing, packaging, and shipping to a local food bank. Items must be packaged into one of 5 different kinds of boxes with several different kinds of items in each box. The food bank partner will need to be identified prior to submitting an application.

- 1) Fresh fruits and vegetables box (no frozen or canned)
- 2) Dairy box
- 3) Precooked meat box (pork and chicken)
- 4) Variety box
- 5) Fluid milk box (fluid milk can also be included in #2)

Other Rules

- 1) Regular federal procurement process (with relaxed rules around grade standards/specs)
- 2) Items must be 100% domestically grown and processed
- 3) Household size packaging only
- 4) Contractors/distributors will need to register with the System for Award Management (SAM.gov) to submit an application
- 5) Goal is to get the boxes “off the truck and into the trunk” with minimal contact by employees and volunteers of the food banks
- 6) Package size and contents along with distribution method will be agreed upon between the contractor and the non-profit

How Much of Each is the USDA is Buying?

Agricultural Marketing Service's Commodity Procurement Program will procure an estimated

\$100 million per month in fresh fruits and vegetables,

\$100 million per month in a variety of dairy products, and

\$100 million per month in meat products.

Technical Proposal Contents

- 1) RFP divided into 7 regions (Northeast is one of them) contractors can supply to an entire region, several regions, or local areas within regions
- 2) Distribution plan (plan for effectively distributing the boxes to nonprofits)
- 3) Address scope (locations, boxes, participants served, geographical area served)
- 4) Address existing nonprofit relationships
- 5) How the contractor will create new supply chain partners (if needed)
- 6) Compliance (how sub contractors will be paid, reporting ability, etc)
- 7) Written past performance documentation
- 8) Pricing proposals

Important Dates

- 1) Request for Proposals with more detailed information – 4/25/20
- 2) Proposals due to the USDA – 5/1/20
- 3) Proposals selected by USDA – 5/15/20
- 4) Initial contract period – 5/15/20 - 6/30/20
- 5) 1st Contract Renewal – July and August
- 6) 2nd Contract Renewal – September and October
- 7) 3rd Contract Renewal – November and December

The USDA will provide a pre-proposal conference next week for those interested in becoming a contractor (date/time not published yet)

For More Information

Get on the email list to receive updates:

https://public.govdelivery.com/accounts/USDAAMS/subscriber/new?category_id=USDAAMS_C28

Email address to contact with questions:

USDAfoodboxdistributionprogram@usda.gov

USDA Food Box Program Website:

<https://www.ams.usda.gov/selling-food-to-usda/usda-food-box-distribution-program>

USDA CFAP Direct Payment to Producers

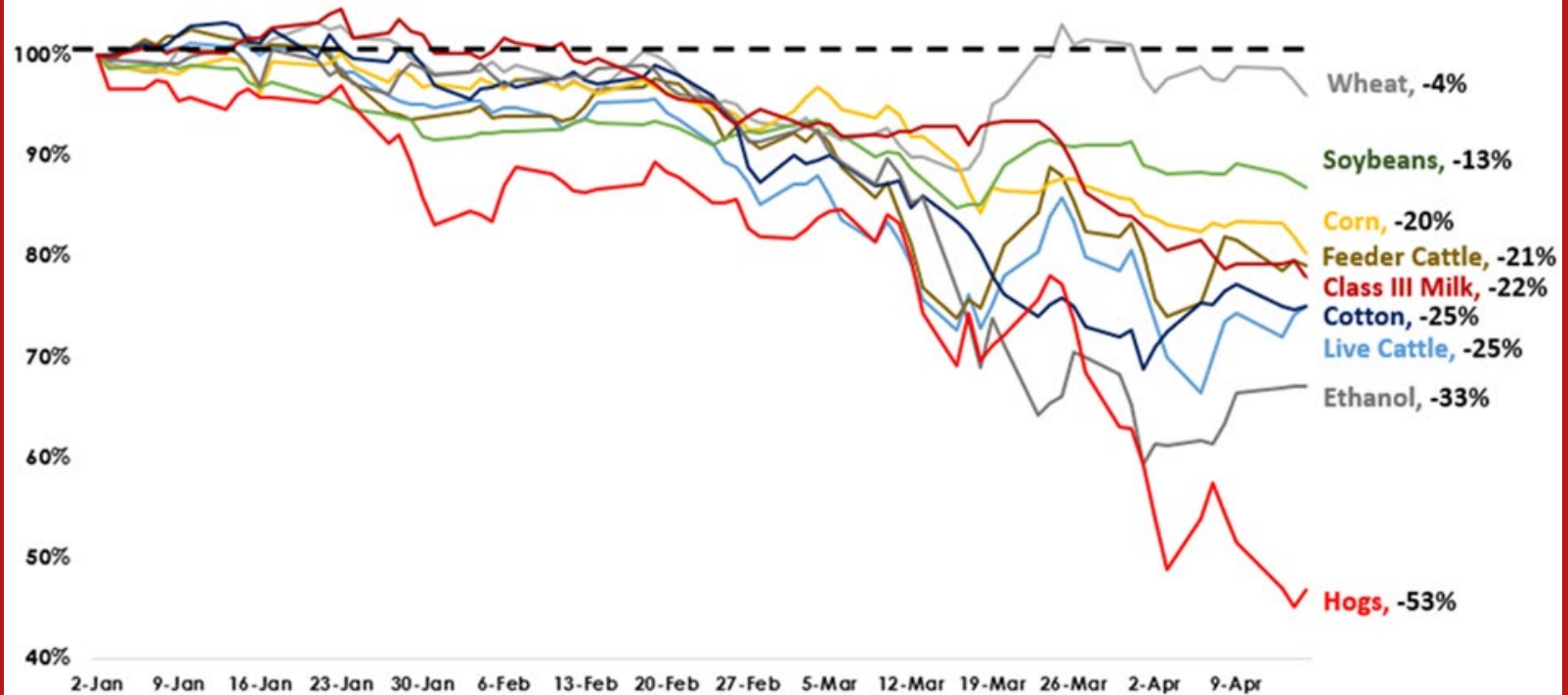
- \$16 Billion for Direct Payments to Producers
 - \$9.6 Billion to Livestock
 - \$3.9 Billion to Row Crops
 - \$2.1 Billion for Specialty Crops
 - \$500 million in “other crops”
- Aquaculture \$300 million (funds set aside)

Eligibility Requirements:

- Payments will be based on ACTUAL production and based on ACTUAL losses
 - Price Declines
 - Supply Chain Disruptions (ie.. Sale of commodities)
- Must have at least a 5% decline in prices between Jan-April
- While these “buckets” of money are current estimates of what may be needed for each industry, if one “bucket” needs less, USDA will still be able to move money between “buckets” to ensure the funds get to where they are needed. (American Farm Bureau, 4/23/2020) www.fb.org

Figure 2. COVID-19 Impact on Agricultural Futures Prices

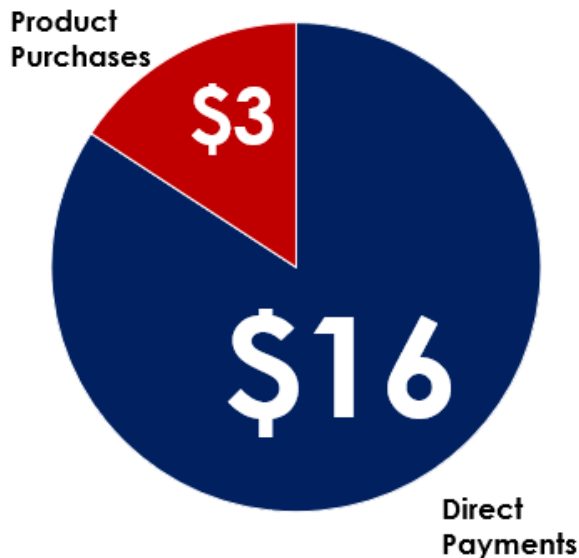
Percentage Change January 2 to April 15 for Nearby Contract



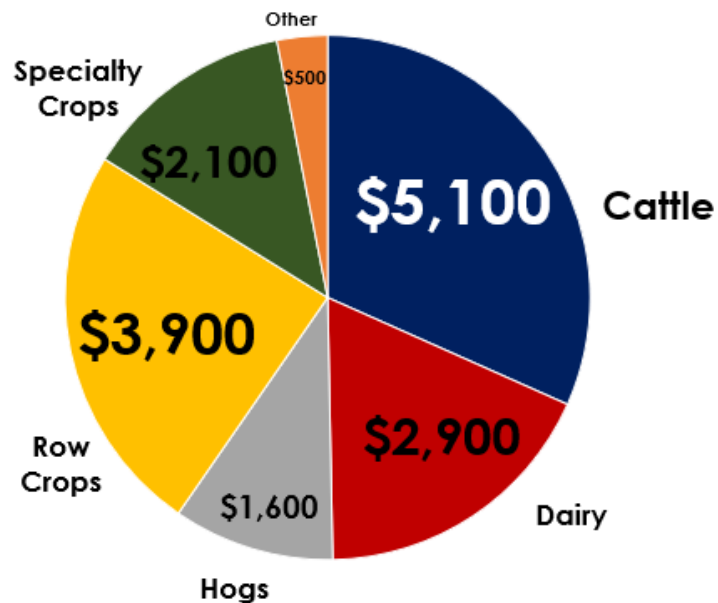
Source: Barchart, Farm Bureau Analysis

Figure 3. Expected CFAP Funding By Program and Commodity

CFAP Funding By Program (Billion \$)



Direct Payments By Commodity (Million \$)



Source: USDA, AFBF Analysis

Payment Compensation?

- Two different payments
 - Jan1 – April (15-17) = 85% price loss that occurred during this period
 - April (15-17) –next 2 quarters (Summer/Fall 2020) = 30% of expected loss
- USDA will use the most reflective price series for commodities (CBOT/CME), for commodities not traded, AMS and FSA will have direction for producers to demonstrate loss (info forth coming)

Determining Loss Possibilities

- If you haven't worked with FSA before, please call them. There is farm business plan that must be filed prior to securing funds.
- Due to Social Distancing some certification of loss may occur
 - So.. SAVE YOUR PAPERWORK and RECORDS to demonstrate loss
 - If a producer is forced to destroy product (dump milk, plow under crops) CFAP is expecting to help PARTIALLY offset loss

Milk Example et al

- *In the dumped milk example, it is not expected that producers will be compensated for the full value of the dumped milk, but the milk that is produced and dumped will still be eligible for the payment rate that milk receives under the direct payment program (i.e., 85% of the price drop from January to April).*
- ***CFAP funds will not be used to pay for depopulated livestock.***
- *Additionally, the funds are intended to cover producers who own the commodity or product, so animals raised under contract (i.e., poultry grown under contract for an integrator) are not expected to be covered.*

Goals and Payment Limits

- A GOAL of May payments has been identified.
 - ** No confirmation on specifics**
- Payment limits will apply!
 - \$125,000 per commodity with an overall limit of \$250K per individual or entity
- For some of our farms that participated in: Ag Risk Coverage, Price Loss Coverage, Dairy Margin Coverage (DMC) or Dairy Revenue Protection (Dairy RP) this is *COMPLIMENTARY to CFAP* and will not lower a recipients CFAP payment.

Extra Tidbits:

- USDA understands more help will be needed in the future
- \$14 billion will be added to the CCC in July
- Specialty livestock (Sheep&lamb), horticulture all though not specified in specific language, are scheduled to have an opportunity to demonstrate losses to AMS (Ag Marketing Service) or FSA
- Ethanol industry will not receive financial funding

References:

- Farm Bureau Market Intel Website:
 - <https://www.fb.org/market-intel/update-whats-in-usdas-new-coronavirus-food-assistance-program>
- USDA – Coronavirus Food Assistance Program
 - <https://www.usda.gov/media/press-releases/2020/04/17/usda-announces-coronavirus-food-assistance-program>