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Coronavirus Food Assistance Program (CFAP) Updates

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CFAP Clarifications

- Formula Grid Contracts
 - Kansas FSA indicated to KLA that the sale of cattle occurs when cattle are committed to a grid formula contract in instances where the price agreement is based on some derivative of the negotiated cash price from the week immediately prior to delivery.
 - FSA has suggested that producers take steps to document the initiation of the contract, like getting the packer to sign an affidavit, in case the producer is audited.
 - Phone records or emails may also provide evidence of an agreement.
 - Cattle committed to a grid formula contract do not qualify as unpriced inventory.

CFAP Clarifications

- Cattle Basis Contracts
 - Kansas FSA indicated to KLA that the sale of cattle occurs when cattle are committed to a basis contract.
 - A basis contract is an agreement where cattle are committed to be delivered to a processor in a future month, with the exact date of delivery determined by the processor, and the price is an agreed upon positive or negative adjustment to the nearby live cattle futures contract on the day of delivery.
 - FSA has suggested that producers take steps to document the initiation of the contract, like getting the packer to sign an affidavit, in case the producer is audited.
 - Phone records or emails may also provide evidence of an agreement.
 - Cattle committed to a cattle basis contract do not qualify as unpriced inventory.

CFAP Clarifications

- Cattle Lease Arrangements
 - A lessee of cattle, entitled to a percentage of the calf crop, can qualify for CFAP on the lessee's share of calves under the lease.
 - If calves are born after January 15, 2020, but were calved from cows in inventory on January 15, 2020, a lessee can claim a share of the calf crop if the calves are sold by April 15, 2020.
 - If calving is not complete by May 14, 2020, the lessee and lessor each may claim their respective shares in calves born by May 14, 2020, assuming that is the highest inventory date. Calves born after May 14, 2020 are not eligible.
 - A backgrounder who enters a lease agreement for a share of the feeder calf sales at the end of the background period is eligible to claim a share of the CFAP payments if other program qualifications are met.
 - Lessors and lessees should communicate prior to submitting CFAP applications to ensure that claimed interests do not overlap.

CFAP Applications

- Grain Basis Contracts
 - FSA has indicated that basis contracts for grain, which guarantees the producer the ability to sell grain at a set discount/premium to a futures contract, qualifies the grain as unpriced inventory because the grain is still subject to price risk.
- Silage/Hay
 - Corn and sorghum silage are eligible for CFAP under the following conversions:
 - Corn = Total tons in inventory multiplied 7.94.
 - Sorghum = Total tons in inventory multiplied by 3.114 cwt multiplied by 100 divided by 56.
 - Sorghum and oat hay is eligible for CFAP under the following conversions:
 - Sorghum = Total tons in inventory multiplied by 8.89 cwt multiplied by 100 divided by 56.
 - Oats = Total tons in inventory multiplied by 11.66.
 - Other crops qualifying for silage or hay payments include barely, soybeans, spring wheat – see FSA CFAP Handbook, page 5-33, for more details:
https://www.fsa.usda.gov/Internet/FSA_File/1-cfap_r00_a01.pdf