

**Iowa
Cattlemen's
Association**

May 5, 2021

The Honorable Tom Vilsack
Secretary
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington, D.C. 20250

Dear Secretary Vilsack,

The Iowa Cattlemen's Association writes to bring your attention to a deficit within the U.S. Department of Agriculture's (USDA) implementation of pandemic assistance authorized to cattle producers by Congress through the Consolidated Appropriations Act, 2021.

The economic impact of COVID-19 on the beef cattle industry first began in mid-March 2020. In April, the health and well-being of the meatpacking labor force took a hit. With a compromised labor force, meatpackers had no choice but to close or slow throughput at their processing plants. As a result of the unprecedented plant interruption, market-ready cattle were put on hold for harvest.

This timeline is mirrored by data from the National Agricultural Statistics Service (NASS) Cattle on Feed report for Iowa. According to NASS, marketing significantly declined between March and April of 2020.¹ At one point, daily processing volumes across the United States were approximately 40 percent lower than the prior year's volumes.² This created a significant backlog of cattle and prolonged financial hardship for cattle producers due to market uncertainty.

In response to the extreme market disruption caused by COVID-19, USDA announced billions in direct relief for America's farmers and ranchers. This rule outlined provisions for direct payments to producers of eligible commodities, including beef cattle producers. The rule also included applicable details related to eligibility requirements, payment calculations and limitations, and application procedures.

At the time of enactment, a payment limitation of \$250,000 per individual or legal entity was set. In addition, USDA applied special payment guidelines to corporations, limited liability companies, and limited partnerships. These entities have been eligible to receive up to \$750,000 based on the number of shareholders (up to three) that are contributing a minimum of 400 hours of active personal labor or management. These payment limitations, although entirely separate, were also applied to CFAP 2.

Since USDA's March 25 announcement for pandemic assistance and recent implementation, we've learned that some cattle producers, particularly feeders, are ineligible to receive the assistance that Congress provided for them due to the payment limitation established for CFAP 1. Depending on when cattle were marketed and how many were considered inventory at the time, a small or mid-sized cattle feeder could easily meet the payment limitation of \$250,000.

Congress noted the failure to adequately compensate cattle producers last year, which resulted in additional appropriations in December 2020. Despite the fact that USDA had no discretion in interpreting the directives, it took nearly four months to roll out payments.

¹ U.S. Department of Agriculture National Agricultural Statistics Service, *Iowa Ag News – Cattle on Feed* (Des Moines, IA, 2021). https://www.nass.usda.gov/Statistics_by_State/Iowa/Publications/Livestock_Report/2021/IA-CoF-02-21.pdf.

² Jayson Lusk, Glynn Tonsor, and Lee Schulz, "Beef and Pork Marketing Margins and Price Spreads During COVID-19," *Applied Economic Perspectives and Policy* 43, no. 1 (2021): 4–23, doi:10.1002/aepp.13101.

Instead of defining these payments as a third and entirely separate round of CFAP, USDA classified them as part of CFAP 1. This means that the \$250,000 payment limitation from the first round of CFAP was carried over from one calendar year to the next. For example, if a producer met the payment limitation for CFAP 1 last year, they were deemed ineligible to receive assistance this year. If they received \$200,000 from CFAP 1 last year, they would only be eligible to receive \$50,000 this year.

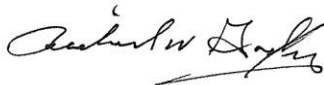
In 2020, USDA recognized that combining the payment limitation for CFAP 1 and CFAP 2 would have excluded many livestock, dairy, and specialty crop operations from desperately needed assistance. This was affirmed by the CFAP 2 Cost-Benefit Analysis (CBA), published on September 15, 2020. While the CBA states that payment limitations only affected approximately one percent of all CFAP 1 applications, it is important to note that 36 percent of those who received reduced payments represented the livestock industry (cattle and hogs).³

We understand the value of payment limitations as part of fiscal responsibility. However, it was not Congress' intent to provide additional appropriations for pandemic assistance that could not be utilized by cattle producers who suffered the greatest realized losses. In fact, it is our understanding that Congress did not provide a payment limitation in either the Coronavirus Aid, Relief, and Economic Security (CARES) Act or the Consolidated Appropriations Act, 2021. In a bipartisan letter, dated April 23, 2020, 126 Members of Congress actually requested that there be no payment limitation for COVID-19 assistance.

Congress was explicit in funding and legislating formulas for additional payments to cattle producers. As a result of USDA's decision to retain a payment limitation from the previous year, many cattle feeders have not received financial assistance that was earmarked for them by Congress. Instead, many American farmers and ranchers, who may have experienced less realized losses, have received payments that may or may not have been necessary. This predicament could have easily been avoided with the elimination of the payment limitation or a new payment limitation set for 2021.

Thank you for your dedicated service to America's farmers and ranchers during this challenging time. We appreciate your attention on this important matter, and ask that you consider applying any available funds to mitigate this shortfall in assistance. Questions related to this letter may be directed to Cora Fox, Director of Government Relations, at (515) 296-2266 or at cora@iacattlemen.org.

Respectfully,



Richard Godfrey
President, Iowa Cattlemen's Association

³ U.S. Department of Agriculture, *Coronavirus Food Assistance Program 2 Cost-Benefit Analysis* (2021). <https://www.farmers.gov/sites/default/files/documents/CFAP2-CBA-09252020.pdf>.