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Testimony from Lauren Williams, New York Farm Bureau
Joint Legislative Hearing
The Federal Response to the Economic Impact of the COVID-19 Pandemic on Small Businesses in New York State
May 13, 2020

On behalf of New York Farm Bureau, thank you for providing our organization the opportunity to testify (virtually) today on the impact of the Coronavirus on New York's agriculture industry. My name is Lauren Williams, and I serve as the Senior Associate Director of National Affairs. New York Farm Bureau is the state's largest general agricultural advocacy organization with approximately 20,000 family farm members representing all size farms, all production methods and all commodities.

While no one could have predicted the extent of Coronavirus on the country or its food supply, the impacts have been real and unprecedented for New York's farmers. Not only have farmers experienced the loss of markets, dumping of products, and labor disruptions, also there remains uncertainty of what the future holds for their businesses. Many farm operations either lost their markets or saw decreases in demand due to restaurants and institutional closures. In addition, the livestock industry has seen prices plummet as processing plants slow down or close which has raised concerns over meat availability. We also don't know the full extent of dumped milk, but we do know that dairy farmers have seen a dramatic decrease for the price of milk which a far below the cost of production. We do not fully know the economic impact of COVID-19 on New York's agricultural industry, but we do know that it is far reaching and will take months, if not years to recover.

It has not all been a negative for all farmers as some operations have experienced increased sales due to direct markets as there is a resurgence in local products. In addition, we have seen New York's distilleries and ethanol industry switch gears to producing sanitizers and cleaners.

NYFB would like to thank the New York State Department of Agriculture and Markets for their efforts at both the state and federal levels to assist New York farmers. Their efforts to provide guidance, seek assistance for farmers, as well as provide an outlet for food products has been extremely appreciative by farmers across the state.

In response to the virus' impact of farms and agricultural businesses, as well as the impact to the country at large, Congress has passed several legislative packages aimed at providing support to small businesses. The most notable one for agriculture has been the Coronavirus Aid, Relief, and Economic Security Ac or CARES Act which created a number of programs to assist farmers and provide financial resources. The CARES Act included a $14 billion replenishment for the Commodity Credit Corporation (CCC) which are funds administered by the U.S. Department of Agriculture (USDA). In addition, the CARES Act allocated $9.5 billion to the USDA to assist specialty crops, dairy, livestock, and direct market enterprises. NYFB believes that these funds will help New York's agricultural industry which represents one of the most diverse agricultural states in the country.

On April 17, the USDA announced the Coronavirus Food Assistance Program (CFAP) through which USDA will provide $19 billion support to farmers. The program includes two major elements to achieve these goals:

The first is through direct support and payments to farmers. CFAP will provide $16 billion in direct support based on actual losses felt by agricultural producers where prices and market supply chains have been impacted and will assist producers with additional adjustment and marketing costs resulting from lost demand and short-term oversupply for the 2020 marketing year caused by COVID-19. Farmers, who experienced a 5% price decrease between January and mid-April, are projected to receive a single payment determined using two calculations: Price losses that occurred January 1-April 15, 2020, which will compensate farmers for 85% of price loss during that period. The second part of the payment will be expected losses from April 15 through the next two quarters and will cover 30% of expected losses. NYFB has serious concerns regarding USDA's plan to compensate producers at 30% of expected losses after mid-April. The full impacts of the virus continue to be felt after mid-April, and NYFB has asked that both Congress and USDA provide funding to cover greater than 30% of losses from mid-April and forward.

In addition, the USDA has set a payment limit for the program of $125,000 per commodity with an overall limit of $250,000 per individual or entity. NYFB along with many other agricultural organizations and members of Congress have urged USDA to remove the payment limits or at least increase them from the $125,000 per commodity/ $250,000 total allowable. In New York, a lot of producers grow and market a wide variety of commodities, so a cap is extremely detrimental to those businesses that have felt impacts across multiple commodities.

NYFB is especially concerned about adequate support for dairy farmers who have not only had to dump their milk, but are experiencing record low milk prices, in what was supposed to be a year of relatively good milk prices. In a letter[1] from the New York State Department of Agriculture and Markets to USDA, estimates by Ag and Markets found that a 100-cow dairy would receive approximately $20,000 under CFAP, which would account for 4.6% of total production loss, when dairy farmers have experienced losses closer to 16%. As the farm size increases, the CFAP payments will have the same or lower expectations for covering losses. Ag and Markets states that the proposed direct payments to dairy farmers will be insufficient to cover the catastrophic losses that New York's dairy farmers are experiencing. NYFB is extremely appreciative that Ag & Markets put together the analysis and letter to USDA to showcase the need felt by New York's dairy farmers.

NYFB is also concerned with USDA's ability to adequately address the losses felt by specialty crop and horticulture producers. Traditionally these commodities have not been able to utilize USDA programs in the past, and USDA may not have sufficient data to form a price series to provide the needed compensation to cover losses felt by those in the specialty crop and horticulture industries. NYFB has requested that USDA reach out to specialty crop producers and commodity groups to get information on market prices that these producers receive on average for these goods to ensure USDA can provide adequate relief to these producers. In addition, because USDA has limited the payment amount to $125,000 per commodity, with a total cap of $250,000 per producer, those farms growing a many different crops will be limited in the amount of support they will be able to receive.

It is important to note that USDA is currently still in the rulemaking phase for the CFAP program, with a draft of the rule currently awaiting approval at the Office of Management and Budget (OMB). USDA expects farmers to sign-up for the program and then get payments out to producers by the end of May or early June. To be clear, no farmers have received any funds under CFAP to date and continue to experience market losses. NYFB has encouraged farmers to maintain and retain any records associated with market and product losses to help with CFAP documentation and possible future programs.

The second component of the CFAP program created the Farm to Food Box Program through which USDA is partnering with national, regional, and local food suppliers, to purchase up to $3 billion in fresh produce, dairy and meat products. The program will purchase $461 million in fresh fruits and vegetables, $317 million in a variety of dairy products, $258 million in meat products and $175 million in a combination box of fresh produce, dairy or meat products. Suppliers will package these products into family-sized boxes, then transport them to food banks, community and faith-based organizations, and other non-profits serving those in need. The program is schedule to

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[1] https://agriculture.ny.gov/news/during-covid-19-pandemic-nys-agriculture-department-calls-usda-make-additional-emergency

start on May 15, and again, we have yet to see the full implementation and impact on New York farmers and what New York products will be purchased by the program.

In addition, USDA will also be utilizing other available funds to purchase and distribute food to those in need, which we view as a positive for both farmers and those in need of food. NYFB encourages USDA to purchase local products as much as possible for distribution into local food banks. We are hopeful that both the USDA purchases and the state's Nourish NY will provide opportunities for New York farmers to market excess goods and serve those in need.

In addition to the USDA funds allocated under the CARES Act, the bill also created the Paycheck Protection Program, which a guaranteed loan program, for small businesses with less than 500 employees, who keep their employees on payroll. While farmers have been able to utilize the program, it has not been without its disruptions including the program initially running out of money and more funds needing to be authorized in a second piece of legislation known as the Paycheck Protection Program and Healthcare Enhancement Act.

According to an analysis[2] by the American Farm Bureau Federation (AFBF), few farmers have been able to utilize the PPP. Of the first $349 billion allocated to the PPP, it's estimated that $4.374 billion, or 1.3%, was distributed to the agricultural, forestry, fishing and hunting subsector. In addition, the SBA recently clarified that farm participation in the PPP is based on net farm profits (or losses), line 34, form Schedule F, from 2019. While the clarification is helpful, many self-employed farmers are finding it to be a barrier to participation in the program. Based on 2017 IRS data, the most recent available, 37% of self-employed farmers would have not received a loan from the PPP because they've reported net losses in the prior year. Program eligibility is based on returns filed for 2019, so the percentage of self-employed farmers receiving a zero-dollar loan could be higher following devastating natural disasters and trade troubles that continue to weigh negatively on farm income and cash receipts. While farming operations will still be able to apply for a PPP loan based on any employee payroll costs, self-employed operators will not be able to access the PPP to pay themselves.

In addition to PPP, farmers are now able to take advantage of the Economic Injury Disaster Loan Program or EIDL, which provides both an advance of up-to $10,000 to a business as well as a low-interest loan of up-to $2 million. Even though it was Congress' intent that farms be eligible for EIDL under the CARES Act, the Small Business Administration did not allow for farmers to apply for the program until Congress expressly passed language in the fourth federal aid package. Currently farm and agricultural businesses have an open application period for the EIDL and have been taking advantage of the program. Even though businesses are able to receive loans for up -to $2 million, the SBA has limited the amount that each business receives, which is understandable from a federal allocation standpoint, but it also means that farmers aren't able to receive as much in the way of funding. The EIDL is based on gross revenues, cost of goods sold, cost of operations, and other compensation sources for the 12-month period prior to Jan. 31, 2020, which means that self-employed farmers who show losses on their Schedule Fs are able to utilize the program.

We would be remiss if we also did not discuss the hard work that both farmers and farm workers are doing to produce food for the state and country. These individuals continue to go to work every day as essential workers, and NYFB has worked with Cornell Cooperative Extension, New York Center for Agriculture Medicine and Health, as well as the Departments of Ag and Markets, Labor, and Health to ensure that both farmers and farm workers have the resources they need to continue safely working including access to PPE and educational materials.

Those farms that utilize the H-2A agriculture visa guest worker program have felt uncertainties over whether workers would arrive as well as ensuring that additional housing be available in the event that workers need to be quarantined. H-2A workers from Mexico have for the most part been able to travel to the New York and work. The

[2] https://www.fb.org/market-intel/farmers-losses-a-barrier-to-ppp-participation

Jamaican Embassy has been shuttered since March and has not been processing H-2A or H-2B visas which especially impacts New York's fruit, especially the apple industry.

As NYFB looks forward and continues to identify ways to assist New York's agricultural producers, we have asked New York's Congressional delegation to ensure that the CFAP program provides the support that New York's farmers need and to allocate additional funds to USDA in the event more support is needed. We also will continue to ensure that USDA's direct funding provides the needed support to agricultural producers of all sizes and commodities.

In addition, it is important that both government lenders including the Farm Service Agency and private lenders continue to work with farmers to address lending and financial constraints during this time including flexibilities for loan deferment. In an analysis by the American Farm Bureau Federation, Chapter 12 family farm bankruptcies for the 12-month period ending March 2020 totaled 627 filings, a 23% increase from the previous 12 months[3]. The coronavirus' impact on the national economy as a whole and the farm economy specifically, high unemployment and low commodity prices and reduced farm revenue, may make it more difficult for farmers to repay debt, which could increase farm bankruptcies. The extent to which farm bankruptcies and/or liquidations can be avoided depends on the financial support provided to farmers, ranchers and agribusinesses in the near future including through USDA funding.

It will be important for agricultural products to continue to move to consumers including through retail markets, reopened food industry markets like restaurants, or through food purchasing programs for those in need. NYFB continues to advocate for a milk voucher system at the federal level that would allow individuals in need to receive a voucher that they could use to pick up milk at the grocery store. Not only would this alleviate storage concerns at food banks, it would also provide dairy processors with compensation for donating milk through a voucher. We would also like to see a block grant system that would provide funding to states to continue to purchase agricultural products and distribute to those in need. This would allow the purchase of local products to assist those at the local level.

NYFB calls on the Governor and the legislature to ensure that that critical statewide agriculture programs do not experience budget cuts as the state looks to make budget adjustments. These programs provide critical technical support, research support, and health support for the agricultural community. Most notable and essential is funding for New York FarmNet which provides free business and mental health assistance to farmers who have seen their income streams being eroded away. Now more than ever, it is imperative that agriculture not be left behind when it comes to both state and federal programs.

Thank you again for allowing me the opportunity to testify before you today and please refer to the written testimony submitted as it provides further information on the programs discussed today. I would be happy to answer any questions that you may have today or at any later time.

[3] https://www.fb.org/market-intel/covid-19-will-likely-push-farm-bankruptcies-higher