

## RIGHTRISK NEWS

### Risk Management in Agriculture under COVID-19

#### DATES TO REMEMBER

**NAP Coverage**  
(Spring-planted crops)  
- county specific deadlines

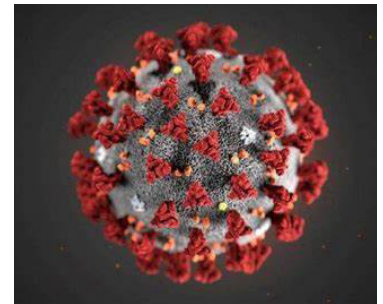
**Spring crop acreage reporting deadline**  
- July 15

**Annual Forage Insurance Plan Sales Closing Date** - July 15

For more information see:  
<http://www.rma.usda.gov>  
<http://www.fsa.usda.gov>

The change caused by spread of the coronavirus disease (COVID-19) and developing pandemic in early 2020 are only just beginning to be understood. Many implications for the U.S. general economy, social interaction, and broader culture, are still coming to light, following weeks of self-isolation and work-from-home orders.

U.S. agriculture is not unscathed. Input supply shortages, lack of transportation, shutdowns in segments of the food processing chain, reinforcement of programs for animal depopulation, increases in demand for assistance under the Supplemental Nutrition Assistance Program (SNAP), as well as long lines at food banks and social support networks across the country are just some of the many things we have witnessed in the last two months. Some grocery stores and other food outlets are even taking steps to limit purchases of certain food items in order to better ensure access to all their customers. Trending headlines also include descriptions of weak commodity prices in corn, soy beans, hogs and cattle.



The pandemic has swept the globe like a flash of lightning on a dark night. Cases were announced by the Wuhan Municipal Health Commission in China (the outbreak epicenter) only as recently as December 31, 2019. Although global spread of COVID-19 has been swift, government response to the pandemic has also been extremely rapid and forceful, pledging massive economic support, from direct payments to individuals to “limitless” loans for struggling businesses.

What risk management options are available to managers of agricultural businesses to help weather the current storm? We'll review specific programs available and where to go for more information.

► **The Internal Revenue Service (IRS)** has delayed filing for federal tax until July 15, 2020 due to the COVID-19 outbreak for taxpayers with an April 15th filing deadline. “All taxpayers and businesses will have this additional time to file and make payments without interest or penalties.” See: <https://home.treasury.gov/news/press-releases/sm953>

► **Coronavirus Aid, Relief, and Economic Security (CARES) Act** was passed by Congress and signed into law on March 27th, 2020. This \$2+ trillion economic relief package is intended to protect the American people from the public health and economic impacts of COVID-19. It offers the following specific components:

- **Assistance for American Workers and Families** - Offers Economic Impact Payments to American households of up to \$1,200 per adult for individuals whose income was less than \$75,000 (or \$150,000 for joint filers) and \$500 per child under 17 years old – or up to \$3,400 for a family of four. Additionally, the IRS will use the information on the Form SSA-1099 and Form RRB-1099 to generate \$1,200 Economic Impact Payments to Social Security recipients who did not file tax returns in 2018 or 2019. Recipients have or will receive these payments as a direct deposit or by paper check, just as they would normally receive their benefits. See: <https://home.treasury.gov/policy-issues/cares/assistance-for-american-workers-and-families>

- **Assistance for Small Businesses** - Small Business Paycheck Protection Program is implemented by the Small Business Administration (SBA). This program provides small businesses, including agricultural businesses, with funds to pay up to 8 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. Although initial funding was quickly allocated, SBA recently resumed processing loan applications under a new tranche of funding (April 27, 2020). Individuals can apply through any existing SBA 7(a) lenders or through any participating federally insured depository institution, federally insured credit union, or Farm Credit System institution. The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (at least 75 percent of the forgiven amount must have been used for payroll). Loan payments will also be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees. See: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>



- **Economic Injury Disaster Loans** – Also administered by SBA, this program offers small business owners an Economic Injury Disaster Loan for paying specific business costs. Additionally, the EIDL program allows an advance of up to \$10,000 (\$1,000 per employee up to ten employees). This advance will provide economic relief to businesses that are currently experiencing a temporary loss of revenue. Funds will be made available following a successful application. This loan advance will not have to be repaid. The program is for any small business with fewer than 500 employees. At this time, only agricultural business applications will be accepted, including those engaged in the production of food and fiber, ranching, and raising of livestock, aquaculture, and all other farming and agricultural related industries.

How Much Risk is Right for You?



See: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/economic-injury-disaster-loan-emergency-advance>

► **Preserving Jobs for American Industry** – The Treasury Department is providing two new employer tax credits – the Credit for Sick and Family Leave and the Employee Retention Credit. The Employee Retention Credit offers employers of all sizes an incentive to keep employees on the payroll through a 50 percent credit on up to \$10,000 of wages paid or incurred from March 13, 2020 through December 31, 2020. Under Payroll Tax Deferral businesses and self-employed individuals can defer payment of the employer share of the Social Security taxes. The deferred employment tax can be paid over the next two years. See: <https://www.irs.gov/coronavirus/new-employer-tax-credits>

► **Coronavirus Food Assistance Program (CFAP)** – On April 17, 2020 USDA Secretary Sonny Perdue announced the creation of the CFAP program. In total the Coronavirus Aid, Relief, and Economic



Security Act (CARES), the Families First Coronavirus Response Act (FFCRA), and other USDA existing authorities will make available \$19 billion in federal funding to support to farmers and ranchers. Program components include:

• **USDA Purchase and Distribution** – Due to the closure of many restaurants, hotels, and other food service entities, CFAP will purchase \$3 billion in fresh produce, dairy, and meat, roughly: \$100 million per month in fresh fruits and vegetables, \$100 million per month in dairy products, and \$100 million per month in meat products. Distributors and wholesalers will deliver these products to food banks, community and faith based organizations, and other non-profits. USDA has a further \$873.3 million to purchase a variety of agricultural products for distribution to food banks. In addition, the FFCRA and the CARES Act provides at least \$850 million for food bank administrative costs and USDA food purchases, of which a minimum of \$600 million will be designated for food purchases.

• **Direct Support to Farmers and Ranchers** – CFAP will also provide \$16 billion in direct support based on actual losses for 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.

Funds will be directed to crop producers and livestock producers who are able to demonstrate losses in early 2020 due to COVID-19. Commodity price declines and income losses are two factors that will be used to compensation payments. It is expected that payment limits will still apply, but are expected to be increased from the current limits of \$125,000 per commodity and an overall limit of \$250,000 per individual or entity. Further, USDA is anticipating an expedited sign-up under this program, relying on electronic payment to move funds to recipients within weeks. Sign up for this program is expected to begin at the end of May 2020.

A webinar offering further CFAP details has been scheduled for May 14th - 1 p.m. ET (register in advance at [https://www.zoomgov.com/webinar/register/WN\\_SPWI7yOFSqGG1JKzhEbjA](https://www.zoomgov.com/webinar/register/WN_SPWI7yOFSqGG1JKzhEbjA)), with additional details here: [https://www.farmers.gov/cfap?utm\\_campaign=0512cfapwebinar](https://www.farmers.gov/cfap?utm_campaign=0512cfapwebinar), including how to prepare for the application process, links to online forms and links to local Farm Service Agency offices. See: <https://www.farmers.gov/coronavirus>



Although these are challenging times, they also represent times of opportunity for those prepared to take advantage of them. Risk management is a necessary, but sometimes frustrating, activity. Very good risk management strategies can still lead to bad outcomes because of the uncertainty involved with how the future will actually turn out. That is why it is important to judge the quality of a risk management strategy on the information available at the time the strategy is selected and not solely on the final results. Remember, even good risk management strategies don't come with guarantees. However, good risk management strategies are more likely to put you in a better position to take advantage of opportunities that present themselves.



The RightRisk Evaluating Risk Strategies module, including: 1) Self-study materials covering- Introduction to Risk, Risk Management Strategies, Evaluating Strategies, and Conclusion. 2) Recorded webinar- Posted presentation slides, Posted Introduction, Posted ERA Risk Strategies presentation, Posted ERA Evaluating Risk Strategies presentation, Posted Q&A session; all in video and audio-only formats; and 3) eBook document for further study is available free of charge at [RightRisk.org > Courses](http://RightRisk.org > Courses).



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*How much risk is right for you and your operation?*

