

Government Payments to Minority American Producers

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Abstract : The United States Department of Agriculture's programs has been accused of being discriminatory in the past based on the race of the farmer, especially African-American producers. This study examines if there was racial discrimination in payments from the most recent new USDA programs, including those made in response to the pandemic. This study uses the Analysis of Variance (ANOVA) to examine the payments after normalizing them relative to cash receipts to test if discrimination in the number of payments received exists. Three programs investigated in this study are: i) the Coronavirus Food Assistance Program (CFAP), ii) the Market Facilitation Program (MFP), and (iii) the Paycheck Protection Program (PPP). The PPP program was administered by the Small Business Administration, whereas the other two were designed and implemented by the USDA. The PPP made forgivable loans to small businesses and, initially, was heavily criticized for not reaching minority businesses (in general). The Small Business Administration then initiated a second draw of PPP loans, prioritizing minority-owned businesses. This study compares attributes of PPP loans made to African-American farming businesses and other farming businesses in the two draws of the PPP. We find that the number of African-American farming businesses participating in the second draw of PPP loans decreased significantly from the first draw. However, the average amount of PPP loans to African-American farming businesses increased in the second draw. In the first draw, the average cost of jobs reported per loan was higher for African-American farming businesses than for other producers. In the second draw, the average cost of jobs reported per loan was significantly higher for other farming businesses than for African-American businesses. The share of PPP loans forgiven for African-American farming businesses is significantly below the national rate of 89 percent. The rate of forgiveness for PPP loans made to African-American producers is unlikely to increase significantly without policy changes. This can increase financial burdens in the future to farm operations operated by African-Americans. Finally, we conclude that the initial goal of increasing minority participation in PPP loans in the second draw, at least among African-Americans in the agricultural sector, did not meet. CFAP made almost \$600 million in direct payments to minority producers, including Black producers. Black or African American producers received more than \$52 million in CFAP payments. CFAP payments were proportional to the value of agricultural commodities sold for most minority producers. The 2017 Census of Agriculture showed that the majority of minority producers, including African American producers but excluding Asian producers, raised livestock. CFAP made the highest payments to livestock minority producers.

Keywords : United States department of agriculture (USDA), coronavirus food assistance program (CFAP), paycheck protection program (PPP), African-American producers, minority American producers

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