

USDA Animal Product Purchasing: Surplus Removals, Trade Mitigation, and Pandemic Relief

I. Introduction:

The US Department of Agriculture (USDA) purchases large amounts of food every year, including meat, poultry, dairy, fish, and eggs. Most USDA food purchases are so-called “entitlement” purchases. Entitlement purchases are calculated yearly to meet the requirements of the Food Nutrition Service’s various nutrition assistance programs, such as the National School Lunch Program (NSLP) and the Emergency Food Assistance Program (TEFAP), among others. However, USDA also purchases additional food via “bonus” purchases based on conditions other than fulfilling the nutrition requirements of their programs, such as to aid the domestic market for various commodities.¹

This research project examined a subset of these USDA bonus purchases: non-entitlement “surplus” purchases which vary by year in response to market and political conditions. Although surplus removal purchases constitute a relatively small portion of USDA’s total commodity purchases (often around \$200-\$400 million per year, out of approximately \$2 billion for all USDA Foods purchases), they are made in response to market surpluses and at the behest of industry groups, rather than to fill the needs of USDA’s nutrition assistance programs.²

Despite being a subset of all USDA food purchases, we view these surplus purchases as a neglected and particularly informative lens through which to examine the supply and demand of the animal product market. These purchases are more interesting than entitlement purchases from the perspective of farm animal advocacy because surplus purchases tell us more about both the relative health of various animal agriculture industries, as well as the influence of those industries on USDA decisions.

This project also examined the “trade mitigation” purchases made by USDA following the international trade war initiated by the Trump administration in 2018. Trade mitigation purchases reveal which sectors

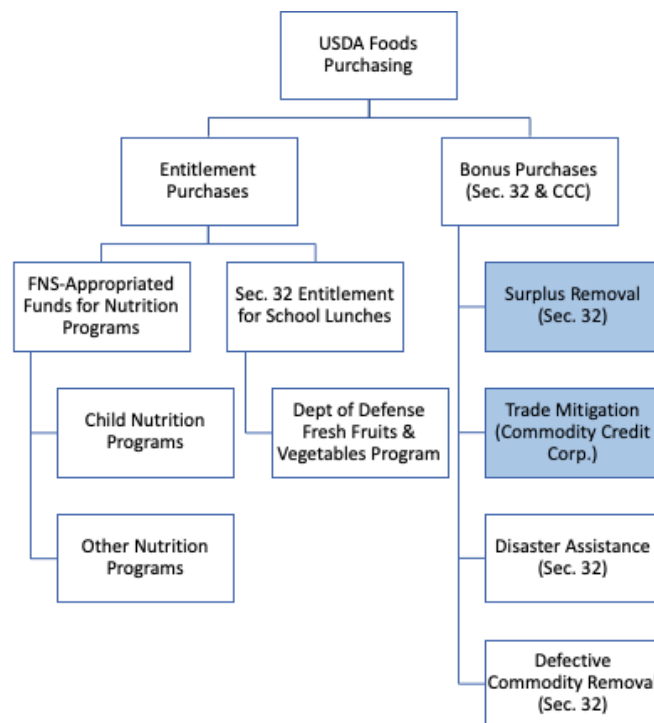
¹ Section 32 provides for USDA surplus purchases of other agricultural commodities such as cotton, but as far as we are aware, USDA has only used these funds to purchase food.

² U.S. Dep’t Agric., Food & Nutrition Serv., White Paper: USDA Foods in the National School Lunch Program 7-8 (Feb. 2016).

were most impacted by retaliatory trade tariffs,³ and, similarly to the generic surplus purchases, tell us which industries were most successful in procuring aid from USDA.

Taken together, we analyzed these two types of “bonus” purchases made by USDA in recent years to:

1. identify the extent of support animal agriculture industries receive via surplus purchasing and trade war bailouts,
2. determine whether they receive preferential treatment as compared with non-animal commodity producers in terms of total support, rate of granted requests, and other measures,
3. obtain market data from USDA economists about why specific animal industries require support, and
4. identify the best strategies to challenge problematic surplus purchases.



³ These are taxes put on imports in an attempt to protect a domestic market, or to punish another country's imposition of taxes on their imports. For example, China imposed several rounds of retaliatory tariffs on imports of American pork in early 2018 after the Trump administration imposed tariffs on Chinese goods. USDA announced that it would purchase \$208 million worth of U.S. pork products after pork exports to China fell by more than 50% in 2018 as a result. See U.S. Dep't of Agric., Agric. Marketing Serv, Pre-Solicitation Announcement for Trade Mitigation Purchase of Pork Products (Sept. 30, 2019), <https://www.ams.usda.gov/content/pre-solicitation-announcement-trade-mitigation-purchase-pork-products-0>; see also Will Martin, US pork sales to China dropped by more than 250,000 tons last year as the trade war hits American farmers, Business Insider (Jan. 25, 2019), <https://www.businessinsider.com/trump-trade-war-2018-china-pork-sales-dropped-by-more-than-250000-tons-2019-1>.

II. Understanding Bonus Purchases: Surplus Purchases

Surplus removal purchases are funded by a permanent appropriation of 30% of annual U.S. customs receipts and are usually referred to as “Section 32” purchases.⁴ In recent years, the total annual appropriation to this Section 32 fund has been around \$10 billion. Most of this money is transferred to USDA’s Food and Nutrition Service (FNS) or otherwise earmarked for nutrition programs, but the remaining funds are available to be used to remove surplus commodities from the market. The funds are also used to purchase commodities for disaster relief and to finance the removal of defective commodities. In 2018, USDA’s current uses of Section 32 funds expanded further, to include purchases to support farmers negatively impacted by trade, and in 2020, they were expanded again in response to market conditions caused by COVID-19.⁵

Legally, Section 32 funds may only be used for three purposes: 1) to encourage the exportation of agricultural commodities, 2) to “encourage the domestic consumption of such commodities or products by diverting them ... from the normal channels of trade and commerce or by increasing their utilization ... among persons in low income groups,” or 3) to reestablish farmers’ purchasing power via payments to farmers.⁶ While USDA generally has broad authority to use Section 32 funds to make purchases of these commodities to effectuate these three purposes, Congress has limited the agency’s discretion over time.⁷ For example, in 1963, Congress added a specific provision authorizing appropriations under Section 32 for surplus purchases of “any farm commodity.”⁸ In this provision, Congress provided that up to \$25 million of Section 32 funds in 1963 dollars (equal to about \$210 million in 2020 dollars)⁹ “shall be available for the purpose of increasing domestic consumption of any farm commodity or farm commodities determined by the Secretary of Agriculture to be in surplus supply.”¹⁰ Curiously, USDA’s surplus purchases have exceeded this inflation-adjusted cap eight times in the last ten fiscal years,¹¹ but because most surplus commodities are directed to domestic food assistance programs, these purchases likely are not assessed against this statutory cap.

⁴ This is because “Section 32” refers to a provision in the Act of August 24, 1935 pursuant to which an account funded by the permanent appropriation of 30% of annual U.S. customs receipts was created. 7 U.S.C. § 612c.

⁵ Press Release, U.S. Dep’t Agric., USDA Announces Coronavirus Food Assistance Program (Apr. 17, 2020), *available at* <https://www.usda.gov/media/press-releases/2020/04/17/usda-announces-coronavirus-food-assistance-program>.

⁶ 7 U.S.C. § 612c.

⁷ See *e.g.*, 7 U.S.C. § 612c-6(b) (mandating that the bulk of Section 32 funds be transferred to USDA’s Food and Nutrition Service for child nutrition programs yearly).

⁸ 7 U.S.C. § 612c-1.

⁹ This was calculated using the inflation table referenced in this statutory chapter, the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor. See 7 U.S.C. § 612c-6(b)(2)(A)(x).

¹⁰ 7 U.S.C. § 612c-1.

¹¹ USDA spent \$300,887,000 on surplus purchases in FY 2010, \$199,845,469 in FY 2013, \$268,400,000 in FY 2014, \$306,250,000 in FY 2015, \$298,744,175 in FY 2016, \$270,145,200 in FY 2017, \$302,363,960 in FY 2018, and \$396,678,450 in FY 2019.

In 1939, Congress extended the agency’s Section 32 surplus purchasing authority of “any farm commodity” to include surplus fishery products.¹² Similarly to the broader surplus purchasing provision, the 1939 addition imposed a surplus purchasing cap. Specifically, it authorized up to \$1.5 million (in 1939 dollars) in fishery product purchases, equal to about \$28 million in 2020 dollars,¹³ “for the purpose of diverting surplus fishery products (including fish, shellfish, mollusks, and crustacea) from the normal channels of trade and commerce by acquiring them and providing for their distribution through Federal, State, and private relief channels.”¹⁴ As with other surplus purchases over the past decade, USDA exceeded the surplus fishery purchase cap five times. Again, because these surplus fishery products are distributed to food assistance programs, they likely are not counted toward this surplus purchasing cap.

In general, the surplus purchasing process begins with formal requests from unions, federations, and other groups representing agricultural industries facing economic hardship made to the Secretary of Agriculture. These appeals detail the supply and demand pressures affecting their respective industries, and the corresponding need for USDA’s intervention. These appeals often, but not always, include requests for a specific volume or dollar amount of purchases. In most cases we reviewed, USDA purchased a lower volume of the requested foods than requested by the industry, but in at least one instance, for catfish in 2016, USDA purchased more than requested by the industry.¹⁵

After receiving a request for surplus purchases, USDA evaluates the request by considering such factors as its history of previous support of the requesting industry, the purchase amount requested, the supply and demand issues leading to the surplus, inventory levels, price trends, and the economic impacts of the proposed purchases. It then formally makes a recommendation for or against the requested purchases in a “decision memorandum,” which is ratified by someone with the appropriate authority within the agency.

III. What We Found:

In the 10 years between FY2010 and FY2019, USDA spent nearly \$2.6 billion on surplus purchases of approximately 35 different commodities.¹⁶ In this span, nearly 41% of surplus removal dollars, or \$1.05 billion, were used to purchase animal products—beef, catfish, cheese, chicken, dairy, eggs, lamb, milk, pollock, pork, salmon, and turkey. The chicken industry received both the greatest frequency of support (9 times in the 10 years we analyzed), and was the recipient of the greatest aggregate surplus purchases, worth nearly \$268 million. After the dairy industry became eligible for Section 32 support following the

¹² 15 U.S.C. § 713c-2.

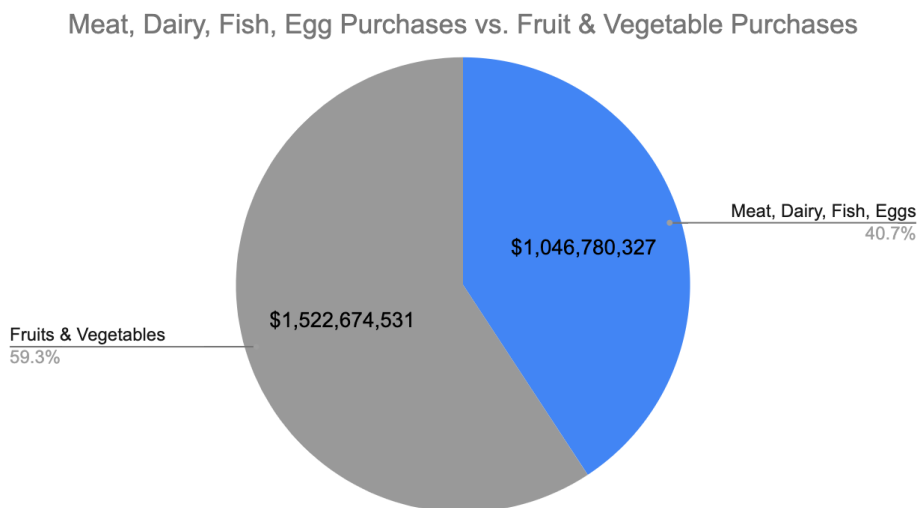
¹³ This was calculated using the inflation table referenced in this statutory chapter, the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.

¹⁴ 15 U.S.C. § 713c-2.

¹⁵ In 2016, the catfish industry requested that USDA purchase \$15,000,000 worth of catfish products, but USDA actually purchased \$19,956,830.

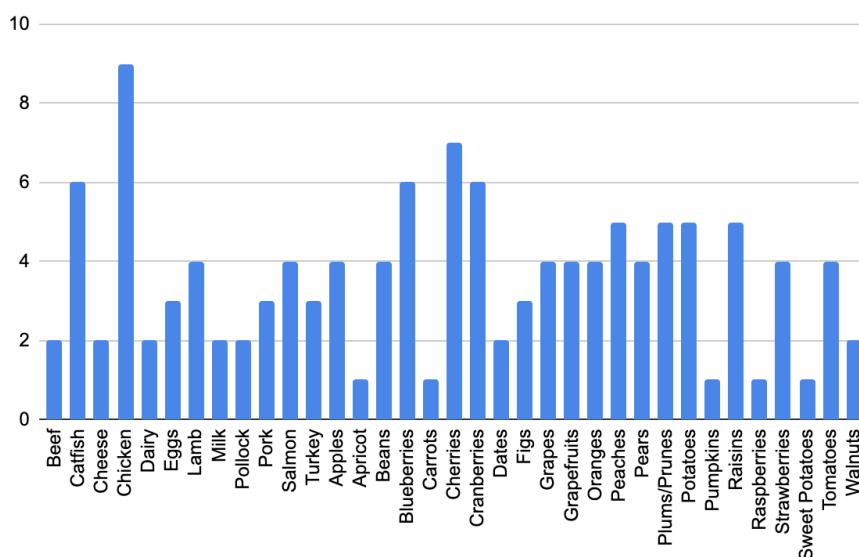
¹⁶ This number may be slightly lower than USDA’s count, because USDA sometimes differentiated between agricultural commodities processed in different ways (e.g., dried, canned, frozen, juiced, etc.) or variants of the same commodities (e.g., tart versus sweet cherries), or production method (farmed versus wild fish), whereas we consolidated some categories for ease of analysis.

passage of the 2014 Farm Bill,¹⁷ USDA has made surplus removal purchases of dairy products every year since 2016, for an average of just under \$30.5 million in purchases per year.



Overall, the rate of surplus purchases and the dollar amount per purchase were higher for meat, fish, egg, and dairy products compared with fruit and vegetable products. The meat, fish, eggs, and dairy industries received Section 32 support an average of 3.5 times in the last 10 years, whereas the fruit and vegetable industries received support slightly less frequently, at an average of 2.96 times.

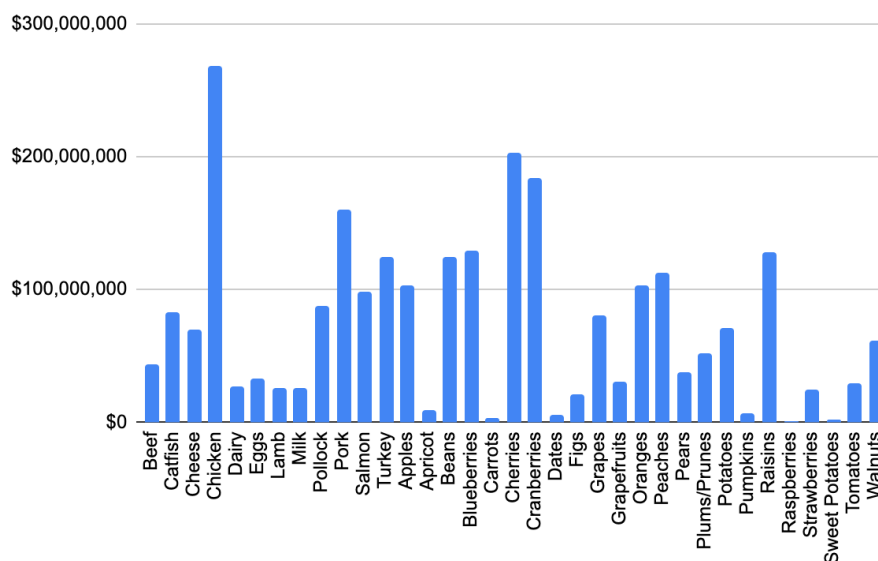
Frequency of Surplus Purchase (FY2010 - FY2019)



¹⁷ U.S. Dep't of Agric., Agric. Marketing Serv., *Frequently Asked Questions about the recently announced USDA cheese purchase* (Aug. 25, 2016), <https://www.ams.usda.gov/sites/default/files/Dairy%20Purchase%20FAQs.pdf>.

The average purchase amount for meat, fish, egg, and dairy products was \$25,632,830, compared with \$13,524,374 for fruit and vegetable products. Additionally, both the largest purchase in the 10 year span and the largest purchases in the most recent year were all of meat, fish, and dairy products: \$99,962,702 in pork products in FY2012, and \$68,411,000 of pollock products and \$54,357,000 of dairy products in FY2019, respectively. The two commodities receiving the highest average Section 32 support dollars were also meat products—pork (average purchase of \$53,196,567) and turkey (average purchase of \$41,461,858).

Total Support (FY2010 - FY2019)



In general, our qualitative review of Section 32 purchases of animal agriculture commodities revealed certain predictable patterns. Agricultural industries often tended to seek Section 32 purchases from USDA after producers in their sector ramped up production in response to supply issues, such as catastrophic animal losses from infectious diseases or increased demand, then faced a glut of products in commerce. Although increasing production to meet increased demand or to overcome limited supply is rational market behavior, the data reviewed suggests that USDA’s surplus purchases may sometimes be rewarding inefficient market behavior, such as ramping up production too aggressively in response to slight or very temporary supply/demand changes, by mitigating the economic risk to industry of poorly calibrated production increases.

USDA’s repeated purchases of catfish products, discussed in more detail below, is a good example of this principle, whereby the industry repeatedly failed to tamp down production even after a record surplus in 2015 necessitated a 2016 purchase by USDA, and then again requested (and received) purchases in the subsequent two years. Because Section 32 purchases are intended to be a temporary form of support for industries facing unanticipated market gluts, rather than a means to offer long-term support to an otherwise unsustainable industry, inappropriate uses of these funds constitute an inefficient backdoor

subsidy. Currently, we are aware of no direct laws or regulations expressly prohibiting such use of Section 32 funds, so it may be worthwhile to seek more explicit guidelines or restrictions for Section 32 purchases in the future to better promote the true intent of these funds, and increase equity among industry groups vying for support. This is particularly true in light of the evidence we discovered that USDA's Agricultural Marketing Service (AMS) works very closely with industry trade groups to tailor their Section 32 purchase requests. Correspondences produced in our FOIA request reflected that industry representatives and AMS staff held preparatory calls and meetings prior to the industry group's submission of purchase requests,¹⁸ that AMS staff conducted industry "outreach" and worked with industry groups to identify which products they needed purchased,¹⁹ that AMS's Administrator has attended an American Egg Board meeting,²⁰ and that interested trade groups drafted proposed policy documents such as product specifications under AMS's banner for the agency's approval.²¹

In light of the above, it may also be worthwhile to request that USDA's Office of Inspector General investigate whether Section 32 purchases are being made pursuant to a consistent and fair process, and whether the existing framework is adequate to achieve the program's intent. Specific industries with noteworthy Section 32 purchase histories are discussed in greater detail below.

1. Chicken:

Of all animal agriculture industries, it was the chicken industry that received the highest levels of surplus purchases support from USDA in the past decade—USDA made surplus purchases of chicken products 9 out of the 10 years that we reviewed. This total support was worth \$268 million, more than \$65 million more than any other commodity (the cherry industry received approximately \$203 million dollars of surplus purchases in the same period), and \$108 million more than the animal industry receiving the next-highest amount of support, the pork industry.

In a 2019 phone discussion with Greenfield, AMS personnel indicated that surplus purchases are "not meant to be a permanent marketing channel," but are instead designed to be one-off support for an industry suffering from short-term economic emergencies. However, the sheer frequency of USDA surplus purchases of chicken products casts doubt on the agency's fidelity to this principle. It also suggests more than mere situational or unforeseeable economic problems with the industry's operating model.

¹⁸ See, e.g., Email from Alaska Seafood Marketing Institute to Agricultural Marketing Service (May 4, 2020) (mentioning "telephone meeting we had on March 26th in preparation for the Alaska Seafood sector's request to Secretary Perdue on March 27th for \$100 million of Wild Alaska Pollock and \$20 million of Sockeye Salmon") (on file with authors).

¹⁹ Email from Michael Sheats, Agricultural Marketing Service, to Elizabeth Lober, Agricultural Marketing Service (Apr. 10, 2020) (on file with authors).

²⁰ Email from Christopher O'Hagan, Agricultural Marketing Service, to Christopher Purdy, Agricultural Marketing Service (Aug. 21, 2019) (on file with authors).

²¹ Email from Alaska Seafood Marketing Institute to Agricultural Marketing Service (May 4, 2020) (attaching Draft Purchase Program Specification for Alaska Pollock, Oven Ready (Breaded) Fish Nuggets) (on file with authors).

According to the formal requests for purchases sent by the National Chicken Council (NCC) to USDA seeking surplus purchases, the chicken industry required economic assistance because it suffered from an imbalance of white to dark meat in domestic markets. American consumers prefer white chicken meat, and in the past, the industry relied on international trade to correct the imbalance. However, bans on imports of US meat following the outbreak of highly pathogenic avian influenza (HPAI) in 2015 led to an excess inventory of dark meat in cold storage. Supply chain disruptions owing to the COVID-19 pandemic likely also complicated the domestic balance of dark and light chicken meat.

The average American consumer's great preference for white meat appears to have significant welfare implications for US birds. As the NCC itself explained, "Producers have responded to American' white meat preference by producing birds that have larger breasts for domestic consumption," acknowledging that this consumer preference is a driving force behind the aggressive breeding of top-heavy birds with excessive breast meat, which leads to a host of painful and chronic health conditions for chickens. Secondly, because Americans only want white meat, chicken producers in this country continue to breed, raise, and slaughter billions of birds despite that an excess supply of dark chicken meat sits in cold storage. This raises the counter-intuitive possibility that developing a greater market for dark chicken meat could actually decrease the number of animals that would be raised and killed each year in the US, and decrease the incentives to use aggressively engineered breeds.

2. Pork:

After chicken, USDA made the largest total surplus purchases of animal products on pork, for \$160 million. Although USDA made surplus purchases of pork products only 3 times in the 10 year period that we reviewed, these purchases were very large compared to the agency's average surplus purchases. In fact, the largest single purchase of any commodity in the 10 year period was of pork products in 2012, for just under \$100 million.

USDA authorized a surplus pork purchase of up to \$100 million after receiving a request for Section 32 support from the National Pork Producers Council (NPPC). NPPC cited record drought conditions, which drove up the costs of feed (corn and soy), for the significant losses faced by hog producers. The combination of factors led to the costs of raising hogs to exceed their market value, which unsurprisingly led producers to cull their herds, triggering prices to fall further. AMS's Decision Memorandum noted a similar event in 2008 and 2009, caused by rising fuel prices and aggravated by the recession, which prompted the agency to make a previous \$100 million purchase.

This tendency of producers facing low prices and market oversupply to have to cull animals and flood the market with more product, exacerbating the market glut, was echoed in many of the reviewed economic analyses and requests for Section 32 purchases. And in many cases, the affected industries were successful in lobbying USDA to make surplus purchases to mitigate losses. However, while undoubtedly beneficial for producers facing challenging economic conditions, USDA's surplus purchases act as a quasi-insurance program that dampens a natural market disincentive to over-produce animals, and tips the scales in favor of raising more animals than may be prudent. As climate change brings about more frequent and extreme adverse weather events, meat producers will increasingly be caught in these

cycles of supply fluctuation—reducing animal numbers to minimize losses, seeking financial support from USDA to offset such losses, then increasing their herds again. Accordingly, there is an opportunity here for animal advocates to consider interventions targeting producers rebounding from poor market conditions or animal losses due to natural disasters to deter them from continually increasing their animal numbers.

According to the records we received for FYs 2016 - 2018, virtually all of the surplus pork purchased by USDA was funneled to the Emergency Food Assistance Program (TEFAP), a federal nutrition assistance program that provides free food to low-income Americans. Less than 1% was directed to the Nutrition Services Incentive Program (NSIP), a program designed to deliver meals to eligible senior citizens. This is likely because certain other nutrition assistance programs, such as the National School Lunch Program, have nutritional requirements that pork does not meet.

3. Catfish:

Another animal industry receiving substantial support over the past decade is the catfish industry. Although the catfish market ranks sixth in seafood products consumed by Americans, the catfish industry commands outsized influence, as demonstrated by its ability to successfully maneuver its oversight from FDA to USDA to impose a non-tariff trade barrier on imported competition,²² despite that all other fish continue to be inspected by FDA, and its success in requiring restaurants in several states to identify the country of origin for catfish on their menus. This outsized influence also led to the industry receiving \$83 million over six surplus purchases between 2010 and 2019. For context, the domestic catfish market is worth only \$360 million, whereas the chicken industry is worth about \$28 billion, and yet, the catfish industry received nearly one-third of the total surplus dollars that the chicken industry received in the same span (\$268 million).

As with the chicken industry, the frequency of Section 32 support to the catfish industry suggests that there are underlying problems with the economic viability of the industry. In fact, in 2016, AMS actually declined to recommend a purchase of catfish following a request by the catfish industry, because AMS could not corroborate the industry's claim of a surplus of larger fish. However, the catfish industry then responded with updated figures in which it acknowledged favorable market conditions, but nevertheless reiterated its desire for assistance because it expected that those favorable conditions would soon deteriorate to the point where assistance would be needed.²³ Despite having just secured nearly \$20 million of catfish purchases to deal with a significant oversupply in 2015, the industry explained that it expected an even larger supply for 2016, in part because catfish farmers used "newer and faster growing hybrids"—a curious market response to significant oversupply. Further, AMS's analysis found that at the time of the first 2016 request, the catfish industry was enjoying "near record high" prices, and inventories at "record low levels." In spite of the industry's failure to self-correct, and its solicitation of

²² David Acheson, *Catfish Regulation: A Perfect Example Of Wasted Resources In The U.S. Government*, Forbes (Jun. 6, 2016), <https://www.forbes.com/sites/davidacheson/2016/06/06/catfish-regulation-a-perfect-example-of-wasted-resources-in-the-us-government/>.

²³ Decision Memorandum: Request for Section 32 Funds to Support the Catfish Industry, Oct. 20, 2016

USDA assistance during favorable market conditions, AMS approved a purchase of up to \$5 million for FY 2017. The actual level of support for FY 2017 was \$4.8 million.

Further, while we have no data yet from 2020, we anticipate that the catfish industry will seek, and likely receive, another round of surplus purchases in the near future. AMS's economic analysis revealed that part of the catfish industry's poor economic trajectory was owing to the fact that "[r]oughly 70 percent of domestic farmed catfish is consumed in restaurants, a segment which was negatively affected by the economic recession and the lack of a strong recovery." The extensive restaurant closures and market disruptions following the COVID-19 pandemic were likely near catastrophic for the catfish industry, which is not sustained by direct purchases by consumers, and it is very likely that there will accordingly be a significant glut of catfish in the U.S. market.

Similarly to pork, for FYs 2016 - 2018, 100% of the surplus catfish purchased by USDA was funneled to the Emergency Food Assistance Program (TEFAP). Again, this is likely because other nutrition assistance programs, such as the National School Lunch Program, have nutritional requirements that Section 32 purchases like catfish do not meet.

4. Dairy:

The dairy industry was also a frequent recipient of Section 32 support, particularly in light of the fact that it was only relatively recently made eligible for it. Prior to the passage of the 2014 Farm Bill, dairy products were ineligible for Section 32 support because milk was a price-supported commodity. (Following the passage of the 2014 Farm Bill, dairy producers continued to receive significant subsidies and payments, however, the formal "price supports" were discontinued.) USDA made its first surplus purchases of dairy products in FY 2016, and then proceeded to make surplus purchases of dairy products in each following year in the time span we reviewed. Between FY 2016 and FY 2019, the dairy industry received \$122 million of Section 32 support.

According to two 2016 letters to USDA from the National Farmers Union and the National Milk Producers Federation, the dairy industry needed surplus removal support because they suffered from low prices, a glut of dairy products, and 30-year record high levels of cheese stocks due to various factors including increased milk production both domestically and in the EU (due to the termination of EU production quotas in 2015), reduced demand for dairy products from China, and loss of markets in Russia (due to an embargo). Despite these problematic trends, the industry generally continued to increase domestic production year over year.

While cheese stocks remain at historically high levels, fluid milk surpluses are less amenable to storage, making supply and demand imbalances especially hard for producers to weather. Due to the highly perishable nature of fluid milk, it needs to be delivered weekly or essentially must be dumped. Due to significant reductions in demand in the food service sector and in schools due to the COVID-19 pandemic, the milk industry sought indemnification for discarded milk. From an advocacy standpoint, this makes fluid milk an especially impactful commodity to target, as demand for milk must always come from new supply, rather than from existing stores.

5. Eggs:

In the time span reviewed, the egg industry received 3 purchases, worth \$33 million. While that sum is not as high as for some other industries, the information relating to surplus egg purchases was nevertheless revealing. First, the data revealed an industry caught in an ongoing supply and demand mismatch. Initially, the spread of Highly Pathogenic Avian Influenza (HPAI) in 2015 led to losses of 33.3 million layers, resulting in about 600 million fewer shell eggs and about 200 million fewer breaking eggs compared to the previous year, forcing many food manufacturers to reformulate recipes to reduce or replace the eggs in their products. However, following the rebound of laying flocks, those manufacturers did not return to their old formulations, leading to lasting depressed demand, and prices below the cost of feed.

Perhaps most strikingly, the United Egg Producers (UEP) indicated that the increasing demand for cage-free eggs was actually contributing to the supply-demand imbalance because cage-free flocks were being added to existing flocks, not supplanting them.²⁴ The UEP further indicated that the anticipated demand for cage-free eggs, spurred by the wave of corporate cage-free declarations, never materialized, resulting in a further oversupply.²⁵

The UEP speculated that one reason that the cage-free purchasing commitments did not translate to real-world demand for cage-free eggs is that “the announced dates for exclusive cage-free purchasing are some years in the future, and few if any customers have established phase-in periods to enable an orderly transition.”²⁶ It also reiterated that “[a]s cage-free production has increased, conventional production has not decreased by a like amount, so that the total number of laying hens in the U.S. flock is excessive and burdensome.”²⁷

These findings urge some caution with respect to cage-free corporate campaigns. Specifically, they suggest that because cage-free purchasing commitments to date have led egg producers to supplement their traditionally-housed flocks with new cage-free flocks, going forward, care must be taken to give producers the ability and confidence to proportionally scale down their battery-cage egg production to avoid increasing the overall number of birds subject to industrial egg production. This may be achieved by putting into place clearer timelines for phasing out battery-cage egg purchases in cage-free buying commitments, devoting more resources into considering and ameliorating the barriers to converting traditional housing to cage-free, and developing ways to ensure that cage-free commitments lead to actual cage-free purchases, such as through enforceable contract provisions or other mechanisms to ensure cage-free commitments can be upheld.

²⁴ Letter from Chad Gregory, President, United Egg Producers, to Tom Vilsack, Secretary of Agriculture, Aug. 1, 2016 (on file with authors) (explaining that existing facilities could not be converted to cage-free facilities, such that additional cage-free housing was built but did not reduce traditional housing, resulting in higher egg output).

²⁵ Letter from Chad Gregory, President, United Egg Producers, to Sonny Perdue, Secretary of Agriculture, May 23, 2017 (on file with authors) (stating that an ongoing egg oversupply was attributable to “profound outside forcers,” including an anticipated demand for cage-free eggs that never materialized).

²⁶ *Id.*

²⁷ *Id.*

6. Salmon:

The wild salmon industry was the subject of 4 surplus purchases between FYs 2010 and 2019, worth a total of \$99 million. According to the Alaska Seafood Marketing Institute, Alaskan fisheries account for 40% of the world's wild caught salmon, but are in need of surplus purchasing support because the canned salmon industry, a major outlet for wild salmon, has been "in a state of decline since the late 1990s," and because of the increasing competition from the farmed salmon industry. (Unlike the case with farmed salmon, a significant portion of wild salmon must be canned due to the seasonal nature of harvests.) Additionally, near-record harvests in 2013 and 2015 led to a glut of products, just as the wild salmon industry was facing these downward demand pressures.

We expect that the wild salmon industry will continue to request USDA support regularly—canned products are becoming less popular, and with the growth of the farmed salmon industry, wild salmon's market share has declined to about one-third of its previous world market share. Additionally, overfishing is causing overall declines in wild salmon populations, which will exacerbate these trends and make farmed salmon increasingly more accessible and affordable than wild salmon.

From an advocacy perspective, it is important to view wild and farmed salmon industries as distinct. Campaigns that may be effective against one may inadvertently serve to promote the other, possibly neutralizing, or even actively reversing, net welfare gains. For example, targeting the bycatch involved with wild salmon fishing or the overfishing of wild salmon populations could promote a swap to farmed salmon, which comes with its own, unique set of welfare issues (e.g, sea lice infestations, diseases, crowding, inability to engage in natural behaviors, etc.). Assessing the relative levels of welfare of the two industries is outside the scope of this report, but the data we reviewed suggests that any comprehensive advocacy strategy targeting salmon needs to consider both wild and farmed varieties separately.

7. Pollock:

The pollock industry was the recipient of 2 surplus purchases worth a combined \$88 million between FYs 2010 and 2019. While pollock does not have the name recognition of other fish species like salmon, it is actually one of the most-consumed fish species in the US—it is often sold as generic "fish" products, like fish sticks or fillets, and even as imitation crab. It is also the fish species sold in McDonald's "filet-o-fish" sandwich.

According to the Alaska Seafood Marketing Institute, 80% of consumed seafood is eaten away from home, and this is particularly true for "generic" products like pollock. As a consequence, the pollock industry was significantly impacted by restaurant and other closures resulting from the COVID-19 pandemic. In response to this, the Alaska Seafood Marketing Institute suggested that it was endeavoring to increase the consumer awareness and name recognition of Alaskan pollock to transform it from a "generic" fish product to a more attractive product to spur greater demand. This raises an interesting issue, because as animal advocates, we often seek to facilitate more transparency and consumer understanding about animal food products in an effort to help them make more humane purchasing

decisions. However, just as imbalanced demands for different cuts or types of meat from the same terrestrial animal can create demand for new animals to be slaughtered even while other meat products sit in storage, so too might more targeted demand for “pollock” lead to greater net demand for fish products in general, if pollock products cannot be as readily meet shifting consumer demands by way of more generic “fish” products.

In addition to a downturn caused by the impact of COVID-19 on restaurants, the pollock industry has struggled in recent years due to increasing competition from Russia. The pollock industry relies extensively on exports, which traditionally has accounted for between one-half and two-thirds of annual sales, but Russia’s increasing global market share has hindered the US industry’s ability to offload its production overseas. Taken together, these factors drove the Alaska Seafood Marketing Institute to request surplus purchasing support from USDA to reduce its high inventory at historically low prices.

IV. Trade Mitigation Programs

In March 2018, the Trump administration levied a 25% tariff on steel and 10% tariff on aluminum, and shortly thereafter, imposed further tariffs which applied to about two-thirds of imports from China,²⁸ setting the stage for an international trade war.²⁹ Several countries responded by targeting U.S. agricultural exports with extensive retaliatory tariffs.³⁰ US agricultural commodities may be an attractive target for retaliatory tariffs because the US is the world’s largest exporter of food and agricultural products, enabling many countries to retaliate, and because agricultural commodities are relatively easy to source from alternative suppliers. Additionally, because of the regional nature of agricultural production, tariffs imposed on specific commodities can be strategically targeted to negatively affect the constituents of specific US lawmakers.³¹

Following these widespread retaliatory trade tariffs and the removal of previous restrictions on purchases made with Commodity Credit Corporation (CCC) funds,³² Secretary of Agriculture Sonny Perdue announced in July 2018 that USDA was authorizing over \$12 billion of CCC funds to purchase U.S. agricultural products impacted by the trade war.³³ In mid-2019, Secretary Purdue announced another \$16 billion to help mitigate the impacts of the retaliatory tariffs on U.S. agricultural goods.³⁴ This \$28 package delivered financial support to farmers and ranchers via three main vehicles: the Market Facilitation Program (MFP), the Food Purchase and Distribution Program (FPDP), and the Agricultural Trade Promotion Program (ATP). By the end of the Trump administration, the trade mitigation relief paid

²⁸ Nina M. Hart & Brandon J. Murrill, Cong. Research Serv., LSB10553, Section 301 Tariffs on Goods from China: International and Domestic Legal Challenges (2020).

²⁹ Anita Regmi, Cong. Research Serv., R45903, Retaliatory Tariffs and U.S. Agriculture 1 (2019).

³⁰ Megan Stubbs, Cong. Research Serv., R44606, The Commodity Credit Corporation: In Brief 3 (2018).

³¹ Anita Regmi, Cong. Research Serv., R45903, Retaliatory Tariffs and U.S. Agriculture 7 (2019).

³² Megan Stubbs, Cong. Research Serv., R44606, The Commodity Credit Corporation: In Brief 9 (2018).

³³ Randy Schnepf et al., Cong. Research Serv., R45310, Farm Policy: USDA’s 2018 Trade Aid Package 2 (2019).

³⁴ Press Release, USDA Announces Support for Farmers Impacted by Unjustified Retaliation and Trade Disruption (May 23, 2019), *available at* <https://www.usda.gov/media/press-releases/2019/05/23/usda-announces-support-farmers-impacted-unjustified-retaliation-and>.

out to farmers exceeded the 2008 auto industry bailout, and constituted 40% of all farm income in 2020.

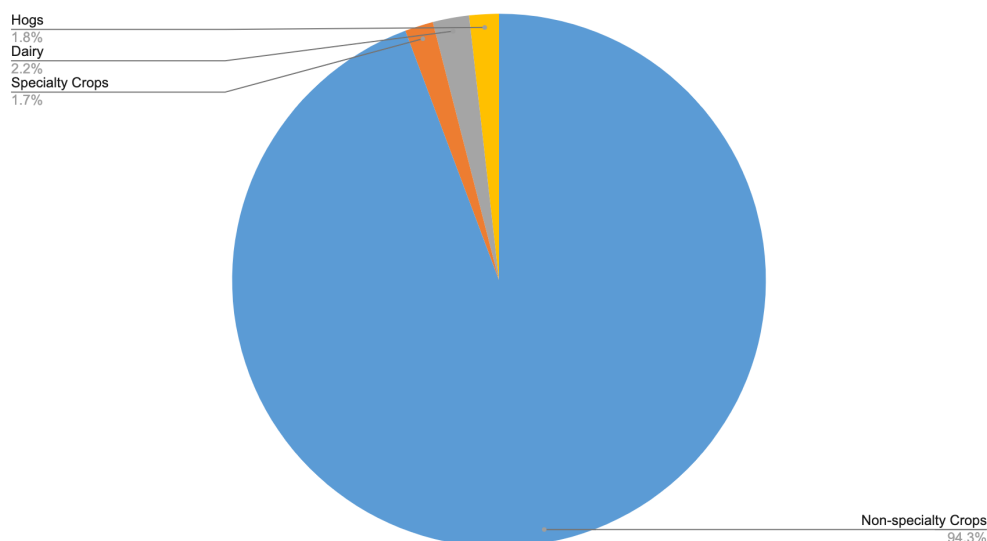
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1. Market Facilitation Program (MFP):

The largest of the USDA's three trade mitigation programs, the Market Facilitation Program is a direct payment program under which producers of non-specialty crops, as well as producers of certain specialty crops and dairy and hog producers, can receive payments from the Farm Service Agency (FSA) to help offset losses incurred as a result of the trade war. While stiff tariffs imposed on US commodities, particularly by China, undoubtedly caused great disruptions to US agricultural exports, the effects of these disruptions—as well as the accessibility of MFP aid—were experienced differently across agricultural sectors. According to one source, there are anecdotal reports of organic and small-scale farms actually benefiting from China's retaliatory tariffs.³⁶

Between 2018 and 2019, FSA distributed nearly \$23.1 billion under this program, of which the vast majority of payments—over 94%—went to producers of non-specialty crops such as corn, cotton, sorghum, soybeans, and wheat. However, 2.2% of these payments went to dairy producers (nearly \$508 million), and another 1.8% to hog producers (over \$414 million), for a total of \$922 million.

Market Facilitation Payments by Commodity Type (2018 - 2019)



³⁵ Liz Crampton, *Trump left Biden a \$30 billion fund used for trade wars. Biden has other plans for it*, Politico (Jan. 31, 2021), <https://www.politico.com/news/2021/01/31/usda-agriculture-tug-of-war-463843>.

³⁶ Anita Regmi, Cong. Research Serv., R45903, *Retaliatory Tariffs and U.S. Agriculture* 38 (2019).

According to some agricultural economists, this aid package overpaid farmers for their trade-related losses.³⁷ For example, soybeans, the commodity hit hardest by the trade war, dropped in price by about \$.78 per bushel as a result of Chinese tariffs, but MFP paid farmers more than double that rate, \$1.65 per bushel.³⁸ One economist explained that although China began to source soybeans from Brazil rather than the US, “other buyers stepped in to purchase more soybeans in the United States, rather than Brazil,” with the end result being a more modest decline in soy prices.³⁹ One reason for this misalignment may be that MFP determined payments based on “trade damage” rather than on “market loss.”⁴⁰

Although no known studies have studied whether the program similarly overpaid dairy or hog producers, it is not unreasonable to suspect that they did, given that payments were based on “trade damage” rather than actual “market loss.” For example, despite retaliatory tariffs, overall US agricultural exports increased from \$128 billion in 2017 to \$140 billion in 2018, owing to greater exports to non-retaliating countries and high exports prior to the implementation of retaliatory tariffs in 2018.⁴¹

In the case of hogs, one US economist estimates that the trade dispute with China has cost American hog farmers about \$8 per animal, or about \$1 billion in total losses (as of June 2019).⁴² Given that MFP provided hog farmers with \$414 million in payments, and that the additional two trade mitigation programs also gave substantial assistance to hog farmers, for a total amount of trade mitigation support in excess of \$1 billion, it is possible that US hog farmers received ultimately benefited financially from the trade war, at great expense to taxpayers.

This program has also been plagued by other criticisms. Due in part to allegations that MFP payments were disproportionately awarded to large multinational corporations, as well as to southern states that voted for Trump, Senator Debbie Stabenow of Michigan requested that the Government Accountability Office conduct a review of the MFP payments.⁴³ GAO’s review of the program did, in fact, find inequity in the distribution of aid, with large farms benefiting over smaller farms, and Southern farmers receiving considerably higher rates of payment, among other problems.⁴⁴ Another report found that over 91% of funds disbursed through MFP went to counties that supported Trump in 2016.⁴⁵ However, USDA’s Office of Inspector General also conducted an audit of the trade mitigation programs upon Congressional

³⁷ Dan Charles, *Economists Say Trump Administration Is Overpaying Farmers For Trade Losses*, NPR (July 25, 2019), <https://www.npr.org/sections/thesalt/2019/07/25/745280710/economists-say-trump-administration-is-over-paying-farmers-for-trade-losses>.

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ Anita Regmi, Cong. Research Serv., R45903, *Retaliatory Tariffs and U.S. Agriculture* 40 (2019).

⁴¹ Anita Regmi, Cong. Research Serv., R45903, *Retaliatory Tariffs and U.S. Agriculture* 9 (2019).

⁴² Anita Regmi, Cong. Research Serv., R45903, *Retaliatory Tariffs and U.S. Agriculture* 38 (2019).

⁴³ Alan Rappeport, *U.S. Watchdog to Investigate Trump’s Farm Bailout Program*, NYTimes (Feb. 14, 2020), <https://www.nytimes.com/2020/02/14/us/politics/trump-farm-bailout-investigation.html>.

⁴⁴ Gov’t Accountability Office., GAO-20-700R, *USDA Market Facilitation Program: Information on Payments for 2019* (2020).

⁴⁵ Philip Bump, *Trump’s farmer bailout gave \$21 billion to red counties and \$2.1 billion to blue ones*, NYTimes (Oct. 20, 2020), <https://www.washingtonpost.com/politics/2020/10/20/trumps-farmer-bailout-has-given-21-billion-red-counties-21-billion-blue-ones/>.

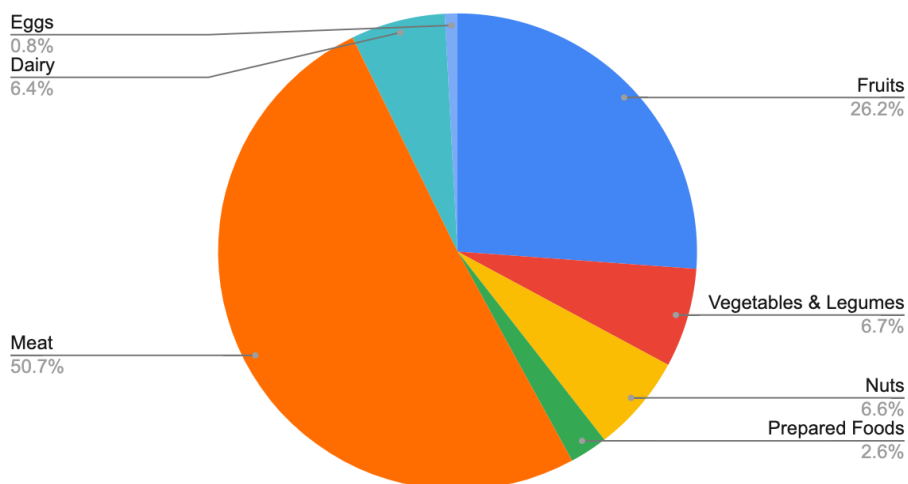
request, and determined that the programs were consistent with departmental authority and did not find any wrongdoing.⁴⁶

2. Food Purchase and Distribution Program (FPDP)

The Food Purchase and Distribution Program was designed to support US farmers affected by the trade war by earmarking funds, up to \$2.6 billion in FYs 2019-2020, to allow AMS to purchase commodities based on an economic analysis of the impacts of the trade tariffs. The commodities purchased by AMS are then distributed by the Food and Nutrition Service (FNS) to various food assistance programs, but primarily The Emergency Food Assistance Program (TEFAP).

In the time between the announcement of the first trade mitigation package and the end of FY 2020, USDA's AMS and FNS had purchased nearly \$2.3 billion of U.S. agricultural commodities from agricultural sectors impacted by the trade war through FPDP. In FYs 2019 and 2020, 58% of FPDP purchases were of meat, dairy, and eggs, worth over \$1.3 billion.

FY 2019 - 2020 Trade Mitigation Purchases

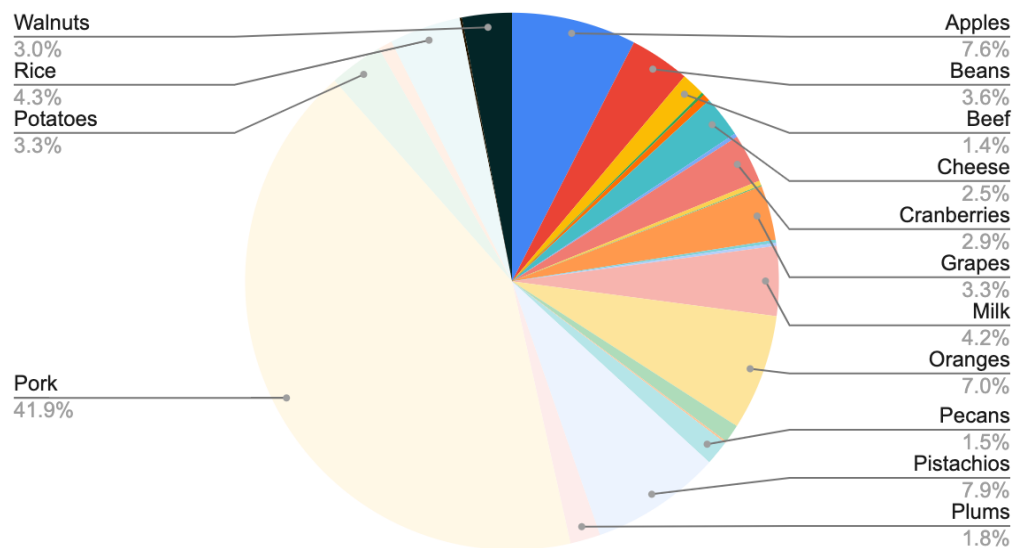


Of all FDFP purchase recipients, it was pork producers who received the greatest support, and by a large margin. In the first year of USDA's trade mitigation purchasing program (FY 2019), pork purchases made up a whopping 42% of all trade mitigation purchases (\$459 million). In FYs 2019 and 2020, USDA purchased over \$648 million worth of pork products, constituting nearly 29% of all trade mitigation purchases. Pork purchases comprised the largest share of trade mitigation awards despite that other US commodities suffered similar, if not greater, hardships as a result of the trade war.

⁴⁶ U.S. Dep't of Agric., Office of Inspector General, Audit Report 50601-0009-31, USDA's 2018 and 2019 Trade Mitigation Packages (2020).

For example, exports of soybeans to China, the top export market, fell by 74%, compared with 14% for pork, and 13% for dairy.⁴⁷ One reason for this imbalance may be that the pork industry in particular was incensed by the trade war impacts because they had anticipated particularly promising economic conditions in light of an outbreak of Asian Swine Fever in China, the top buyer of US pork. Prior to the trade war, the National Pork Producers Council Vice President, Nick Giordan, delivered a statement in which he remarked that Asian Swine Fever in Chinese hogs presented “the single greatest sales opportunity” in the industry’s history.⁴⁸

FY2019 Trade Mitigation Purchases

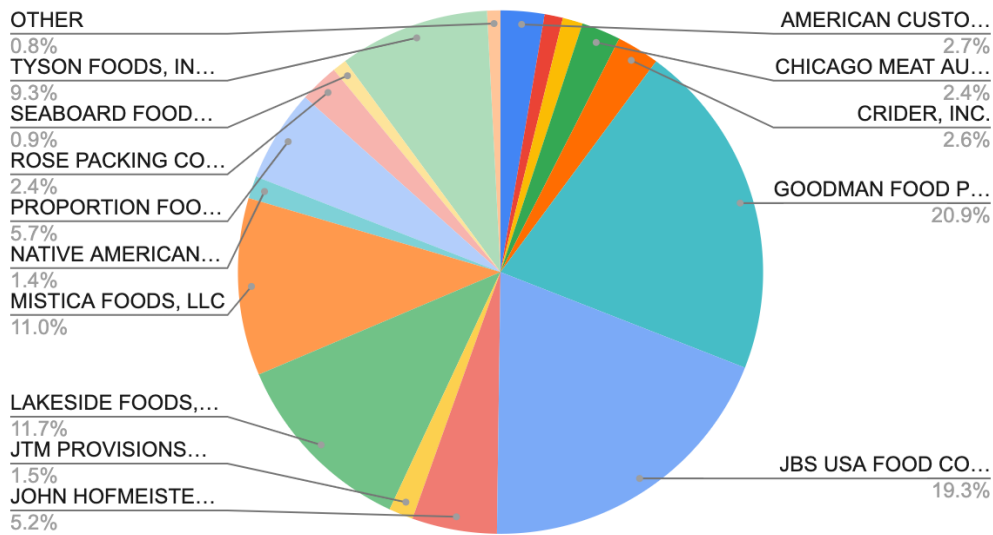


Two corporations, Goodman Food Products Inc. (doing business as Don Lee Farms) and JBS USA Food Company, won over 40% of all trade mitigation purchase contracts, worth nearly \$253 million, in FYs 2019-2020.

⁴⁷ Anita Regmi, Cong. Research Serv., R45903, Retaliatory Tariffs and U.S. Agriculture 13 (2019).

⁴⁸ Nick Giordano, Vice President & Counsel, National Pork Producers Council, Remarks at Grading the U.S.-China Midterm: Guidelines for Evaluating a U.S.-China Trade Agreement (June 11, 2009), *available at* <http://nppc.org/wp-content/uploads/2019/06/GBD-6-11-19-China-PresentationFINAL.pdf>.

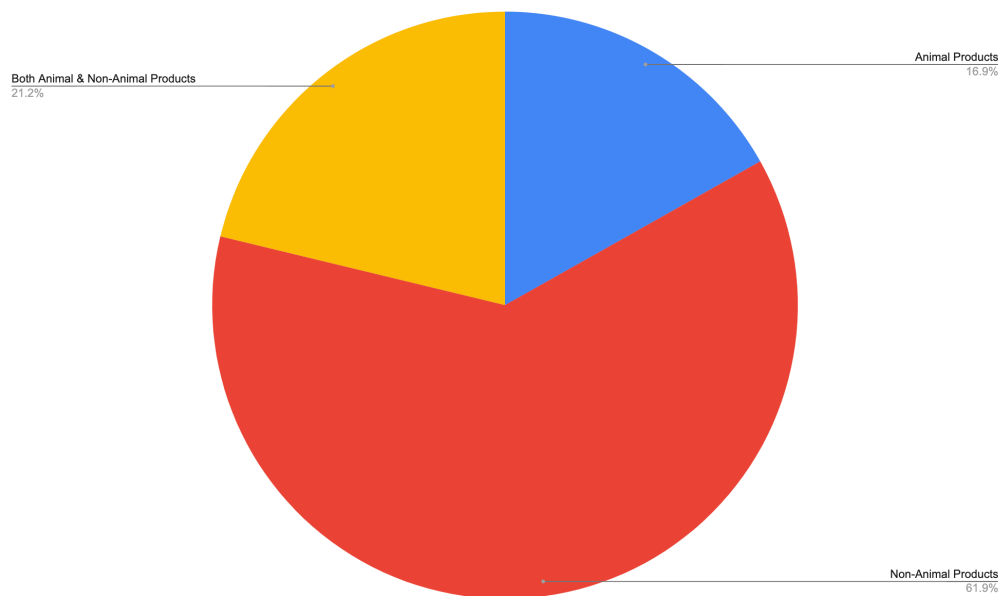
Share of Pork Producer TMP Awards (2019-2020)



3. Agricultural Trade Promotion Program (ATP)

The Agricultural Trade Promotion Program, administered by USDA's Foreign Agricultural Service (FAS), was designed to provide cost-share assistance to eligible U.S. organizations for activities such as consumer advertising, public relations, point-of-sale demonstrations, participation in trade fairs and exhibits, market research, and technical assistance, made in connection with helping U.S. farmers and ranchers identify and access new export markets for their agriculture, food, fish, and forestry products. ATP is the smallest of the trade mitigation programs, but distributed \$300 million in awards over two rounds in 2019.

The recipient receiving the second highest award amount was the U.S. Meat Export Federation, receiving 9.2% of all ATP funds, for a total of over \$27.5 million. Other prominent awards include \$7.8 million (2.6% of program funds) to the U.S. Dairy Export Council, \$7.5 million (2.5% of program funds) to the Alaska Seafood Marketing Institute, \$2.2 million (0.7% of program funds) to the USA Poultry and Egg Export Council, \$2.1 million (0.7% of program funds) to the U.S. Hide, Skin and Leather Association, and \$1.5 million (0.5% of program funds) to the American Sheep Industry Association. Overall, producers of animal products received just under \$50.6 million in ATP funds, while organizations that promote both animal and non-animal products received an additional \$63.7 million. Organizations working to export exclusively non-animal products received \$185.7 million.



In aggregate, in the year and a half span between the announcement of the three trade mitigation programs in mid-2018 and the end of 2020, producers of animal products received nearly \$2.3 billion, even by a conservative measure.

V. Coronavirus Food Assistance:

In April 2020, in response to the global COVID-19 pandemic and the associated economic devastation, Secretary of Agriculture Sonny Perdue announced that in addition to standard farm subsidies, USDA would distribute \$16 billion in direct payments via the Coronavirus Food Assistance Program (CFAP) to provide immediate financial relief to farmers, ranchers, and consumers affected by the pandemic.⁴⁹ Five months later, in September 2020, USDA announced a second round of CFAP payments, for an additional \$14 billion to struggling farmers and ranchers.⁵⁰ CFAP payment records analyzed by the Environmental Working Group revealed that the largest agribusinesses in the country, the top 1%, received 22% of all CFAP payments, and that the bottom 80% of farms received 23% of all CFAP funds, with an average payment amount less than 75 times that of the top 1% farms (\$4,677 versus \$352,432).⁵¹ In 2020, the largest CFAP payment went to Titan Swine of Iowa, which received a payment of more than \$2.5 million.

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⁴⁹ H. Claire Brown, *A few farmers get huge USDA relief payments while many struggle for pennies*, The Counter (July 30, 2020), <https://thecounter.org/covid-19-farmers-usda-relief-payments-ppp-cfap/>.

⁵⁰ Randy Schnepf, Cong. Research Serv., R46645, *USDA's Coronavirus Food Assistance Program: Round Two (CFAP-2) (2020)*.

⁵¹ Anne Schechinger, *New USDA Records Show Trade Bailout and Coronavirus Payments Went to the Largest Farms*, Environmental Working Group (Sept. 22, 2020), <https://www.ewg.org/news-insights/news/new-usda-records-show-trade-bailout-and-coronavirus-payments-went-largest-farms>.

⁵² *Id.*

In March 2021, the new Biden administration announced the initiation of a broader COVID relief program, entitled USDA Pandemic Assistance for Producers (UPAP), which included a commitment of distributing \$6 billion in available funds to previously ineligible producers through new programs, as well as \$500 million in additional funding to existing programs.⁵³ The expanded UPAP program targeted producers who were ineligible for direct payments under the previous CFAP framework by including new support provisions for dairy farmers (\$980 million), contract poultry growers, livestock and poultry producers who were forced to “euthanize” animals in 2020, as well as producers, processors, distributors who incurred costs to obtain personal protective equipment (\$700 million) for workers.⁵⁴ Taken together, CFAP and UPAP dramatically increased the aid that farmers are getting, with much fewer strings than other support programs, such as the Paycheck Protection Program, or food assistance programs.⁵⁵

While support for acutely injured agricultural sectors facing massive market upheavals in the face of a global pandemic is undoubtedly justifiable and arguably necessary to maintain U.S. food security, the degree and nature of such support has grave implications for farmed animal welfare. Specifically, the lack of guidance or requirements pertaining to handling of unmarketable animals and animal products allowed producers to reap significant financial support without taking any measures to limit animal suffering. In the early months of the pandemic, millions of animals were culled or “depopulated” in various inhumane ways due to slaughter plant closures and other supply chain disruptions.⁵⁶ The situation may have been especially gruesome for pigs—due to pigs’ relatively long production cycles, hog farmers cannot quickly adjust to sharp drops in demand, and unlike cattle, pigs cannot remain on ranches for additional months due to housing pressures and feed costs.⁵⁷ As a result, millions of pigs were culled on U.S. hog farms—an eventuality that the National Pork Producers Council described as “the only humane option.”⁵⁸ In reality, pigs (and other animals) were culled in grisly ways, including by ventilation shutdown, or VSD, pursuant to which pigs slowly die from overheating after barn airways are sealed off and steam is inserted into them. In one report, an Iowa pork producer used VSD to cull his herd, and then used bolt guns to kill surviving animals the following morning.⁵⁹

In the future, ensuring that eligibility for similar relief programs for producers who cull animals due to market disruptions are tied to basic animal welfare requirements, such as killing in conformance with Humane Methods of Slaughter Act requirements, could prevent the extreme suffering of millions of animals. Other advisable changes to future agricultural relief programs include measures to ensure that

⁵³ Press Release, U.S. Dep’t of Agric., After Identifying Gaps in Previous Aid, USDA Announces ‘Pandemic Assistance for Producers’ to Distribute Resources More Equitably (Mar. 24, 2021), *available at* <https://www.usda.gov/media/press-releases/2021/03/24/after-identifying-gaps-previous-aid-usda-announces-pandemic>.

⁵⁴ Press Release, U.S. Dep’t of Agric., USDA Announces Additional Aid to Ag Producers and Businesses in Pandemic Assistance for Producers Initiative (June 15, 2021), *available at* <https://www.usda.gov/media/press-releases/2021/06/15/usda-announces-additional-aid-ag-producers-and-businesses-pandemic>.

⁵⁵ Ryan McCrimmon, *‘Here’s your check’: Trump’s massive payouts to farmers will be hard to pull back*, Politico (July 14, 2020), <https://www.politico.com/news/2020/07/14/donald-trump-coronavirus-farmer-bailouts-359932>.

⁵⁶ Sophie Kevany, *Millions of US farm animals to be culled by suffocation, drowning and shooting*, The Guardian (May 19, 2020), <https://www.theguardian.com/environment/2020/may/19/millions-of-us-farm-animals-to-be-culled-by-suffocation-drowning-and-shooting-coronavirus>.

⁵⁷ *Id.*

⁵⁸ Fact Sheet: The Tragic Impact of COVID-19 on U.S Hog Farmers The Need to Euthanize, Nat’l Pork Producers Council (May 8, 2020), <https://nppc.org/wp-content/uploads/2020/05/euthanasia-fact-sheet-FINAL-5-8-20.pdf?ftag=MSF0951a18>.

⁵⁹ Glenn Greenwald, *Hidden Video and Whistleblower Reveal Gruesome Mass-Extermination Method for Iowa Pigs Amid Pandemic*, The Intercept (May 29, 2020), <https://theintercept.com/2020/05/29/pigs-factory-farms-ventilation-shutdown-coronavirus/>.

relief payments are equitably distributed among claimants, that support for commodities that are not already receiving other subsidies are prioritized, and that producers can wean themselves off of significant government support.

VI. Conclusion:

Every year, the USDA spends approximately \$2 billion in commodity purchases, of which about \$200-\$400 million are discretionary “surplus” purchases, largely unconstrained by concrete funding formulas or programmatic needs. Our examination of ten years’ worth of USDA surplus purchase data revealed that surplus purchase dollars frequently flowed to industries that engage in inefficient market behavior, with virtually no constraints. Multiple animal agriculture sectors received surplus purchases repeatedly in a short span, despite that these purchases are not designed to be a sustained form of support. Our analysis also revealed that in terms of both frequency of purchases and total dollars spent, the USDA spends a disproportionate share of surplus purchasing funds on meat, milk, and egg products.

We also identified several open questions and directions for future research and advocacy regarding surplus purchases. One such question pertains to the applicability of the apparent statutory spending cap for surplus purchases, which was exceeded in most of the years examined. Similarly, another pertains to the apparent statutory cap for surplus fishery products, which was exceeded in half of the years reviewed. Although we have a likely rationale for these phenomena (that commodities distributed to food assistance programs are not counted against these caps), we were unable to verify the actual grounds for this discrepancy. We also discovered that USDA’s AMS actively works with industry groups seeking surplus purchases, and could not identify any laws, regulations, or written policy which would promote a consistent and fair process for receiving, vetting, or approving such requests. Accordingly, we view the opaque and haphazard process purchase request process as worthy of further investigation and reform efforts.

Our review of USDA’s economic analyses also led to a few more general reflections on current and potential advocacy strategies. For example, FOIA documents revealed that cage-free egg production has increased alongside battery cage production, and has not proportionately supplanted it, as anticipated by advocates. This suggests that cage-free corporate campaigns need to be strategically structured to give egg producers the confidence and ability to appropriately scale down their battery-cage production. USDA economic analyses also highlighted that different commodities have different storage potential, which affects how readily producers can meet surges in demand. Fluid milk, for instance, cannot be stockpiled like cheese or frozen meats, such that demand must always be met with fresh supply—likely making fluid milk a particularly attractive commodity to address from an animal welfare perspective. Another industry showing unique potential for animal advocates is the catfish industry. Between FYs 2010 and 2019, surplus catfish purchases equaled close to one-third of surplus chicken purchases, despite that the domestic catfish market is only about 1% the size of the chicken market.

Until 2018, surplus purchases made up nearly the entirety of USDA’s non-discretionary commodity purchase spending. However, with the onset of an escalating trade war in 2018 and then a global

pandemic in 2020, the agency significantly expanded its discretionary spending via a series of trade mitigation and pandemic assistance programs. Our analysis revealed that pork producers—especially the largest ones—were the greatest beneficiaries of the trade mitigation programs, and potentially were made more than whole, at considerable cost to taxpayers. Likewise, much of the Coronavirus Food Assistance Program funds went to the largest farms, with the top 1% of producers receiving 22% of all CFAP payments, compared with 23% for the bottom 80% of producers.

The sharp and unexpected supply chain disruptions of the COVID-19 pandemic, coupled with the long production cycles of farmed animals, proved to be catastrophic for animal welfare. Farmers culled millions of animals en masse due to the costs and logistical constraints associated with continuing to house and feed them, but were able to access pandemic assistance regardless of how inhumanely they did so. These findings indicate that future pandemic relief packages should be crafted with much greater consideration toward fair allocation of resources, as well as requirements to ensure adherence to basic animal welfare standards.

Taken as a whole, our examination of ten years' worth of USDA surplus purchases, as well as recent trade mitigation and pandemic assistance programs, reveals significant challenges and opportunities for animal advocates. We hope that the above information helps advocates better understand the extent of support animal agriculture industries receive via surplus purchasing and trade war bailouts, and identify new opportunities to challenge these largely unchecked forms of support.

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