

USDA's \$8 Billion Farm Aid Program

Legal Authority, Economic Effects, and What it Means for Farmers and Ranchers

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Introduction

On October 19, 2026, the U.S. Department of Agriculture (USDA) announced that it would make \$8 billion available for one-time payments to American farmers through the Harvest Fuel Relief (HFR) Program. USDA says the program is intended to offset a portion of producers' modeled losses associated with higher production costs and market disruptions during the 2026 crop year. The Farm Service Agency (FSA) will administer the payments using funding authorized under the Commodity Credit Corporation (CCC) Charter Act.

The announcement comes amid higher agricultural input costs and pressure on commodity margins. It also follows the administration's \$12 billion Farmer Bridge Assistance program and increased Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) payments under the One Big Beautiful Bill Act (OBBBA). The new program therefore raises questions that extend beyond the immediate value of the payments: Does USDA have sufficient statutory authority? Will the formula direct assistance to producers experiencing genuine economic distress? And will a one-time program help viable operations weather a temporary shock, or further entrench expectations of recurring federal support?

The bottom line is that the program may provide useful short-term liquidity to producers experiencing margin compression. Its ultimate effectiveness, however, will depend on the final payment formula, eligibility requirements, and distribution of funds. One particularly important unresolved issue is whether livestock producers - especially cow-calf ranchers facing higher fuel, cattle-hauling, and feeding costs - will receive meaningful assistance.

What USDA Has Announced and What Remains Unsettled

USDA has described HFR as a one-time payment program providing proportional support for a portion of modeled losses during the 2026 crop year. The announced methodology draws on three principal sources: planted-acreage information reported to FSA, production-cost estimates from USDA's Economic Research Service, and yield and price estimates from USDA's World Agricultural Supply and Demand Estimates (WASDE) reports.

USDA has indicated that commodity-specific payment rates for Title I commodities will be released in November 2026. The methodology for other eligible commodities will be announced later. USDA has also encouraged



producers of non-Title I commodities, including specialty-crop growers and fishermen, to submit information about increased fuel costs for consideration. Crop-insurance participation will not be a prerequisite for HFR eligibility.

As of October 20, 2026, the complete payment methodology, final commodity-specific rates, application timetable, precise eligibility rules, and any applicable payment limitations have not been published. The \$8 billion announcement should not be treated as a guarantee that every farmer will qualify or that any producer will receive a particular amount.

USDA's approach appears well suited to a formula based on crop acreage, yields, prices, and modeled production costs. But that raises a question for livestock producers: Will USDA create a livestock-specific methodology, or will ranchers be left outside the program unless they also produce an eligible crop? The announcement does not yet answer that question.

The Economic Rationale - and Its Limits

Agriculture operates in markets where producers often have limited control over the prices they receive while facing substantial expenses for fuel, fertilizer, chemicals, seed, machinery, land rent, transportation, and feed. Diesel fuel is particularly important for planting, spraying, harvesting, grain transportation, and livestock operations that use tractors, feed wagons, trucks, and other equipment.

USDA's 2026 farm-income forecast projects total production expenses of approximately \$492.8 billion, an increase of \$21.2 billion, or 4.5 percent, from 2025. Fuel and oil expenses are among the categories contributing to that increase. USDA projects nominal net farm income to decline 2.6 percent in 2026, although it expects net farm income to remain above its inflation-adjusted 20-year average.¹ National averages, however, can obscure serious financial stress at the individual-operation level. A favorable aggregate forecast does not establish that every farm or ranch is financially healthy; equally, rising costs do not establish that every operation has suffered a loss.

A one-time payment can help an otherwise viable operation manage a temporary cash-flow problem. A grain producer may have incurred substantial expenses well before receiving revenue from the harvested crop. Assistance could help meet operating-loan obligations, finance next season's inputs, or avoid selling grain at an unfavorable time solely to generate cash. Yet liquidity is not the same as profitability. If commodity prices remain below production costs, or if debt, land rent, and machinery expenses are structurally too high, a payment may postpone rather than solve the underlying problem.

¹ Farmers care less about net farm income than they do about post-tax cash flow. For many farmers net farm income could be lower in 2026 compared to 2025 yet post-tax cash flow could be higher thanks to numerous tax provisions in the OBBBA.

The same distinction applies to ranching. A cow-calf operator may face higher diesel costs to operate feeding equipment or move cattle, as well as increased costs for purchased hay or other feed. Those expenses can materially reduce operating margins. But unless the final HFR rules recognize those livestock-related costs, the rancher's economic hardship may not translate into eligibility for a payment.

Will Cattle Ranchers Benefit?

At this stage, ranchers should not assume that HFR will reimburse them for increased diesel, cattle-hauling, or feed expenses. Nor is it yet possible to conclude that cattle operations are excluded. USDA has not published a specific payment formula for cow-calf producers or established a general reimbursement for livestock feed or cattle transportation.

Consider a Kansas rancher who moves cattle from summer grass to fall or winter pasture and supplements their diet with hay. Higher diesel prices increase the cost of operating tractors, feed wagons, and trucks. If drought or a shortage of local forage requires cattle to be hauled farther to reach grazing land, transportation expenses may rise substantially. A formula based principally on planted acreage, crop yields, and commodity prices may not capture those additional costs, particularly for a ranch that has no qualifying crop acreage.

The same issue arises when cattle are hauled to a feedlot or another grazing location, or when a rancher must buy more hay, silage, or other feed. The announced program does not establish a separate payment for those expenses. A rancher who also grows an eligible crop may potentially qualify through that crop, subject to the final rules, but that would not necessarily compensate for the ranch's livestock-related cost increases.

USDA's treatment of non-Title I commodities shows that the department has contemplated additional guidance beyond the principal crop categories. Whether that guidance will include livestock producers, and how it will measure their losses, remains unresolved. The key policy question is whether HFR is intended to provide broad agricultural relief for increased fuel costs or primarily to support crop producers through a modeled-loss formula.

A Separate Avenue for Some Ranching Costs: ELAP

Ranchers facing extraordinary transportation or feeding expenses should also consider the FSA's Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program (ELAP). Under applicable rules, ELAP can provide assistance for certain above-normal costs associated with hauling feed or water to livestock and transporting livestock to forage or other grazing acres.

ELAP is not a general reimbursement program for every increase in diesel prices or for routine seasonal cattle movements. Eligibility depends on the program's requirements and the circumstances causing the additional costs. For example, if drought forces a rancher to haul cattle to distant grazing land, ELAP may be relevant. If the



rancher simply moves cattle from summer grass to winter pasture as part of the normal annual production cycle, those expenses may not qualify. The important distinction is between ordinary operating costs and additional costs attributable to a qualifying adverse condition.

Ranchers should review current FSA guidance to determine whether their circumstances fit ELAP or another existing assistance program. They should retain fuel invoices, feed receipts, cattle-hauling bills, and records explaining why additional transportation or feeding was necessary. Such records may be useful in applying for an existing program or responding to future HFR guidance.

The Legal Foundation: USDA's CCC Authority

The legal foundation for HFR is the Commodity Credit Corporation Charter Act. Among other provisions, 15 U.S.C. §714c authorizes the CCC to exercise specified powers in furtherance of its agricultural-support purposes, including supporting commodity prices through loans, purchases, payments, and other operations, and making materials and facilities available for agricultural production and marketing.

USDA has previously relied on CCC authority for agricultural assistance outside the ordinary operation of farm-bill programs. The Congressional Research Service has discussed the breadth of the CCC Charter Act, including its use in the 2018 Market Facilitation Program, which provided assistance to producers affected by retaliatory tariffs. That history is relevant, but it does not establish that every proposed payment program necessarily falls within the statute.

Three questions deserve attention. First, does HFR fit within the purposes Congress authorized? USDA will need to explain how payments addressing increased production costs and modeled agricultural losses fall within the CCC's statutory powers. Second, what limits apply to the Secretary's discretion? A broad grant of authority to support agriculture does not necessarily authorize every conceivable payment, and the program must comply with applicable statutory and budgetary restrictions. Third, is the program administered consistently with its announced objectives? Producers should be able to understand the formula, the data used, and the basis for allocating funds.

USDA will need to clearly explain its authority, payment methodology, eligibility standards, and allocation decisions. Congress should exercise meaningful oversight of CCC activities. The rule-of-law question is not whether assisting farmers is a worthy objective; it is whether the executive branch is acting within the authority Congress has granted.

Targeting, Incentives, and the Cost of Recurring Assistance

A formula based on standardized data can reduce administrative costs and speed payments. It may also avoid requiring each producer to document every gallon of diesel purchased. But a modeled formula can diverge from



actual losses. Two producers with similar acreage and the same crop may have very different cost structures: one may own machinery outright and have purchased fuel before prices increased, while another may rent more land, carry substantial machinery debt, and have purchased fuel at higher prices. An acreage-based formula may not distinguish between them.

Payments tied substantially to acreage may also affect planting decisions, land values, cash-rent negotiations, and borrowing behavior. Landowners may seek higher rents if they expect tenants to receive government assistance. Lenders may incorporate anticipated payments into cash-flow projections. These effects are not inevitable, and their size depends on the program's design, but they warrant attention.

HFR also adds to a broader pattern of substantial federal support. USDA announced \$12 billion in Farmer Bridge Assistance payments earlier in 2026 and has reported nearly \$14 billion in gross ARC and PLC payments associated with the revised farm-program framework under the OBBBA. Separately, USDA's farm-income forecast projects direct government farm payments of \$47.4 billion in 2026, up \$19.5 billion from 2025. That forecast includes multiple forms of support, not just HFR.

Emergency assistance can be justified when producers face extraordinary disruptions beyond their control. Agriculture is exposed to weather, disease, trade restrictions, geopolitical developments, and volatile input markets. But repeated ad hoc payments can weaken incentives to plan for adverse conditions, obscure the difference between a temporary liquidity crisis and a structurally unprofitable operation, and complicate long-term investment decisions. Funding through an existing federal mechanism does not mean the program has no fiscal cost.

Market prices communicate information about supply, demand, competition, and resource scarcity. Government assistance can buffer sudden shocks, but it cannot eliminate those signals indefinitely without creating other costs. A well-designed program should help viable operations withstand temporary disruptions without encouraging them to disregard the economic fundamentals of their businesses.

Practical Steps for Farmers, Ranchers, and Advisers

First, producers should review their FSA acreage and production records for accuracy, because reported planted acreage is part of the announced HFR methodology. They should also ensure that business and banking information is current with USDA and follow official instructions for establishing or confirming Login.gov access linked to USDA.

Second, producers and lenders should not treat an unannounced HFR payment rate as a fixed receivable. Budgets should distinguish between revenue already earned or contractually established, existing farm-program



payments that can be estimated under published rules, and potential HFR payments that remain subject to final requirements.

Third, producers should preserve records relevant to their circumstances. Crop producers should review acreage and production information. Livestock producers should retain fuel invoices, feed receipts, hauling bills, and records showing why additional transportation or feeding was necessary. Specialty-crop producers and other non-Title I producers should monitor USDA guidance about submitting information on increased fuel costs.

Fourth, tax practitioners should evaluate the tax treatment when payments are authorized and received. A payment associated with agricultural production or a government assistance program may be includible in gross income, but its precise treatment must be determined under the applicable Internal Revenue Code provisions and any relevant IRS guidance. Practitioners should consider the proper reporting year, the taxpayer's accounting method, and the potential self-employment tax consequences. The payment should not be assumed tax-free merely because it is labeled fuel relief.

Finally, producers should reassess their broader risk-management plans. Crop insurance, marketing strategies, working-capital reserves, debt structure, and input-purchasing arrangements should be evaluated on their own merits. A one-time payment may help manage a difficult year, but it should not substitute for a sustainable long-term plan.

What a Solid Long-Term Policy Requires

A sound agricultural policy should preserve productive capacity, encourage private investment, maintain competitive markets, and limit unnecessary dependence on discretionary federal payments. That does not require eliminating the farm safety net. It requires designing assistance so that it complements rather than replaces prudent management and market-based risk management.

Five principles are especially important:

- USDA should be transparent about its payment formula and assumptions;
- Assistance should, where administratively feasible, bear a defensible relationship to the disruption it is meant to address;
- Congress should monitor the cumulative cost of ad hoc programs and ensure that executive-branch actions remain within statutory authority;
- Producers benefit from predictable risk-management programs more than from uncertainty about whether emergency assistance will appear after a difficult year; and



- Policymakers should examine identifiable sources of unnecessary production costs, including infrastructure constraints, transportation costs, trade disruptions, and regulatory barriers.

For ranchers in particular, the final HFR guidance should clarify whether livestock operations qualify and whether the program accounts for the costs of moving, feeding, and maintaining cattle. A program that aims to support agriculture broadly should explain how it treats producers whose principal costs and risks do not arise from planted acreage or crop yields.

Conclusion

The \$8 billion HFR Program could provide meaningful short-term assistance to producers facing higher costs and compressed margins during the 2026 crop year. But its practical reach cannot be determined until USDA publishes the final payment methodology and eligibility rules. The announced framework appears more directly suited to crop production, while the treatment of cow-calf and other livestock operations remains uncertain. Ranchers should not assume they will be reimbursed for increased diesel, cattle-hauling, or feed expenses, and they should examine ELAP where extraordinary costs arise from drought or another qualifying adverse condition.

The program's ultimate test will involve more than the amount of money distributed. Its formula must reasonably reflect the economic disruption it seeks to address; its administration must remain within statutory authority; and its design should avoid making recurring federal payments an assumed component of every farm business plan.

The appropriate measuring stick for farm assistance is neither automatic opposition nor uncritical acceptance of every announced payment. It is a demand for lawful authority, transparent administration, sound economic design, and fiscal accountability. Emergency assistance may preserve productive capacity during extraordinary disruptions, but it cannot indefinitely substitute for profitable markets, prudent financial management, and predictable rules.

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