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Ms. Jovita Carranza
Administrator
U.S. Small Business Administration
409 3rd St, SW
Washington, DC 20416

Dear Administrator Carranza,

The National Association of State Departments of Agriculture (NASDA) appreciates your swift action to support the U.S. economy during the fight against the novel coronavirus (COVID19). As the commissioners, directors, and secretaries of state departments of agriculture in all 50 states and four U.S. territories, NASDA members have been closely following the implementation of the Paycheck Protection Program (PPP). Congress clearly intended for PPP loans to be widely available to all small businesses, and we are grateful for SBA's efforts to address the needs of the agriculture sector. As of last week, over 45,000 small businesses in the agriculture, forestry, fishing, and hunting sector were able to secure PPP loans from the initial tranche of funding.

Unfortunately, the initial PPP loan availability fell far short of the demand from small agricultural enterprises. Lack of clarity on program rules and other technical issues limited the ability of many eligible firms to participate, leaving rural workers and communities at a disadvantage. As we await additional PPP funding from Congress, NASDA urges you to consider the below recommendations to enhance the effectiveness of the program for the agricultural sector. Without technical changes, small agricultural businesses will again be left behind in future rounds of PPP implementation.

From particular corporate structures to unique cash flow challenges, agricultural businesses have several differences with their counterparts in other economic sectors. Furthermore, unlike other industries, many agricultural businesses did not enter the COVID19 pandemic in a strong financial position. Extreme weather, trade disruptions, and several years of low commodity prices have dealt serious blows to the rural economy in recent years. Rural communities – 20% of whom are economically-dependent on farming – were already more likely to have higher poverty rates, lower rates of insurance coverage, and more exposure to some of industries hit hardest by COVID19 (e.g., tourism).[1]

The immediate consequences of mitigating the spread of COVID19 only served to compound the underlying economic conditions. Food service sales saw a 25% decline in March 2020[2], leading to precipitous drops in demand for many agricultural products such as milk, produce, and seafood. Commodity prices have likewise been battered by the negative economic outlook. Many farmers rely on

[1] The Rural Economy. U.S. Department of Agriculture's Economic Research Service. Available at: https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/rural-economy/.
[2] U.S. Census Bureau.

the price of agricultural futures contracts to manage business risk, but futures contract prices are down on soybeans (-8%), corn (-14%), live cattle (-25%), hogs (31%), and milk (-26% and -36%).[3]

With the above realities in mind, NASDA recommends the following changes for the next round of PPP implementation:

1. **Expand the ability of Farm Credit institutions and agricultural lenders to make PPP loans**. Many agricultural businesses were unable to participate in the initial round of PPP because their financial institutions were not connected to SBA's program infrastructure. Expanding the number of lenders able to process PPP loans will ensure a wider range of agricultural businesses can be served.

2. **Allow businesses to include temporary foreign workers in their calculation of payroll costs**. Workers in the H2-A and H2-B program make up a large part of payroll costs for many agricultural businesses (upwards of 75% in some cases). Preventing these costs from being included in the overall loan amount calculation severely restricts the ability of agricultural businesses to benefit.

3. **Ensure all PPP guidance includes specific direction for agricultural businesses**. Some SBA guidance related to PPP has failed to provide specific direction for agricultural businesses, leading to confusion and implementation delays. For example, SBA's PPP guidance related to self-employed workers only referenced taxpayers who file using Schedule C, whereas many self-employed farmers and ranchers file using Schedule F. This guidance confused some lenders and led to rejection of PPP loan applications that should have been approved. Where appropriate, SBA should ensure that all PPP guidance provides explicit direction for agricultural businesses, not just their counterparts in different industry sectors.

NASDA recognizes the substantial work required to implement a program of PPP's size and scope. We commend the SBA for moving quickly and stand ready to work with you to enhance the program moving forward. As the COVID19 response and recovery continues, it is essential that we work together to extend PPP loans to as many small businesses as possible. Should you or your staff have any additional questions, please reach out to Max Moncaster, NASDA's Associate Director of Public Policy (max.moncaster@nasda.org; 202-315-8111).

Sincerely,

Barbara P. Glenn

Barbara P. Glenn, Ph.D.
Chief Executive Officer

[3] *COVID19 Impacts on Agriculture*. American Farm Bureau Federation. Available at: https://www.fb.org/viewpoints/yes-there-are-covid-19-impacts-on-agriculture1