AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

S. HRG. 119–348

GROWING THE SMALL BUSINESS AGRICULTURAL ECONOMY

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

OF THE

UNITED STATES SENATE

ONE HUNDRED NINETEENTH CONGRESS

SECOND SESSION

JANUARY 14, 2026

Printed for the use of the Committee on Small Business and Entrepreneurship

Available via the World Wide Web: http://www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE
63–357 WASHINGTON : 2026

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

ONE HUNDRED NINETEENTH CONGRESS

JONI ERNST, Iowa, *Chair*
EDWARD J. MARKEY, Massachusetts, *Ranking Member*

JAMES E. RISCH, Idaho
RAND PAUL, Kentucky
TIM SCOTT, South Carolina
TODD YOUNG, Indiana
JOSH HAWLEY, Missouri
TED BUDD, North Carolina
JOHN R. CURTIS, Utah
JAMES C. JUSTICE, West Virginia
JON HUSTED, Ohio

MARIA CANTWELL, Washington
JEANNE SHAHEEN, New Hampshire
CORY A. BOOKER, New Jersey
CHRISTOPHER A. COONS, Delaware
MAZIE K. HIRONO, Hawaii
JACKY ROSEN, Nevada
JOHN W. HICKENLOOPER, Colorado
ADAM B. SCHIFF, California

MEREDITH WEST, *Republican Staff Director*
SEAN MOORE, *Democratic Staff Director*

C O N T E N T S

JANUARY 14, 2026

OPENING STATEMENTS

WITNESSES

ADDITIONAL LETTERS/STATEMENTS FOR THE RECORD

QUESTIONS FOR THE RECORD

GROWING THE SMALL BUSINESS AGRICULTURAL ECONOMY

WEDNESDAY, JANUARY 14, 2026

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
Washington, DC.

The committee met, pursuant to notice, at 2:33 p.m., in Room 428A, Russell Senate Office Building, Hon. Joni Ernst, chairwoman of the committee, presiding.

Present: Senators Ernst [presiding], Young, Husted, Markey, Cantwell, and Shaheen.

OPENING STATEMENT OF SENATOR ERNST

CHAIR. I call the Committee on Small Business and Entrepreneurship to order. Folks, it's the start of a new year, and I'm excited to kick it off discussing the ways we can supercharge Main Street and promote economic growth across our rural communities.

This committee routinely looks at the integral role small businesses play in our economy and our lives, especially in our rural communities, where small businesses represent over 96 percent of all employers, and provide nearly 57 percent of all jobs.

I grew up on a farm in Southwest Iowa, and currently live in Red Oak. Still, today, I know the local small business owners who run the stores and shops around me, and experience firsthand how ingrained they are in our agricultural community, not to mention the role of America's original small business owners, family farmers. After all, these are my neighbors and my friends. They carry on the spirit of entrepreneurship that runs deep throughout rural America.

Despite the importance of these small businesses to rural agricultural communities, they have faced numerous challenges in securing affordable access to capital, essential to their survival. The SBA's 7(a) loan program was established to help address some of those gaps.

But under the Biden administration's mismanagement, we saw the opposite. The share of lending to rural small businesses declined year after year. The reason for the decline is no mystery. While the Biden administration was recklessly slashing lending standards and eligibility rules in the 7(a) program, it was building up regulatory hurdles in the private sector and ignoring the challenges faced by the small community banks that serve rural and agricultural entrepreneurs, including their challenges in utilizing the 7(a) program itself.

Luckily, President Trump and SBA Administrator Loeffler have overseen a tremendous turnaround in lending to rural communities with the dollar value of all 7(a) lending to rural small businesses in the first year of the new administration increasing by nearly 20 percent over last year.

However, many rural community banks still find it incredibly difficult to fully and actively participate in the 7(a) loan program due to unnecessary red tape and overly complex requirements that do not account for the unique needs and operations of rural small businesses. Many community banks also worry that their inability to dedicate staff to SBA compliance will jeopardize their ability to rely on the 7(a) loan guarantee.

This red tape shouldn't be what stands in the way of reaching borrowers who can benefit from 7(a). That is why I called Administrator Loeffler earlier this week to report to this committee on the resources and efforts the SBA has made to promote greater participation by rural community banks in SBA loan programs.

I ask unanimous consent to enter into the record my January 9th letter requesting information from the SBA on its efforts to assist rural community banks. Without objection, so ordered.

In the letter, I also asked what the SBA is doing in the new year to reduce compliance and paperwork burdens for rural community banks so they can reach more rural and agricultural small business owners.

We must also do our part in the Senate. We made headway when the committee reported out my bipartisan bill with Senator Coons, the Made in America Manufacturing Finance Act, which will increase the SBA-backed loan limit from $5 million to $10 million for small manufacturers. A companion to our bill has passed the House of Representatives, so I do hope that we can get these loan limit increases enacted in the coming weeks to complement the Ernst/Coons bill.

I also introduced my Modernizing Agricultural and Manufacturing Bonds Act, which will modernize IRS rules for rural development bonds. It is only through concerted coordinated efforts and thoughtful legislation that we will be able to cut the red tape hampering community lenders and give our rural agricultural small businesses the room and capital to grow.

I am grateful that we're joined today by our panel of witnesses. I look forward to hearing from them to see how we can help both rural entrepreneurs and the community banks that serve them. I now recognize Ranking Member Markey for his opening statement.

STATEMENT OF SENATOR MARKEY

Senator MARKEY. Thank you, Madam Chair, very much, because today we're here to talk about supporting local farms, grocery stores, food banks, other small businesses that make up the rural agricultural community economy in our country. And these small businesses are key to feeding local communities, creating jobs, building sustainable food systems.

Unfortunately, the agricultural economy is being crushed by the Trump administration's attack on rural communities. In President Trump's playbook, MAGA really means Making Agriculture Go

Awry, and we're seeing it as it cascades down onto the kitchen tables of people in America.

Grocery costs are dramatically up. Over last year, coffee's up 20 percent, beef's up 16 percent, bananas are up 6.5 percent. Food prices went up 3.1 percent in 2025 in the Trump administration. And Trump keeps saying that affordability is a fake word. But it's not a fake word for small businesses, not a fake word for consumers when something's up 3.1 percent.

In fact, his agriculture committee strategy is bananas, okay, in terms of what he's doing, all across the board from tariffs to every other policy which he has. His tariffs threatened to bankrupt thousands of family farmers who are seeing their own prices increase, and their exporting opportunities squeezed as other countries retaliate with tariffs of their own.

President Trump's immigration policies are spreading fear in our neighborhoods and making it even harder for rural businesses and small farms to find hard working employees, a longstanding issue in rural communities.

And we cannot ignore President Trump's disastrous healthcare policies. With the passage of President Trump's big ugly bill, hundreds of rural hospitals will likely close or cut services of to 22 million Americans who just saw a dramatic increase in their health insurance on January 1st, just 12 days ago. Ten million of them are small businesses, all work at small businesses, 10 million up to 22 million.

And a lot of these farmers, you know, they belong to farmer coops. They're Rotarians, they're the lifeblood of Main Street across rural America. And he's turning Main Street into Pain Street, you know, for these people, healthcare, electricity, energy costs, food costs, all the way across the board.

And it's just that the Republicans are just clueless, callous and it's the cruel decision not to extend the Affordable Care Act, their enhanced tax credits. That's going to mean thousands of rural small businesses and their employees are going to see healthcare costs skyrocket.

In fact, they're facing in rural America a 28 percent higher increase than those who live in cities. America was already struggling with climate change impacts, rising housing costs, retraining workers, finding a path forward for their small businesses when they decide to retire. But we have to address these issues, support our farmers, fishermen, ranchers in rural America, and not make it harder for them to exist.

In Massachusetts, more than 7,000 small farms and thousands of small businesses support our local agricultural economy. These local producers lead the way in sustainable and innovative agriculture, cutting down greenhouse gas emissions, treating workers fairly and feeding local communities and schools.

If President Trump were serious about supporting rural communities, he would be investing in small local producers rather than prioritizing large multinational agricultural corporations that routinely violate workplace and environmental laws.

And while creating a small business blight, President Trump is beefing up the pockets of his billionaire buddies. These corporations receive extreme favorable treatment from the largest buyer of goods and services in the world, the United States government, when it is small producers that are leading the way in creating local sustainable food systems.

In Fiscal Year 2024, nearly $5 billion in food spending by the Department of Agriculture went to just 25 companies. Those aren't small farmers, and that's why I introduced the Effective Food Procurement Act, which would provide more federal contracting opportunities for small producers, small farmers that are using sustainable practices and treating employees fairly.

It's important that we provide those pathways for small businesses inside of our food systems. Food is more than what we see on our plate. It is the labor of farmers and farm workers, the health of our environments, and the cornerstone of growth for many rural economies. So, today, I look forward to hearing from our witnesses about how we can further our shared goals to help small businesses in the agricultural community. Thank you.

CHAIR. Great. Thank you, Ranking Member Markey. And again, I want to extend a warm welcome to all of our witnesses, and I am thankful that you all took time out of your busy schedules to come to Washington, DC to share your expertise on how we can improve America's rural agricultural economy.

I will now introduce the two witnesses who are here today to testify on behalf of the majority. And first, is Ms. Melissa Spurgin. She is from Albia, Iowa, and is the Chief Financial Officer of first Iowa State Bank, where she has worked for over 22 years. She previously served as Vice President of First Iowa State Bank. Ms. Spurgin holds a bachelor's degree from St. Ambrose University and an MBA from Capella University.

And next, Mr. Jay Funke. Jay is from Edgewood, Iowa, and is the owner of Del Clay Farm Equipment, a family-owned farm equipment dealer business. Del Clay Farm Equipment has been in business for over 25 years, and provides new and used farm equipment to farmers throughout Northeast Iowa. Mr. Funke holds a bachelor's degree from Loras College.

And thank you, again, I now recognize Ranking Member Markey to introduce his witnesses.

Senator MARKEY. Thank you, Madam Chair. Mr. Erbin Crowell serves as Executive Director of the Neighboring Food Co-op Association, a cooperative federation of retail grocery co-ops across New England and New York State. And he has nearly three decades of experience in cooperative business and food system development, and serves on the boards of the National Cooperative Business Association and the New England Farmers Union. He lives with his family in rural western Massachusetts.

Ms. Maria Moreira is the founder and board chair of World Farmers which is based in Lancaster, Massachusetts. Her perspective as a farmer, a business owner, an immigrant, has fueled her passion to advocate for small scale farmers for over 45 years. She is also vice chair of the Rural Coalition Board of Directors and has served as farm service agency county committee advisor for nine years and was a member of the USDA Beginning Farmer and Rancher Advisory Committee.

She's just been a leading voice in identifying and establishing market opportunities for ethnic crops and increasing access for culturally appropriate crops for immigrant and refugee communities, and we look forward to hearing from both of them.

CHAIR. Wonderful. Thank you, Ranking Member Markey. And briefly, I'll take a moment and explain the lighting system in front of you. There are three lights in front of you. Green means go. Yellow means you're running out of time, and red means please wrap it up quickly.

I ask unanimous consent that the witness's full statements be included in the record. And without objection, so ordered. As your written testimony has been made part of the record, the committee asks that you limit your oral remarks to five minutes. And with that, Ms. Spurgin, you are recognized for five minutes for your testimony.

STATEMENT OF MS. MELISSA ANN SPURGIN, CHIEF FINANCIAL OFFICER, FIRST IOWA STATE BANK, ALBIA, IOWA

Ms. SPURGIN. Thank you, Madam Chair, Ranking Member, and members of the committee. Thank you for the opportunity to appear before you today. My name is Melissa Spurgin, and I'm the Chief Financial Officer of First Iowa State Bank, where we serve rural communities across Southern Iowa.

I appear before you today on behalf of rural banks that underutilize SBA loan programs, rural banks play a critical role in financing small enterprises. We rely heavily on local knowledge, longstanding relationships, and firsthand understanding of our communities, not just standardized financial metrics.

Our limited use of SBA programs is not philosophical, it's structural. In many rural banks, a single lender, single lender may handle commercial ag and consumer lending. But SBA programs were largely designed for lenders with scale and specialized staff. SBA loans require significantly more documentation, certifications, and post-closing compliance than conventional loans. With lender staff requiring continuous training due to frequent rule changes, the departure of just one employee can eliminate a bank's SBA capability entirely.

This is especially challenging because rural businesses typically need smaller loans, not multimillion dollar financing. SBA underwriting and servicing costs, both in terms of compliance and staffing, are largely the same regardless of loan size or market area.

So, the economics often do not work for the small dollar loans. Most common in rural communities, little weight is given to the judgment of experienced rural lenders with specific requirements around aspects of loan of a loan like debt service coverage ratio that do not account for seasonal or cyclical income patterns. This results in credit worthy businesses failing underwriting, not because they cannot repay, but because of timing. Mismatches in cash flow equity injection requirements similarly fail to reflect rural asset structures. Many rural businesses are asset rich, but cash poor with wealth tied up in land, equipment or other assets accumulated over generations. Collateral and personal guarantee requirements also need greater flexibility.

Rural assets are often inherited, jointly owned, or held in trusts. SBA collateral rules can require costly and time-consuming legal restructuring simply to pledge assets or obtain guarantees. Documentation alternatives should also be permitted for long established rural businesses with informal but reliable operating histories.

Community bank relationship knowledge should be recognized as a compensating factor in underwriting aligning. SBA underwriting with rural economic realities would expand access, increase program utilization in rural markets, and do so without materially increasing default risk. These are flexibility improvements, not loosened standards.

Rural banks also have significant concerns about the risk of technical default and guarantee claw backs. SBA guarantees can be denied or reduced due to minor paperwork or procedural errors, even when the borrower performs as agreed. And rural banks typically lack the in-house SBA specialist or legal teams to manage this risk. A single denial of a guarantee can have a meaningful impact on a small bank's capital.

In practice, the guarantee is only as reliable as the compliance process, and that process has proven unforgiving. As a result, rural banks continue to lend, but we do so outside SBA programs, we rely on portfolio loans, relationship-based underwriting, flexible renewals during downturns, faster credit decisions, and long-term customer support.

During economic stress, rural banks are lending, but we are not able to reach every credit worthy rural entrepreneur without SBA support borrowers most affected our startups and those on the economic margins of rural communities. The path to greater rural bank participation is reducing friction in the system.

I believe Congress and the SBA can better achieve the goals of supporting entrepreneurs and increasing access to capital in rural America by doing the following; easing the compliance burden and cost structure for smaller loans and for loans in rural areas, recognizing the value of the judgment and relationship knowledge of the community banker, providing flexibility and acceptable equity collateral and personal guarantee requirements and how they're documented, ensuring greater clarity so banks can truly rely on the SBA guarantee without risking a claw back on a technicality. And more effectively marketing resources such as the small business development centers to ensure both banks and borrowers understand what support exists.

The SBA with these reforms can be better and a more impactful partner with community banks in Iowa and across the country. We stand ready to be a partner in helping achieve this worthy goal.

Thank you for the opportunity to share these perspectives, and I look forward to answering your questions.

[The prepared statement of Ms. Spurgin follows.]

Melissa Spurgin
Chief Financial Officer
First Iowa State Bank

Chairwoman, Ranking Member, and Members of the Committee, thank you for the opportunity to appear before you today. My name is Melissa Spurgin, and I am the Chief Financial Officer of First Iowa State Bank, where we serve rural communities across southern Iowa. I appear before you today on behalf of rural banks that underutilize SBA loan programs.

I appreciate your focus on the unique challenges facing small businesses in rural America, and I welcome the opportunity to share what we see on the ground.

Rural banks play a critical role in financing small enterprises. We rely heavily on local knowledge, long-standing relationships, and firsthand understanding of our communities, not just standardized financial metrics. Our limited use of SBA programs is not philosophical. It is structural.

In many rural banks, a single lender may handle commercial, agricultural, and consumer lending but SBA programs were largely designed for lenders with scale, specialized staff, and urban market dynamics in mind. SBA loans require significantly more documentation, certifications, and post-closing compliance than conventional loans, with lender staff requiring continuous training due to frequent rule changes. Combined with the persistent talent shortages and high training costs faced by many rural banks, the departure of just one employee can eliminate a bank's SBA capability entirely.

This is especially challenging because rural businesses typically need smaller loans, not multi-million-dollar financing. SBA underwriting and servicing costs, both in terms of compliance and staffing, are largely the same regardless of loan size or market area, so the economics often do not work for the small-dollar loans most common in rural communities. Yet the impact of those loans on local jobs and local economies is substantial, often more significant than larger urban loans.

Underwriting standards also frequently fail to reflect rural economic realities. Little weight is given to the judgment of experienced rural lenders, with specific requirements around aspects of a loan, like its debt service coverage ratio, that do not account for seasonal or cyclical income patterns. This results in creditworthy businesses failing underwriting not because they cannot repay, but because of timing mismatches in cash flow.

Equity injection requirements, similarly, fail to reflect rural asset structures. Many rural businesses are asset-rich but cash-poor, with wealth tied up in land, equipment, or other assets accumulated over generations. Allowing borrower equity in these assets to partially satisfy equity requirements would expand access without weakening borrower commitment or increasing risk.

Collateral and personal guarantee requirements also need greater flexibility. Rural assets are often inherited, jointly owned, or held in trusts. SBA collateral rules can require costly and time-consuming legal restructuring simply to pledge assets or obtain guarantees. Documentation alternatives should also be permitted for long-established rural businesses with informal but reliable operating histories. Community bank relationship knowledge should be recognized as a compensating factor in underwriting.

Aligning SBA underwriting with rural economic realities would expand access, increase program utilization in rural markets, and do so without materially increasing default risk. These are flexibility improvements—not loosened standards.

Rural banks also have significant concerns about the risk of technical default and guarantee claw backs. SBA guarantees can be denied or reduced due to minor paperwork or procedural errors, even when the borrower performs as agreed, and rural banks, as I've already mentioned, typically lack the in-house SBA specialists or legal teams to manage this risk. A single denial of a guarantee can have a meaningful impact on a small bank's capital. In practice, the guarantee is only as reliable as the compliance process—and that process has proven unforgiving.

As a result, rural banks continue to lend, but we do so outside SBA programs. We rely on portfolio loans, relationship-based underwriting, flexible renewals during downturns, faster credit decisions, and long-term customer support during economic stress. Rural banks are lending. But we are not able to reach every creditworthy rural entrepreneur without SBA support. Borrowers most affected are startups and those on the economic margins of rural communities.

The path to greater rural bank participation is reducing friction in the system. I believe Congress and the SBA can better achieve the goals of supporting entrepreneurs and increasing access to capital in rural America by:

- Easing the compliance burden and cost structure for smaller loans, and for loans in rural areas.
- Recognizing the value of the judgment and relationship knowledge of the community banker.
- Providing flexibility in acceptable equity, collateral, and personal guaranty requirements and how they're documented.
- Ensuring greater clarity so banks can truly rely on the SBA guaranty without risking a claw back on a technicality.
- More effectively marketing resources such as the Small Business Development Centers to ensure both banks and borrowers understand what support exists.

The SBA, with these reforms, can be a better and more impactful partner with community banks in Iowa and across the country. We stand ready to be a partner in helping achieve this worthy goal.

Thank you for the opportunity to share these perspectives. I look forward to answering your questions.

CHAIR. Thank you, Ms. Spurgin. And is it Mr. Crowell or Crowell?

Mr. CROWELL. Either.

CHAIR. Very easy. So, thank you, Mr. Crowell. Go ahead, and thank you. You have five minutes for your testimony.

STATEMENT OF MR. ERBIN CROWELL, EXECUTIVE DIRECTOR, NEIGHBORING FOOD CO–OP ASSOCIATION (NFCA), SHELBURNE FALLS, MASSACHUSETTS

Mr. CROWELL. Thank you, Chair Ernst, Ranking Member Markey, and members of the committee. Thank you for this opportunity to testify before you. We certainly appreciate your focus on this issue, and the chance to discuss the role of cooperatives and credit unions in building thriving local economies and agricultural systems.

My name is Erbin Crowell, and I serve as Executive Director of the Neighboring Food Co-op Association. I'm also a board member of the National Cooperative Business Association and the New England Farmers Union. I've nearly three decades of experience in co-op and food system development, beginning as a member of equal exchange worker co-op based in West Bridgewater, Massachusetts.

As the committee works to craft thoughtful policy, co-ops should continue to have a significant role in creating thriving local economies. I want to recommend the following improvements in key supports. First, providing access to capital through the SBA by crafting alternatives to current lending requirements for co-ops.

Second, ensuring that a generation of small business and family farms are preserved through outreach and education on the cooperative business model. And third, ensuring that key support for cross-agency collaboration and technical assistance for co-ops is available through federal programs and initiatives.

The Neighboring Food Co-op Association was founded in 2011 to support the growth and development of food co-ops in the Northeast U.S., and we also partner with local producers and other co-ops to strengthen the regional food system and economy, and collaborate with the NCBA and the New England Farmers Union on policy advocacy related to agriculture, food security, and co-ops and credit unions.

Our region is home to many farm and fishery co-ops, worker co-ops, housing co-ops, and credit unions, as well as several utility co-ops. But food co-ops are particularly prevalent. There's 60 food co-ops operating 70 storefronts, locally owned by almost 300,000 people.

These range from large multi storefront retailers to small rural grocery stores. Our co-ops are focused not just on accessing healthy food, but sustaining jobs, strengthening food security, and providing markets for local producers, with a third of our sales being local products. And that's compared to about two to five percent in supermarkets.

It's also important to note that a half of all U.S. farmers are members of at least one cooperative. Co-ops tend to be multigenerational, maintaining crucial infrastructure and markets for their members and their communities. For example, 78 percent of agricultural co-ops are more than 50 years old with Iowa, Texas, and California leading in the number of farm farmer co-ops. Without these enterprises, rural people would not be able to fully participate in the modern economy.

Similarly, most of our food co-ops in the northeast are in rural and underserved areas, and have been in operation for decades. Several were founded during the Great Depression era, with a second wave in the ’60s and ’70s, and more startups opening in the past decade.

An area where co-ops offer a solution is in business succession. Small businesses are the backbone of our communities, and yet we’re in the middle of a watershed moment in Main Street America where across our country, many small businesses are owners are swiftly approaching retirement age, and the average age of farmers is 58 years old.

So, while some owners may choose to close or sell to an outside investor, a better option is to sell to a worker, producer, or consumer co-op. This ensures that the owner benefits financially, and their legacy is preserved along with accessing goods and services that would otherwise be lost.

My own region, we have an example of old creamery co-op, which is a rural grocery store that when their members decided to retire, they sold it to the people who loved it as much as they did; the people who shopped there. We also have a worker co-op called Real Pickles that became owned by its workers over 10 years ago, preserving jobs in the community.

Despite the demonstrated success, impact and resilience of co-ops, an ongoing challenge continues to be access to capital and appropriate technical support. The shared ownership structure of co-ops makes it makes them unable to access financing through SBA due to lending requirements that are not feasible for co-op businesses, and in that can include hundreds or even thousands of member owners.

During the COVID–19 pandemic, the personal guarantee policy was temporarily removed with many positive outcomes for co-ops including Real Pickles which was able to not only maintain its business, but grow 25 percent in revenue since the end of the pandemic. We also have a retail co-op, Franklin Community Co-op, which received a loan and has been able to not only grow, but is now plan planning a major expansion.

Unfortunately, we’ve seen a lot of changes in instability in the economy. And so, we believe that by improving policies, SBA can help ensure that small business people, employees, farmers, and ranchers, and especially young and beginning farmers, can harness the power of the co-op business model to address the urgent challenges and opportunities in our rural communities. For example, the Improving SBA Engagement Act, the Main Street 2.0 Act, and other opportunities to increase interagency collaboration.

In summary, co-ops offer a time-tested successful and impactful tool for addressing the challenges we face in these unstable times. They have a track record of success and they can grow and serve our communities better with some basic policy changes.

So, thank you again, Chair Ernst, Ranking Member Markey, members of the committee. Look forward to your questions. Thank you.

[The prepared statement of Mr. Crowell follows.]

Written Testimony of Erbin Crowell, Executive Director of the Neighboring Food Co-op Association

Board Member of the National Cooperative Business Association (NCBA CLUSA)

Board Member of the New England Farmers Union

Submitted to the

U.S. Senate Committee on Small Business and Entrepreneurship

"Growing the Small Business Agricultural Economy"

January 14, 2026

428A Russell Senate Office Building

Washington, DC 20002

Introduction

Chair Ernst, Ranking Member Markey, and members of the committee, thank you for the opportunity to testify on "Growing the Small Business Agricultural Economy." We appreciate your focus on this issue and the opportunity to discuss the role of co-operatives and credit unions in building thriving local economies and agricultural systems.

My name is Erbin Crowell and I serve as Executive Director of the Neighboring Food Co-op Association, an elected board member and past Chair of the National Cooperative Business Association, and as a board member and past President of the New England Farmers Union. I have nearly three decades of experience in co-operative business and food system development, beginning with Equal Exchange, a worker co-op and Fair Trade Organization based in West Bridgewater, MA. I received my Master of Management: Co-operatives & Credit Unions from Saint Mary's University in Nova Scotia where I serve as an adjunct professor with the International Centre for Co-operative Management. I am happy to call rural Western Massachusetts home.

As the committee works to craft thoughtful policy to grow the small business agricultural economy, co-operative businesses should continue to have a significant role in creating thriving local economies that support their communities. To help the co-operative ecosystem grow in support of long-term rural economic development, I want to recommend the following improvements and key supports. First, enable co-ops to access capital through the Small Business Administration by waiving and crafting alternatives to the personal guarantee as intended in the Main Street Employee Ownership Act of 2018 and proposed in the Main Street Employee Ownership 2.0 Act. Second, ensure that a generation of small businesses and family farms, and the services and jobs they provide to their communities, are preserved through outreach and education on Co-operatives and Employee Ownership through networks like the Small Business Development Centers. And third, ensure that key support for cross-agency collaboration and technical assistance providers is available for co-operative businesses, associations, entrepreneurs, and the Cooperative Development Organizations that support them through programming like the State Small Business Credit Initiative, Interagency Working Group on Cooperative Development, and the USDA-SBA Memorandum of Understanding.

About the Neighboring Food Co-op Association

The Neighboring Food Co-op Association (NFCA) was founded in 2011 to support networking, business development and public awareness of food co-ops in the Northeast United States. In our region of New England and New York State there are about 60 co-operatively owned grocery stores operating 70 storefronts, locally owned by more than 290,000 people, generating an estimated annual revenue of $625 million, and employing more than 3,300 people. These businesses range in size from large, multi-storefront retailers with thousands of members to small rural grocery stores with less than 500. In addition to offering healthy food and other goods, our co-ops are focused on sustaining quality jobs, strengthening community food security, and providing markets for local producers. On average, 30% of sales at our member co-ops are local products, making these grocery stores engines of the agricultural economy far beyond their scale. The NFCA also actively partners with producer and worker co-operatives to strengthen the regional food system and economy, and with the National Cooperative Business Association and the New England chapter of the National Farmers Union on policy advocacy related to the agriculture, food security, and co-ops and credit unions.

About the National Cooperative Business Association

Founded in 1916, the National Cooperative Business Association (NCBA CLUSA) has served as the primary voice for co-operative businesses across all sectors - including farmer co-ops, worker or employee-owned co-ops, rural electric co-ops, credit unions, food co-ops, co-operative lenders, banks and CDFIs, and co-operative development organizations that provide technical assistance. NCBA CLUSA's members include not only individual businesses, but also larger sectoral and regional associations like the NFCA, National Rural Electric Cooperative Association, U.S. Federation of Worker Co-ops, National Co+op Grocers, and America's Credit Unions. With nearly 65,000 establishments and over 150 million members, co-operatives and credit unions are found in every corner of the United States. These enterprises range from small, neighborhood businesses to multibillion-dollar organizations trading in international markets on behalf of their members. Approximately one in three Americans is a member of at least one co-operative.

About the New England Farmers Union

The New England Farmers Union (NEFU) is a grassroots organization that works to protect the social and economic well-being of family farmers throughout the Northeast. Our membership is as diverse as the agricultural landscape in the Northeast and includes grain farmers, vegetable growers, fruit growers, livestock farmers, dairy farmers, and co-operatives. NEFU is a regional chapter of the National Farmers Union (NFU), which champions family farmers, the vitality of rural communities, and a food system that values fairness and opportunity for all, for generations to come. Founded in 1902 in Point, TX, NFU leverages the voices of its 220,000 members in all 50 states to advance its historic commitment to education, advocacy, and co-operative business.

About Co-operatives in the Agricultural & Rural Economies

In the United States, one in three Americans is a member of one or more of our nation's 65,000 co-operative businesses. This includes the majority of America's 2 million farmers and ranchers who are members of more than 1,600 Agricultural and Retail purchasing co-operatives, 144 million members of Credit Unions, and 42 million Americans are served by Rural Electric Co-operatives including 92% of persistent poverty counties[1]. In 2024, the top 100 co-operatives generated $322 billion in revenue.[2]

In the area of retail grocery, National Co+op Grocers (NCG), a business services co-operative for retail food co-ops throughout the United States, represents 168 food co-ops operating 234 stores in 40 states with combined annual sales over $2.8 billion and serving

---

[1] https://impact.coop/media/3gxmtdec/437925-3-_23_ncba-impact-report-2025_wr.pdf

[2] https://www.ncb.coop/hubfs/assets/resources/Co-op%20100%202025%20Report_Web.pdf

over 1.3 million member-owners. On average, each or these co-ops purchases products from 169 local businesses.

The Northeast is home to a particular concentration of these enterprises, and the NFCA reports that there are 60 Food Co-ops across New England and New York State, locally owned by more than 290,000 members. Together, these community-based businesses generate an estimated revenue of $625 million and employ about 3,300 people. In Massachusetts alone, there are 11 Food Co-ops, locally owned by more than 39,000 members, generating over $90 million in revenue, and employing about 500 people.

Our region is also home to many farmer and fishery co-ops, worker co-ops, housing co-ops and credit unions, and well as several utility co-operatives. Together, these locally-rooted businesses form the backbone of our rural economies.

Co-operative Business Resilience

Co-operative businesses are formed for many reasons — whether to access critical products and services, address community needs, or access markets, the democratically-owned and governed structure of a co-operative requires it to be responsive to its member-owners and in turn the local community. Members are users or patrons of the business — for example farmers who process and market products together, families that shop at their local grocery co-op, or the employees of the business — or some combination of these producers, consumers, and workers. Members directly benefit from the economic success of business through desired products, services, or employment, as well as discounts. Net income stays in the community as it is reinvested in the business or returned to members as a refund, rebate, or patronage distribution.

Co-operatives are critical to agricultural economies with more than ½ of all U.S. farmers being members of at least one co-op that provides inputs, processes their products, and/or supports marketing and distribution. In addition, co-ops are central to rural infrastructure with over 42 million people in households, farms, businesses and schools owning and controlling their local electric utility.[3] Agricultural co-ops tend to be multigenerational in their impact, maintaining crucial infrastructure and markets for our family farmers and their communities. For example, 78 percent of agricultural co-ops are more than 50 years old, with Iowa, Texas, and California topping the list of states with the most agricultural co-operatives.[4] Without these enterprises, rural people would not be able to fully participate in the modern economy.

An example of a large, long-lived co-op in the Northeast is Agri-Mark, which sells dairy products under the Cabot and MacAdam brands, and was founded in Massachusetts in 1916 (Now incorporated in DE with offices in MA, VT, and NY). While a large business marketing more than 300 million gallons of milk each year, the co-operative is owned and controlee by 700 dairy farm families in all six New England states and New York State.[5]

---

[3] https://www.electric.coop/electric-cooperative-fact-sheet
[4] https://www.rd.usda.gov/sites/default/files/SR87-AgriculturalCooperativeStatistics-2023-UnpublishedReport.pdf
[5] https://www.agrimark.coop/our_co-op/

There are also examples of smaller farmer co-ops such as the Greenfield Farmers Co-operative Exchange, founded in 1918 to provide area farmers with feed, seed and other supplies, the Pioneer Valley Growers Association (1978), which markets a broad range of fruits and vegetables on a regional level, and Deep Root Organic Co-op (1985) which enables family farmers to market their produce up and down the eastern seaboard.

As user-owned enterprises with a priority of meeting member needs and goals over the long term, co-operatives tend to be more resilient than other types of business models. This was demonstrated in 2020 when only 20% of worker co-operatives experienced losses of more than 50% in revenue. In comparison, nearly 30% of traditional small businesses experienced losses greater than 50% in revenue.

Similarly, most of the food co-ops in the Northeast U.S. are in rural and underserved areas and have been in operation for decades, so their impact on food security, jobs, and markets for local producers is multigenerational. For example, there are several food co-ops founded during the Great Depression era of the 1930s and 40s, with a second wave founded in the 1960s and 70s, and more recent start-ups opening over the past decade. Examples in Massachusetts include Leverett Village Co-op (Opened in 1974), Franklin Community Co-op (1977), Berkshire Co-op (1981), River Valley Co-op (2008), Old Creamery Co-op (2012), Quabbin Harvest (2014), Dorchester Food Co-op (2023), and Assabet Co-op Market (Opened 2023).

In addition to being long-lived, these businesses are engines of their local economies. For example, NFCA member co-ops report that an average of 30% of their sales are local products, providing critical, sustainable, and reliable markets for local producers. Most of these co-ops are also Supplemental Nutrition Assistance Program or SNAP retailers, connecting food insecure families with local producers.

Access to Capital for Co-operatives

Despite the demonstrated success, impact, and resilience of co-operatives and the long-term economic benefits they provide to rural communities, an ongoing challenge continues to be access to capital. Due to the shared ownership structure, co-operatives across sectors are unable to access financing through the U.S. Small Business Administration (SBA), which requires that businesses provide a personal guarantee to properly secure the loan. This is clearly untenable for a business structure that may include hundreds or even thousands of member-owners, often with limited individual capital resources.

In 2018, Congress recognized that co-operatives are a prudent investment of taxpayer dollars with passage of the Bipartisan **Main Street Employee Ownership Act**, thanks in no small part to members of this committee. The bill sought to address some of the more burdensome requirements in SBA lending programs, including the personal guarantee requirement, for Employee-Owned Businesses and Co-operatives. Despite passage of the legislation, this requirement is still in place and remains a barrier to growing co-operative businesses like our food co-ops as well as worker co-ops and small farmer co-operatives.

In 2020, an historic 7(a) loan was facilitated through the National Cooperative Bank (NCB) to a consumer-owned food co-op through alternative mechanisms. However, recent changes within the program requirements intended to address concerns that did not apply to co-ops have removed these alternatives, again closing off SBA services to co-operative enterprises.

Silver Tsunami & Business Succession

Our rural communities also face a critical challenge in the form of the Silver Tsunami and small business succession. Co-operative enterprise can be part of the solution, but its impact is limited by access to appropriate forms of capital and technical assistance.

Across the country, 2.9 million small businesses are owned by individuals 55 and older who are swiftly approaching retirement age. These businesses employ 32 million people and $6.5 trillion in revenue. In my home state of Massachusetts, there are 69,169 businesses with 775,000,000 employees that generate $161 billion in revenue.[1] In the Agricultural Industry, the median age of farmers is 58 years old.

We also know that small businesses across sectors are the backbone for thriving communities, yet we are in the middle of a watershed moment that could further devastate Main Street America. According to the U.S. Census Bureau, over the next 10 years 40% of the U.S. population will reach retirement age and over half of small businesses are owned by this demographic. While some owners may choose to simply close their business, a better option – for owners, workers, customers, and the community – is to transfer ownership of the business to a worker, producer, or consumer co-operative. Converting to a co-operative business ensures that the owner not only benefits financially from their years of hard work through the sale of the business, but their legacy is preserved in the form of its continuing operation. The community also gains through the preservation of economic infrastructure and the availability of goods and services that would otherwise be lost.

For example, **Old Creamery Co-op** is the only full-service grocery store in the town of Cummington in rural Western Massachusetts. Somewhat ironically, this food co-op is housed in what had been one of the many small dairy co-operatives that were critical to the survival of farmers in our region. It later became a small sole-proprietor grocery store and community hub for this small town. As the owners considered retirement, they realized that the best way to preserve their business was to sell it to the people who loved it as much as they did — the people who shopped and worked there every day. In 2012, the business was purchased by a co-operative with support from the NFCA and other co-operative development organizations. Through all of the economic challenges of the past decade, it remains the only full-service grocery store and deli in town, as well as a critical outlet for local farmers and artisans.

Another example from our region is **Real Pickles** in Greenfield, MA, a worker co-op that makes and sells fermented foods such as pickles and sauerkraut. When the founders made the decision to move on to new opportunities, they decided that rather than closing the business or selling off the brand, they would instead sell it to their employees. So more than 10 years ago, Real Pickles became a co-operative owned by its workers — the people most invested in the continued growth and success of the enterprise.

Impacts of Tariffs, Health Insurance Costs & Cuts to Food Security Programs

More recently, tariffs, increasing health insurance costs, and cuts to USDA services and food security programs have introduced a high level of instability in rural communities, contributing to stresses on the small business agricultural economy, and accelerating the silver tsunami.

For example, **Old Creamery Co-op** reports that recent unanticipated cuts to SNAP benefits had a dramatic impact on this rural retailer, impacting its ability to provide healthy food to the community. The short notice and subsequent notification that efforts to assist SNAP recipients could result in permanent ejection from the SNAP vendor program served to compound the harm and a great deal of time was required to tend to the needs of our community as we looked for a way to assist neighbors without running afoul of the federal government. So, beyond the loss of revenue, the negative impacts generated a pervasive sense of concern, fear, and persecution that absorbed a good deal of bandwidth that would otherwise have been utilized in the operation of the store.

Similarly, **Franklin Community Co-op** shared that they've seen a significant reduction in SNAP sales since the post-COVID reductions in the program from roughly 10% of total sales to about 6%. This has not only impacted low-income shoppers but has also reduced sales for local producers. At the same time, tariffs have introduced instability and dramatic wholesale cost increases in certain categories (e.g., coffee), and employee health insurance expenses are anticipated to increase dramatically when they renew in the Spring. Assabet Co-op Market in Maynard, MA, reports that costs on affected products have already risen 2-5%.

It should be noted that while these are local examples, we are seeing similar impacts across our region. This has added urgency to the need for solutions such as the co-operative business model and change to policies that can support their growth.

SBA Support During the Pandemic

Like so many small businesses, Real Pickles faced existential challenges during the COVID-19 pandemic. Fortunately, the co-operative was the recipient of a $500,000 EIDL loan from SBA that included deferred payments. This not only helped them weather the economic challenges related to COVID, but enabled them to continue to grow their business, sustain jobs in the community, and expand their purchases of locally sourced vegetables. Since the end of the pandemic in 2023, this co-op has made consistent loan payments while their revenue has grown 25% percent (FY2025).

Many food co-ops in our region also benefited from this support, enabling them to maintain jobs, rural infrastructure, and markets for local farmers. For example, **Franklin Community Co-op**, a community grocery store co-op with almost 6,000 members and 90 employees operating two retail locations in rural Franklin County, MA, received a $596k PPP loan, which was extremely helpful during the COVID pandemic. This loan was later forgiven and business is now planning a major expansion in downtown Greenfield, MA.

Unfortunately, the lifting of the personal guarantee requirement, which was the result of advocacy by NCBA CLUSA and other organizations and the bipartisan, bicameral support of Congress, was temporary, meaning that co-ops like Franklin Community Co-op and Real Pickles can no longer access these loans without these guarantees, limiting their potential to grow the agricultural economy in our region.

As an example of the potential positive impact, an analysis conducted by the NCBA of SBA data from the Paycheck Protection Program (PPP) found that co-operatives across sectors, including Agriculture and Food Co-ops, were able to access $700 million in financing, and 97% are still in business as of 2025 compared to large scale closures in other sectors. In Massachusetts alone, 60 co-ops received over $10m in assistance from these programs and 96.6% are still open with over 2,200 jobs preserved, a quarter of those in rural areas.[6]

Proposed Policy Changes

Co-operatives are a tested, impactful, and resilient tool for our rural communities. By removing overburdensome requirements like the personal guarantee requirement, the SBA can help ensure that small businesspeople, employees, and farmers and ranchers — and especially young and beginning farmers — can harness the power of the co-operative business model to address the urgent challenges that our rural economies are facing, including inflation, economic uncertainty, increasing health insurance costs, and a wave of retiring business owners.

For example, public awareness continues to be a challenge for shared ownership business models like co-operatives, and other employee-owned structures. The **Improving SBA Engagement Act** (Passed out of House Small Business Committee) would require the SBA to establish a Co-ops and Employee Ownership Promotions Program. This provision was included in the 2018 Main Street but also not enacted. This would be beneficial both for co-op conversions as well as start-ups.

The Neighboring Food Co-op Association and our member co-ops also supported the **Main Street 2.0 Act,** introduced in the 118th Congress, which would allow co-ops to access SBA financing. The first time co-operative businesses were able to access the services of the SBA in the way programs were intended was during the pandemic era assistance (PPP and EIDL) and, as mentioned above, the positive outcome for agricultural economies was clear.

There's also an opportunity to provide greater cross-agency collaboration between USDA Rural Development's Rural Business Cooperative Service (RBCS) and SBA to facilitate the exploration of alternative lending requirements for co-operatives that do not require a personal guarantee as outlined in the Memorandum of Understanding Currently

---

[6] https://project-equity.org/impact/silver-tsunami/

in place between the USDA RBCS and SBA and included in the bipartisan **Coordinated Support for Rural Small Business Act** (cosponsored by Senators Shaheen and Kennedy).[7]

In summary, the co-operative business model offers a time-tested, successful, and impactful tool for addressing the challenges and opportunities of economic change and instability. There is potential to leverage the proven track record of this business model through policy improvements made by this committee. By providing appropriate technical assistance and removing overburdensome requirements like the personal guarantee requirement, the SBA can help unleash the potential of co-operative enterprise, enabling people in rural communities to improve access to goods and services, create good local jobs, and **grow the small business agricultural economy**.

Thank you for the opportunity to testify and I look forward to your questions.

[7] https://www.sba.gov/sites/default/files/2023-11/USDA-SBA_MOU_FINAL_Signed-R.pdf#page=2

CHAIR. Thank you very much. And next, we'll turn to Mr. Funke, and you are recognized for five minutes.

STATEMENT OF MR. JAMES "JAY" F. FUNKE, SALES MANAGER, DEL CLAY FARM EQUIPMENT, EDGEWOOD, IOWA

Mr. FUNKE. Thank you, Chair Ernst, Ranking Member Markey, distinguished members of the Small Business and Entrepreneurship Committee. Thank you for the opportunity to testify on current conditions of Ag business and rural economy.

I grew up on a family farm, attended Loras College, came back and have spent 45 years in Ag business, 39 years in ownership in two different Ag businesses in Edgewood, Iowa. Edgewood is a community in Northeast Iowa with a current population of 904, and I since found out, we're at 908. So, we're growing.

Our business community has been very active and been able to roll with the changes, working together as a community supporting local businesses and a strong work ethic with continuity and ownership of businesses. I've been a member of the Iowa Nebraska Equipment Dealers Association since 1992, serving 10 years as a board member, chairman, and current position as past chairman.

Like most members of rural communities, I have served on many committees and spent over 30 years on economic development in Edgewood. I have been around long enough to experience highs and lows in the Ag business and our rural economy as our farmers' income has dropped in the losses of around $200 an acre are common.

The impacts can be felt in the small businesses supporting those farmers. Our association monitors our member dealers and reports large equipment sales are down 26.5 percent through October of 2025 versus 2024. The decrease in sales causes other problems. We have larger inventories than needed for the current sales volume, causing higher interest cost, which can lead dealers to dump inventory and take losses on equipment.

Ultimately, this creates losses on the income statement that will be reflected on the balance sheet. And as that happens, we stop buying vehicles or replacing tools, cut advertising, and the list goes on. Rural small business owners all experience problems like these when the farmers they depend upon start to hurt.

We have always offered financing to our customers, and the need today is greater than ever with increasing equipment costs, making it harder for small farmers to afford the equipment. We do have a strong business community in Edgewood, but we have lost our Ford dealership, a restaurant, a realtor, and some other small businesses.

It is important for rural America to keep these services alive. Otherwise, we will only continue to lose population to our larger cities. I truly believe rural communities are vital to this country and are a great place to raise a family. But if we are going to keep them and the small businesses in them alive, then they will need the support from Congress and the SBA.

I want to thank Congress for the steps taken to extend the tax incentives to small businesses in the big beautiful tax bill. Small businesses pour most of their earnings into growing and improving their business. We do not see a return until we sell or allow the next generation to take over.

I want to share some other thoughts on how to improve our Ag business and our rural economy. Number one, encourage young entrepreneurs, and give them the access to financing they need to get their business started or to take over businesses that their communities already rely on. We need to keep rural America operating and be able to support our farmers.

Number two, invest and to support programs to improve, and encourage businesses and people to stay in our rural communities, especially those communities under 10,000 people. In most cases, a lot of the basic infrastructure is in place or can easily be improved if we just offered the communities and small business owners the advice and support they need.

Number three, although not in this community's jurisdiction, increased insurance support and stronger safety nets for our farmers would go a long way to helping rural communities they're a part of.

Number four, fair and reciprocal trade requests from those countries we are purchasing goods and services from. My brother and I also farm our family farm, and we sell our corn to all three grain elevators in our community as they do business with us. I think every farmer would rather have markets for their products than rely on government payments, but we must make sure those markets treat us fairly and that our trading partners live up to the agreements they make with us.

One percent of our population are farmers. They produce food for the rest of this great country and the world, and create thousands of jobs in their communities from all the support businesses required in their quest to feed the world. I'm proud to be a farmer and an Ag business supporting farmers. These are some ideas that I hope can be considered.

I greatly appreciate this opportunity to testify to this committee, and look forward to any additional conversation.

[The prepared statement of Mr. Funke follows.]

Written testimony of Jay Funke before the Senate Committee on Small Business and Entrepreneurship

Co-Owner, Past President of Del Clay Farm Equipment, LLC

Past Chairman of the Iowa-Nebraska Equipment Dealers Association

Hearing on Ag Business and the Rural Economy

January 14,2026

Chair Ernst, Ranking Member Markey, distinguished members of the Small Business and Entrepreneurship committee, thank you for the opportunity to testify on current conditions of Ag Business, and the Rural Economy.

I grew up on a family farm, attended Loras College, came back and have spent 45 years in Ag business, 39 years in ownership of 2 different Ag businesses in Edgewood, Ia. Edgewood is a community in NE Iowa with a current population of 904 people. Our business community has been very active, and been able to roll with the changes, working together as a community, supporting local businesses, and a strong work ethic with continuity in ownership of businesses.

I have been a member in the Iowa-Nebraska Equipment Dealers Association since 1992, serving 10 years as a Board member, Chairman, and current position as Past Chairman. Like most members of Rural communities, I have served on many committees and spent over 30 years on Economic development in Edgewood. I have been around long enough to experience highs and lows in the Ag business and our rural economy.

As our farmers' income has dropped, and losses of around $200/acre are common, the impacts can be felt in the small businesses supporting those farmers. Our association monitors our member dealers and reports large equipment sales are down 26.5% through October of 2025 vs. 2024. This decrease in sales causes other problems. We have larger inventories than needed for the current sales volume, causing higher interest costs, which can lead Dealers to dump inventory and take losses on equipment. Ultimately this creates losses on the Income Statement that will be reflected in the balance sheet, and as that happens, we stop buying vehicles or replacing tools, cut advertising, and the list goes on.

Rural small business owners all experience problems like these when the farmers they depend on start to hurt. We have always offered financing to our customers, and the need today is greater than ever, with increasing equipment costs making it harder for small farmers to afford equipment.

We do have a strong business community in Edgewood, but we have lost our Ford dealership, a restaurant, a realtor, and some other small businesses. It is important for Rural America to keep these services alive, otherwise we will only continue to lose population to our larger cities. I truly believe rural communities are vital to this country and are great place to raise a family, but if we are going to keep them and the small businesses in them alive, then they will need support from Congress and from the SBA. I want to thank congress for the steps taken to extend the tax incentives to small businesses in the "Big Beautiful tax bill". Small businesses pour most of their earnings into growing and improving their business. We do not see a return until we sell or allow the next generation to take over.

I want to share some other thoughts, to improve Ag business and our Rural economy:

1) Encourage young entrepreneurs and give them access to the financing they need to get their businesses started or to take over businesses that their communities already rely on. We need them to keep rural America operating and be able to support our farmers.
2) Invest and/or support programs to improve and encourage businesses and people to stay in our rural communities, especially those under 10,000 people. In most cases a lot of the basic infrastructure is in place or can be improved easily if we just offered communities and small business owners the advice and support they need.
3) Although not in this committee's jurisdiction, increased insurance support and stronger safety nets for our farmers would go a long way to helping the rural communities they are a part of.
4) Fair and reciprocal trade requested from those countries we are purchasing goods and services from. My brother and I also farm our family farm, and we sell our corn to all 3 grain elevators in the community as they do business with us. I think every farmer would rather have markets for their products than rely on government payments, but we must make sure those markets treat us fairly, and that our trading partners live up to the agreements they make with us.

1 percent of our population are Farmers; they produce food for the rest of this great country and the world and create thousands of jobs in their communities from all of the support businesses required in their quest to feed the world. I am proud to be a Farmer and an Ag Business supporting farmers.

These are some ideas that I hope can be considered. I greatly appreciate the opportunity to testify to this committee and look forward to any additional conversation.

CHAIR. Thank you. And, finally, Ms. Moreira.

STATEMENT OF MS. MARIA MOREIRA, FOUNDER AND BOARD PRESIDENT, WORLD FARMERS, LANCASTER, MASSACHUSETTS

Ms. MOREIRA. Thank you, Madam Chair Ernest, Ranking Member Markey, and members of the committee. Thank you for the opportunity to offer testimony for today's hearing, growing the small business agriculture economy.

My name is Maria Moreira, and I am the founder and Board Chair of World Farmers, a nonprofit which currently provides access to land in technical assistance to 260 immigrant and refugee farmers in Massachusetts. I am also the vice chair of the Board of Rural Coalition, a national coalition with more than 60 grassroots member organizations working to protect and sustain land food in rural based here in Washington, DC.

In addition to the credentials you heard in my introduction, I come to you today with 45 years of experience in both creating and operating several successful food and farm businesses, and supporting other farmers to build successful farming businesses in this country, World Farmers' founding mission is to support small scale vegetable producers in accessing mainstream agricultural resources in developing strong, viable businesses through technical assistance and land access production and marketing.

Through all my years of dedicated to this work, the last five years have been the most turbulent for farmers. Our farmers are aging. Our shifting climate is imposing in creating threats to farmers operations. Our farm labor is ever fragile in our land. Prices are ever changing, changing markets posing threats.

While farmers continue to receive pennies on the dollar for their products, we are seeing businesses continue to consolidate across sectors, and their market models are not built to support new, beginning small to medium scale farmers. This has made it increasingly difficult for small farm family farms to sustain their operations, putting undue pressure on them to increase scale in an attempt to compete.

We need to invest in our small to mid-size farms if we want to see them not only survive but thrive. A local agricultural sector stimulates job creation and supports economic activity among adjacent and neighboring businesses. And yet, individuals choosing to farm are dwindling, and farmers' children are first witness to the scarce profit margins of finding other jobs.

In order to support the American people, we need to intentionally prioritize and build a food system that facilitates the development in growth of small to mid-scale agriculture businesses. One of the most impactful programs for facilitating the business growth among small and mid-scale farmers across the country was the COVID-era policy that channeled resources directly to farmers, and it did it in the most effective way possible by purchasing their products.

This program originated under the Trump administration named as the Farmers to Families Food Box Program, and evolved into the local food purchasing assistance program known as LFPA. We have not witnessed another single program that has provided a similar level of direct financial impacts to small and mid-size scale farmers.

World Farmers was a contract holder for the first Farmers to Families Food Box Program. The first time that USDA Agricultural Marketing Service, AMS, had sourced diversified specialty crops from farmers. It was a big shift for the agency, although many people I know said that the bid process was not meant for small aggregators like world farmers.

We applied and we were awarded the contract, recognizing the impact it would have for direct market farmers who did not know if their markets would operate during the pandemic. This program proved AMS's ability to source from small and mid-tier aggregators who prioritize local farmers of scale.

It kept farmers afloat. The FPA and LFPA Plus programs did similar things for farmers in Massachusetts. Of the 14.3 million invested in cooperative partners to implement the program, 11.3 million was the food purchases made with local farmers, fishermen, and producers. That's 80 percent of the total budget direct directly invested in farmers products. These programs showcase the capacity in success of the mid-tier aggregators across the country and connecting with in advancing sales for small and mid-scale farmers, as well as AMS's ability to direct spending resources towards smaller producers.

In another way, which USDA can invest in our nation's producers is through program outlined effective Food Procurement Act, which we thank Senator Markey for developing and introducing. This bill would shift USDA's significant purchasing power to purchase from small to mid-sized producers, prioritizing local sustainable and just purchasing with our government contracts and sourcing just with the LFPA program.

This would support farmers by creating a market for their products, recognizing the rising needs for farmers of all scales across the nation. We hope that USDA, either of their own accord or through congressional direction, will invest in our farmers by investing in these programs.

Thank you for your time consideration of these in very important matters in our support of growing the small business agriculture economy. And I'm ready for the questions when they come.

[The prepared statement of Ms. Moreira follows.]

Testimony of
Maria Moreira

On Behalf of
World Farmers & Rural Coalition

Before the
Senate Committee on Small Business & Entrepreneurship

For the Hearing
Growing the Small Business Agricultural Economy
January 14, 2026

Chair Ernst, Ranking Member Markey, and members of the Committee, thank you for the opportunity to offer testimony for the Hearing: "Growing the Small Business Agricultural Economy." My name is Maria Moreira, and I am the Founder and Board Chair of World Farmers, a nonprofit which provides land and technical assistance to immigrant and refugee farmers in Massachusetts, and the Vice Chair of the Board of the Rural Coalition, a national coalition with more than 60 grassroots member organizations working to protect and sustain land, food, and rural communities based here in Washington, DC.

Rural Coalition has worked since 1978 with thousands of small farmers and rural communities to support their success and growth, and to address the many challenges they have faced over the years. The recommendations in this testimony also reflect the shared experience of many of the thousands of producers we represent and serve across the nation.

I have defined myself as a farmer and an entrepreneur throughout my life. I have 45 years of experience in both creating and operating several successful food and farm businesses and also supporting other farmers to build successful farming businesses in this country. I see opportunities for niche local markets, and over my long history as a farmer, I have dedicated myself to supporting other farmers to identify and access these niche markets, particularly ones which cater to immigrant and refugee communities in Massachusetts.

As young dairy farmers, my husband and I were simply following our dream of raising our four children the same way we had been raised, on the farm. When we realized that the price of milk was so low that it barely covered the cost of the dairy operation, I decided to add value to the businesses in the only way I knew how, utilizing the commodity that was "cheap" for us - milk. I created a product that was missing in the market: a specialty cheese known to the Portuguese community. I developed the recipe, the label and branding of this fresh cheese which sustained my family's dairy operation for more than 23 years, until ultimately, we decided to sell the cows and shift our farm operation. To this day after 40 years of its creation, the exact recipe and brand is still being produced and marketed in Massachusetts and New England.

My perspective as an immigrant, farmer, and business owner, has fueled my passion to advocate for small-scale farmers, and is why I founded World Farmers in 2010. I saw the needs of incoming immigrant and refugee farmers who possessed the commitment and enthusiasm for farming but did not have access to land, historical resources and knowledge of the crop production practices, and the market systems in this country to establish viable operations.

World Farmers' founding mission is to support small-scale vegetable farmers in accessing mainstream agricultural resources, land spaces, and developing strong, viable businesses through technical assistance in land access, production, and marketing.

Through all my years dedicated to this work, the last 5 years have been the most turbulent for farmers. In response, we saw notable support for farmers from both the general public and the federal government. Many federal programs were established or enhanced over the years, which directly contribute to farmers' ability to grow or sustain their operations. These programs are critical to maintain and continue refining to ensure they work for all farmers in this country. We need to invest in our small- to mid-sized farms if we want to see our communities thrive.

Our farmers are aging, our shifting climate is imposing increasing threats to farmers' operations, our farmers' labor force is changing and uncertain, our land prices continue to sky-rocket, and the farmers continue to make pennies on the dollar for their products. We are seeing businesses continue to consolidate across sectors, and their market models are not built to support new, beginning, small- to medium-scale farmers. This has made it increasingly harder for farmers to break into markets built to serve the masses, instead of serving our individualized communities, putting pressure on farms to increase scale in an attempt to compete.

A localized agricultural sector stimulates job creation and supports economic activity among adjacent and neighboring businesses. And yet farmers are retiring, and their children, as first witness to the dwindling profit margins of farming, are finding other jobs. In order to support the American people, we need to intentionally prioritize and build a food system that facilitates the development and growth of small- to mid-scale businesses.

I. Market Opportunities

Establishing new markets and opening access to current market channels for small- and mid-size producers is a primary area of need. A localized food system is an American grown food system. The more we can do to require and request large food purchasers to contract with or encourage their aggregators to contract with mid-tier aggregators and local and regional farm and food businesses, the more resilient our producers' businesses will be.

<u>EFFECTIVE Food Procurement Act</u> - USDA can be a lead investor in our nation's producers by adjusting their procurement practices. USDA is the largest food purchaser in the federal government, spending billions of dollars each year on commodity food procurement, including for school districts, senior feeding programs, Indian reservations, and food banks. We thank Senator Markey for his creation and introduction of the EFFECTIVE Food Procurement Act.

If passed, this bill would direct USDA to use its existing framework for food procurement to prioritize procurement of food products that:

- Ensure consumer choice for those who follow restricted, religious, or culturally specific diets;
- Protect our environment and promote organic agriculture;
- Support resilient and transparent food supply chains;
- Increase market opportunities for small-scale producers and address food system consolidation;
- Expand healthy choices and transparency for school districts and other program beneficiaries; and
- Support socially disadvantaged producers and worker well-being.

This bill would also create a $25 million pilot program which would, among other things, shift USDA away from evaluating bids based only on cost to evaluating bids based on values, including sustainability, worker well-being, and resilient supply chains, opening current market channels to farmers running their business with intention for the environment and their neighbors. By shifting USDA's significant purchasing power to purchase from small- to mid-size producers, prioritizing local, sustainable, and just purchasing within our government contracts and sourcing, USDA has the power to strengthen our nation's farms.

USDA Foods Purchasing Data analyzed by Friends of the Earth in their report *USDA Foods: How a $1.3 billion program can be transformed to create a more just and healthy food system* showcases how a handful of large companies are USDA's main aggregators and distributors. This undercuts a significant and viable market opportunity for independent and sustainable farmers and ranchers, eager to serve their community and reach these markets. With the passing of the EFFECTIVE Food Procurement Act, USDA will have the opportunity to examine ways to include farmers and producers of smaller scale, and even take a regional or local approach to sourcing these foods. We recognize however that examining current systems is only the first step. In order to implement these changes effectively, these companies will need to make room for mid-tier aggregators to access these markets, those aggregators who have endured many market changes and hold trusting relationships with family-owned farm operations across the country. This will only be done with a requirement from the buyer - USDA - to shift their purchasing. Mid-tier aggregators across the country are breaking into market opportunities through these large companies, but it can only happen with a buyer advocate on the inside, to shift the purchasing power. This bill will be the first step towards opening new market access points to both experienced and beginning farmers, ready to serve their community's needs.

Farmers to Families Food Box - One of the most impactful programs for facilitating business growth among small- and mid-scale farmers across the country was a COVID-era policy that channeled resources directly to farmers, and it did it in the most effective way possible, by purchasing their products. World Farmers was a contract holder for the first Farmers to Families Food Box program. This was the first time the Agricultural Marketing Service (AMS) had administered a program that sourced diversified and specialty crops from farmers. It was a big shift for the agency, and they achieved an incredible effort in mobilizing these funds quickly in a time of crisis. Although many people who knew the Bid process said it was not meant for smaller aggregators like World Farmers, we applied. We knew that this risk of taking on a large contract with AMS for the first time was worth it, if it meant supporting our direct-market farmers who did not know if their markets would operate that summer. Other Rural Coalition members did the same, and it was a lifeline for many farmers those first two years of 2020 and 2021.

<u>Local Food Purchase Assistance and Cooperative Agreement Program (LFPA)</u> - As Administrations changed the Farmers to Families Food Box program closed and evolved into the Local Food Purchase Assistance and Cooperative Agreement Program (LFPA). Recognizing pitfalls of the later contracts of the Farmers to Families Food Box Program, where more large-scale contractors were prioritized, and small- and mid-scale farmers were once again left out, the LFPA was administered by states through Cooperative Agreements.

We have not witnessed another single program that has provided a similar level of direct financial support to small and mid-scale farmers. These programs more than kept farmers afloat in difficult market times, they created market avenues that paved the way for beginning farmers to trial and excel in wholesale market sales and grow their businesses.

These programs showcase the capacity and success of mid-tier aggregators across the country in connecting with and advancing sales for small and mid-scale farmers, as well as AMS' ability and capacity to administer programs and direct spending towards smaller producers.

In Massachusetts, the LFPA and LFPA Plus programs invested $11.3 million in direct food purchases made with local farmers, fishermen, and producers, of the $14.3 million invested in cooperative partners to implement the program. That is nearly 80% of the total budget, directly invested in farmers' businesses. A resounding success for the state and the USDA.

Further, these 31 projects implemented across the state of Massachusetts purchased from nearly 500 farmers and food producers and distributed to more than 700 community sites including pantries, senior centers, schools, health programs, and mutual aid efforts. These figures show that mid-tier aggregators have the resources necessary to reach our communities and coordinate impressive levels of aggregation and distribution.

Local Food Purchase Assistance and Cooperative Agreement Program (LFPA) was launched and operated in tandem with the Local Food for Schools (LFS) program, a program where full funding was directed to School District's school foods purchasing budgets, facilitating increased purchasing of local produce.

The third round of funding for both LFPA and LFS was announced by the USDA in December of 2025, who had invested in continuing this program into the coming year(s). However, on March 7, 2025, both programs were cancelled and committed USDA funds, authorized under Section 5(c) of the Commodity Credit Corporation Charter Act (15 USC 714c(c)), were withdrawn.

We urge this committee to consider the importance of this program and seek out impacts achieved by the LFPA program within your state. The success of this program is seen in the success of the farmers, and the corresponding struggles of the 2025 season without this market. We strongly recommend that Congress reinstate and fully fund this important program.

The Emergency Food Assistance Program (TEFAP) - The TEFAP boxes were launched in the absence of the Farmers to Families Food Box program, and before LFPA was established. However, when launched, the reimbursement to pack and deliver boxes critical to hungry families was set at such a low budget, that it was only achievable for large operations who had significant economies of scale, including sourcing the cheapest food available, rather than prioritizing local or family-operated farm businesses. In order to mobilize a more localized emergency food system, USDA can put purchasing priorities in place for the TEFAP boxes, of similar nature to the local parameters of the Farmers to Families Food Box Program. With some additional adjustments including Bid processes that accommodate mid-tier aggregators, the TEFAP Boxes program could generate significant revenue for our nation's producers.

II. Land Access and Threats to Farmland

I encourage the Committee to commit to investing in solutions and programs which will address growing challenges to land access and the rapid rate of farmland loss we are witnessing across the country. In the recent American Farmland Trust report *Farms Under Threat 2040: Choosing an Abundant Future*, they state that "From 2001–2016, our nation lost or compromised 2,000 acres of farmland and ranchland every day." The report goes on to say that "if this trend continues, another 18.4 million acres will be converted between 2016 and 2040—an area nearly the size of South Carolina." These farmland losses are immense, and they are happening due to several factors. There is not one clean fix to farmland loss, and we must take clear and swift action to slow these losses quickly, before we develop, further fragment, or otherwise compromise more farm and ranchland.

Increasing Land, Capital, and Market Access Program (ILA) - One program which can contribute solutions to this crisis is the Increasing Land, Capital, and Market Access Program (Increasing Land Access Program, or ILA), which was launched by USDA after Congress passed Section 1006 of the American Rescue Plan Act, as amended by Section 22007 of the Inflation Reduction Act, to ensure underserved producers have resources, tools, programs, and technical support they need to succeed. As designed by USDA, this program offers specialized technical support to farmers, catered to benefit the launch, growth, resilience, and success of their agricultural enterprises. The Increasing Land Access Program is intended to address this problem by increasing access to farm ownership opportunities, increasing access and improving results for those with heirs' property or fractionated land, increasing access to markets and capital that affect the ability to access land, and increasing land ownership, land succession, and agricultural business planning. The ILA program is an incredible program, established to tackle some of the main issues experienced by farmers across the agricultural sector. The program underscores the opportunity for socially disadvantaged and beginning farmers, who experience these same barriers, but more acutely. At this time the future of the program, and the program as it is currently contracted is in question. Contract holders for the program have certain components of their projects on hold by USDA and have yet to receive a clear plan forward for when those project activities will be allowable. This uncertainty and hampering of the project's full contracted scope risks the full potential of the investment. Supporting farmers to assess, negotiate, and acquire land takes ample planning and engagement. This program has the potential to make a real difference in the lives of farmers seeking to acquire or expand into new acres, and to slow the rate of farmland loss in this country, but it must be implemented with the full intent of the project scope. Further, commitment to another funding round of the program would be a significant win in the fight to keep our nation's farmland protected and viable.

Heirs Property - Especially due to the issues of an aging farm workforce, and the difficulty of preparing new operators to enter farming and take over operations, thousands of farmers are leaving agriculture. Of those who pass away, many lack a will and a succession plan, leaving thousands of acres of farmland locked up in heirs property and vulnerable to partition sales. Heirs property is land that is jointly owned by descendants of a deceased person who either did not have a will, did not have clear title to the land, or otherwise left unclear guidance in their will on how land was to be divided up. Heirs property is one of the most unstable forms of property ownership and can lead to challenges for heirs property owners due to unclear legal titles, disagreements among heirs property owners, partition sales, and more. Prior to the 2018 Farm Bill, heirs' property owners were not allowed to obtain a farm number which restricted their access to USDA programs.

Very often, land sold this way ends up in absentee ownership or managed by entities with no connection to the local community. Land may also be subject to speculation and sales that affect the price of land and the local tax base for all farmers in the community. Congress provided heirs property owners an opportunity to address these issues of land access and halting farmland loss through the Heirs Property Relending Program.

The Heirs Property Relending Program was established in the 2018 Farm Bill and allowed USDA to make loans to eligible intermediary lenders that then make loans and provide assistance to heirs to resolve title issues, and create succession plans to secure the future management and sustainability of the land for the family. It is necessary to make technical adjustments to this program so it can work better, and to provide robust funding for this program in the next Farm Bill to protect farmers, ranchers, farm families, and the farmland that sustains us all.

The 2018 Farm Bill also included alternate documentation provisions which now enable producers farming on land held in Heirs Property to obtain farm numbers and participate in some programs, most notably conservation.

III. Capital and Critical Farmer Investments

Another area of support needed for farmers and producers across the country is investment in infrastructure. On existing farms, equipment and infrastructure are aging and the slim profit margins of the farm operations cannot cover the full investment required to keep the machines running. For new and beginning farmers, they're trying to expand with limited capital, many operating on leased lands. Equipment costs are rising, and equipment is increasingly relying on the newest technology, some with restrictions on who can repair the equipment. All these factors and more make entering into or expanding family-owned farm businesses riskier.

MA-State Program: Food Security Infrastructure Grant Program - In Massachusetts there is a state-funded program called the Food Security Infrastructure Grant Program (FSIG) whereby seafood producers, processors, distributors, municipalities, tribes, nonprofits, and other food system entities whose operations advance food security can apply for needed infrastructure improvements including on-farm and production related equipment and infrastructure. This program has strengthened the state and region's local food system and done so while supporting those businesses which improve food security and ensure equitable access to locally grown, raised, harvested, and caught foods. A program of this nature where USDA can invest in producers who invest in our communities would make a considerable difference.

Resilient Food Systems Infrastructure (RFSI) - RFSI is a federal infrastructure program established by the USDA with funding from the American Rescue Plan Act. This important program is focused on building resilience in the middle of the food supply chain, to provide more and better markets to small farms and food businesses, to support the development of value-added products for consumers, fair prices, fair wages, and new and safe job opportunities through infrastructure investments. This program supports producers and farm businesses in obtaining equipment or developing their middle of the supply chain infrastructure. Although the first round of the program is still being implemented in Massachusetts, its impact is already being felt. Farmers in our program purchased refrigerated delivery vehicles to expand to new market channels while maintaining important food safety standards. Currently, this program has not been authorized with new funding. Investments from the first and only round of funding are strengthening our local food supply chain, ensuring the mid-tier aggregators and value-added producers can scale to reach the markets necessary to bring real revenue to farm businesses. We see it as important to ensure this program receives funding to ensure this opportunity can be reached by those food businesses ready to scale.

NRCS Cost Share - Another critical area where farmers receive financial support and economic investment in their practices are key conservation programs administered by USDA's Natural Resources Conservation Service (NRCS). Farmers in our program, as well as farmers of all scales and experience levels benefit greatly from programs administered by their local NRCS Service Centers. The Environmental Quality Incentives Program (EQIP) in particular has been a widely accessed and utilized program for farmers, advancing and supporting farmers to implement sustainable production methods. I myself supported the very first socially disadvantaged farmer in Massachusetts to access the EQIP High Tunnel program in 2012, and now World Farmers has supported over 20 socially disadvantaged farmers to secure an EQIP High Tunnel for their operation. Cost Share programs are a lifeline to farmers of all scales, and operation types. Farmers deeply value the opportunity to contribute towards and share in their investment. We have seen countless stories of the success of these programs for farmers.

IV. USDA and Investing in Farmers

USDA Staffing and Office Consolidation - World Farmers and the Rural Coalition believe deeply in the power of USDA resources and services in ensuring viable and thriving farm and ranch operations for our country. World Farmers and many members of the Rural Coalition have been recognized for their decades of services in acting as an extension of USDA to offer outreach and technical assistance to farmers and ranchers in accessing USDA programs and services, and we have seen first-hand the benefits to the farmers' operations. However, over the past year, we have seen cuts to programs and administrative budgets, resulting in less local service staff, and the staff remaining are overburdened and do not have the time necessary to implement these important programs. Additionally, we are seeing local USDA Service Centers consolidate offices, or County Directors have to stretch to cover two or more County Offices. These are all of significant concern to the future of a localized, supported farm economy. The result is farmers are losing trust in the support of USDA and are beginning to not reach out for assistance. And with less time for outreach, education, and engagement, USDA staff will begin to cater their services to meet the needs of larger-scale farmers, and farmers who already have historical information and accounts at the Local Service Center. This is damaging to the decades spent on building farmer trust within local service centers.

Instead of investing in building structures and shifting models to support farmers of all scales, we are seeing a dis-investment in resources aimed to support new and beginning, diverse and diversified, and small to mid-scale farmers. These efforts will only further encourage farm consolidation and discourage family-operated farms from scaling and investing in future growth.

USDA Reconfiguration & Future Impacts - In July of 2025, U.S. Secretary of Agriculture Brooke Rollins announced the reorganization of the U.S. Department of Agriculture (USDA), stating the intention of this work was in "refocusing its core operations to better align with its founding mission of supporting American farming, ranching, and forestry." We hold significant concerns about USDA's ability to maintain the integrity of its programs and continue providing high quality services to producers across the nation in the event of deep staff reductions and Department-wide reorganization. Previous department relocations have resulted in loss of experienced career USDA employees, longer processing times for producers, fewer reports produced for public dissemination, and much more.

We are further concerned about the impact any USDA reorganization may have on producers at local, county, and regional levels. The services provided by county level offices to farmers and ranchers are irreplaceable, and already at risk as highlighted earlier. The preliminary results of a national Wildlife Federation survey conducted by *Trust In Food* between December 6, 2024 and December 12, 2024 with 506 farmer responses, found that farmers and ranchers across the country identified USDA-NRCS offices as highly trusted sources of information.

County-level staff are often best positioned to provide top quality service to producers and their surrounding communities. These nuanced relationships are often valuable for producers and USDA officers alike and so we caution against any consolidation efforts, particularly associated with the building out of the five regional hubs, that may disrupt, damage, or otherwise put those relationships at risk.

We are already hearing reports of farmers receiving conflicting advice from USDA employees as to how to handle their contracts, or more forward with applications. This is incredibly concerning, as it showcases some initial red flags in current staffing levels and capacities, which had not existed prior to significant layoffs and cuts. We see this as another warning sign of any USDA reorganization, creating undue burden on farmers as they attempt to access services and programs critical to their operations.

Changes to USDA Conservation Programs - The FY26 Agriculture appropriations bill, which passed in December, extended funding for USDA programs and also extended the current Farm Bill through September 30, 2026. This Farm Bill extension, however, failed to extend the statutory cap on the number of conservation contracts a single agricultural operation can receive through the Environmental Quality Incentives Program (EQIP) and the Conservation Stewardship Program (CSP). It also failed to extend the Adjusted Gross Income (AGI) eligibility limits for applicants to CSP and EQIP, previously held at $900,000.00.

There is high demand for USDA conservation programs in general but especially for EQIP and CSP, which are both heavily oversubscribed. An Institute for Agriculture and Trade Policy (IATP) report from June 2025 entitled *Let's Keep the Door Open* reports that in FY24, 43-44% of EQIP applicants and 53-55% of CSP applicants were awarded contracts. For EQIP, this was the highest percentage since FY18, and for CSP, this was the highest percentage since FY12. EQIP is the single most important program support source for thousands of small-scale producers. I am deeply concerned that the failure to extend these payment limitations and the AGI eligibility limit will greatly increase competition for scarce conservation funds and further harm the small- and mid-sized producers that are the backbone of rural communities nationwide.

Additionally, new directives by the current Administration have meant that funding intended to increase investment in local NRCS contracts for farmers through the Inflation Reduction Act (IRA) of 2022 are being halted for expenditures. This has meant that local NRCS Service Centers are experiencing a backlog of applications and are unable to meet increasing demand from farmers in the field.

V. Improving Credit Access and Stabilizing Farm and Other Small Businesses

Credit Access is critical for all small business operators, including farmers and ranchers and also cooperative businesses and other food distribution and processing entities. The Small Business Administration has many applicable programs to complement and fill gaps in USDA programs. Farmers and ranchers have limited knowledge of these programs, which have mainly been used in times of disasters. While there is an existing Memorandum of Understanding between SBA and USDA, more and improved coordination between the agencies would be beneficial. We believe that Senator Shaheen's which would codify parts of the MOU Coordinated Support for Rural Small Businesses Act is a good starting place.

Additional Recommendations to Improve Credit Access to Grow the Small Business Economy

Modernizing USDA Credit Programs- Access to credit is vital for beginning and small-scale farmers and ranchers across the United States. While it is important that FSA's beginning farmer and rancher loan-making program stay true to its mission, the modernization of credit is direly needed in urban and rural communities throughout the country. Congress can take a step in the right direction over the next five years for future generations of farmers and ranchers by assuring that the following credit specific policy recommendations to be included in the final 2026 Farm Bill:

- Interest Free Direct Loan Payment Deferral - We recommend that Congress authorize interest free direct loan payment deferral for family farmers who are slowly recovering from market disruptions. This would include a two-year interest-free deferral on direct farm loans. We further also recommend a waiver of guaranteed loan fees for two years, as guaranteed loan fees (paid to FSA as a loan closing cost) can be a substantial up-front expense. The Fair Credit for Farmers Act (S.3126/H.R. 6169) includes these credit modernizations.
- Remove Prohibition of Loans to Borrowers that have Received Debt Forgiveness - We recommend that restrictions be waived on new FSA direct or guaranteed loans for applicants who have received debt forgiveness or restructuring of a farm loan when at least 7 years has passed since that debt forgiveness or restructuring.
- Mechanism to expedite USDA Loans - Create an expedited process for USDA Guaranteed Farm Ownership and Guaranteed Farm Operating Loan programs to require a response within 36 hours after receipt of application from farmers and ranchers from an authorized lender approved by USDA for a Guaranteed Farm Ownership and Operating Loans.
- Blood and Marriage requirement for Credit Access - The current language defining "qualified beginning farmer or rancher" requires in the case of a cooperative, corporation, partnership, joint operation, or such other legal entity that all members of such an entity be related to one another by blood or marriage. Removing this requirement will expand program eligibility to entities whose members are not related by blood or marriage, but otherwise qualify as beginning farmers or ranchers.
- Capital for Beginning Farmers and Ranchers - Currently, the structure of annual operating loans is not conducive to intermediate credit needs for beginning producers. Beginning farmers and ranchers need the Farm Service Agency (FSA) to develop a multi-year operating loan pilot for beginning farmers to finance start-up costs. The pilot features repayment terms between 3 and 10 years as well as reduced interest and

collateral requirements. The Capital for Beginning Farmers and Ranchers Act (S.2797/H.R.5367) would authorize these changes to FSA.

- New Producer Economic Security Program - We recommend support for the New Producer Economic Security Act (S.1237/H.R.2536) that develops a pilot program within Farm Service Agency (FSA) to address the most pressing challenges for new and beginning farmers and ranchers to access land, capital, and markets. This program would provide funding for direct assistance and services to help acquire land, cover closing costs and down payments, capitalize infrastructure and site improvements, acquire business technical assistance and farm viability training. Further, this program would make grants to and enter into cooperative agreements to eligible entities to strengthen land, capital, and market access outcomes for new farmers, ranchers, and forest owners.

Small Business Administration Loan Programs – While we have not recently fully reviewed these programs, we also recommend that terms for credit and loan servicing should be similar for both agencies, with an emphasis on the flexibility in loan terms that could benefit all businesses in an uncertain business climate.

Stabilizing the Agriculture and Rural Sector - Those of us who serve farmers and ranchers–the backbone of our American economy—are deeply aware they are facing an unprecedented combination of instability and layered challenges. From chaotic market forces and financial divestment to fundamental issues like land access, the stress on our agricultural sector is reaching a breaking point.

While we all look forward to a comprehensive and farmer-centered Farm Bill—the need for stabilization is urgent. We recommend immediate and common-sense interventions to provide our producers and the thousands of small businesses with the support they need. In addition to the above, we are working on a package of additional policies that would provide breathing room for farmers and ranchers, including:

- A 180-day Moratorium on Adverse Loan Actions—coupled with removing unnecessary programmatic barriers and increasing refinancing flexibility—giving Farm Service Agency (FSA) officers and producers the time and tools necessary to adjust loan terms and keep businesses viable.
- Support and Technical Assistance for Business Planning - Not every producer who needs help will benefit directly from loan restructuring or direct payments. We strongly recommend a multi-faceted approach both for farmers and other small businesses, with intensive technical assistance and support to help them develop strong business plans focused on adapting to current market conditions. We can effectively reach a broader set of producers and businesses by structuring financial aid through the provision of intensive technical assistance.

We also believe the above recommendations could also apply to Small Business Loan Programs.

We owe it to the people who feed us to provide immediate stability. We recommend pragmatic steps we can take today to ensure that when we finally pass a robust, long-term Farm Bill these producers remain in business. Such interventions would reflect a true win-win for our rural communities and for American families at a time when many of our neighbors are also struggling with increasing food insecurity. They would help small and mid-size farmers maintain successful and growing farming and ranching operations, integrate into local food systems, support their local and regional agricultural economies, and contribute to the fabric of rural communities. We further recommend that Congress ensure that small- and mid-sized producers continue to have consistent access to these types of government programs and contracts that are vital to their operations.

Finally, by making smart investments in local and regional food purchasing, we can bring much-needed economic stability to local and mid-sized farm businesses while simultaneously increasing access to fresh, healthy foods for those who need it most.

In closing, I want to offer my sincerest appreciation to Chair Senator Joni Ernst, and Ranking Member Senator Ed Markey, and all the members of the Committee, for taking this time to understand and hear from the farming and broader agricultural communities. Thank you for your time and consideration to these important matters, we greatly appreciate the Committee's attention and thought to how it can grow the small business agricultural economy.

CHAIR. Wonderful. Thanks, Ms. Moreira. We will now move into questions and answers, and I'll now recognize myself for five minutes for questions.

So, we'll start with Ms. Spurgin. In your written testimony, you state that, "The path to greater rural bank participation is reducing friction in the system." And on her first day in office, SBA Administrator Loeffler noted that one of her goals was to streamline and improve user experience.

I know that significant process has been made, and I expect to see that continue under this administration. Can you walk us through the process you went through the last time you tried to utilize the 7(a) loan program, and how it can be made easier to navigate through automation?

Ms. SPURGIN. Yes. Thank you for the question, Senator. Well, I will admit it has been five years since the last——

CHAIR. That's a problem.

Ms. SPURGIN. Yes. Reason being, the last SBA loan that we did took six months to close. It was the purchase of an existing business that was so able to provide the historical data points, the historical financials. It was a very well positioned business. So, there's no reason it should have taken six months to close.

And the other issue that we run into was the customer burnout. And I'm not sure that ever gets referenced just in regard to the back and forth that often happens between the SBA application portal and the lender and the customer. So, it has been some time since we have actually used the portal.

So, I would be very anxious for the small business development centers and or local SBA offices to really start to reach out to local lenders and describe the improvements. Because it will take turning the boat from with small lenders that have experienced the frustrations with that within that system to start to try to reconsider using SBA programs.

CHAIR. So, when you're describing that customer burnout, it is simply that it takes so long they go back and forth between the portal or additional information——

Ms. SPURGIN. Right. Or we submit something and then it's something else. We need some additional documentation of some kind or some additional projections. And so, that constant customer thinks we're done, we've submitted it, we'll get a response, and then it's, oh, we need something else. We need something else. And that is a very long, and can be a very stressful, timeframe for the customer.

CHAIR. Absolutely. No, thank you. I appreciate that. And Mr. Funke, last year, Congress passed the Working Families Tax Cut, which extended several small business tax breaks. And how will those tax cuts help your business this upcoming tax season, and what investments do you plan to make in your own business?

Mr. FUNKE. Thank you for the question, Senator Ernst. First off, the 20 percent deduction on qualified business income was very helpful. And for a small business where we are investing our profits back into our facilities, back into our people, back into our equipment, it's important to have that.

In my own instance, the 100 percent bonus depreciation along with a Section 179 was a great help to our business. December is the biggest month of the year for sales in the farm equipment businesses, and we were able to capitalize on that and had one of our best year ends. We're very fortunate.

Yes, I talk about the farmers losing $200 an acre, but as you're familiar, we are from a more of a livestock-oriented farming in our northeast location. And it's been very helpful to our business to minimize the reduction in our sales. So, those two things have happened.

And for the record, two guys that did buy pieces, big pieces of equipment at the end of the year, both moved it into 2026 business. So, the programs were good enough through the manufacturers that they did that. So, you know most of our sales at the end of the year were between 10 and $60,000. So, you know, not big-ticket items. We didn't sell any big tractors, a couple of combines, but that was about it.

As far as ourself the investments we've made, our biggest one came a year ago when we opened up our addition onto our facility. We added 10,000 square feet of shop space onto our facility because our shop had been expanding. And that's one of the things we've worked very strongly for the last several years; to expand our shop, to be able to help our farmers and keep them up and operating in those times when they need us in the spring and the fall in particular.

And even right now, when they're in the winter, our livestock guys need that skid loader to run every day. And we're able to do that. But I've invested in crane hoists you know, many different pieces of equipment replacing some vehicles, and doing some of those things.

And there'll be more. But I will tell you that in 2026, at this point, we're going to be very cautious moving forward. Because we don't know where this price of commodities is going to go. And it will trickle down and catch my livestock guys eventually.

CHAIR. Thank you. My time has expired. But just because we maybe have an audience and folks that may be viewing that don't understand the cost of the type of farm equipment that we are using in the Midwest, can you maybe just give the price of a combine for those that are listening or watching?

Mr. FUNKE. I hope you're all having fun with this one. So, certain combines are in the $700,000 to $800,000 for the base unit. And then on top of that, if you're going to put a 12-row corn head on it, that'll run you someplace in $150,000 to $170,000. A 35-foot platform is going to run you well over $100,000.

Now, my Ag-Co people with my Gleaner combines have done a really strong job and they are trying to reduce the current inventory. And we actually sold a brand new combine for true cash price of, in the $430,000 range.

CHAIR. Yeah. So, I just use that to demonstrate, and thank you, Mr. Funke. I just use that to demonstrate the cost associated with equipment and farming today through the Midwest. So, thank you for humoring me. I now recognize Ranking Member Markey.

Senator MARKEY. Thank you, Madam Chair. In December, I introduced the Effective Food Procurement Act to fix our broken food federal contracting system. This bill would help more small local producers that care about climate change and sustainability and worker of fairness to get considered for federal purchasing opportunities.

We just cannot continue to stick with the status quo of rewarding massive agricultural corporations that are willing to sacrifice worker safety and sustainability while leaving small farmers on the sidelines. Small farmers are like beggars at the banquet of federal subsidies. They don't get access to this funding.

And federal contracting just shouldn't go to those same big companies again, and again, almost like socialism that's built into our system where the biggest get the most every single time. If our government supports small businesses, we should practice what we preach. Public purchasing dollars should support the public good and lift up small producers.

So, Ms. Moreira, what can be done to help small producers build sustainable food systems in their local communities, and how would the Effective Food Procurement Act help? You mentioned it in your opening statement.

Ms. MOREIRA. First of all, it's all about the markets, access to the markets.

Senator MARKEY. Can you move the microphone over a little?

Ms. MOREIRA. First of all, it's all about the access to the markets. Farmers and ranchers across the nation strongly prefer investing to improve access to markets over direct farm subsidies often accrue the most agribusiness and integrators opening the markets, existing markets to localized farm family, farm businesses in mid-tier aggregators who work with small farmers.

By leveraging current investment in shifting procurement practices through the Effective Food Procurement Act, it is a critical step that would, which would adapt USDA's procurement practices to establish a pipeline that future dependable, stable markets for community connected and family operated farmers simply by leveraging current investments in shifting procurement practice by USDA. That's all we're asking.

Senator MARKEY. Yeah. Thank you. And again, a subsidy program without access is an hallucination. That's where small farmers are in America. They're just over here in some hallucinatory state, you know, hoping someday that out of the goodness and beneficence of the federal government, that they'll stop just having socialized handouts to the biggest companies.

So, Mr. Crowell, what is the role of cooperatives in supporting resilient, sustainable, and localized food supply chains?

Mr. CROWELL. Thank you, Senator, for your leadership on this issue, and particularly for including co-ops in this legislation. Certainly, shifting federal purchasing priorities towards small and mid-size family farms would make a big difference, and it's an effective investment in our rural communities and would expand markets.

But particularly by including co-ops, it would also strengthen farmer-owned infrastructure in these communities because these co-ops are owned and governed by their patrons or the users of the products and services.

Their goal isn't to maximize profit, but to ensure that they can meet their members' needs over time, whether that's inputs, processing or marketing and distribution. And that means that there's a built-in incentive for the cooperative to stay rooted in its community, to weather economic and environmental challenges and invest in long-term infrastructure and impact.

By procuring from co-ops, you're also benefiting not just one business, but all the members of that business, which in a farmer co-op can be in the tens or it can be in the thousands. So, it's a very efficient investment in rural America.

Senator MARKEY. So, talk about then the issues around SBA lending and cooperatives.

Mr. CROWELL. Thank you. Yeah. As I mentioned also, I'll just mention briefly for food co-ops, you know, we're very focused on local procurement, the average co-op purchases from 169 local farmers. But our growth is limited by personal guarantee requirements in SBA loans, the lack of technical support for people wanting to transition to the business model, understand what it means to be a member owned co-op, and the lack of strong interagency collaboration. So, those are the basic changes we'd like to see, many of which are already reflected in bipartisan legislation such as the Main Street Employee Ownership Act.

Senator MARKEY. Yeah. Thank you. But again, legislation without passages are hallucination. So, we have to work on a bipartisan basis to get them passed. Thank you, Madam Chair.

CHAIR. Yeah, thank you. I just want to mention it's a topic that we should be debating; the Effective Food Procurement Act. It has been referred to the Agricultural Committee. It is not under the purview of the Small Business Committee, but thank you, Senator Markey.

And actually, Senator Husted, you are recognized for five minutes.

Senator HUSTED. Thanks, Madam Chair. I've enjoyed the conversation and listening. You know, having grown up in Ohio, and in a farming community, and watching the industry over the years and how innovation technology and globalization, all these things have affected it.

I started to do a little math, having a little fun here with my AI partner as I was going through the economics of a family farm and reflecting on the estate tax debate that always goes on around farms. And I was thinking about a large family farm, 3,000 acres, row crops; wheat, corn, soybeans. I did the math on this.

At $10,000 an acre, that's a $30 million asset. But once you factor in average input costs and average yields, an average net or price for what people would be yielding in those crops over this sort of, this past three years, the estimate of the net profit would be $81,153 a year, which is great. It's a profit, but not much of one when you consider all the risk that's involved in that. But if you would've taken that same amount of value and invested in the S&P 500 this past year, it would've netted you $4.9 million, and you could have sat home the whole time.

So, I guess I'm not making a case for farming economically speaking with that assessment. But I'm just trying to talk about how important it is that we have people who are willing to do this in our country, to feed America and people around the world who don't have the ability to grow this kind of food, and how important the estate tax exemptions that we put in the bill and the Working

Families Tax Cut plan this year really were for that very example that I used.

Because the tax bill for that, were it not there, and you wanted to pass it on to the next generation, would've been $12 million. And $12 million at an average net profit of $81,000 a year, it would take you 147 years to pay that tax bill. And so, when we make policies here with family farms in mind, and we hear the rhetoric around the estate tax, it's just economics. People won't stay in the family farming business if they can't afford it, if they get charged a tax bill that they could never pay.

And so, Ms. Spurgin, I appreciate you being here. And I, I'm glad that you brought my friend Adam along with you as former Secretary of State. But does that sound like the kind of people that are the customers in your bank and the, the kind of issues that they contemplate when they're making in financial decisions?

Ms. SPURGIN. Absolutely. And it's unfortunate that the piece that is considered when a family farm is going to transition is to sell the farm. And that's unfortunate.

Senator HUSTED. And what we did in the bill to help exempt them from that tax bill, does it save family farms?

Ms. SPURGIN. Yes, very much so.

Senator HUSTED. Thank you. Well, I'm glad to know that because I think it's a virtuous goal, and I'm glad that we were able to get that accomplished and sort of make the economic—at least give a chance for the economics of this to work.

You talked about in your testimony, compliance burdens. Could you talk a little bit more about that as it relates to the how you, like, give us a flavor, if you could, about that farmer, about that family farm. They come to you and they're looking for financing. Explain what that compliance burden means.

Ms. SPURGIN. Yeah. So, you know, at the very basic level, a lot of the requirements just at the very beginning in the application side, when you're talking about business plans, financial statements projections and especially for either young borrowers or even new entrepreneurs into a new business, that's really where we see the struggle is just having—you know, they're all trying to do their work on a day-to-day basis, but then to have this additional burden of not opposed to providing projections or providing any of that.

It's the level of compliance that's required and the constant. What seems to be a constant back and forth between the application portal, and getting with the customer, and having them be able to set aside the time that's required to put this together. You know, so that's what we see from the front end.

Also, compliance issues related just simply around once an SBA loan is done around the guarantee where we have lived. Unfortunately, not all businesses remain as ongoing entities and have lived working through with SBA on the guarantee. And it is not an easy process. Something that you do at the very beginning that says you have a guarantee, and five years later, you unfortunately have to go back on that guarantee with SBA. And it is a very cumbersome process.

Unfortunately, the lender that did the loan that we did five years ago, I asked him, I said have you ever talked to anyone about an SBA loan? And he goes, I will never do one again. And it was a good business. It was a purchase. It wasn't even a startup. But, again, just the time that it took to close the loan, six months, and the unfortunate side is the sellers of existing businesses, they've got to be willing to stay hooked with that buyer to be able to work through that timeframe in that process. So, thank you for the question.

Senator HUSTED. Great. Thank you.

CHAIR. Yeah. Thank you. Senator Shaheen.

Senator SHAHEEN. Thank you, Madam Chair. One of the things that I think is quite apparent listening to the testimony of all of our witnesses, and the questions from you, Madam Chair, and the ranking member, is that farming isn't the same all across the country. And when SBA or USDA tries to make rules that apply to farms, there's a really different ability for farmers to be able to benefit from those programs.

And as Senator Markey pointed out, and the witnesses from Massachusetts have pointed out, farming in New England is a whole lot different than farming in Iowa and in New Hampshire. We have a lot of small farms, a lot of organic farms and they have not been able to take advantage of a lot of the programs that are more available for larger farms.

And, Mr. Crowell, you talked about the federal food programs that play an important role in providing a revenue stream for businesses and food producers. We've seen that in New Hampshire. We have one of the oldest food co-ops in the country. I'm sure you're aware of the Hanover Food Co-op which I think is the second oldest in the country.

And one of the things that's really helped that co-op and the one in Littleton, which is a smaller community, is the Local Food Purchase Assistance Cooperative Agreement program that you mentioned, Ms. Maria. And one of the challenges is that our federal agencies, like so much of our bureaucracy, don't talk to each other.

And so, if we want to promote small business farming, then we need to have SBA work with USDA. And what we saw with the LFPA program is that it was terminated back in March by USDA and what we lost in New Hampshire was $2.7 million to purchase food from local farms. And while that doesn't sound like a lot, if you're in Iowa or New York or California, that's a lot in New Hampshire.

So, can you talk Mr. Crowell, about the consequences of the losses of this kind of federal funding for our small, small farms and what that means and how we should think about encouraging cooperative agreements between federal agencies to avoid this kind of problem in the future?

Mr. CROWELL. Yes. Thank you, Senator Shaheen. And especially for your support of our family farmers and food co-ops in New Hampshire, as you mentioned our farms in the northeast are quite unique. They tend to be much smaller, much more diversified. They tend to be vulnerable to issues like climate change because they're in very narrow river valleys. And often the services coming from USDA aren't, aren't quite appropriate. I mean, they're easily addressed, I think.

But it can be difficult for us and certainly for our food co-ops working to sustain those local farms and prioritize them. The support of the government has been very valuable and obviously has a knock-on effect in our rural communities. One key support has been the interagency working group on cooperative development, as you're aware, which has representation from across various departments and agencies.

We've seen renewed efforts during this Congress for SBA and USDA to better cooperate, which would make a big difference for us particularly on programs like disaster assistance. And I think that the lending programs coming through better collaboration through USDA and Rural Business Cooperative Services would make a world of difference for our region. Thank you.

Senator SHAHEEN. Thank you. And just to follow-up on that, Ms. Spurgin, you've spoke eloquently about the challenges of what wait times do for all small businesses, but I think it's a particular problem for small family farms. And we've seen that, again, especially with USDA and with some of the programs, the REAP program, which helps with energy costs, which in New England, as we know, is a big cost.

And we are very affected by climate change and what happens to a business. We have four farms in New Hampshire that have been waiting for more than a year for their REAP funding. What happens to small businesses and farms when they have to wait that long a time in order to know whether they're going to get the funding they need to go forward with the project?

Ms. SPURGIN. Thank you for the question, Senator. My experience is they give up, which is, I think, unfortunate.

Senator SHAHEEN. Sadly, what we see. And so, thinking about how this committee can better work with, since I'm on Ag Approps, I can talk about the agriculture side, but how can we better work with the agriculture authorizing committee to look at some of the challenges as we want to promote our small family farms? I hope that we can think about ways to do that. Thank you, Madam Chair.

CHAIR. Yes. Thank you, Senator Shaheen. Senator Young.

Senator YOUNG. Well, thank you, Chair, Ranking Member, for holding this hearing. I think it's been really important. I want to thank our witnesses for your testimony today.

Great state of Indiana, we have a lot of farms of course associated with that. A lot of vibrant farm communities, and some that have lost some of their vibrancy over the years. One of the many challenges they're facing right now is they're dealing with a silver tsunami. This is not unique to farm country or to farm operations. But it can be especially acute in some of our rural communities.

In fact, according to the U.S. Census Bureau, half of small businesses are owned by individuals who will reach retirement age within the next 10 years. When these farmers exit agriculture without a clear exit strategy, a clear succession plan, farms are often sold or consolidated. Young and beginning farmers face especially high barriers to entry, and rural communities lose jobs, lose population, and lose economic activity.

Ms. Spurgin, what are the biggest barriers that young or first-generation entrepreneurs tend to face when trying to start a business, or take over an existing farm, or rural small business?

Ms. SPURGIN. Thank you for the question, Senator. From my experience, that has been the cash down payment requirements. Specifically, within the SBA programs, it's at least a 10 percent cash down payment. A lot of what we look at with portfolio lending is the seller or however they're transitioning out, that equity may be held and would typically be land, buildings, other equipment. You know, so giving the borrower value for that equity versus having it be all cash.

Senator YOUNG. You have some related challenges in the housing market that there've been some creative financial instruments that I know are being structured to try and address that. It's a little outside the scope of what I intend to ask about, but thank you.

Is our existing SBA loan programs, in your mind, flexible enough to help young farmers and entrepreneurs buy into established operations rather than starting from scratch?

Ms. SPURGIN. In lieu of the cash down payment requirements, if it's an established business, I would say yes just because the historical financials are there. So, you're able to have some data to base your projections off of, but to start something from scratch, I hate to know that the number of folks that wouldn't qualify simply from that.

Senator YOUNG. Yeah. Maybe that's something we take a look at, see if the SBA programs could accommodate that. I'm going to go ahead and open this up to Mr. Funke or our other witnesses. Do you have anything to add on this topic of succession planning and ways Congress maybe can soften the impact to this challenge?

Mr. FUNKE. Yes, I do. In fact, if you noticed in my bio, I listed that I'm only the sales manager there now. That says I promoted my daughter to the general manager right before I left.

Senator YOUNG. I see.

Mr. FUNKE. So, yeah, that is a very important part. I am 67 years of age. I enjoy what I do. I'm not looking to get out just yet, but I also know that we need to keep the younger generation involved, and get them up there, and get them running.

We have a small farm, in today's world. We are farming roughly around 550 acres that my brother and I own. And then my two sons, JC and Matt, help me and my brother with that farming operation. And they just recently purchased 70 acres with help through the USDA, the FSA program as beginning farmers.

I've had them working with us in the last 10 years to help build up that, you know, ability to do something like that. It is not something that you can do overnight, and the ability to start into farming or any small business is going to require the help of somebody that is willing to get them going, whether it's, you know, in our business. You said 25 years. Del Clay started in 1974, and it actually goes back to 1947 when it was started by another individual.

Senator YOUNG. So, Mr. Funke, having just gone through this experience and being, you know, fairly versed in it, you clearly took away because you just shared it with us that you can't start right as you're looking to retire, but were there program adjustments that you feel like would make it easier on people like yourself trying to make this transition to the next generation?

Mr. FUNKE. Absolutely. You know, for this next generation to get going in the correct manner, they need to have some skin in the game, and they need to be able to go out and borrow some money. If all their money is coming from dad, or mom, or their great uncle, that makes it more difficult to get these things going.

But to Ms. Spurgin's comment that six months is too long for these things to take, I've put together a lot of financing for farmers, and the urgency of getting these things done quickly through leasing, through longer-term financing with other lenders is very important.

CHAIR. Yes. And we do have just a few minutes before we close, if the rest of you would like to add comment as well, Mr. Crowell.

Mr. CROWELL. Sure. Thank you. Yeah, this is another area business succession that co-ops can play a key difference. But there's not the technical support out there from SBA to communicate to business owners that option, what it might look like, how to become a cooperative.

We have examples of things like farm supply businesses hardware stores that have converted to cooperative structures and therefore remained in the community. And then on the food co-op side, changing these personal guarantee requirements could free food co-ops to expand their purchases of local goods.

As I mentioned, on average, food co-ops buy from 169 local producers. They're also often areas where new farmers can try new products. They're willing to experiment with new products and services. And you see many examples of local farmers that started just selling to their local food co-op and now are large businesses distributing to major buyers.

Senator YOUNG. Great.

CHAIR. And, Ms. Moreira, did you have any comments?

Ms. MOREIRA. Yes. I just wanted before closing to focus on the LFPA, and the need for the LFPA program for small farmers. And during the last one year, we serviced 500—we purchased aggregate from 500 farmers, small farmers in Massachusetts, in New England.

And the effects of the cancellation in March was devastating. In March, farmers had already purchased their seeds. They had already started their seedlings. All of the planning for the season has already been done. They had already invested in all of the system of doing their crops this season.

So, finding a market at that point, the food finding a market was next to impossible. So, we did the best we could. All farmers that were part of the program did the best they could, but crops were left in the field unsold. So, that's really, really, really important for us to know how important that program is, still is, in how devastating the cancellation of it was. I could go on, you know, but I think my time is up. Thank you.

CHAIR. Thank you. Yes, we appreciate the comments today.

Senator MARKEY. Just ask one quick question, if I may.

CHAIR. Yeah, of course.

Senator MARKEY. Yeah. Thank you. I went to the farm in Ireland that my grandmother had to leave because the succession program in Ireland was the oldest gets the farm and everyone else moves to America. So, I went to the farm just to see, and this woman is like the twin of my mother, but my mother was—you know, that part of the family, it was down the food chain.

So, they all had to come to Boston. And a beautiful farm. You know, I could see just that birth order might have changed my whole history in terms of what the succession plan was. And then, my father was a milkman, so he took us up to Beverly Farms to see where the milk came from the cows, and then he would be delivering the milk. So, we moved to the retail side of farming in one generation. And so, that's my relationship with it.

And, Mr. Crowell, I'd just like to know what did the cuts in the SNAP program's supplemental nutrition program, what impact did that have on small farmers across Massachusetts, but across New England, and the country?

Mr. CROWELL. Yes. Thank you for the question. I think really that the challenge around the cuts to SNAP benefits, obviously, it has a deep impact on food security, particularly in rural areas. But it also has a knock-on effect. What it meant was people with limited incomes had less money to spend on healthy food and groceries, which means sales would go down for the food co-op, which meant that the co-op couldn't buy as much product from, from local farmers.

So, I think when we think about how these benefits impact not just individuals, families on limited incomes, we have to think about them more systemically as well and understand that they are part of a more sustainable and fair food system that can keep people well fed and healthy over time.

Senator MARKEY. Okay. Great. Thank you, Madam Chair.

CHAIR. Wonderful. Well, again, I do want to thank our witnesses for being here today. I ask unanimous consent that the record of today's hearing remain open for two weeks for members to submit questions, revise and extend their remarks, and submit additional information into the record. Without objection, so ordered.

And again, thank you very much for this important committee meeting today. And with that, the Committee on Small Business and Entrepreneurship stands adjourned.

[Whereupon, at 3:42 p.m., the hearing was adjourned.]

JONI ERNST, IOWA , CHAIR
EDWARD J. MARKEY, MASSACHUSETTS, RANKING MEMBER

JAMES E. RISCH, IDAHO
RAND PAUL, KENTUCKY
TIM SCOTT, SOUTH CAROLINA
TODD YOUNG, INDIANA
JOSH HAWLEY, MISSOURI
TED BUDD, NORTH CAROLINA
JOHN R. CURTIS, UTAH
JAMES C. JUSTICE, WEST VIRGINIA
JON HUSTED, OHIO

MARIA CANTWELL, WASHINGTON
JEANNE SHAHEEN, NEW HAMPSHIRE
CORY A. BOOKER, NEW JERSEY
CHRISTOPHER A. COONS, DELAWARE
MAZIE K. HIRONO, HAWAII
JACKY ROSEN, NEVADA
JOHN W. HICKENLOOPER, COLORADO
ADAM B. SCHIFF, CALIFORNIA

MEREDITH WEST, REPUBLICAN STAFF DIRECTOR
SEAN MOORE, DEMOCRATIC STAFF DIRECTOR

United States Senate
COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510–6350
TELEPHONE: (202) 224-5175

January 9, 2026

The Honorable Kelly Loeffler
Administrator
U.S. Small Business Administration
409 3rd Street, SW
Washington, D.C. 20416

Dear Administrator Loeffler:

As Chair of the U.S. Senate Committee on Small Business and Entrepreneurship, I want to first thank you for all the work you have done to support rural small business owners in your time as Administrator. I write today to request information on the U.S. Small Business Administration's (SBA) efforts to build on that work and assist rural community banks participating in the SBA's 7(a) loan program. As we continue to supercharge Main Street and promote economic growth across rural communities, our community banks are critical partners.

As you know, rural small business owners often face countless challenges in securing affordable access to capital.[1] While the 7(a) loan program was established to help reduce funding gaps, participation by the smaller community banks typically serving rural small business owners regularly trails that of larger regional and national banks.[2] In my discussions with Iowa community bankers, it is clear they frequently lack the resources to monitor and comply with SBA regulations and with ever-evolving changes to the SBA's operating manual for lenders in its 7(a) and 504 loan programs, which is nearly 400 pages long. This dynamic often leaves community bankers unclear about whether they meet the qualifications for an SBA guarantee if the loans default, and results in these community banks making few, if any, SBA loans.

For a better understanding of SBA's plans to address these issues, please provide responses to the following questions by February 6, 2025:

1. What resources has the SBA provided or what efforts have been made over the last 12 months to encourage greater rural community bank participation in the SBA loan programs?

---

1 EMILY WAVERING CORCORAN AND JEN GIOVANNITTI, FEDERAL RESERVE BANK OF RICHMOND, BARRIERS TO RURAL INVESTMENT, (Dec. 5, 2024), *available at* https://www.richmondfed.org/region_communities/regional_data_analysis/regional_matters/2024/rm_12_05_24_barriers_rural_investment.

2 SBA, *7(a) & 504 Lender Report*, (Dec. 10, 2025), *available at* https://sballmstab.sbalenderportal.com/t/ExternalSBA/views/7a504SummaryReport/Report.

2. In 2026, how will the SBA lighten the compliance and paperwork burdens for rural community banks so small business owners can better access the SBA loan programs?

Thank you for your attention to this important matter. If you have any questions, please do not hesitate to contact my staff at Devon_Redfield@sbc.senate.gov or 202-224-5175.

Sincerely,

Joni K. Ernst

Joni K. Ernst
Chair

1BERKSHIRE

1Berkshire Strategic Alliance, Inc.
P.O. Box 4829, Pittsfield, MA 01202
1berkshire.com • 413.499.1600 • berkshires.org

Submitted to the Senate Committee on Small Business and Entrepreneurship

Dr. Ben Lamb
Vice President of Economic Development, 1Berkshire
January 10, 2026

Introduction: What Happens When Rural Businesses Disappear

Chair Ernst, Ranking Member Markey, and Members of the Committee:

Thank you for the opportunity to submit written testimony on the challenges facing rural businesses.

Here in Berkshire County, we work directly with rural employers every day; contractors, manufacturers, farmers, trades, hospitality operators, and multigenerational family businesses to name a few. These businesses are often described as "small" by many standards, but their role is anything but. In the Berkshires, and across rural America, a single business can anchor an entire community: employing multiple generations, supporting a tax base, sustaining essential services, and creating the conditions that allow families to stay and thrive.

When rural businesses fail, the impact is not incremental, it is structural. Jobs disappear, yes, but so do apprenticeships, healthcare access, housing stability, and long-term community viability. What is most concerning is that many of these businesses are not failing because demand has vanished, but because policy, capital, and capacity gaps have made continuity increasingly difficult.

The challenges we describe below are not theoretical. They are patterns we see repeatedly, across industries and communities, and they are compounding.

Workforce Constraints: When Jobs Exist but Workers Do Not

Rural America, including Berkshire County, is facing a workforce crisis that is both demographic and systemic.

In many rural regions, the working-age population has been shrinking for multiple decades. In Berkshire County, this trend exceeds 50 years, having seen a total population decline of over 14% decrease from 1970 to today, while our median age has increased by 55% over that same period. Employers are competing for a smaller and older labor pool, across wide geographic areas, and with limited transportation options.

1BERKSHIRE

1Berkshire Strategic Alliance, Inc.
P.O. Box 4829, Pittsfield, MA 01202
1berkshire.com • 413.499.1600 • berkshires.org

Even when wages rise, positions remain unfilled, particularly in skilled trades, healthcare, manufacturing, energy, and construction. These are not entry-level jobs; they are careers that require training, licensing, and experience.

Immigration as an Economic Necessity

For many of our rural businesses and communities, immigration is not an abstract policy debate, it is a practical workforce solution.

Immigrant workers frequently fill roles that local labor markets cannot supply, especially in seasonal, specialized, skilled, and physically demanding occupations. Yet employers we have worked with describe immigration systems that are slow, unpredictable, and misaligned with rural realities. They experience visa caps that ignore regional labor shortages, processing delays that disrupt any attempt at multi-year planning, and uncertainty that ultimately discourages business investment and expansion.

When workforce gaps persist, businesses do not simply "wait it out." They've turned down contracts, delayed growth, or closed altogether. In Berkshire County, that means things like slowed housing production, decreased hours at retail and food businesses, limited offerings for our robust hospitality business ecosystem, and delays in seeing medical specialists due to a lack of available providers. Here, and in other rural communities, this contraction in capacity is often long term or permanent, and recovery from its negative impacts is significantly slower than our population dense urban peers.

Business Succession: The Most Underestimated Threat to Rural Economies

One of the greatest risks to our economic stability in the Berkshires is not business failure, but business non-transition.

Aging Ownership and the Brain Drain Cycle

Rural business ownership skews older. In many regions, a majority of owners are over age 55. In fact, in the Northeast alone, over 200,000 businesses are owned by individuals over the age of 60. At the same time, younger residents frequently leave our rural communities for education or opportunity (perceived or real) and do not return, creating a workforce and ultimately a succession gap that grows wider each year.

National estimates suggest that trillions of dollars in small business assets will change hands in the coming decade. Yet rural businesses are the least likely to have identified successors, prepared ownership transitions, or access to acquisition capital.

1BERKSHIRE

1Berkshire Strategic Alliance, Inc.
P.O. Box 4829, Pittsfield, MA 01202
1berkshire.com • 413.499.1600 • berkshires.org

When succession fails, profitable businesses close. Communities lose jobs, critical services, economic resilience, and institutional knowledge that cannot be easily replaced.

Capital Access and Federal Policy: The Math No Longer Works

Capital access is one of the most significant barriers to rural businesses to start, grow or transition.

In the Berkshires, for instance, we continually experience a gap in capital for new and existing businesses to acquire buildings, fit out facilities, and establish operations. With a deficit in locally committed private investment capital, along with increasingly restrictive lending regulations, and the elimination of resource pools for financial pillars like CDFIs; rural businesses face an uphill financial battle before they are even in operation.

When it comes to business transition, recent changes to change-of-ownership lending under the Small Business Administration, including updates implemented in June 2025, have created even more hurdles for rural buyers. Higher equity requirements disproportionately affect first-time and local purchasers, leading to failed acquisition attempts. Transactions that once penciled out in low-margin, rural industries no longer do, and licensed trade businesses face additional valuation and compliance challenges that can lead to them becoming a liability to transition versus a valuable asset.

These policies are often manageable in urban or high-growth markets where the scale of their economic ecosystem inherently makes them more robust. In rural communities, where margins are thinner and buyer pools are smaller, they can be deal-ending.

Seller Transition Limits and Licensed Trades

Another recurring challenge we have seen involves limits on how long selling owners may remain involved post-sale, often capped at 12 months.

As an example, in licensed trades such as HVAC, plumbing, electrical, and healthcare services, this restriction creates real risk. Licenses and certifications are frequently tied to the owner and buyers need extended transitions to maintain compliance and continuity. Additionally, with rigid timelines, it creates increased operational risk and ultimately deters qualified successors.

What is intended as a safeguard can, in practice, prevent otherwise viable transitions, and in particular with trades businesses, creates deepening voids in core resources in communities that may only have one business that offers any of these skilled services.

Employee Ownership: A Proven Solution That Lacks Infrastructure

1BERKSHIRE

1Berkshire Strategic Alliance, Inc.
P.O. Box 4829, Pittsfield, MA 01202
1berkshire.com • 413.499.1600 • berkshires.org

Employee ownership models such as ESOPs, worker cooperatives, and hybrid approaches, offer one of the most promising solutions for rural succession challenges.

These models keep businesses locally rooted with individuals attuned to the social, economic and nuanced facets of the business' rural locality. They preserve jobs in rural communities where preservation of jobs is far more efficient and sustainable than the creation of new businesses and industries. And they build wealth for workers who already understand the business and have the greatest potential to steward and elevate profitable businesses forward.

Yet in rural regions, employee ownership remains underutilized, not due to lack of interest, but to a lack of support. Business owners and workers alike face: limited access to technical assistance and local navigation capacity, insufficient early-stage education and planning resources, and financing tools that are not well aligned with employee buyout models.

With targeted federal resources and investment in local-level support capacity, employee ownership could become a cornerstone of rural economic resilience rather than a niche option.

Capacity Constraints: When Federal Resources Exist but Are Unreachable

Rural communities face a growing gap between available federal programs, and local capacity to access them.

Organizations that support small businesses, economic development organizations, chambers, and tailored resource providers, are stretched thin. One or two staff members are often responsible for workforce development, business assistance, housing, grants, advocacy, and compliance amongst other things across large geographic areas. For example, at 1Berkshire, our team of 3 serves economic development efforts across 32 cities and towns comprising 946 sq miles. We provide direct technical assistance to over 200 businesses every year, host a job and workforce recruitment portal, manage a regional economic development strategy, coordinate and execute over 50 unique events each year, and run a 10 month-long youth leadership program; to name just a fraction of our work. We are not unique in this. Rural serving organizations like ours are expected to do more, with less, every day, and are often so busy doing the work that impacts our communities that we are never able, nor invited, to help advocate and strategize on how to systematically curtail this capacity deficit.

While local staff capacity continues to be constrained by funding freezes, resource realignment, and budget cuts, reductions in federal field-level staffing have also made it increasingly difficult. We are faced with increased difficulty in reaching the dwindling regional USDA and SBA representatives, can't get timely guidance on grants, contracts or expectations, and continue to find it more and more challenging to get support in navigating complex and constantly shifting policies and compliance processes.

1BERKSHIRE

1Berkshire Strategic Alliance, Inc.
P.O. Box 4829, Pittsfield, MA 01202
1berkshire.com • 413.499.1600 • berkshires.org

The result is a paradox: federal resources exist, but many rural businesses and resource providers cannot realistically access them without hands-on support from local and field-level capacity that no longer exists.

Additional Pressures That Compound Risk

These challenges are only intensified by broader forces that disproportionately affect rural businesses.

- **Tariffs** are raising input costs across a wide spectrum of businesses, without corresponding pricing power.
- **Energy costs and reliability issues** make it difficult to sustain or expand to meet market demand, particularly for manufacturers, technology businesses and cold-chain operations that need diverse energy options.
- **Healthcare access and affordability** make it unsustainable for employers to offer plans to their staff, which directly affect recruitment and retention, deepening the workforce crisis.
- **Transportation and logistics costs** continue to escalate for rural regions at an accelerated rate to major metropolitan areas, further eroding already-thin margins.
- **Housing gaps,** resulting from generations of underinvestment and assessed-value disadvantage that keep valuations low, while building costs balloon, all add to our inability to retain and recruit the workforce to meet business needs.
- **Childcare capacity limitations and costs** have made it tenuous for families to make a life and opportunity for themselves and their children in our rural communities, compounding workforce development challenges.

Each factor alone is manageable. Together, they create fragility.

Policy Implications: What Rural Businesses Need to Survive and Grow

In the past eight years alone, we've worked with over 1000 rural businesses in the Berkshires, received and deployed over $3 million in competitive grants to support starting, sustaining, growing, and transitioning enterprises, and have worked with peers from dozens of other rural communities similarly committed to Rural America's future. Based on this experience, we respectfully urge the Committee to consider and support:

1. **Modernizing workforce and immigration pathways** that reflect regional labor realities and provide the human capacity needed to help our employers meet their market demand.
2. **Revisiting SBA change-of-ownership lending policies** to ensure they function in rural, low-margin markets, and help stop the bleed of viable rural business closures.
3. **Providing greater flexibility in seller transition timelines**, particularly for licensed trades and high-skill industries to allow for creativity and maximized success in transition.

Made possible by our 1Berkshire Leadership Circle Investors

BerkshireBank Berkshire Health Systems COHEN | KINNE VALICENTI | COOK GENERAL DYNAMICS Mission Systems GREYLOCK FEDERAL CREDIT UNION Williams

1BERKSHIRE

1Berkshire Strategic Alliance, Inc.
P.O. Box 4829, Pittsfield, MA 01202
1berkshire.com • 413.499.1600 • berkshires.org

4. **Expanding technical assistance and capital access** for lending partners and local resource providers that deploy direct business assistance and navigation of business succession, transition and exit planning in rural communities.
5. **Reinvesting in rural federal capacity**, including USDA, EDA, and SBA field-level engagement, to provide the backbone of high-touch support that is needed to rebuild trust and access for the $29 million residents living in our nearly 2,000 rural communities across the United States.

What Is at Stake

Rural businesses are resilient, but resilience should not be mistaken for limitless endurance.

When rural businesses disappear, communities do not simply "adjust." They shrink. Opportunity narrows. Young people leave. Essential services vanish. And once lost, these businesses are extraordinarily difficult to replace.

With targeted, informed policy action, many of these outcomes are preventable. The question is not whether rural businesses matter, but whether our systems are designed to sustain them.

Thank you for your consideration and for your commitment to America's rural businesses, and the communities we call home.

Sincerely,

Benjamin J Lamb

Dr. Benjamin Lamb
Vice President of Economic Development
1Berkshire

Senate Committee on Small Business and Entrepreneurship Hearing

January 14, 2026

Follow-Up Questions for the Record

Questions for Ms. Spurgin

Questions from:

Senator Scott

QUESTION 1:

Ms. Spurgin, many meat processors and food manufacturers operate in rural areas and are classified as small manufacturers. As you mentioned in your testimony, these businesses often struggle to access enough capital to modernize facilities, expand capacity, or weather supply-chain disruptions. We saw that during COVID when processing capacity tightened, and consumer prices spiked due to bottlenecks in the supply chain.

S. 1555, the Made in America Manufacturing Finance Act, would raise SBA 7(a) and 504 loan limits to $10 million for small manufacturers, including food and meat processors. From your perspective, how would access to larger SBA-backed loans help small and rural meat processors expand capacity or invest in modernization? And what impact could that have on stabilizing supply and improving food affordability for consumers?

Response: Raising the threshold for small manufacturers and meat processors will expand access to capital. These types of projects are extraordinarily expensive and often exceed what a small rural bank can hold on its own balance sheet. Without SBA participation, we either have to say no or force the borrower to shrink the project to a loan amount that doesn't solve their problem.

Increased access to capital reduces the need for businesses to consolidate in order to obtain the funding that the businesses collectively need. It also leads to increased competition in the system, as businesses can obtain the capital they need to compete in their market. This allows for stabilized supply of goods and services and improved affordability for consumers.

QUESTION 2:

Ms. Spurgin, you emphasized that rural banks are not philosophically opposed to SBA lending, but are often constrained by underwriting, compliance, and guarantee risks that don't reflect rural economic realities including seasonal business models and asset-rich but cash-poor borrowers.

If Congress were to prioritize a change to SBA loan rules such as recognizing community banker judgment as a compensating factor, allowing greater flexibility in equity and collateral requirements, or reducing technical claw-back risk for smaller rural loans, which reforms would most immediately increase rural bank participation and expand access to capital for young and beginning entrepreneurs without increasing default risk?

Response: Reforms that would immediately increase rural bank participation and increase access to capital include reducing the technical "claw-back" risk for smaller rural loans and adding flexibility in equity injection and collateral requirements.

Congress should consider creating a safe harbor where the SBA cannot deny the guarantee for immaterial technical errors if underwriting met SBA credit standards, fraud is absent, and core eligibility requirements were satisfied. This would reduce post-closing uncertainty that currently discourages participation in SBA programs. A safe harbor would not loosen underwriting standards but would reduce the risk for the participating bank.

Alternatives to equity and collateral requirements allow for greater participation for startups and ownership transfers in rural areas. Beginning entrepreneurs often have structured support options (such as "sweat equity," donated equipment, or seller notes on standby) in lieu of cash down payments. The value of these items can be validated and should be considered as alternative equity and collateral items.

QUESTION 3:

Ms. Spurgin, given your experience working with SBA programs in rural Iowa communities, how do you envision a strengthened SBA Office of Rural Affairs, such as the ideas envisioned under S. 1093, could better coordinate with existing USDA programs to close remaining capital and technical-assistance gaps for rural small businesses?

Response: Rural small businesses often lack knowledge of available small business loan programs offered by the federal government and, as importantly, the technical expertise needed to develop strong applications for funding under these programs. I would welcome a greater role for SBA and USDA in providing financial education to small business borrowers so that credit-worthy small businesses can obtain the funding they need to grow their business.

Senate Committee on Small Business and Entrepreneurship Hearing
January 14, 2026
Follow-Up Questions for the Record

Question for Mr. Funke

Question from:

Senator Scott

QUESTION 1:

Mr. Funke, you mentioned the small business tax incentives in the One Big Beautiful Bill and acknowledged that many rural businesses tend to reinvest earnings rather than make short-term returns.

From your perspective as a rural small business owner, how do those tax provisions create new opportunities for investment and growth in rural communities, and where does access to SBA financing still need to complement those incentives so small businesses can turn those savings into expanded equipment, facilities, or jobs?

RESPONSE:

From a rural small business perspective, the tax incentives in the One Big Beautiful Bill create meaningful opportunities because they reward exactly how rural businesses operate. We don't typically take profits and distribute them; we reinvest them back into our businesses and our communities. Provisions that allow for lower effective tax rates and faster expensing free up capital that can be put directly toward new equipment, facility upgrades, technology investments, and workforce development. In rural areas, those investments have a multiplier effect — supporting local suppliers, creating stable jobs, and keeping businesses competitive against larger, urban-based companies. My small family agriculture equipment business has worked hard to reinvest back into our business and supporting the rural community.

That said, tax incentives alone don't always translate into immediate growth without access to capital. Even with tax savings, large purchases, such as my case with building expansion, require financing. In my opinion, SBA should be a back stop for younger businesses to help keep them viable. I would like to see them operate to promote and encourage young Entrepreneurs, allowing for a safety net to allow a confidence level for local funding. I do not know if this could be patterned after an FSA program, they have a good program encouraging young people to farm. We need help for small businesses, especially communities with a population under 10,000 people.

If at some point, you would like to hear my own horror story on SBA financing, I would be happy to share it with you.

○