



COVID-19-Related Loan Assistance for Agricultural Enterprises

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The Coronavirus Aid, Relief, and Economic Security Act (CARES Act; P.L. 116-136) created the Small Business Administration's (SBA's) [Paycheck Protection Program](#) (PPP) and [Emergency Economic Injury Disaster Loan](#) (EIDL) grants to provide short-term, economic relief to certain small businesses and nonprofits. For more information on SBA-related emergency relief provisions, see CRS Report R46284, *COVID-19 Relief Assistance to Small Businesses: Issues and Policy Options*, by Robert Jay Dilger, Bruce R. Lindsay, and Sean Lowry.

Important note: The SBA started accepting PPP and Emergency EIDL grant applications on April 3, 2020. The SBA stopped accepting new PPP and Emergency EIDL grant applications on April 16, because funding provided for these programs by the CARES Act was either exhausted (PPP) or nearing exhaustion (Emergency EIDL grants). The SBA resumed accepting PPP applications on April 27, following enactment of the Paycheck Protection Program and Health Care Enhancement Act (P.L. 116-139). The act provided an additional \$321.335 billion for the PPP and \$10 billion for Emergency EIDL grants.

The SBA continued to process Emergency EIDL grant applications submitted prior to April 16. However, because of the large number of Emergency EIDL grant applications submitted, the SBA did not accept new Emergency EIDL grant applications until May 4, 2020, and then only on a limited basis to accommodate agricultural enterprises. P.L. 116-139 included a provision (Division A, §101) to temporarily permit agricultural enterprises, as defined by Section 18(b) of the Small Business Act (15 U.S.C. §647(b)), with not more than 500 employees to receive Emergency EIDL grants and EIDLs through December 31, 2020.

This Insight will be updated to reflect any legislative changes affecting these programs.

PPP Loan Terms and Eligibility

PPP loans feature a two-year term at 1% interest, the waiver of the SBA's up-front loan guarantee and annual servicing fees, relaxed underwriting requirements, deferred payments for six months (interest does accrue), and loan forgiveness of up to 100% of the loan's principal amount under specified conditions

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related to the borrower's retention of employees and wages and the use of the funds for specified purposes, such as payroll and employee benefits.

PPP loans can be used for payroll costs; costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums; employee salaries, commissions, or similar compensations; payments of interest on any mortgage obligation (excluding any prepayment of or payment of principal on a mortgage obligation); rent (including rent under a lease agreement); utilities; interest on any other debt obligations that were incurred before February 15, 2020; and refinancing an SBA EIDL loan made between January 31, 2020, and April 3, 2020.

Agricultural enterprises, defined in Section 18(b) of the Small Business Act as "small business concerns engaged in the production of food and fiber, ranching, and raising of livestock, aquaculture, and all other farming and agricultural-related industries," may apply for a PPP loan if the applicant meets the PPP's eligibility requirements:

- any SBA [7\(a\) loan guarantee program](#)-eligible small business;
- any business, 501(c)(3) nonprofit organization, 501(c)(19) veteran's organization, or tribal business not currently eligible that has not more than 500 employees; or, if applicable,
- the SBA's size standard in number of employees for the industry in which they operate.

[Sole proprietors, independent contractors, and eligible self-employed](#) individuals are also eligible to receive a covered loan.

SBA PPP [guidance](#) notes that, in addition to having 500 or fewer employees, agricultural producers, farmers, and ranchers are eligible for the PPP if the business fits within its revenue-based industry size standard, which, for most agricultural enterprises, is average annual receipts of no more than \$1 million. Additionally, they can qualify for PPP loans if their business meets SBA's "alternative size standard," which is currently (1) maximum net worth of not more than \$15 million, and (2) the business's average net income after federal income taxes (excluding any carry-over losses) for the two full fiscal years before the date of the application is not more than \$5 million.

As of April 16, 2020, the SBA [reports](#) that 46,334 PPP loans, totaling \$4.37 billion (1.28% of the total amount approved), went to agricultural, forestry, fishing, and hunting businesses.

EIDL Terms and Eligibility and Emergency EIDL Grants

EIDLs, if related to economic damages caused by the COVID-19 pandemic, feature a loan term of up to 30 years with 3.75% interest for small businesses and 2.75% interest for private nonprofit organizations. The loans may be used for fixed debts (rent, etc.), payroll, accounts payable, and some bills that could have been paid had the disaster (in this case, the COVID-19 pandemic) not occurred.

The CARES Act authorizes the SBA to provide an advance EIDL payment of up to \$10,000 to borrowers adversely affected by the COVID-19 pandemic. The advance payment, referred to as an emergency EIDL grant in the CARES Act, does not have to be repaid, even if the applicant is subsequently denied an EIDL. Due to high demand, the SBA limited EIDL advance payments to \$1,000 per employee, capped at \$10,000.

Small businesses, most private nonprofit organizations, small agricultural cooperatives, small aquaculture businesses, and nurseries deriving less than 50% of their annual receipts from the production of nursery or other agricultural products are EIDL eligible. The CARES Act temporarily expands, through December 31, 2020, EIDL eligibility to include startups, cooperatives, and eligible ESOPs (employee stock ownership plans) with fewer than 500 employees, sole proprietors, and independent contractors.

Historically, agricultural enterprises, other than small agricultural cooperatives, small aquaculture enterprises, and eligible small nurseries, have not been eligible for EIDL because language was added to Section 18 of the Small Business Act prohibiting the SBA from duplicating “the work or activity of any other department or agency of the Federal Government,” to exclude agricultural enterprises. At one time, the Small Business Act specifically mentioned the Farmers Home Administration as a source of program duplication, but that reference has been removed. Section 18 also specifies that if “loan applications are being refused or loans denied by such other department or agency responsible for such work or activities ... then, for purposes of this section, no duplication shall be deemed to have occurred.”

As mentioned, P.L. 116-139 temporarily permits agricultural enterprises with not more than 500 employees to receive EIDL and Emergency EIDL grants through December 31, 2020.

The SBA stopped accepting new EIDL and Emergency EIDL grant applications on April 16, 2020, because funding provided by the CARES Act for these programs was nearly exhausted. The SBA continued to process EIDL and Emergency EIDL grant applications submitted prior to April 16 on a first-in, first-out basis. Because of the large number of EIDL and Emergency EIDL grant applications submitted, the SBA did not accept new EIDL and Emergency EIDL grant applications until May 4, and then only on a limited basis to accommodate agricultural businesses provided eligibility by the Paycheck Protection Program and Health Care Enhancement Act.

As mentioned, the SBA is also processing EIDL and Emergency EIDL grant applications from agricultural businesses that had submitted prior to the legislative change. These agricultural businesses do not need to reapply. All other EIDL and Emergency EIDL grant applications that were submitted before the SBA stopped accepting new applications on April 15 are being processed on a first-in, first-out basis.

As of April 24, 2020, the SBA reports that it had approved 38,984 [COVID-19-related EIDL loans](#), totaling \$7.9 billion, and nearly 1.2 million [Emergency EIDL grants](#), totaling \$4.8 billion.

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