

Congress of the United States
Washington, DC 20510

November 19, 2018

Administrator Linda McMahon
United States Small Business Administration
409 3rd Street Southwest
Washington, D.C. 20416

Dear Administrator McMahon,

As elected officials of the second largest poultry producing state, we ask that you reconsider the Small Business Administration (SBA) proposed rule on the Express Loan Programs and Affiliation Standards. We are deeply concerned that, if finalized, provisions in this proposed rule would effectively end the ability of Arkansas's family farmers and small businesses to utilize SBA's loan programs.

Agriculture is the top economic driver for our state, and poultry is the largest segment of Arkansas's agricultural industry, creating and supporting over 150,000 jobs including thousands of family farms. Access to capital is one of the most significant barriers to entry for farming, which is why Congress specifically included agriculture in the SBA's mandate. Unfortunately right now, the agricultural economy is sputtering. Net farm income has been cut in half since 2013, farm bankruptcies have drastically increased, and input costs are rising. Especially during difficult economic times like these, SBA's 7(a) program facilitates essential capital access for small family farmers to continue producing the safest, most-affordable, highest-quality food in the world.

On March 6, 2018, the Office of the Inspector General to SBA released a report titled *Evaluation of SBA 7(a) Loans Made to Poultry Farmers*. Regrettably, the OIG concluded the loans did not meet SBA requirements for eligibility because integrators purportedly exercised control over the growers through contracts, operating procedures, and other mandates, such that the family farmers should be viewed as "affiliated" with poultry integrators. The subsequent proposed rule embraces these faulty conclusions, and it would jeopardize the livelihood of thousands of small family farms and small businesses across Arkansas.

In reality, poultry growers are independent, registered businesses in their respective states. Poultry integrators establish quality criteria, provide technical support, and provide certain production inputs. However, the independent poultry farmer is solely responsible for obtaining financing; supervising, managing, and directing day-to-day operations; and paying all taxes. The poultry farmer is not a partner, agent, or employee of the integrator.

In testimony to the House Small Business Committee, the SBA stated that the performance of poultry loans was very good, with a delinquency rate of less than one-half of one-percent and lower than the overall 7(a) portfolio. Additionally, poultry loans represent only one percent of the entire 7(a) portfolio and are not crowding out other small businesses' participation in the program. While these loans are a small part of the overall program, they have an outsized impact

on our state. This proposed regulation is not required by any recently passed law or Congressional action, yet if finalized, it would be overwhelmingly detrimental to our family poultry farmers.

We respectfully ask that you revise this proposed rule to ensure poultry growers are not arbitrarily excluded from the 7(a) loan program, and we look forward to your response.

Sincerely,



John Boozman
United States Senator



Tom Cotton
United States Senator



Rick Crawford
Member of Congress



French Hill
Member of Congress



Bruce Westerman
Member of Congress



Steve Womack
Member of Congress