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Statement of Thomas W. Cosgrove
Executive Vice President, Farm Credit East
before the Joint Senate and Assembly legislative hearing on the federal response to the
economic impact of the COVID-19 pandemic on small businesses in New York State

May 13, 2020

Distinguished members of the Senate and Assembly, my name is Tom Cosgrove. I serve as Executive Vice President of Knowledge Exchange, Public Relations and Marketing for Farm Credit East.

Farm Credit East is a cooperative providing credit and financial services to farms, forest product and fishing businesses across New York and the Northeast. We provide about \$4.3 billion in loan commitments to 10,000 customer members in New York served from our 12 branch offices across the state. As a cooperative, 13 of the 16 members of our board of directors are customer-elected, including Chair Laurie Griffen of Stillwater, NY, and Vice Chair, John Knopf of Canandaigua, NY.

I appreciate the opportunity to provide comments about the federal response to the economic impact of the COVID-19 pandemic on small businesses in New York. Let me first address the economic impact, as most farm businesses would be categorized as small businesses. Like most parts of the economy, COVID-19 has had a major impact on nearly every sector of food and agriculture in New York.

According to Farm Credit East's Knowledge Exchange report, *Northeast Economic Engine*, when processing and marketing are taken into account, food and agriculture represent nearly \$40 billion in economic activity and support more than 160,000 jobs in the state. It is difficult to estimate how much COVID-19 will reduce the economic output, but we know many farm families are facing financial hardships right now. I want to assure legislators that our team is working with members on a case-by-case basis to help them through this challenging time.

In terms of the federal response, Congress has passed four major pieces of legislation related to COVID-19, including the Coronavirus Aid, Relief and Economic Security (CARES) Act signed into law on March 27, 2020, and the Paycheck Protection Program and Health Care Enhancement Act signed into law on April 24, 2020. I'll focus my comments on three programs: the Paycheck Protection Program (PPP), the Economic Injury Disaster Loan (EIDL) and the Coronavirus Food Assistance Program (CFAP).

While the PPP has received the most attention, there are also a number of significant tax provisions for individuals and businesses in the CARES Act that merit attention. I'd refer those interested to our website, FarmCreditEast.com/KnowledgeExchange, where our tax experts discuss some of the CARES Act tax considerations for agricultural producers.

CARES Act – Paycheck Protection Program (PPP)

When the CARES Act passed and the federal government launched the PPP, one of the challenges for farms accessing the program has been that the Small Business Administration (SBA) has administered it.

While it was positive that farms and Farm Credit institutions were eligible to receive and make these loans, like most farms, Farm Credit East has had very little interaction with the SBA. In fact, agricultural producers are ineligible for some SBA programs.

Like most farmers themselves, Farm Credit East has traditionally worked with the USDA Farm Service Agency as its primary federal lending partner and didn't have ready access to the SBA lending system.

Nonetheless, we wanted to make sure customers had an opportunity to participate, so we focused our initial efforts on helping them understand the program and the information needed to apply. We held several webinars and had regional teams ready to assist customers.

Because the program was the same regardless of where a business applied, we advised members to apply through other financial institutions where they had a relationship. We also made arrangements with a third-party provider to process applications for Farm Credit East customers and assisted other members in accessing the program.

Agriculture received a very small percentage of the initial round of PPP funding. Fortunately, the Paycheck Protection Program and Health Care Enhancement Act signed into law on April 24 provided additional funds. Many of the farms that didn't receive funds in the first round, or hadn't yet applied, were approved.

We are encouraged that many farms received funds or are waiting on their loans to close, but it was a difficult process even though SBA staff worked diligently to get as many applicants into the program as possible.

Economic Injury Disaster Loan (EIDL)

An example of a program that was not originally available to agricultural producers is the EIDL. The EIDL is a loan program directly administered by SBA and includes the option for a \$10,000 emergency advance.

In addition to providing a second round of PPP funds, the Paycheck Protection Program and Health Care Enhancement Act also replenished funds for the EIDL and made agricultural producers eligible to participate. On May 4, the SBA provided an exclusive period for agricultural producers to apply.

For non-ag businesses who applied for the EIDL **before** the PPP, the \$10,000 advance would be rolled into the forgivable portion of the PPP loan. If agricultural producers first signed up for the PPP then decided to apply for the EIDL, however, the \$10,000 advance would reduce the forgivable portion of the PPP loan.

Coronavirus Food Assistance Program (CFAP)

The CARES Act also provided about \$23.5 billion in funds to directly aid agricultural producers. On April 17, USDA Secretary Sonny Perdue announced the USDA would use some of these funds to create the CFAP with about \$3 billion for a new food assistance program and \$16 billion to be paid directly to agricultural producers.

Recently it was announced that \$1.2 billion in contracts were signed for the \$3 billion Food Box Distribution Program and we hope that there will be strong participation from New York farmers. Along with the state's Nourish New York initiative, these programs have the potential to provide both nutrition assistance to those in need as well as an outlet for farmers who have lost their markets.

The \$16 billion in CFAP direct producer aid has been allocated as follows:

- \$9.6 billion for the livestock industry
 - \$5.1 billion for cattle
 - \$2.9 billion for dairy
 - \$1.6 billion for hogs
- \$3.9 billion for row crop producers
- \$2.1 billion for specialty crops producers
- \$500 million for other crops

We support the comments of the New York Farm Bureau on specific recommendations for distributing the assistance. We are concerned, however, that given the scope of the economic impact, additional funds to assist producers will be needed. We also applaud Commissioner Ball's leadership as he urges Secretary Perdue to make sure New York farmers receive their fair share of the payments.

Conclusion

We appreciate Congress' efforts to support small businesses. As we evaluate the federal response to COVID-19, the PPP and EIDL programs were overly complex and didn't take into account the unique concerns of agriculture or agricultural producers weren't eligible.

The lessons of the PPP and EIDL underscore why there should be a simpler approach for the CFAP's direct producer aid. The situation facing New York's agricultural producers is serious and assistance is needed as soon as possible. The program should be simple and easy to apply for so that all producers can access it and receive assistance in a timely manner.

And finally, while the focus of this hearing has been on federal assistance, at the state level, I hope the legislature will not cut state funding for critical agricultural programs that help support New York's farms.

Thank you again for allowing me to provide comments as you prepare to weigh in on the federal response for COVID-19. Like health care workers and first responders, farmers and their teams are also on the front lines continuing their essential work to provide food and all the other products Americans enjoy.

I hope that legislature can provide effective guidance to the federal government to secure the assistance needed to help New York's farmers and the state's food and agricultural sector through this challenging time.