

United States Senate
WASHINGTON, DC 20510

Administrator Linda McMahon
Small Business Administration
409 3rd Street, S.W.
Washington D.C. 20416

January 24, 2019

Administrator McMahon:

We write today in support of the Small Business Administration's (SBA) proposed rule (RIN: 3245-AG74) with regard to the 7(a) loan guarantee program.

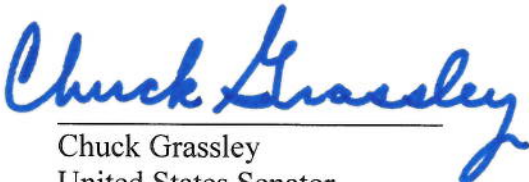
In 2018, SBA Office of Inspector General (OIG) evaluated the integrity of SBA 7(a) loans made to poultry farmers, in response to allegations that the loans were essentially subsidizing large poultry companies. As you know, the investigation found that some small poultry producers have little to no independence from large poultry companies.

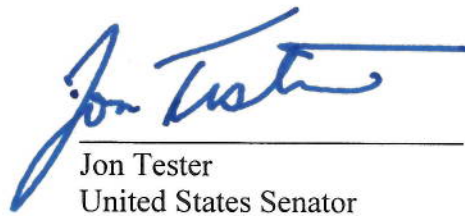
The OIG found that larger companies exercise control over smaller growers through a series of contractual restrictions, management agreements, oversight inspections, and market controls. This control supersedes practically all of a grower's ability to operate their business independent of the larger company. In short, although small poultry growers are the direct recipients of SBA 7(a) loans, large poultry companies are exploiting these small growers by utilizing those loans to shift risks onto taxpayers that private banks will not finance.

As farmers ourselves, we understand the importance of expanding access to capital to folks to make farming more viable. The SBA 7(a) program enables farmers to get loans when they might otherwise not be able to. We must ensure that small producers are able to get the resources they need to keep their farm running, without undue influence from larger poultry companies.

We support the proposed rule to ensure that SBA loan guarantees are not permitted for poultry operations unless they are truly independent small businesses. In addition, we urge you to make this rule effective across the board for SBA 7(a) lenders. Doing so supports small farms, and brings increased security to rural America. Thank you for your consideration.

Sincerely,


Chuck Grassley
United States Senator


Jon Tester
United States Senator