

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), expanded eligibility for [Emergency Economic Injury Disaster Loans](#) (EIDLs), and established Emergency EIDL grants to provide short-term, [economic relief to certain small businesses and nonprofits](#). The CARES Act also made certain agricultural enterprises eligible for SBA COVID-19 relief. When the SBA stopped accepting PPP loan applications on May 31, 2021, it had approved more than 11.8 million PPP loans, totaling nearly \$800 billion.

PPP Loan Terms and Eligibility

PPP loans feature a two- or five-year term at 1% interest; a 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 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.

Initially, PPP loans could be used for payroll costs; group health care benefits during periods of paid leave, and insurance premiums; employee salaries 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 incurred before February 15, 2020; and refinancing of an SBA EIDL made between January 31, 2020, and April 3, 2020.

The Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Division N, Title III of the Consolidated Appropriations Act of 2021), enacted on December 27, 2020, (P.L. 116-260) expanded the list of allowable uses of loan proceeds and PPP loan forgiveness to include personal protective equipment, supplier costs, software payments, cloud computing, other human resources and accounting needs, and property damage costs from the 2020 public disturbances that are not covered by insurance.

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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 that has not more than 500 employees; or, if applicable,
- the SBA’s size standard in number of employees for their industry.

[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.

On May 31, 2021, the SBA [reported](#) that it had approved 682,419 PPP loans, totaling \$18.1 billion (2.3% of the total amount approved), for agricultural, forestry, fishing, and hunting businesses.

EIDL and Emergency EIDL Grants Eligibility and Terms

Prior to the CARES Act, agricultural enterprises (other than agricultural cooperatives, aquaculture enterprises, and eligible nurseries) were ineligible for EIDL because Section 18 of the Small Business Act prohibits SBA from duplicating the work or activity of other federal departments or agencies. Agricultural enterprises are eligible for disaster assistance from the [U.S. Department of Agriculture](#). Section 18, however, specifies there is no duplication if loan applications are refused or denied (by another department or agency). The Paycheck Protection Program and Health Care Enhancement Act (P.L. 116-139) temporarily permitted agricultural enterprises with not more than 500 employees to receive EIDL and Emergency EIDL grants through December 31, 2020. That deadline was extended to December 31, 2021, by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (P.L. 116-260). Agricultural enterprises are only eligible for COVID-19-related EIDL.

SBA COVID-19 EIDLs have loan terms 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 other expenses that could have been paid had the COVID-19 pandemic not occurred.

The CARES Act also provided \$10 billion for emergency EIDL grants of up to \$10,000 to borrowers adversely affected by the COVID-19 pandemic. The emergency EIDL grant did not have to be repaid, even if the applicant was subsequently denied an EIDL. Due to high demand, the SBA limited grants to \$1,000 per employee, capped at \$10,000.

The SBA [stopped accepting](#) new EIDL and Emergency EIDL grant applications on April 16, 2020, because funding for the programs was nearly exhausted but continued to process EIDL and Emergency EIDL grant applications that had already been submitted on a first-in, first-out basis. On May 4, 2020, SBA [began processing](#) EIDL and Emergency EIDL grant applications from agricultural businesses that had submitted applications prior to the legislative change [making them eligible](#). Agricultural businesses did not need to reapply. After receiving \$50 billion in additional EIDL credit subsidy and an additional

\$10 billion for Emergency EIDL grants from P.L. 116-139, the SBA resumed the acceptance of new EIDL and Emergency EIDL grant applications from all eligible borrowers on June 15, 2020. Emergency EIDL grant funding was exhausted on July 11, 2020.

The American Rescue Plan Act (P.L. 117-2) established a “Targeted EIDL Advance” to provide grants of up to \$10,000 to businesses located in low-income communities, with 300 or fewer employees, and a revenue reduction of more than 30% during an eight-week period beginning on March 2, 2020, or later. Businesses and nonprofits that received a previous Emergency EIDL grant in an amount less than \$10,000 have first priority. Most agricultural enterprises, however, are ineligible for the Targeted Advance. Rather, the [Targeted EIDL Advance](#) is limited to aquaculture businesses, agricultural cooperatives, and retail nurseries.

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