Senate Committee on Small Business & Entrepreneurship

Topic: Growing the Small Business Agricultural Economy

14 January 2026

Highlights: This hearing examined challenges facing rural small businesses, farmers, and agricultural economies under current federal policies. The hearing featured testimony from rural bankers, cooperative leaders, farm equipment dealers, and small farm- advocates.

Key Points:

- Rural Banking and Small Business Administration (SBA) Access
    - Witnesses, notably Melissa Spurgin, highlighted extensive compliance burdens for SBA's 7(a) loan program, the impracticality of SBA requirements for small rural lenders, and challenges faced by young and beginning farmers seeking financing.
- Impact of Federal Policies on Rural Economies
    - Members—especially Sen. Joni Ernst (R-IA) and Sen. Edward Markey (D-MA) discussed increases in food prices, tariff impacts on export markets, labor shortages tied to immigration enforcement, and cuts to SNAP causing ripple effects in rural food systems.
- Cooperative Solutions and Market Access
    - Witness Erbin Crowell emphasized the role of cooperatives in regional food systems. He also discussed SBA barriers such as personal guarantee rules, USDA/SBA coordination gaps, and the importance of federal purchasing programs like LFPA (Local Food Purchase Assistance).
- Struggles of Small and Midscale- Producers
    - Witness Maria Moreira described struggling with the rapid shifts in markets, pressures from climate change, cancellation of LFPA harming hundreds of small farmers, and the need for stable markets via federal procurement policy.
- Farm Succession
    - Aging farmer demographics
        - Erbin Crowell noted that many cooperatives and farms are multi-generational, but succession is increasingly difficult because younger people face high barriers to entering farming.
        - Sen. Todd Young (R-IN) mentioned downstream losses in jobs, population, and economic activity in small towns.
    - Estate tax pressures

        - Sen. Jon Husted (R-OH) illustrated how estate taxes jeopardize family farm continuity: a 3,000-acre farm worth $30 million could face a $12 million tax bill under prior rules—an amount that, at typical farm profit levels, would take nearly 150 years to repay. Because farmers' wealth is tied up in land and equipment rather than cash, heirs would likely be forced to sell off farmland just to cover the tax burden, breaking generational ownership.
    - Farm profitability and transfer
        - Even large farms operate on thin margins due to volatile markets, climate pressures, and rising input costs, leaving little capital for succession. Low profits often force families to sell land or equipment to pass the farm to the next generation, and limited cash flow makes it hard for younger farmers to buy out retiring relatives. These tight margins—combined with estate tax pressures—push many farms toward consolidation, outside investor purchase, or fragmentation that removes land from agricultural use.
- Barriers for beginning farmers:
    - Witnesses explained that young and beginning farmers often carry student debt, face high land prices, lack established credit histories, have difficulty competing with large agribusiness capital, and need smaller, quicker loans- something SBA programs struggle to provide.
    - Lack of financing tools to help young farmers enter agriculture
        - Witnesses said SBA and USDA programs are not calibrated to help a young farmer buy into an existing operation-a far easier path than starting from scratch.
        - Senator Young pressed specifically on whether SBA programs are flexible enough to support farm ownership transitions, and witnesses agreed they are not.
    - Cash down payment requirements
        - According to Melissa Spurgin, SBA's 10% minimum cash down payment is a major obstacle for young farmers who often have land-based wealth but limited liquid cash. Rigid underwriting not suited for farm realities
    - SBA rules often do not account for seasonal income, multiyear investment cycles, cyclical commodity prices, rural asset structures (land-rich but cash-poor), joint or inherited ownership structures.
        - Specific requirements from SBA- beginning farmers cannot meet strict projections, collateral rules, or paperwork demands.
- Committee members and witnesses argued for:
    - More flexible underwriting for agricultural borrowers
    - Lower cash down payments, especially when equity already exists in land/equipment
    - Faster loan approval times (current SBA loans take months-Spurgin noted a 6-month closing period)

- Better USDA-SBA coordination, particularly on beginning farmer programs (FSA, REAP, etc.)
- Beginning farmers need relationship-based lending and federal tools that reward good potential, not just liquid assets or standardized metrics.