IOWA DEPARTMENT OF
AGRICULTURE &
LAND STEWARDSHIP

Mike Naig
Secretary of Agriculture

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**Testimony of Iowa Deputy Secretary of Agriculture Grant Menke**
**Before the U.S. Senate Committee on Small Business and Entrepreneurship**
**Hearing Entitled "Streamlining and Coordinating Support for Rural Small Businesses"**

**September 18, 2024**

Good afternoon, Chair Shaheen, Ranking Member Ernst, and members of the Committee, and thank you for the invitation to testify today.

My name is Grant Menke, and I serve as the Deputy Secretary of Agriculture for the State of Iowa. I am here today on behalf of Iowa Secretary of Agriculture Mike Naig, who is currently on a trade mission to India with Iowa Governor Kim Reynolds. He wishes he could be here, but I am pleased to share his perspective and that of numerous Iowans in the ag community who have spent the last few months recovering from devastating and costly natural disasters.

Agriculture drives the economy of Iowa. It is our state's number one industry. Consumers near and far depend on the productivity of Iowa agriculture, and our multi-generational family farms and ag businesses are proud of this fact.

Unfortunately, many of these same family farms were devastated by a series of weather disasters earlier this year. While our historic drought of 204 consecutive weeks was finally busted, this growing season unfortunately produced historic flooding and a record number of tornadoes in Iowa.

Secretary Naig spent many days on the road this spring and summer visiting farms, businesses and communities that were hit hard. In many cases these folks lost nearly everything – not just farm buildings and equipment – but also their homes.

Secretary Naig relayed the story of a man from a century farm in southwest Iowa. This farm had been in the man's family for more than 100 years, and they lost everything in a devastating tornado. This farmer was clearly feeling the pressure and responsibility for his farm and the legacy it represents. He was thinking of generations past, but also of generations to come. Despite his world being turned upside down, he relayed to Secretary Naig his determination to turn the page, rebuild, and start the next chapter of his family farm story.

But as these farms have moved forward, they've encountered challenges.

Like any small businesses with significant equipment, infrastructure and operating costs, these farms carry property and casualty insurance. They also rely on risk management programs authorized through the Farm Bill, including crop insurance. Yet, there are still significant gaps, especially during this time of persistent inflation. That's why farmers and farm businesses have needed to turn to disaster programs offered by USDA and SBA to access the capital needed to continue operations.

Through this disaster recovery process, Iowans have discovered that there are several frustrating and confusing disparities between these programs, and it is our hope that this committee can begin the process of addressing these inequities.

In addition to the overall complexity of these federal programs, one of the most significant issues Iowans have faced is the disparity in accessibility and eligibility between USDA and SBA disaster programs. Since farmers are not eligible for SBA disaster programs, these differences have been especially difficult for farm families.

For instance, SBA disaster loans typically offer more favorable terms, including higher loan limits, lower interest rates and longer repayment terms than USDA disaster loans. SBA disaster loans also offer deferral of the first payment and no interest accrual for the first 12 months – features that are not available with USDA disaster loans. These discrepancies place an undue burden on farmers and farm businesses who already operate on thin margins, especially amid the softening ag economy.

To address these inequities going forward, we encourage you to align the eligibility criteria, loan limits, terms and conditions for SBA and USDA disaster programs to ensure that all affected farmers and farm businesses can access the support they need without unnecessary barriers.

Due to gaps in the current USDA disaster programs, the State of Iowa has already taken action to provide some immediate relief to Iowa agriculture. The new Disaster Recovery Farm Interest Program, announced by Governor Reynolds on July 11, 2024, offers farm businesses up to $50,000 of reimbursement for one year of scheduled interest payments owed on eligible loans that farmers will use to repair or replace damage on insured property. This program essentially aims to align emergency ag loans with the same one-year deferred-interest financing offered by SBA. A similar solution is needed at USDA to ensure that assistance is available for farmers in Iowa and other states facing similar hardships.

We should all be inspired by the optimism, determination, and fortitude of the farmers and farm businesses in Iowa and around the country who have weathered these storms and natural disasters. Family farms are essential to the vitality of our rural communities and economies. They are the heart of agriculture and essential to making the U.S. a global ag production powerhouse.

Through common-sense reforms to USDA and SBA disaster programs, we can ensure that those farms affected now – and in the future – can receive the help they need to recover, rebuild, and write the next chapter of their family farm's legacy, which will, ultimately, contribute to the greater story of U.S. agriculture.

Thank you for your time and consideration, and I welcome your questions.

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# DISASTER RECOVERY FARM INTEREST PROGRAM (DRFIP)

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| **Program Overview** | The **Disaster Recovery Farm Interest Program (DRFIP)** provides financial assistance to agricultural asset owners and producers who are recovering from property damage and losses caused by recent severe weather events.<br>DRFIP will reimburse one year of interest paid on Eligible Loans executed or amended after the earliest incident date of the federal disaster declaration for the county where the damage occurred. |
| **Application Window** | Applications will be accepted through **September 30, 2024**, subject to funding availability. Assistance awards will be made to Eligible Applicants with Eligible Loans on a rolling basis. |
| **Maximum Award** | One year of scheduled interest owed on eligible loans, up to **$50,000**.<br>Once assistance is approved, a reimbursement claim may be submitted when the Eligible Loan has been outstanding for at least one year from the execution or amendment date. |
| **Eligible Applicants** | Assistance is available to Iowa-domiciled agricultural producers who:<br>• Are citizens or permanent residents of the United States.<br>• Own a farm or operate a farming operation located in an Iowa county declared by the federal government as a primary disaster area.<br>A current list of Iowa counties where a disaster has been declared can be found at disasterassistance.gov under the **List of Disasters** section.<br>• Have suffered a physical loss to livestock, livestock products, real estate, or equipment used in the production of agricultural products, for which an insurance claim has been submitted and approved. |
| **Eligible Loans** | Loans that have been executed or amended after the earliest incident date of the federal disaster declaration for your county. Incident dates for each federal disaster declaration can be found at disasterassistance.gov. |
| **Required Documentation** | Applicants must submit the following supporting documentation:<br>• For corporations and other entities, a current IRS Form W-9.<br>• Insurance claim approval document (e.g., inspection report).<br>• Executed final loan documents dated after the initial incident date of the federal disaster declaration for your county, including amortization schedule. Incident dates for each federal disaster declaration can be found at disasterassistance.gov.<br>• USDA FSA Form 156 for the current crop year (2024) for all affected farms or tracts on which the damaged property is used and or located. The Applicant's name must appear in the **Owners**, **Operator Name**, and/or **Other Producers** field. If you need assistance, please contact your local FSA office. |
| **Contact** | For questions, please email farmerinterest@iowafinance.com. |

## Frequently Asked Questions

- **How do I apply?**

  Applications for assistance may be submitted through iowagrants.gov. After creating an account and logging in, select the **Funding Opportunities** tab on the left-hand navigation. The application is listed as **Disaster Recovery Farm Interest Program**.

- **How can I check the status of my application?**

  You may view the status of your application at iowagrants.gov by selecting the “Submitted Applications” tab on the left-hand navigation.

- **Am I eligible to receive assistance?**

  Assistance is available to owners and/or operators of farming operations that have experienced a physical loss to livestock, livestock products, real estate, or equipment used in the production of agricultural products, for which an insurance claim has been submitted and approved.

  The damaged property must be located or used in an Iowa county where a disaster has been declared. An up-to-date list can be found at disasterassistance.gov under the **List of Disasters** section.

  Applicants must provide documentation that an insurance claim has been submitted and approved for the damaged property.

  “Eligible Loans” are those that have been executed or amended after the earliest incident date of the disaster proclamation for the county where the damage occurred.

- **How much assistance can I receive?**

  The maximum assistance available is equal to the one year of scheduled interest owed on eligible loans, up to $50,000.

- **When will I receive my payment?**

  Once assistance is approved, a reimbursement claim may be submitted when the Eligible Loan has been outstanding for at least one year from the execution or amendment date.

- **Do I have to pay the grant back?**

  No.

- **Who receives the payment?**

  Applicants will be reimbursed directly via ACH for interest payment(s) made on eligible loans, up to the awarded amount.

- **Do I have to pay taxes on the assistance funds?**

  A 1099-G will be issued to all entities that receive an assistance payment. Any questions regarding whether the grant is taxable income, please consult your tax advisor.