

(As prepared for delivery)

REMARKS BY
UNDER SECRETARY THOMAS DORR
National Conference Of State Legislatures – Legislative
Agricultural Chairs Summit
Dallas, Texas
Sunday, February 16, 2003

- **Thank you**
- **I am pleased to be with you.**
- **As a farmer and businessman from rural Iowa I have long held a passion for developing new opportunities for rural America – Especially as we looked for new ways to better utilize our natural resource base and our agricultural and forestry products.**

- **Before joining the Bush Administration – I farmed for nearly 30 years in Northwest Iowa. I raised what all Iowan’s raise – corn – beans – cattle and lots of hogs. And when I returned to the family farm in 1972. It was exciting and the opportunities looked endless.**
- **But, as all of you know we – as an industry – have migrated through more changes in the last 30 years than our father and grandfathers saw the previous 50 – 60 years. Now – after bouts with hellish inflation in the 70’s, the ag-crisis of the 80’s, the fall of the iron curtain in the early 90’s, and the onset of new global competition – a strong dollar and ongoing difficulties in the Middle East –one begins to wonder what choices make sense. That’s what brings us together and understanding these seminal issues are what will continue to make us strong in the long run!**

- **So before I go any further – I want you to know that I truly understand the difficulties and often times tenuous nature of this business of agriculture -- but more important -- Rural America– yet I am optimistic that Rural America is on the threshold of some significant opportunities.**
- **Why? Well ---I like to use the analogy of the hourglass – for I think it best depicts our relationship to certain events.**
- **The history of U.S. agriculture and its accompanying social and rural policy is essentially that of a social contract entered into by our forefathers with the policymakers and leaders of the early – mid 1800’s. The leaders agreed to provide land, economic opportunity, and ultimately education to the hearty souls who were willing to travel to and settle the vast Western reaches of the continental U.S.**

- **In return it was expected they would exploit our natural resources in order for the country to have adequate food-fiber and the necessary raw material to build our developing industrial base.**
- **This social agreement worked. Built upon a constitutional republic form of government. Which was founded on the principle of freedom secured by the concepts of title to property, contracts and rule of law – this social agreement worked like nothing mankind had ever seen.**
- **So where does the hourglass fit?**
- **At the top – at the widest point one might envision the mid-late 1800's – thru the late 1970's. There was great growth and opportunity – much demand and limited competition. But beginning in the early 80's – we transitioned into the neck and we've been there for nearly 20 years.**

- **Why? Because large segments of the world formerly governed by totalitarian regimes became free – thus creating competition for our traditional commodity based markets.**
- **In addition – the Internet and technology were developed – resulting in two more things which have impacted us – the free flow of capital and easy access to knowledge – thereby creating additional international and non-traditional competitive pressures.**
- **Yet – in my view—we are near if not already moving into the other wide half of the hourglass. With numerous initiatives being developed that address a host of new opportunities ranging from renewable energy, to carbon and greenhouse gas sequestration and mitigation, to the development of an entirely new biobased products industry ---I do believe we are on the cusp of new growth opportunities for agriculture and all of rural America. We are nearly through the neck of the hourglass.**
- **Why do I suggest this?**

- **First, there is no greater supporter of rural America than President Bush and his Administration. You may recall that his first major policy initiative in May of 2001 was to develop and give direction to our nation's energy policy – one that highlighted the issue of energy independence and national security. This significant opportunity to develop renewable energy from production agriculture has brought American Agriculture squarely to the energy table.**
- **Renewable energy which involves everything from ethanol produced from many sources of biomass to wind, geothermal, and even anaerobic digestion of animal waste -- all clearly have places at the table.**
- **This focus and emphasis by the Administration set a tone and course for integrating renewable energy into our nation's national security and energy and agriculture policies – that were soon to be followed up by Congress in the 2002 Farm Bill and signed into law last May.**

- **The significance of the Farm Bill is that it continued the focus of President Bush by expanding a number of policies that responded to these renewable energy and environmental opportunities.**
- **So whether it is energy, environmental or other forms of new business ventures, I believe Rural Development has the programs to support these opportunities.**

BUSINESS PROGRAMS

- **The one thing I've known from the start of my transition from being a farmer and businessman to someone assigned to administer an agency within USDA was that Rural Development is well positioned to facilitate the delivery of needed services and programs to rural America. One way we assist in this effort is through our rural business loan and grant programs.**
- **Rural Development is not the lender of last resort. We are instead rural America's venture capital firm.**

- **When a venture capitalist invests in an entrepreneur what does he get in return? -- Equity – If the entrepreneur is successful – the venture capitalist is much better off for his investment. So why do I say Rural Development is the venture capitalist of rural America? Because we, the President, and Congress believe in rural America. We believe the return on our equity from rural America is a stronger rural economy and a higher quality of life, along with all ancillary benefits from exploiting the talents of all rural Americans.**
- **But here is the key -- venture capital requires private investments as well. Many suggest that farmers and ranchers don't have enough capital because they don't invest in many off-farm opportunities. On the farm, we call that "bunk".**

- **Farmers have not used their asset base – their land – to its maximum return. Instead of just rolling that capital into the relatively low returns from farming, they could move some of their capital to other areas. This would raise farm incomes – and enable more farmers to stay on the farm. Our farmers probably can't get much better at farming. They should, however, get much better at investing.**
- **So when I hear people say farmers and ranchers don't have the money to make major investments in ventures that ultimately can exact a strong return on their investment, I say that's wrong. The money is there. If the business plan is sound and convincing – and if farmers understand the untapped potential of their capital, I suspect they will invest.**

- **We are challenged today to develop strategies for rural America that are effective and programs that make sense. We, in the public sector, simply have to do a better job. We have bound ourselves up with procedures, regulations and approaches that reflect a rural America of the 1950s, using definitions from the 1930s.**
- **That has got to change. Rural America of the 21st century will look nothing like the rural America of the early 20th century. Our programs have got to stop looking back and start looking forward.**
- **We have to work with our farmers and ranchers to encourage them to use the untapped equity in their land to make serious investments in their local communities. This doesn't mean encouraging them to leave farming or to take senseless risks. It's just the opposite. By increasing their return on investment – the value of their land – their ability to stay in farming will be enhanced, not lessened. That age-old question of how to protect the family farm comes in diversification.**

- **In order to do this, we also need to improve business knowledge and skills in rural America. Serious education on business strategies, finance, marketing and decision making will enable farmers, business and community leaders to lead dynamic, creative cooperative businesses that can succeed.**
- **Most of all, we need to work together. Partnerships and collaborative approaches are how we make this vision of rural America a reality.**
- **We must recognize however, that collaborative relationships are not limited to traditional bodies coming together as separate entities, but rather, all working together as one to exact an outcome that matches our vision.**

- **One of the most powerful and forward ideas that has begun to take hold in pockets of our country is regionalism. To many it is a trepid venture toward finding new ways of addressing ageless issues facing rural areas: tax bases, governmental services, and collaborative solutions. Frankly, I think it makes sense to join forces -- you bring more strength to solving issues, you can create sustainable economic centers of commerce and substantially reduce baseline cost to local citizens.**
- **To further explore this idea, I would encourage you to obtain a copy of the report published by The Federal Reserve Bank of Kansas City from their May 10, 2002 conference on “The New Power of Regions”. It provides a wealth of perspectives and ideas on how regionalism can benefit rural communities.**

- **Agriculture Deputy Secretary Jim Moseley, who I highly respect as a friend and a colleague, presented to the group ideas on “How Regions Change The Future Of Rural Policy”. In his remarks, he shared as I have this morning that agriculture and rural America has changed dramatically, and it requires us to recognize what is driving these changes and how we can capitalize on them to benefit rural communities.**

He identified at least four driving issues:

- **First Driver – Technology --Technological change has revolutionized farming thereby increasing productivity and effecting a movement off-farm,**
- **Second Driver – Evolution of domestic and export markets,**
- **Third Driver – Advances in communication and logistics management, and**

- **Fourth Driver – Mobility of people to move to where opportunity (economic/quality of life) exist.**

So what is the Point?

- **Regionalism isn't about the lost of identities -- it is the capturing of the best each change has to offer and working as one to bring about positive changes. It is about working collaboratively to reduce cost – and to increase levels of communication, coordination, and cooperation. It is about sharing training and educational opportunities on how to effectively bring together this wealth of resources that when brought together can have a tremendous impact on the economies of rural areas.**
- **It is about partnering and preparing our rural communities to be competitive and prosperous in an ever-changing world economy.**

- **We also must understand that there are challenges to regionalization -- which if not recognized and addressed, will impair its success:**
 - **First – Regionalization and clustering will require a high level of cooperation amongst all parties. Regional rural development may require new structures to bridge these communication and cooperation gaps.**
 - **Second – The private sector will be pivotal and must be participants in the development process to achieve sustainable progress – they are job creators -- they invest capital and produce goods and services. They must be at the table and leading the change.**
 - **Lastly – We must find mechanisms for tapping private sector capital to support rural development. As I mentioned earlier, we must look to non-traditional sources to generate liquidity that can be transformed into capital investments – such as the illiquid rural assets.**

- **When we look at the overall challenges facing our rural communities, foremost, we must recognize that while approaches of the past were right for the time, we must aggressively look to new methods of addressing new challenges that are upon us now.**
- **How can Rural Development support this effort? By keeping our eye on a simple but clear vision:**

OVERALL RURAL DEVELOPMENT VISION

- **To increase economic opportunity throughout rural America**
- **To improve the quality of life for all rural Americans**
- **Although these two goals sound simple enough, as most of you who live in rural areas know, this is easier said than done.**

- **We propose to do this by pushing the President’s agenda, exploiting opportunities in the Farm Bill, and working with organizations like yours. We do this with:**

Economic Opportunities:

- **Capital Investments**
- **Infrastructure**
- **Technology**
- **Energy**

Quality of Life:

Basic

- **Housing**
- **Food and Water**

Essential

- **Education**
- **Health Care**

Necessary

- **Recreational; and**
- **Cultural**

- **If we begin to succeed at these initiatives, that of increasing economic opportunities and improved quality of life, many of which are already in play, then opportunities will move into these rural areas.**
- **At all levels, we need to think differently and in ways that capture the spirit and values of rural America. We must act boldly.**
- **Rural America is no longer just about getting grain from the farm onto railcars and shipping it away. It is about capitalizing on – and creating – opportunities that create jobs and grow communities.**
- **We must allow ourselves to think creatively and differently. And that different thinking starts with how we think of rural development at the national level. We do not develop rural America – rural Americans develop rural America.**
- **The foundation is there. Now, it is our challenge to build on it.**