

{As Prepared for Delivery}

Remarks By
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North American Agriculture Journalists

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- **Thank you David (Hendee – Omaha World-Herald and moderator).**
- **I appreciate the opportunity to discuss with you this morning domestic rural economic policy and the ways in which USDA Rural Development supports rural families and communities by helping to increase their economic opportunity and improve the quality of life for all rural residents.**

- **First, I would like to say that USDA is fortunate to have one of your members, Patricia Klintberg, who is a tremendous asset to USDA and to Rural Development. I have personally appreciated her input on matters important to rural America.**

RURAL DEVELOPMENT

- **Many of you may have known our agency as the old Farmers Home Administration – the lender of last resort.**
- **But today, in my opinion Rural Development is rural America’s venture capital firm – Why do I say this, because of what we can offer through Rural Development’s Rural Housing Service; Rural Business-Cooperative Service; and Rural Utilities Service.**
- **Let me give you a short laundry list of what we do.**

RURAL HOUSING –

- **Our Rural Housing Service forms the bedrock of this Administration’s commitment to rural America.**

- **President Bush feels a safe secure home is the foundation for the family unit. This is why he proposed a 32 percent increase for single-family housing direct loans in his 2004 budget. Owning a home is the oldest and best form of building equity and we must encourage more families to invest in their future. This investment will help families build wealth, lead to job growth and create a generation of new economic activity in rural communities.**
- **Coupled with the President's efforts was the recent assistance Congress provided in allowing \$11 million in carryover housing funds to be used to create \$900 million in new funding for guaranteed loans – Adding 12,000 in additional homeownership opportunities for rural Americans.**
- **In addition to the single-family housing program, we provide loans and repair grants for single family, multi-family, and farm labor housing. And we provide loans and grants for a vast array of community facilities and equipment – ranging from fire trucks to health care facilities.**

RURAL BUSINESS

- **Business and Industry Guarantee loans.**
- **Intermediary Relending Program – provides funds for local revolving loan program.**
- **Value-Added Agricultural Product Market Development grants (VADGs).**

RURAL UTILITIES

- **Technology Infrastructure - Rural Broadband – Telemedicine/Distance Learning.**
- **Rural Community water and wastewater loans and grants.**
- **Electric and telephone direct and guarantee loans.**

Implementation of Farm Bill Programs:

- **Over the last year, several of these programs have been utilized in implementing provisions of the Farm Bill.**

To Reduce The Backlog of Community Infrastructure Needs:

- **We expedited the release of \$762 million in community water/wastewater infrastructure loans and grants to help with nearly 400 projects.**

(Announced selections on August 20, 2002)

To Build Rural Technology Infrastructure – Specifically Broadband:

- **We completed the rulemaking process and began accepting applications in January '03 for the new Broadband program. \$1.5 billion is available this year to help build rural technology infrastructure.**

To Support The Expansion of Economic Opportunities For Agricultural Producers:

- **We utilized private-sector resources to help expedite the review and announcement of \$37 million in Value Added Agricultural Product Market Development Grants. In the last two years, \$57 million in Agricultural Value-Added Development Grants for 291 recipients in 43 states, including \$10 million in proposals to develop and market bioenergy in 22 states.**

And --To Increase The Use of Renewable Energy and Energy Efficient Systems:

- **We convened a task force of partners, including: Department of Energy, Environmental Protection Agency, and other USDA agencies to assist in developing the guidelines for implementing Section 9006 of the Energy Title. The program is being designed to assist farmers, ranchers, and rural small businesses develop renewable energy systems and make energy efficiency improvements to their operations.**

- **All of these efforts are investments in the future of rural America. \$12-14 billion annually/ \$86 billion portfolio.**

 - **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 public equity investments in 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.**

 - **So how can we succeed at increasing equity in rural areas?**
1. **First – We in Rural America Must Determine How To Keep Competitive --**

- **How do we ensure a strong rural economy? I firmly believe that American agriculture is at a crucial crossroad. When we look at what drives our local rural economies, along with our agricultural production capacities, and in the context of global markets -- we must accept the new economy of agriculture -- one that requires new strategies and an openness to adapting to new environments.**
- **I believe the key to remaining competitive is our ability to grasp and utilize the power of technology --The Internet, and the technology that has flowed from it – has resulted in the free flow of capital and easy access to knowledge across borders. It has made it possible for competition to develop and build production and value-added systems unconstrained by yesterday’s foundations. It has served to create international and non-traditional competitive pressures.**

- **As an example – Scott (Kilman of the Wall Street Journal), you may recall a recent article in the Wall Street Journal that drives home the fact that through the use of these technologies, we have seen a shift toward creating opportunities where they previously didn't exist. The story cited the remigration to China by those who came to the United States for the economic and educational advantages our country holds, but found that through modernization of technology in their own country, that they can return home and have access to global commerce opportunities. If we are going to compete with the Brazils and China's we must be competitive.**
- **The importance of trade to our U.S. economy is clear, for every \$1 billion in exports, we create employment opportunities for 15,000 Americans, and in rural America, one-third of all jobs depend on exports.**
- **But embracing the benefits of technology will not alone provide our producers and rural business ventures the competitive edge needed in today's markets. We need to look at agriculture as a business, and in America that is easier said than done.**

- **Let me give you an example. I recently had a discussion with a Midwest farmer. He spent 20 minutes with me rationalizing why he tore down a building by his farm. It was the barn his grandfather built. He said he couldn't put big doors on it, the facility wasn't usable, etc. He felt guilty.**
- **My point is – maintaining traditions sometimes create problems in remaining competitive. Progressive companies eliminate obsolete structures and replace them with efficient ones.**
- **New competitors unconstrained by traditions, like many Brazilian entrepreneurs, simply build using the latest technology.**
- **Now saying this isn't easy -- I like the traditions of rural America – but again, if agriculture is to be competitive we must be resourceful and creative.**

- **The harsh global economic realities that we face -- forces us to understand and accept – that while we hold dear the attributes of the American Gothic way of life – we have a responsibility to our families and the future of American agriculture to paint a new picture -- one that allows us to respect our traditions, but expand our tolerance and acceptance of new and innovative approaches to support our farmers and ranchers and the rural communities in which they live. It is time we paint an American Gothic for the 21st Century.**

2. Business Management Component – Land Leveraging

- **Earlier I mention that I see Rural Development as the venture capitalist for Rural America – as an investor, we must look to see where we can leverage resources to maximize capitalization and ensure a greater return.**
- **But here is the key -- venture capital requires private investments. Many suggest that farmers and ranchers don't have enough capital because they don't invest in many off-farm opportunities. I don't agree.**

- **As someone who has spent nearly 30 years as a farmer and businessman in northwest Iowa, I understand this challenge to the traditional mindset.**
- **But I would say that 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 simultaneously 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 simply 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 must 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.**

(EXAMPLES)

- **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 and ranching will be enhanced, not lessened. That age-old solution of how to protect the family farm comes as we have always known in diversification.**
- **In order to do this, we need to help 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.**
- **But utilization of land equity as a form of capital investment must be accompanied by understanding how cooperatives can better support producers and value-added ventures. Cooperatives must be prepared to sail in relatively unchartered waters to bring the maximum benefit to producers who look to them for economic opportunities and security.**

3. Promoting Cooperative Equity

- **One of our top initiatives at Rural Development is to look at the effectiveness of the current cooperative model for assisting farmers and ranchers. The traditional model was developed with good intentions.**
- **However, cooperatives are now struggling to convert the equity and dreams of many rural Americans into the kinds of economic opportunity they need and desire. Rural Development's Rural Business-Cooperative Service group should be at the focal point of this discussion and we intend to be.**
- **As Under Secretary, I will be looking at ways to increase profitability for producers who use cooperatives as an investment vehicle. If we begin to look at cooperatives with the idea that they can serve not only as a form of security, but also as an investment vehicle that pays dividends to its members – one that is focused on creating an acceptable return on investment – we will have gone a long way to strengthening rural America.**

- **It is this type of creative thinking that will enable all of rural America to participate in the opportunities of the 21st century. It is that kind of thinking that we need to become adept at working through here at Rural Development's Coop Services. It is what we intend to do as we look for ways to facilitate rural America's growth.**

My Final Point Is Renewable Energy:

- **One of the greatest potentials for economic growth is the development and production of renewable energy here in the United States.**
- **President Bush understands this potential and has strongly supported our rural small businesses, ranchers, and farmers in this effort. In fact, the first major policy initiative by this Administration was the unveiling of its energy plan in May of 2001. It has given direction to our nation's energy policy – one that highlighted the issue of energy independence and national security. This initiative clearly brought renewable energy to the 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.**
- **After two decades of development, renewable energy is finally at the point of commercialization.**
- **This focus and emphasis by the Administration set a tone and course for integrating renewable energy into our nation's national security, 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.**

- **With this strong focus on renewable energy, USDA and USDA's Rural Development are preparing to assist in this expansion in the economic base of rural America.**
- **As an example of our commitment during the last two years, Rural Development has financed 73 loans and grants in 25 states totaling \$45 million to fund biobased and bioenergy related businesses. This is a significant step toward fulfilling the objectives of the Nation's energy plan.**
- **While agricultural policy is focused mainly on production, Rural Development strives to help maximize the return on all available resources in rural areas.**

Closing

- **Let me say in closing that rural communities, much like agriculture, have been undergoing critical changes that are important to their long-term sustainability and growth. The goal of the President and Rural Development is to support these communities and place at their disposal the tools they need to succeed.**
- **If rural America as a whole can embrace the notion that it can no longer look upon American agriculture as the only potential growth engine and set aside the nostalgic journey into the past, we can ensure a strong and prosperous rural economy for decades to come. And;**
- **One that will entice our young people to stay or even return to Rural America.**
- **Thank you for inviting me to be here today and I look forward to answering any questions you may have.**