

{As prepared for delivery}

Remarks By
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Under Secretary for Rural Development

"Sharpening Your Product Agriculture Skills"
Regional Value Added Conference
and
Product Development Workshop

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- **Good Afternoon and thank you for the kind introduction.**
- **I am especially pleased to be here today because I believe very strongly in what you are doing to help increase profitability in production agriculture and the resulting economic development in rural areas.**
- **As you know, creating successful value-added ventures is critical to our rural economy. It's tough – hard work.**
- **I am also pleased to have with me and to introduce today our recently appointed Michigan state director to Rural Development, Dale Sherwin. Many of you may have worked with Dale during his tenure at the Department of**

Agriculture. He has an outstanding background and we couldn't be more pleased with the President's selection.

- **Many of you have recently come to know Rural Development through programs like the value-added and the energy efficiencies and renewable energy system grant programs, but may not realize the depth of our impact on rural communities and how all of the efforts we undertake are intertwined and related to the efforts you are making to improve local economies.**

RURAL DEVELOPMENT

- **Also many of you may have known our agency as the old Farmers Home Administration – the lender of last resort.**
- **So I would like to take a few minutes to talk about Rural Development. Because today, in my opinion Rural Development is rural America's venture capital firm – Why do I say this, it's because of what we can offer through Rural Development's Rural Housing Service; Rural Business-Cooperative Service; and Rural Utilities Service.**
- **We are a large bank – a bank that loans for rural infrastructure. We have an \$86 billion portfolio and will do \$16 billion in loans and grants this Fiscal Year.**
- **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. Owning a home is the oldest and best form of building equity and we must encourage more families to invest in their future.**
- **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).**
- **And most recently, on April 7, 2003 we announced the availability of \$23 million in grants to assist small businesses, farmers and ranchers with developing renewable energy and energy efficiency systems.**

RURAL UTILITIES

- **Technology Infrastructure - Rural Broadband – \$1.45 Billion in loan/loan guarantees was announced on January 29, 2003 in addition to Telemedicine/Distance Learning loans/grants.**
- **Rural Community water and wastewater loans and grants.**

- **Electric and telephone direct and guarantee loans.**

However,

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.**
- **In Michigan, one example of innovation, commitment, and drive to create successful value-added ventures has been the Thumb Oilseed Producers' Cooperative. Their efforts to develop and produce a variety of oils and food products derived from soybeans is bringing soybean producers in a ten-county area of Michigan's thumb area the opportunity to increase the bottom-line profitability to their farmer operations.**
- **Such value-added ventures have been encouraged and supported by Rural Development because it drives not only the profitability of the farmers producing the soybean, it brings new economic investments to their local communities as well.**

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

- **Last December 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 designed to assist farmers, ranchers, and rural small businesses develop renewable energy systems and make energy efficiency improvements to their operations.**

- **There are two important elements:**
 - **Tax incentives**
 - **Regulatory**

- **I tell you all this to alert you to the type of resources Rural Development has available. How do you access state and local offices? You can do this through Dale Sherwin.**

- **Now why does the USDA have this interest? I said earlier we are venture capitalist.**

- **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 around the world. 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.**
- **We must adapt.**

2. 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 in providing a beneficial interest to C patron members, but also as a unique 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.**
- **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 perhaps set aside the nostalgic journey into the past, we can ensure a strong and prosperous rural economy for decades to come. And;**
- **One that should very well 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.**