

{As prepared for delivery}

**Opening Statement by
Under Secretary for Rural Development Thomas C. Dorr**

**House Agriculture Committee
Hearing on New Generation Cooperatives
Thursday, October 16, 2003**

- **Thank you Mr. Chairman.**
- **Mr. Chairman, Members of the Committee, on behalf of the President and Secretary Veneman, I appreciate the opportunity to come before this committee to discuss with you ways in which the Federal government might help farmers, ranchers, and other rural residents increase their incomes and improve their quality of life through effective cooperative organizations.**
- **I am honored that President Bush has given me the opportunity to be at the helm of a consortium of dynamic and progressive investment programs within USDA.
Rural Development has two goals.**
- **Increase Economic Opportunity**
- **Improve Quality of Life for all rural Americans**

- **With an \$86 billion portfolio, USDA Rural Development is by today's standards a large bank. This year alone, with a budget authority of about \$2.9 billion, we will invest nearly \$16 billion in rural investments to build housing, support business development, and strengthen our rural infrastructure of community water, wastewater, electric, telecommunications and community facilities.**
- **Since arriving at Rural Development, I realized the critical need to look at the effectiveness of the current cooperative model for assisting patron members.**
- **Farmers and ranchers still retain a high level of confidence in cooperatives and this business model is still one of the most trusted tools of business development in rural America.**

- **The traditional model and tax structure was developed with good intentions and has met our needs for many decades. However, cooperatives, like much of rural America, face serious challenges. The companies they buy from and sell to are becoming larger, fewer in number, and more sophisticated, which has altered the traditional market place.**
- **Sweeping innovations in areas such as biotechnology, information services, transportation, and global sourcing have made many cooperative facilities and equipment obsolete. Also, governance structures and the resulting transparency appear to have helped to make non-cooperative enterprises be more responsive to change.**
- **It is becoming more evident than ever that global economic challenges are here to stay. That is why Rural Development has placed a high priority on looking at the current cooperative model for assisting farmers and ranchers in this increasingly competitive environment.**
- **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. And, cooperatives must be prepared to sail in unchartered waters, but with as much navigational assistance as Rural Development can provide.

- I believe we should consider modifying existing cooperative concepts and developing ones that are more responsive and transparent. We need cooperatives that are attractive to investors and tax rules that are more flexible and favorable.**
- Let me add that as someone who spent over 30 years in farming, I understand that we probably can't improve production efficiencies a great deal. But I believe we can do better at investing and improving yields on our assets.**
- My written testimony, which I have submitted for the record, provides a more in-depth assessment of my views. We need to improve the ability of our farmers and ranchers to utilize a modified cooperative structure that will improve their profitability and ultimately quality of life for their families.**

- **Mr. Chairman and members of the Committee, cooperatives are an important part of Rural America. Rural Development stands ready to offer whatever leadership and support we can to improve the business environment for cooperatives.**
- **I am happy to answer any questions you may have at this time.**