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**NEW PROGRAMS TO BENEFIT RURAL HOUSEHOLDS AND  
BUSINESSES**

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(As prepared for delivery)

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Thank you Thomas (Rowley) - Moderator

I am pleased to have this time today to share how Rural Development is working to bring improved economic opportunities and support a higher quality of life to residents of rural America.

In total, Rural Development has over 30 programs dedicated to facilitating local efforts -- from financing housing and business ventures to developing community infrastructure such as essentials as water, wastewater, telephone, electric and broadband. We also support local efforts to construct hospitals, fire stations, libraries, and the list goes on.

In addition we are becoming very involved in value-added agriculture and entrepreneurial business opportunity development in rural America.

#### OVERALL RURAL DEVELOPMENT VISION

However USDA Rural Development's mission is to make available to communities the tools that can accomplish our two primary goals --- Since the onset of the Bush Administration - our mission has become the implementation of Our Two Primary Goals:

That is to increase economic opportunity throughout rural America;  
and

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.

Our fundamental belief is Rural Development's role should be to serve local communities by facilitating the harnessing of the resources necessary to address regional economic and quality of life issues.

How do we do this? In my view we are doing this by serving as the venture capitalist for rural America

Unlike the past when we were perceived as the lender of last resort - We now bring capital, technology and technical assistance to rural America.

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. So why is Rural Development the venture capitalist of rural America? Because we, the President, and Congress believe in rural America. The return on our equity from rural America is a stronger rural economy, a higher quality of life, and the benefits derived for society from exploiting the talents and resources of all rural Americans.

To bring this into greater focus, I want to expand upon two particular initiatives that are center stage at Rural Development:

Agricultural Value-Added Product Market Development  
Grants  
Section 9006 of the 2002 Farm Bill - THE RENEWABLE  
ENERGY SYSTEMS AND ENERGY EFFICIENCY IMPROVEMENTS

VALUE-ADDED

Over the past two years, the Administration has placed a significant emphasis on helping producers to increase profit margins by adding value to their commodities.

While agricultural policy is focused mainly on production, Rural Development strives to help maximize the return on all available resources in rural areas. Particularly including those derived through value-added endeavors. Grants provide funds for:  
Feasibility studies;  
Developing legal structures; and  
Other necessary components.

In support of President Bush's economic agenda, USDA Rural Development provided \$57 million in Agricultural Value-Added Development Grants in the last two years. This is a significant contribution to entrepreneurialship.

SECTION 9006 -- Farm Security and Rural Investment Act of 2002 (Farm Bill)

This is the first time an energy title focusing on renewable energy systems and energy efficiency improvements has been included in a Farm Bill.

And it "Establishes a grant, loan, and loan guarantee program to assist eligible farmers, ranchers, and rural small businesses in purchasing renewable systems and for making energy efficiency improvements."

We are under a tight timeframe to make selections by the end of September. Consequently, this year's \$23 million will be made available in the form of grants - which we hope to advertise in June. This is not to say that we have abandoned the rule making process, but time is of the essence and we don't want to risk losing the funds because of a slow rule making process.

I feel that it is especially important though to ensure that as we implement this program, we do it in a way that is useful to those who may best be able to develop and implement and benefit from these opportunities. Accordingly our rule development process is composed of an inter- and intra-agency working group involving folks for NRCS, FSA, ERS, EPA and DOE. --

Supporting Rural Households

An equally important cornerstone to a strong community is homeownership. It creates stability and as we have seen over the last year, serves as a strong economic staple in our overall U.S. economy. --

Increasing homeownership is a key component of the Bush Agenda. Not because it sounds good politically, but because he believes passionately in the strength of families - just as all of you do. And central to strong families - is a solid, safe and secure house. The kind of house all families wish to call home and come back to.

It is one of the oldest forms of building capital known to mankind -- it is homeownership!

Over the last two years USDA has worked to assist 82,000 rural families realize their dream of homeownership.

While rural America has the highest percentage of homeownership, we believe we must do more. To strengthen our economy and provide greater opportunities for homeownership, USDA Rural Development unveiled in October 2002 an aggressive plan to achieve the Administration's goal of helping 5.5 million minority families attain the dream of homeownership by 2010.

Our five-star commitment includes:

- Lowering Fees To Reduce Barriers to Minority Homeownership;
- Doubling The Number of Self-Help Participants by 2010;
- Increasing Participation By Minority Lenders Through Outreach;
- Promoting Credit Counseling and Homeownership Education; and
- Monitoring Lending Activities To Ensure 10 Percent.

We must aggressively work to develop relationships with those who have the resources and can appreciate the uniqueness of rural America - and will invest in rural America. An example of this is Chase Home Finance, who recently committed \$500 billion to assist rural minority families realize their dream of homeownership. This presents a tremendous opportunity for rural families, and will allow for an incredible amount of capital to flow into rural areas.

Business and housing are two very important elements in improving the overall quality of life for rural Americans. Yet other basic community infrastructure and facilities are also important.

#### *Community Infrastructure and Facilities*

As rural communities grow, so does their need for better community facilities and infrastructure. Rural Development supports local development by financing:

- Water or waste water systems;
- Electric, telecommunications; and
- Fire, rescue, and public safety needs.

#### *Technology for the 21<sup>st</sup> Century*

Let me add that a strong and competitive rural community in the 21<sup>st</sup> Century must also provide residents with the necessary infrastructure to support modern information technology. Technology that supports local businesses, educational and job skill training, and state-of-the-art health services in more remote rural areas.

#### *Broadband*

In January, the Bush Administration announced the expansion of funding for such technology through the availability of \$1.455 billion in loans and loan guarantees.

If your community needs such infrastructure, the Broadband application guidelines are available in the January 30, 2003 Federal Register or you can view them by visiting USDA's web site.

This may be the most essential element in creating a strong rural economy. It provide access to resources and technology that allows rural businesses and residents to be more competitive.

All of these efforts are part of Rural Development's role as venture capitalist.

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 21<sup>st</sup> century will look nothing like the rural America of the early 20<sup>th</sup> 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 - first time food >exports,

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 loss of identities -- it is instead about how to capture 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.

*Working together, We Can Bring New Economic Opportunities and Quality of Life To Rural Americans*

Government can no longer remain blindfolded when adopting policies and programs affecting our citizens. Programs and services should be designed to support local efforts and needs.

I have been and continue to ask all our Rural Development employees to seek out and develop opportunities, while simultaneously elevating them to everyone's attention. We can no longer wait for opportunities to come to us.

Conclusion

In conclusion Rural Development is one of the core agencies affecting development in Rural America. We have the delivery mechanism and technology to make things happen.

We have 850 offices across the nation staffed with outstanding personnel who are capable of innovation and problem solving.

We are working to help improve the flow of capital, strengthen technology, rebuild infrastructure and increase opportunities of all types.

Together we will all continue to play a significant role in creating new opportunities in Rural America.

Thank you for your time.