

{As prepared for Delivery}

## **Remarks for Under Secretary Thomas Dorr**

### **IOWA BANKERS**

**Washington, D.C.**

**Wednesday, June 11, 2003**

- **Thank you**
- **Good morning everyone, I am pleased to be here with you this morning.**
- **I have to admit one of the gatherings I enjoy the most is that of the Iowa Bankers. I enjoy visiting with you regarding banking issues, but to be honest, I also love ice cream. I realize it is too early in the morning for ice cream, so please know that my commitment to be here today is genuinely to discuss banking issues.**
- **Let me say that I have enjoyed working with two of your leaders, John Rigler and John Sorensen (Executive Director) who represent your interest well.**

## **PAUSE**

- **I know that your overriding focus as bankers is on the needs of local families, businesses and farmers. It is this same focus and vision that we embrace at Rural Development. And it is this similarity in focus and ideas that brings me here this morning.**
- **The Iowa Bankers Association couldn't be as successful as it is if it didn't understand its markets and adapt its lending practices to progress with the times. Your 116 year association is more than an accumulation of years, it is an accumulation of understanding, and commitment to the communities you serve.**
- **To forge leadership and lending which in turn create financial opportunities that can benefit the community you serve is critical to rural economic development. The traditions and values you have established as community lenders and leader has placed you in a position of trust and has bonded your community to you.**

- **It is in that vein that I wish to share with you my belief that Rural Development serves as rural America's venture capital firm. Why do I say this? Because of what we can offer through our various Rural Development programs. – In fact Rural Development is really nothing other than a very large bank -- \$16 billion.**
- **We have the tools to support capital investments that will improve economic opportunities and improve the quality of life for those we all seek to serve. We have several program areas which are on the front burner and you know them and if you don't I'm going to give a brief primer:**

### **RURAL HOUSING**

- **Our Rural Housing programs form the bedrock of this Administration's commitment to rural America. And as we celebrate National Homeownership during the month of June, we are reminded what a home means to a family.**

- **We know that a safe secure home is the foundation for the family unit. This is why the President has 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. 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.**
- **A key effort to assist rural families was accomplished by Congress agreeing to allow us to use \$11 million in carryover self-help funds to provide \$900 million in 502 guarantee program funds. These efforts are important to rural families. – This will assist 12,000 more families with homeownership opportunities.**
- **While rural America has the highest percentage of homeownership, we must do more. We must be aggressive in meeting the President’s goal of increasing by 5.5 million, the number of minority families owning their own home by 2010.**

**In the RURAL BUSINESS programs –**

- **One of the greatest potentials for economic growth is the development and production of renewable energy here in the United States. In addition to our regular business and industry loan guarantee programs, we have two grant programs that are focused on finding ways to integrate our agricultural production into renewable energy systems, along with converting agricultural products into value-added business ventures. To date, the Bush Administration has committed over \$45 million toward this effort to increase renewable energy ventures in rural areas. In Iowa 40 applications were selected totaling \$10 million of the \$57 million funded to date. This is in addition to \$12.5 million in loan guarantee funds committed to assist in developing an ethanol facility in the Quad County area.**

### **RURAL UTILITIES**

- **If we are going to support rural America in competing on a global scale, we have to ensure that we have the technology infrastructure.**

- **In January, Secretary Veneman and I announced that \$1.5 billion was being made available through our rural Broadband program to help rural communities build their infrastructure. This effort was in addition to our ongoing efforts to support distance learning and telemedicine.**
- **Let me add that one of the more dramatic examples of Rural Development's ability to be responsive and efficient in helping communities build infrastructure was the ability to complete in a quick timeframe the obligation of \$762 million in water and wastewater requests following the inclusion of funding in the 2002 Farm Bill. -- By August 20, 2002. \$53.9 million of these funds have been committed to 21 community projects in Iowa.**
- **Of course these efforts are in addition to the 40 plus programs that we are administering.**
- **Additional information on USDA Rural Development and its programs can be found on the Internet at <http://www.rurdev.usda.gov>.**

**PAUSE**

- **But what am I suggesting – when I indicate Rural Development is America’s rural 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 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. I don’t agree.**

- **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 could, however, get much better at investing.**
- **So when I hear people say farmers and ranchers don't have the money to make investments in ventures that ultimately may 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.**

## **PAUSE**

- **That simply 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 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. I want to make clear 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 – {1 billion acres) their ability to stay in farming and ranching will be enhanced, not lessened. That age-old question 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.**

- **Most of all, we need to work together. Partnerships and collaborative approaches are how we make this vision of rural America a reality.**
  
- **So what does Rural Development bring to this partnership? It is the variety of guarantee programs that I briefly discussed earlier that can support your lending efforts for single and multi-family housing, business development and expansion, and community infrastructure such as broadband.**
  
- **There are also two specific initiatives that are presently 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**

- **These two areas hold some of the greatest opportunities for our agricultural community to diversify their current operations and create greater profitability.**

**1) 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.**
- **In support of President Bush's economic agenda, USDA Rural Development provided \$57 million in Agricultural Value-Added Development Grants in 43 states:**
  - **Iowa Value-Added - \$10 million**
  - **B&I loan guarantee - \$12.5 million –ethanol plant (Guarantee not issued to date)**

- **Overall, the focus of these grants is to help fund feasibility analysis to develop business plans, and to provide the initial working capital for new value-added initiatives. The grants will help strengthen the competitive edge for farmers and ranchers who can create additional profit and marketability for their raw commodities.**
- **To assist in this effort, an additional \$40 million in grant funds will be available this year. We expect to publish the Notice of Funding Availability later this spring.**

## **2) SECTION 9006 -- THE RENEWABLE ENERGY SYSTEMS AND ENERGY EFFICIENCY IMPROVEMENTS**

- **The Farm Security and Rural Investment Act of 2002 (Farm Bill) provides \$23 million in grant funds to rural businesses, farmers and ranchers to develop renewable and energy efficiency systems.**
- **This is the first time an energy title that focuses on renewable energy systems and energy efficiency improvements has been included in a Farm Bill.**

- **I felt it was especially important 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 was composed of an inter- and intra-agency working group involving folks for NRCS, FSA, ERS, EPA and DOE. (Incentive – Regulatory Hook)**
- **Why? Because the new opportunities aren't commodity opportunities – they are value added—further into the supply chain – my goal is to see that producer have an opportunity to participate as far up as possible.**

**PAUSE**

### **Rural Development Programs**

- **I've known from the beginning of my tenure at USDA that Rural Development is well positioned to facilitate the delivery of needed services and programs to rural America.**
- **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:**
  - **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.**
- **We propose to do this by pushing the President's agenda, exploiting opportunities in the Farm Bill, and working with our lending partners. 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.**
- **Thank you.**