

Session 1: Investing in Rural Areas. What are the priorities?

Transcript

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Thank you. This is clearly an era of rapid and sometimes disorienting change. We have talked about globalization and technological advances that are transforming our economies and societies. For rural America, this involves challenges and what I would submit are remarkable opportunities. I begin with a couple of caveats. The first is that I am a farmer although on temporary assignment to Washington. I am an optimist about what we are facing in rural America. The second is that the discussion in opportunities and investment in rural America, from the very outset must acknowledge diversity. Rural America is vast, it covers 75% of the land mass of the US and includes over 2.6 million square miles and this is an area larger than Europe west of Russia. But rural America is home to 50 million people if one counts rural by counties or 60 million if one counts by census tracts. It includes areas of isolation and deep poverty as well as some of America's fastest and most prosperous growing regions. The challenges of diversity are on a continental scale. Strategies for rural development must therefore begin with the recognition that one size does not fit all. A second observation is that rural America has undergone a structural fundamental transformation. Nothing new but in America as recently as 1960, 40% of rural Americans lived on farms and one third of the rural work force worked in production agriculture. One could still say rural and mean farm. But, today fewer than 10% of rural people in the US live on farms. Only 6.5% of the rural workforce is directly involved in agriculture. Of approximately 2 million farms in the US, about 150,000 mostly family farms produce about 75% of the food and fiber that we use domestically as well as export. As the American farm bureau federation, the largest farm member organization in the United States, it self acknowledged last January in a report that it provided, that farmers today are more dependent on rural communities than are rural communities are dependent on farmers. Agriculture remains a critical, important industry, but it is no longer the driver of the rural economy. In fact, even among farm households, virtually all earn at least some non-farm income. The large majority earn the bulk of their income from some non-farm employment. Further, since farmers constitute a small minority of the rural population, mostly rural employment, over 95% of the total rural income and virtually all of the employment growth is also non-farm. In the US, farm and rural policy have been slowed to adjust to these changing economic and demographic realities. I do believe emphatically that that is changing. This continues to be a challenge for policy makers and especially for congress as it considers the next farm bill which will be written next year. If one examines farm legislation from the last 3 or 4 decades ago, a typical farm bill might have had title one, Dairy, title two, Wool, title three, Feed Grains and so on. The current farm bill however, places all commodity programs under a single title and then proceeds on to the other titles of conservation, nutrition programs, trade, research, rural development, and energy. In 2002, for the first time ever, we had an energy title in the farm bill. Although the process has been slow, in my view, the shift in perspectives is really quite clear. In something that I, a believer in markets, a heavy believer in markets, have always contended is that markets do in fact drive everything including policy, and I believe that is occurring today. Albeit in slower and more time consuming manner than we prefer. I cannot predict what congress will do in the 2007 farm bill, but there would seem to be in every likelihood, that these new priorities and the commitment to a diversified, market based development, that they imply, is going to continue to define our mission in the years ahead. With these considerations in mind, let me turn to a brief discussion of our current investment priorities of USDA rural development. It's important to know that USDA rural development is essentially an investment bank for rural America. We administer over 40 programs; have a cumulative loan portfolio in excess of 94 billion dollars that we have invested over the last several years in rural infrastructure, housing, infrastructure now more importantly in broadband, community facilities, business entrepreneurial development, and renewable energy. We have actually, the Bush administration and not many people are aware of this, we have actually doubled the investment from the year 2001, from 9.8 billion dollars to this year where we will be investing nearly 19 billion dollars in rural America in a variety of programs. We are the one organization that can build a

community from the ground up. We can build almost every part of it. We have this year launched an important initiative to revitalize our portfolio of rural rental housing, it was a mess. It needed to be restructured, it needed to be revitalized, we needed to focus on preserving the rental housing and protecting the tenants, many of them the least amongst us in rural areas who needed the housing. I'm proud to say that we have succeeded at that and in the course of doing it, will have saved the government between 5 billion and 6 billion dollars. We are engaged in targeted efforts in persistently low income areas. Rural electric cooperatives generate 10% of the power that we use but is delivered over 75% of America's land mass. They rely on low interest financing from and through rural development. We are continuously working with them to upgrade the grid and to meet the growing power demands projected over the next several decades and there are a number of reports of an increasing demand for energy in the US and around the world, at least in the next 2 decades minimum. Since 2001 we have invested over 892 million dollars in health care in rural facilities that serve over 7.2 million rural Americans. We have provided distance learning, tele-medicine loans and grants to over 5000 rural hospitals, clinics and schools to provide access to modern telecommunications technology in remote areas. In addition, we have provided over 8.7 billion in financing for modern waste water systems that benefit nearly 7 million consumers. Although all these issues are important, there are two additional factors, that stand out as truly transformative. These are rural broadband and renewable energy. Broadband represents the greatest decentralization of information since the invention of the printing press. This is true no matter where someone lives. From the standpoint of rural development, this is a revolutionary development because what it effectively does is levels the playing field. It allows rural communities, historically unprecedented access to information as well as the ability to provide services until now were largely thought to be urban. In a knowledge based economy, decentralized information tends to snowball. Large organizations no longer need everyone in the same room so that people can meet face to face or shuffle paper from desk to desk. Factories, warehouses, offices, Transportation networks can be optimized for economic efficiency. Very often, that turns out to mean that they will be dispersed as well as networked. As centralized structures give way to distributed works, businesses become mobile. People become mobile. In effect, jobs become mobile. As freedom of choice expands, rural areas ultimately will benefit. I have yet to see a real estate add boasting of a 2 hour commute, sky high housing prices, more noise, more crime, more congestion and all other urban indignities people put up with just for the sake of a job. Ultimately, the results from this technology are tangible and already they are everywhere in rural communities. The telecommuters, the home based businesses, the web based businesses, the new businesses, the satellite offices and the relocations, that have been made possible by modern communications, are in fact innumerable in our country. They are not ubiquitous but they are innumerable. Universal access to affordable broadband is therefore a high priority for this administration. We haven't achieved it yet but we will still. Since 2001 USDA rural development has invested 4.9 billion to provide one and half million rural homes and businesses with access to broadband. We don't intend to stop until the job is done. Finally, the other most transformative technology that I have seen is renewable energy. I read today that Scotland's biggest refinery is about to invest in bio diesel, the only problem with that article is that rather than Scotland's largest refinery investing in bio diesel it ought to be Scotland's rural residents. Renewable energy is truly an international story. Germany is a traditional world leader in bio diesel, Brazil is perceived to be the traditional leader in ethanol, and several European countries set the pace in wind energy. But the US is growing rapidly in all these areas. Last week we had a conference on renewable energy focused largely on bio fuels and wind energy in St. Louis. These conferences are a dime a dozen. There is probably at least 2 conferences a week someplace in which you can go to. So what was the significance of this one? This conference was sponsored by the USDA and the department of energy. We had major political, business and venture capitalists all in one location, making a commitment to renewable energy. This signifies our commitment to renewable energy. Renewable energy, is for the most part, rural energy. Bio fuels rely on agricultural feed stocks and because of these citing requirements, wind power will be in most fact, mostly rural. Solar is more clearly flexible, but large solar rays, clearly will be primarily rural. The scale of this opportunity is enormous. This year, America's bill for oil imports will exceed the entire value of every ear of corn, every gallon of milk, every pound of beef, everything thing that we produce agriculturally in the US. When the stakes are this big, the

dollars add up fast. The US is importing 5 billion barrels of oil, or crude oil equivalence on an annual basis. Over the next 10 years, if we can displace just one billion of those barrels with bio fuels, that's a new market for American farmers exceeding today's net farm income. The net farm income in the US has averaged 55 billion dollars a year for the last 10 years. Renewable energy means higher prices for producers, it means land rents for wind and solar facilities, it should mean equity participation as well. It means jobs in construction, operations and maintenance, it means new families in town, a future for young people, it means giving us an opportunity to watch our kids and grandkids grow up close, more kids in local schools and ultimately more revenue for local governments, the effects will ripple throughout the entire rural community. Some have suggested that renewable energy will be the greatest opportunity for wealth creation in history. I don't know if they may be right, but we are committed to supporting rural America in realizing this potential. Too often this goal has been misconceived as a question of subsidies. I submit that this is not the case. I can go on for a long time that this is an investment. Americas farmers have a net equity of over 1.4 trillion dollars tied up primarily in land and farmers represent less than 10% of rural populations and his doesn't include the other rural assets owned by the other rural residents. The truth of the matter is that rural America today is awash in opportunity, awash in cash, and awash in investment capital. What we need to do more than anything else is to nurture an entrepreneurial culture. We need develop business and investment models that encourage local ownership and control. We talk a lot about nurturing entrepreneurship but most importantly, we need to look at the issues surrounding business models, investment vehicles, and regulatory regimes that make it possible for rural residents, small businesses and individual investors to invest in these distributive and transformative business models. Ultimately, we need to face the challenges of a highly competitive and increasingly interconnected global economy not with fear, but with confidence and faith. The opportunities are real, the future is in our hands and I am truly convinced that the future of rural America is bright indeed and I would submit that the future of rural regions around the world can be equally bright.

Thank you.