

USDA RURAL DEVELOPMENT

**Statement of Jackie J. Gleason, Administrator of the Rural Business-Cooperative Service
Subcommittee on Agriculture, Rural Development, Food and Drug Administration and
Related Agencies.**

Madam. Chairwoman and members of the Subcommittee, I am pleased to present the Administration's Fiscal Year (FY) 2008 Budget for USDA Rural Development's rural business and cooperative programs.

Madam Chairwoman, the programs and services of Rural Development, in partnership with other public and private sector businesses, continue to improve the economic climate of rural areas through the creation or preservation of sustainable business opportunities and jobs, and by helping to close the gap in opportunity for the under-served rural areas and populations. The \$112.5 million requested in budget authority for rural business and cooperative programs will support nearly \$1.3 billion in direct and guaranteed loans and grants, and will assist in creating or saving over 56,500 jobs by providing financial assistance to more than 1,350 small businesses.

An example of Rural Development's efforts can be seen in a recently initiated technical assistance project. Cooperative Programs staff recently began providing technical assistance to a newly formed cooperative in Port Sulphur, Louisiana. South Plaquemines United Fishermen

Association is located in Plaquemines Parish, LA, an area severely affected by Hurricane Katrina. In a collaboration with the Federation of Southern Cooperatives, Cooperative Programs is providing assistance to determine the feasibility of securing a dock, cooling facility, and transportation to market local seafood cooperatively.

Business and Industry Guaranteed Loan Program

For the Business and Industry (B&I) Program, the FY 2008 budget includes \$43.2 million in budget authority to support \$1 billion in guaranteed loans. We estimate that the funding requested for FY 2008 will create or save approximately 20,500 jobs and provide financial assistance to approximately 600 businesses. Because the B&I program provides lenders with reduced exposure on guaranteed loans, the lenders are able to meet the needs of more businesses at rates and terms the businesses can afford. Individual farmers also qualify for the program to assist in the purchasing of cooperative stock in a start-up or existing cooperative established for value-added processing.

Intermediary Relending Program

The FY 2008 budget includes \$14.485 million in budget authority to support \$33.772 million in loans under the Intermediary Relending Program (IRP). We estimate that the proposed level of funding will create or save approximately 26,000 jobs over the 30-year period of this year's loans. To illustrate the benefits IRP provides to rural America, I would like to share with you a success story from Nebraska.

Rural Business Enterprise Grant Program/Rural Business Opportunity Grant Program

While these programs have produced some very good results, tough budget choices had to be made. As a result, no funding is being requested this year for the Rural Business Enterprise Grant and Rural Business Opportunity Grant programs. Higher priorities and limited discretionary funding necessitate this request.

Rural Economic Development Loan and Grant Programs

The FY 2008 budget includes approximately \$7.5 million in budget resources from the cushion of credit to support \$33.076 million for the Rural Economic Development Loan (RED Loan) and \$10 million in Rural Economic Development Grant (RED Grant) programs. This program represents a unique partnership, since it directly involves the Rural Development electric and telecommunications borrowers in community and economic development projects. It provides zero-interest loans and grants to intermediaries, who invest the funds locally.

Renewable Energy Grants/Loan Guarantee Program

The FY 2008 budget proposes a \$15 million grant program and a budget authority of \$18.941 million to support a \$195.469 million guaranteed loan program. The program supports the President's energy policy goals by developing environmentally friendly energy supplies, contributes to rural economies through the creation of jobs and new income sources, and helps to reduce the costs of doing business for farmers, ranchers, and rural small businesses. Since implementation of the program began, 847 loans and grants have been provided, which are expected to reduce greenhouse gas emissions by approximately 0.97 metric tons, replace 821 million barrels of foreign oil, and generate approximately 1,960 million kilowatt hours of electricity on an annual basis, enough to serve 436,580 households. In addition, to encourage

greater focus on alternative energy issues, we recently organized a staff to work exclusively on energy programs.

Biomass Research and Development Grants

The Biomass Research and Development Grant program, authorized under Section 9008 of the 2002 Farm Bill, is jointly administered by USDA and the Department of Energy. The FY 2008 budget includes \$150 million in mandatory funding over 10 years.

Value-Added Producer Grant Program

For FY 2008, the budget requests \$14.25 million for the Value-Added Producer Grant Program, a decrease of \$5.03 million from the previous year. While this is a decrease from last fiscal year, the request will provide enough funding for over 125 grants across the country and is sufficient enough to allow a substantial and valuable program to continue. The Value-Added Producer Grant program encourages independent agricultural commodity producers to further refine or enhance their products, thereby increasing their value to end users and increasing the returns to producers. Grants may be used for planning purposes such as conducting feasibility analyses or developing business plans, or for working capital accounts to pay salaries, utilities and other operating costs. Additional program revisions were made in FY 2007 that will improve the process for eligible applicants competing for this critically important funding, and in support of the President's E-gov Initiative, administrative processes are continuing to be refined to enable producers to complete an electronic application template and submit their completed applications through Grants.gov.

Rural Cooperative Development Grant Program

For FY 2008, the budget requests \$4.455 million for the Rural Cooperative Development Grant (RCDG) Program, the same as in FY 2007. The RCDG Program provides funds to establish and operate centers for developing new cooperatives and improving the operations of existing cooperatives with the primary goal of improving the economic conditions of rural areas. This program complements our national and state office technical assistance efforts by increasing outreach and assisting in the development of feasibility studies.

Grants to Assist Small, Minority Producers

For FY 2008, the budget requests \$1.473 million for funding for cooperatives or associations of cooperatives whose primary focus is to provide assistance to small, minority producers whose governing board and/or membership is comprised of at least 75 percent minority members, the same as in FY 2007. Grants may be used for developing business plans, conducting feasibility studies, or developing marketing plans for farmers, ranchers, loggers, agricultural harvesters, and fishermen whose gross annual sales do not exceed \$250,000.

Cooperative Research Agreements/ATTRA

For FY 2008, the budget requests no funding for cooperative research agreements or the Appropriate Technology Transfer for Rural Areas (ATTRA). Cooperative Research Agreements were planned to be funded in 2006 and 2007. Further funding was not requested or anticipated.

The budget eliminates funding for ATTRA due to the fact that the information it provides is available through other public and private sector websites and through USDA outreach.

Madam Chairwoman, and members of the Subcommittee, this concludes my testimony for the Rural Development FY 2008 budget for rural business-cooperative programs. I look forward to working with you and other Committee members to administer our programs.