

**Statement of
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Before the**

**U.S. Senate Committee on Small Business and Entrepreneurship
Field Hearing on the Impact of Manufacturing
Closures on Local Small Businesses**

**Shreveport, Louisiana
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Madam Chair and members of the Committee, thank you for the opportunity to discuss the opportunities for business and industry available through USDA Rural Development.

USDA Rural Development is committed to the future of rural communities. Nationally we administer over 40 programs that help provide infrastructure, housing, community facilities, and job creation and retention. Our economic and community development mission is supported by a diverse program portfolio.

To build a strong infrastructure for Louisiana's rural communities, USDA Rural Development provides loans, grants, and loan guarantees for rural community water and waste systems, telecommunications, and rural broadband. We also provide funding for essential community facilities such as hospitals, fire stations, police stations, and town halls. In addition, our initiatives finance homes and apartment complexes in rural areas. We touch every aspect of community life with our programs.

During the past five years, USDA Rural Development has invested almost \$2 billion in rural Louisiana through our business, community, and housing programs. We also seek to increase the impact of federal funds by incentivizing private investment and by partnering with other Federal and State agencies, as well as non-profits, to respond flexibly and efficiently to the needs of Louisiana residents, businesses, and communities.

Business and Cooperative Programs: Background

USDA Rural Development strives to help build and expand Louisiana's workforce through our business and cooperative programs. Several of our programs provide support directly to rural businesses, while others provide risk management tools to banks working in rural communities - an especially important role for the Federal Government in recent months. We provide loan guarantees to lenders to help them grow industry in rural areas and create jobs. We also provide Rural Business Enterprise Grants, Rural Business Opportunity Grants, Value-Added Producer Grants, Renewable Energy/Energy Efficiency Grants, and finance locally-controlled revolving loan funds through the Intermediary Relending Program - all with the goal of helping to improve economic opportunities in rural areas. Our cooperative programs promote the use of cooperatives as a viable business model to help groups get the goods and services they need, from marketing crops to providing dependent care services so family members can successfully return to the workforce.

USDA Rural Development Addresses the Plant Closures

There are many investments and success stories that we could discuss, but I know the Committee is especially concerned today with the current recession and the impact of manufacturing closures on small businesses. Northern Louisiana has been very affected by the current recession. Today, I would like to provide two case studies of how we are responding.

Among the Louisiana industries suffering in the recession are forest products and poultry processing. In Union and Morehouse Parishes alone, related plant closures could cost the region more than 3,000 jobs. The immediate consequences of these plant closings are impacting independent poultry and timber producers throughout the region and causing many to fail. Secondary financial impacts of these plant closures will be felt by area hospitals, utility companies, community facilities, businesses, and homeowners—many of whom receive financing from USDA Rural Development or USDA Farm Services Agency.

As plant closures were announced, USDA Rural Development began to work with Louisiana Economic Development, Louisiana State University Agricultural Center, Louisiana Department of Agriculture and Forestry, Louisiana's Governor's Office, and the Small Business Administration to address ways to assist impacted communities. Our Agency also worked with Louisiana's Commissioner of Agriculture, Louisiana's Commissioner of the Office of Financial Institutions, and Louisiana State University's Business and Technology Center to examine financial options for plants facing closure.

Louisiana State University's Business and Technology Center Mobile Business Classroom deployed to Farmerville, Louisiana, on March 16 and 17 to provide a forum for plant employees and independent producers to learn about available options. The mobile classroom is funded by a USDA Rural Development Rural Business Enterprise Grant.

In community meetings and mobile classroom workshops, representatives of Rural Development presented information to producers on how to form a cooperative and described financial options available to cooperatives through Rural Development financial programs, including detailed information on Rural Development's Value-Added Producer Grant Program and Business and Industry Guaranteed Loan Program.

Producers were informed that a Notice of Funds Availability (NOFA) would be issued soon for Rural Development's Value-Added Producer Grant Program, and they were told that one use of this grant program is to fund cooperative feasibility studies. Producers were also informed that a cooperative could apply for a \$40 million Rural Development Business and Industry Guaranteed Loan to purchase a plant facing closure.

Finally, producers were encouraged to contact Rural Development for assistance in establishing a cooperative. They were also encouraged to contact Louisiana State University's Agricultural Center and Southern University's Agricultural Center for assistance.

Morehouse Parish has also been affected by plant closures. In the months leading up to the closure of a major paper mill, Rural Development worked closely with the community of Bastrop, Morehouse Parish, and Morehouse General Hospital to fund hospital renovations and debt refinancing. The hospital faced an uncertain future due to serious financial problems, and there were talks of closing its doors. Rural Development was able to provide a life-line via our Community Facilities Direct Loan and Guaranteed Loan Programs and our Business and Industry Guaranteed Loan Program. This was very important to management of the threatened mill, which requires that a hospital be located in any community that a plant is in operation. As it turned out, Rural Development was able to prevent the closure of the hospital, but the paper mill eventually closed its doors. The hospital remains, however, as a strategic asset to the community as it seeks to attract new industry to replace the lost jobs.

USDA Rural Development is continuing to work with Federal, State, and local entities to address the plant closures in Morehouse and Union Parishes.

USDA Rural Development's Investment in Morehouse and Union Parishes

USDA Rural Development has invested over \$37 million in Morehouse Parish and \$35.9 million in Union Parish. Our current portfolio in Morehouse and Union Parishes includes hospitals, community water systems, a farmer's market, homes, apartments for families and the elderly, fire departments and equipment, law enforcement facilities and equipment, community waste systems, and more.

This investment could be greatly influenced by adverse impacts of any plant closures. We are committed to working with the affected communities to restore a healthy, growing economy. We will do this both through our regular program dollars and the additional funding made available through the American Recovery and Reinvestment Act (ARRA). Although I cannot discuss individual projects prior to their approval, I can tell you that the ARRA funding will soon become available and that we are working to expedite projects that will be funded through this initiative.

In Summary

USDA Rural Development enjoys a long-term working relationship with Federal, State, and local entities in Louisiana.

When nature's storms struck Louisiana, we joined forces with our partners to help Louisiana's communities recover. Now, as Louisiana faces an economic storm, USDA Rural Development is working with our partner agencies to help Louisiana's communities recover.

We will protect our investment and continue to work to find financial solutions to the economic problems in Louisiana.

Thank you for the opportunity to present this information to your committee.