

{As prepared for delivery}

Remarks for
USDA Rural Development Under Secretary
Dallas Tonsager

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Education and Research (GCHERA)**

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5:00 – 6:00 p.m.

Good evening and thank you for the opportunity to be with you.

I want to begin my remarks by commending you for your work and your passion, across the globe, on building sustainable rural development. The discussion you are having this week on the role of higher education, strategic partnering, and regional alliances is important. It allows each of our nations to build stronger and more sustainable economic and community development coalitions. And in the end, your work is going to help improve the quality of life for people in rural areas around the world.

I would like to share more on our efforts in the United States in this area, but first, I want acknowledge one of your consortium

leaders, Dr. Ian Maw, PhD. from the Association of Public and Land-grant Universities.

When I sat down with Dr. Maw a few months ago, I asked what would be most useful and meaningful to you, and he said, talk about what you do as Under Secretary, and how the United States is working on regional innovations. So, that is what I intend to do today.

As was indicated, I am the Under Secretary for Rural Development. Rural Development is one of seven focal points within the U.S. Department of Agriculture. In this role, I oversee 6,000 employees, 500 offices, and 40 different economic and community development programs that are focused on the 50 million people who live in rural America. Within the structure of our organization, we have three agencies that provide technical and financial assistance for housing, business, community facilities and infrastructure; utility infrastructure such as broadband, telephone, electric and public water and wastewater systems. We have a portfolio of existing loans of nearly \$150 billion dollars, and a default rate that I can proudly say is less than 2 percent.

As you may know, USDA also has a significant emphasis on education and research. When you combine our education, research and rural development focuses, we bring a significant set of tools and resources to support America's rural and agricultural communities. Whether it is agriculture, renewable energy, or economic and community development – we work together to maximize the knowledge base needed to address rural challenges and opportunities.

Let me say from a macro vantage point, America and the rest of the world continues to climb out of one of the greatest economic upheavals we have seen since the early part of the 20th century. This has been a long and difficult road. The signs are showing progress, but our resolve and diligence must continue if we are to regain and expand national and international economies.

So how do these macro challenges impact our efforts on the micro level? What are we doing within USDA Rural Development to rebuild and revitalize rural economies in America?

Our efforts begin with a basic foundation laid out by President Obama: to focus on five primary pillars -- pillars that can prepare

the next generation of Americans to be competitive in a global society and economy.

The first Pillar is ***Innovation***. We must invest in the creativity and imagination of the American people. President Obama is committed to support innovation, research and development and building out a clean energy economy.

The second pillar is ***Education***: This entails expanding access to high quality on-line courses through the build out of broadband, and the encouragement of students to pursue careers in rural healthcare.

The third pillar is ***Rebuilding American Infrastructure***. When we look at infrastructure, it no longer is just roads, runways and railways; it is building broadband infrastructure as well.

The fourth pillar is ***Government Reform***: It is reforming our tax code, earmarks, process improvement and other efforts to make government work better.

And the fifth pillar is *Deficit Responsibility*: We must build our rural economy through smart funding investments in areas that will help ensure healthy economies for the future.

These pillars also provide the framework for our efforts at USDA: Secretary Vilsack has directed us to combine the successful strategies of today and the compelling opportunities of tomorrow through five basic areas of focus:

One of the areas of focus is *Broadband*. We have leveraged \$2.5 billion in stimulus funding to provide more than \$3 billion in loans and grants to construct 307 broadband projects in 46 states and one territory. Looking from the long term perspective, 7 million rural residents will gain access to high quality broadband services.

Another focus is *Renewable Energy*: Over the last few years, we have aggressively work to implement energy programs authorized by the U.S. Congress(the2008 Farm Bill).

Another focus is on *Local and Regional Food Systems*. There are many exciting opportunities in this area, from regional food systems to renewable energy to capitalizing on broadband and other new technology. We are working to promote the

revitalization of rural America by creating new economic opportunities, coordinating public and private investments, and promoting regional innovation to support the hard work and ingenuity of rural Americans.

Farms and other rural businesses go where the work is, not where county and State lines are drawn. Yet Federal programs are often written with one national economy or 50 state economies in mind. The failure to recognize the complex realities of multi-county and multi-state regions means that all too often government misses out on opportunities to advance comprehensive and locally-driven economic strategies.

Regional Innovations Initiative

Secretary Vilsack, the US Secretary of Agriculture, knows that Federal investments must be targeted, strategic, and matched to the realities on the ground. That is why USDA is taking a place-based approach to revitalizing rural America that will promote economic growth and create new jobs by ensuring our investments are cost-effective and impactful. The key to creating economic growth for many communities is to encourage better collaboration on a regional scale.

Our goal is to assist communities in breaking down the barriers those communities and businesses face in accessing multi-jurisdictional opportunities and cut across the bureaucratic silos that prevent us from effectively investing in good ideas.

One example of our efforts is in California, where we have partnered with the University of California (Berkeley), local economic development corporations, business alliances and the State of California. This coalition of researchers, educators, and economic and workforce development professionals from 18 organizations are identifying the conditions, strategies, and practices that will lead to the sustainability of four initiatives:

- Development of a regional food system;
- Biomass utilization;
- Value-added livestock processing and marketing; and,
- Alternative energy development.

USDA is convening collaborative efforts in regions throughout America to bring together diverse partners with the goal of generating stronger local leadership, more active participation of the community -- and in the end, greater local ownership.

The other two areas of focus by USDA are the *Great Outdoors* initiative. This area focuses on promoting outdoor recreation to create jobs and support conservation of natural resources. The other focuses on the *Environment* and the creation of ecosystem markets (Water, Wetlands Preservation, carbon and habitat enhancements)

Capital Markets

So as we rebuild and revitalize rural America, we are focused on expanding financial and venture capital investments. Investments that allow more of the wealth created in rural America stay in rural America.

Great wealth is often recognized but seldom captured in rural America. Opening up long-term capital markets is a critical component for rural Americans to capture more of the wealth they create.

The challenge for Rural Development is to continue to assist rural America access capital needed for it to prosper. During the peak of the economic crisis we saw the impacts of shutting off the supply of credit to businesses and homeowners, it has a devastating effect on economic vitality.

USDA Rural Development played a significant role in bridging that capital access gap, but we have to look toward the long-term credit needs of rural America and develop our strategies based on that analysis. Credit access and leveraging of resources will be critical to the development of sustainable local and regional economies. *Our goal should be to create a long term movement.*

While it is an inherent characteristic of all of us to focus on our most immediate need, we too, must focus on creating long-term solutions. We do this by thinking creatively and sharing our economic and community development tools. We have to adjust our approach to ensure sustainable economic development for generations to come.

I have been working with Secretary Vilsack on this critical area. I have also been engaged in dialogue with industry leaders in the financial and investment communities, along with community-based organizations to better understand the challenges they face and how we collectively can prepare rural America for long-term economic prosperity.

As we examine this question, at least in America, we need to pay special attention to how people who live in rural America have the chance to own their future. We have an aging rural population readying itself to transfer privately held wealth to the next generation, who too often have left rural communities for better jobs and the quality of life in metropolitan areas.

Cooperatives serve as a traditional model for aggregation of rural capital. Their capacity to bring together small investors for the purposes of buying and selling on a greater economy of scale is important. But we need to supplement their efforts with other rural investment and financing tools.

Rural America needs the opportunity to invest in its future. There are tremendous assets in rural America already as I am sure there are in each of your countries. The challenge is to find or create the community endowments or focused investment vehicles to leverage these assets toward investments in the future of the rural communities.

I would add that the rate of return on rural investments is far greater than perceived by many investors. Many preconceptions such as the lack of sufficient rate of inflow of capital, poor

proximity to traditional capital networks, and decreased exit opportunities are not the realities of 21st Century investment opportunities in rural America.

We must be more aggressive in addressing these misconceptions and building collaborative private-public investment and financing structures to expand the economic opportunities in rural areas.

Specific areas of consideration include:

- Debt financing in both the private and public sectors;
- Equity financing, both in traditional corporate and cooperative vehicles, as well as in venture capital;
- Specific tax policy such as tax credit incentives to spur economic activity in distressed communities;
- Long-term capital needs;
- A simplified formation of ventures and improved financial tools to allocate risk; and

- Secondary markets for rural capital instruments.

Credit access and leveraging of resources will be critical to developing sustainable local and regional economies.

Investments Large and Small

Building regional infrastructures and economies on a large scale are only part of the overall equation. We must also look at how we can encourage micro lending to support local entrepreneurialship.

There are examples around the globe that serve as a model for micro lending. Grameen Bank started in Bangladesh; is one of those successes. For nearly 30 years, their financing model has opened the opportunity for those with no financial resources to obtain the financing they need to rise out of poverty to realize their dreams. These are individuals who simply have nothing but their integrity. They have no collateral. In most banking models, if you don't have collateral, you are not considered credit worthy. This is a bank that has a default rate of only two percent. Far less than most conventional financing institutions.

Across the globe, micro lending is offering new hope and an opportunity to build stronger families and communities.

The Farm Credit of Armenia

There are other existing models that have been effective for creating long-term capital opportunities as well. I previously served on the board of directors for the Farm Credit Administration which provides oversight of the Farm Credit System, the largest agricultural lender system in the United States. It is a nationwide network of lending institutions that are owned by their borrowers. It serves all 50 States and Puerto Rico.

Since early in the last century, the FCS has provided credit and other services to agricultural producers and farmer-owned cooperatives.

This model of cooperative financing is successfully being replicated in the nation of Armenia. After separating from the Soviet Union, Armenia began work in 2005 by collaborating with USDA and FCA to replicate the FSC model to support Armenian farmers in building commerce and financing coalitions. The Farm Credit Armenia currently serves seven regions of Armenia and they anticipate they will cover the entire country by next year.

I would encourage all rural development strategies to look closely at such successful ventures and replicate those best practices where appropriate.

Beyond Capital Markets

Developing capital markets; through long-term capital investments and financing, and support for regional approaches to economic and community development set the stage for greater wealth creation and more strategic investments in rural communities. But we also have to encourage our rural youth to look at rural areas as more than a place to run from when they become adults. We want them to own the future of their rural community; we want them to have the skill sets to be gainfully employed. We want them to say, this is where I want to live, work, and raise a family.

So to encourage greater youth participation in economic and community development, we have invested in several youth-oriented programs. As you know, there is an un-abating sense of adventure, invincibility, and enthusiasm in young people. If we can provide necessary encouragement and guidance, our hope is that they will remain in their rural area to help build vibrant and sustaining rural communities.

Let me share a few examples of our efforts in this area:

Cooperative Extension

One of America's most successful collaborative education-government models is our cooperative extension program. My USDA colleagues at the National Institute of Food and Agriculture (NIFA) are utilizing the knowledge and resources of over 100 colleges and universities to help local residents with a variety of information and services. Through a network of thousands of local and regional cooperative extension offices, USDA and colleges and universities are providing local residents with the latest in educational resources in areas such as:

- 4-H Youth Development
- Agriculture
- Leadership Development
- Natural Resources
- Family and Consumer Sciences
- Community and Economic Development
- Stronger Economies Together initiative, which we have created at USDA Rural Development (provide training).

The structure has created a direct linkage between the vast educational and research resources found through higher education institutions and the local community. It is a premiere model for connecting educational knowledge and resources with everyday practitioners of community and economic development.

1890s

In my organization, we have a person dedicated solely to working with our 1890 colleges and universities. These historically black land-grant universities were created by the second Morrill Act in 1890. The first Morrill Act was signed by President Abraham Lincoln in 1862. The 1862 Act established public education for the masses under the basic concept of the land-grant system, however, it made no reference to color, which allowed southern states to deny access to minorities.

To address this inequity, many of these states established separate higher learning institutions to train sons and daughters of farmers and working people. These institutions, which became known as the "1890 institutions," include 17 land-grants institutions plus Tuskegee University. For more than 100 years, they have provided educational opportunities for minority students and those to whom the doors to education were not open.

Annually, we enter into agreement to collaborate on curriculums that support youth entrepreneurialship, particularly in the area of renewable energy.

In North Carolina, A&T State University, an 1890 institution, students and faculty are working with farmers and businesses to create more energy efficient operations. They started by conducting energy audits on a greenhouse and several poultry structures. The initial audits have led to the development of an energy audit module that was used to conduct two workshops for area farmers and local businesses. As a result of these successful workshops, additional farmers and businesses have expressed an interest in having similar audits conducted on their facilities.

In Oklahoma, Langston University (another 1890 institutions) students and faculty are conducting research on farmers' willingness to produce alternative sources of biofuel feed stocks, such as corn stover, wheat straw, switchgrass and other perennial crops. The university also has a resource center for assisting with information on how to access program funding, and establish cooperatives, businesses and community technical assistance. Training sessions are facilitated by 1890 scholars and faculty.

In total, we funded 15 institutions last year to carry out similar efforts in their communities. Our goal is two-fold. Encourage youths to explore agri-business opportunities, and encourage and support the development of renewable energy ventures.

FFA

We are not only working with universities and colleges, we have also reached into the secondary educational structure as well to support and encourage agricultural entrepreneurship. In America, we have this tremendous organization called the FFA. You may be most familiar with the Boys and Girls Club or 4-H, but FFA is another leading youth organization that we work very closely with on rural issues. FFA's mission is to make a positive difference in the lives of students by developing their potential for premier leadership, personal growth and career success through agricultural education.

MEMBERSHIP STATISTICS

Today, there are 523,000 FFA members, aged 12-21, in 7,500 chapters in all 50 states, Puerto Rico and the Virgin Islands.

- 38% of FFA members are female; women hold more than 50% of state leadership positions
- 89% of FFA members are in grades 9-12; 6% are in grades 7-8; 5% are high school graduates
- 27% of FFA members live in rural farm areas; 39% live in rural non-farm areas with the remaining 34% of members living in urban and suburban areas

USDA partners with FFA to help members understand and potential participation in USDA Rural Development business programs.

- In 2010, we provided \$200,000 to support rural youth entrepreneurship education, such as:
 - Agri-Entrepreneurship Program, and;
 - FFA Career Development Events Program.

Under the Agri-Entrepreneurship Program students are rewarded for developing entrepreneurial skills. They are challenged to develop a business plan for an Ag related business. Rural Development provides business program counseling and participates in speaking opportunities.

The program stimulates interest in agri-entrepreneurship, increases business starts, and builds business planning and management awareness among FFA members as part of their career development.

It also supports local education curriculum and strengthens local communities, and provides students with education and recognition, while creating new economic and job opportunities in rural America.

Under the FFA Marketing Plan Career Development Events Award Program, FFA recognizes outstanding technical knowledge in agriculture, judgment, reasoning ability, self-confidence, goal setting and team work in competitions. FFA members participate in events, developing technical and business skills and prepare for their chosen professions.

Each event is developed to test the student's interpersonal skills, sales and service skills, and knowledge of a particular area of agriculture and leadership.

Students benefit by developing an understanding of the marketing plan process, and prepare them for possible agri-marketing careers. The program also forges partnerships with agricultural industries, strengthens local communities and creates job opportunities.

We are committed to expanding our efforts. We need to do this for a variety of reasons.

As I mentioned earlier, Rural America is aging and we must prepare for an intergenerational change in wealth;

We need to expand opportunities for rural America, such as in the area of renewable energy – we need to build a workforce that has the necessary industry training.

We also need to close the information technology end-user gap- need to get fiber out to our most remote rural communities – we need corporations to understand the benefits to educate and lead parents and grandparents to offer additional opportunities to develop business skill sets that allow FFA members to become entrepreneurs.

If we can integrate through interaction and engagement with youth organizations, at a young age, an interest in rural energy and rural economic and community development, we can build the next generation of entrepreneurs who will seek to make their living and raise their family in rural areas of our country.

Closing

Let me close by expressing my appreciation and that of our nation for your efforts around the world. The one cornerstone that secures the foundation for everything we do to build commercial, financial, educational, and societal structures is education.

If we believe that everyone deserves the opportunity to live freely, to determine their own destiny, and to rise above the adversities before them, then the world must embrace, as you have, the idea that education will be that catalyst for that change.

Across the globe, higher education is critical to building a world economy that allows for the necessary independence of markets and financial structures, yet provides the ability to share ideas and resources that support developing nations in their quest to join the global marketplace.

We stand with you in your efforts to build curriculums that offer rural areas the expertise to meet new economic, societal, and environmental challenges in the 21st Century.

Thank you for the opportunity to be with you this evening.