

**Farm Foundation Forum
Washington, D.C.
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**Thomas C. Dorr
Under Secretary for Rural Development
[Opening Remarks, 10-15 minutes]**

Thank you for the kind introduction. It is a pleasure to be with you again today.

Before I get started, I'd like to once again thank the Farm Foundation for its cosponsorship in each of the last two years of our joint Rural Opportunity Tour. This is a real contribution. Success is contagious.

I have believed for many years that we need to do a better job in rural America of celebrating success ... and we are very pleased to be partnering with the Farm Foundation in this effort. If you've not had a chance to join us on one of these tours, I hope you will do so next year.

When you walk into a place like JTV Manufacturing in Sutherland, Iowa, you can't help but realize that things have changed. JTV is a precision metal working company. It employs 40 people. It takes specs

over the internet, feeds everything into a computer, cuts by laser, and ships overnight for delivery anywhere in the world. This is happening in a town of 700 people in a very rural part of Northwest Iowa.

When you visit Viking Range in Greenwood, Mississippi, you again realize how much things have changed. Viking is a world-class industry leader. Greenwood is a Mississippi Delta town of 23,000.

But the exciting thing is, Viking is not a legacy company. It's not a lingering artifact of an earlier, bygone era. Viking is only 23 years old. It is a relatively new company ... an entirely home-grown world leader ... and an example of the new rural America of today.

Or go to Bolivar, Tennessee, where another Delta community has come together to build a new downtown, new recreational facilities, a new farmers market, and new jobs. The magic ingredients are vision and leadership.

Or go to St. James, Minnesota ... which has a new Critical Access Hospital ... or visit a wind farm in Texas or California or Iowa ... or

participate in a multi-state telemedicine demonstration ... and you will see again how rapidly things are changing. Examples like these can be multiplied many times over.

I'm a lifelong farmer from Northwest Iowa. I understand that Title I of the Farm Bill is important. But I can also follow the numbers. 60 million people live in rural America. 58 million of them don't farm. Most of the growth ... most of the new jobs ... occur off the farm.

Bottom line, thanks to technology, rural America today enjoys remarkable new opportunities in many areas. I know this is a familiar issue to most here, but an ongoing challenge is bringing policy into line with these new realities on the ground.

I didn't come here today to lobby about the next Farm Bill. We expect the Senate to take it up shortly. But I will note that the Administration laid down some very significant markers in its Farm Bill proposal in terms of support for Critical Access Hospitals, rural infrastructure, community facilities, and renewable energy. We will continue to advocate these priorities as the Farm Bill debate unfolds over the next

several weeks. Rural America is changing, new opportunities are arising and policy needs to adapt accordingly.

Apart from the Farm Bill, I'd like to raise two key issues for discussion today. The first is finance. The role of lenders ... especially traditional rural lenders ... is pivotal.

As one looks at the rural success stories, more often than not, somewhere in the background is a banker. One example from my own backyard is the American State Bank in Sioux Center, Iowa, which has grown its assets from \$39 million in 1980 to \$135 million in 1992 to \$413 million today. American State Bank is a privately owned institution in a very rural part of Iowa. But it's an aggressive, progressive lender that is growing its community along with its business.

American State Bank is fortunately not unique. I am convinced that if you look closely at successful rural communities today, you are very likely to find a dynamic local banker near the center of the action.

Conversely, in communities that are stuck in neutral, a local bank that is unwilling to look beyond traditional balance sheet lending may very often be part of the problem. I don't have a magic solution for changing the culture of rural banking, but I do want to raise the issue for discussion.

It is true that community bankers are supposed to be inherently cautious. Within broad limits, this is a good thing, not a bad thing. But a dynamic business sector also needs bankers who are prepared to underwrite risk. In urban areas, with a multiplicity of banking options, competition works. In rural areas, that isn't always the case.

Government has traditionally tried to fill that gap ... but frankly, government's role here is inherently constrained. An example I've often used is America's Farm Balance Sheet as compiled by USDA. The most recent update [09-04-07] shows America's farmers with total assets of more than \$2.2 trillion and a net equity of over \$2 trillion.

That's just the farm assets. Bear in mind that upwards of 95% of total rural income is earned off the farm. Total rural wealth is much greater than farm equity. But just the farm assets are approximately 1,000 times

greater than our total annual budget authority. It begins to give you some idea who is the tail and who is the dog.

Clearly the resources that government brings to the table are dwarfed by the resources available to the private sector. Our success will be defined largely by partnership and leverage, more so than by direct federal dollars.

Just as clearly, we can lead a horse to water but we can't make him drink.

We can't fund a project unless a local entrepreneur comes forward. We can't provide a guarantee unless and until a local banker gets involved.

So the question remains: how do we encourage more local bankers to engage? For our part, we are continuing to shift our program emphasis from grants and direct loans to guarantees. This increases the premium on local participation even more.

With distributed computing and broadband, the world has gotten a lot smaller and a lot more competitive. Technology has leveled the playing field in many ways. As the barriers of time and distance have eroded, rural communities are more competitive economically than ever before.

Rural lenders need to step up to the challenge.

The second issue I'd like to raise for discussion today is the increasing opportunity for substantive international collaboration. Renewable energy in particular opens a lot of doors.

If you don't already have it on your calendar, block March 4-6, 2008.

The United States will be hosting the Washington International Renewable Energy Conference right here in Washington, D.C. WIREC 2008 is the third in a series of ministerial meetings on renewable energy, following similar meetings in Bonn and Beijing. It will also include a major renewable energy business conference and a trade show.

This is an area where we have a great deal to learn ... both best practices and things to avoid. Brazil, of course, was the traditional world leader in ethanol until we overtook them in 2005. Germany is the traditional leader in biodiesel and wind, although the United States is developing rapidly and is now second to Germany in both areas.

But the fact is, interest and investment in renewables is increasing rapidly worldwide. Improved technologies, new feedstocks, and strategies for commercialization will come from many quarters. Ethanol and biodiesel will emerge as major internationally traded commodities.

All of this means that the market dynamics of biofuels and renewable energy are much more complex than we have traditionally assumed.

It is important, for example, to recognize that biofuels will ramp up production around the world, not just in the U.S. corn belt. At the same time, we should also remember that the poorest of the world's poor are subsistence farmers in third world countries who are now sharing a remarkable new opportunity for rural prosperity and growth. These third world producers have been largely invisible in the food vs. fuel debate. They ought not to be.

These are fascinating and far-ranging issues. China, Brazil, the EU, and many other countries are ... like us ... actively reconsidering their farm and rural development policies in light of these developments.

There is even recognition in some quarters in Europe that the buildout

of biofuels increases the costs of the EU's opposition to GMO's. Europe is paying a heavy penalty for falling behind the productivity curve.

Whether that will move policy in the years ahead remains to be seen.

We have more issues than we have time ... so let me conclude by saying again that I appreciate the opportunity to be part of this discussion. I look forward to your comments and questions. Thank you.