

## RURAL DEVELOPMENT

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## **RURAL DEVELOPMENT**

### **13.1 INTRODUCTION**

NASDA recognizes the strong and growing linkages between agriculture and rural communities. Agricultural and rural policy must be designed to reflect and reinforce the dynamic interface occurring among farming, agriculture and rural America. NASDA also recognizes the need for policy to be flexible enough to support regional economic development strategies.

NASDA supports substantially increased investments in rural community economic development in ways that drives economic growth, entrepreneurship and innovation, and improves rural life. Retaining agricultural and rural youth in next generation businesses, attracting new capital and new business, and maintaining a profitable agriculture must be a focus and priority of rural development and agricultural policy. NASDA recognizes a significant amount of agriculture occurs, and a large number of rural communities exist, within commuting distances of metropolitan areas. In addition, NASDA acknowledges that a growing agriculture and rural economy requires both debt and equity capital.

The current definitions and standards of federal economic development programs currently restrict program participation by rural areas in proximity of metropolitan and micropolitan areas. NASDA recommends that Congress extend eligibility of federal economic development programs to agricultural and rural community projects in metropolitan and micropolitan counties across the United States.

### **13.2 RURAL DEVELOPMENT**

Funding and development programs for rural America should be directed toward preventing the loss of businesses and human capital in rural areas. Rural area determinations should not-exclude low-density agricultural areas that are located in proximity to population centers or metropolitan areas. Rural development programs should provide funding for agriculture-related business development and job creation projects including:

- ▶ Feasibility studies;
- ▶ Technical assistance;
- ▶ Research and technological development assistance;
- ▶ Cooperative organizational assistance; and
- ▶ Leadership development.

NASDA recommends that the lending authorities of USDA Rural Development be broadened to help start and grow businesses in rural communities.

NASDA supports the development of opportunities in rural communities to meet educational, economic and technological objectives. NASDA supports adequate funding levels for USDA's Resource Conservation and Development Councils and state Rural Development Councils. These programs should offer grants to collaborating rural communities for initiatives to spur entrepreneurial development, including small business education, technical assistance, leadership programs, youth retention, and intergenerational business transfers.

### **13.3 RURAL LENDING**

The Farm Credit System (FCS) has a long history of working with agricultural borrowers and one of its strengths is an understanding of agricultural enterprises. The FCS should be provided with the authority to finance value added enterprises that may be on-farm or off-farm investments. FCS should also be

provided broader authority, with shareholder approval, to provide debt and equity capital to serve a wider ranger of agricultural and rural businesses, and agricultural and rural community needs.

Loan guarantees are only permitted once a facility is completely constructed or when specific stages are completed. This is counter productive because in many instances loan guarantees are needed to obtain adequate financing at the beginning stages of a project. NASDA supports providing guarantees on commercially viable rural projects in the early stages of the project's development.

#### **13.4 THE NEEDS OF RURAL AMERICA**

***Broadband and Wireless Internet***—Agriculture will benefit from inexpensive and easily accessible Internet connections by facilitating and strengthening use of extension research and technology programs, resident education, domestic and international marketing, and access to federal information and documents online. Information and communication technology, including telemedicine and distance learning, can help rural communities enjoy the same benefits as urban areas, such as higher standards of health care and virtually unlimited educational opportunities.

NASDA supports action by Congress to increase the availability and choices of broadband and wireless internet access such as narrowing the disparity in the level of broadband and wireless access to the internet through tax credits, government pilot projects, and increased funding for upgrading rural telecommunications. NASDA also supports the implementation of laws that protect the privacy of consumers who use the Internet and wireless communication. Specifically, there already exists a computing investment credit in the Internal Revenue Code of 1986, which could be expanded to include a broadband credit.

#### **13.5 VALUE-ADDED PROCESSING AND COOPERATIVE ENTERPRISES**

Producers traditionally look to expand their market share through exports, but they also realize there is an opportunity to increase their markets through value-added processing. Strategies to increase market share through value-added processing include cooperative and other business ventures focused on agricultural processing, farmer-owned cooperatives, and marketing the value of 'high-end' crops and livestock. The benefit of cooperatives and other business ventures is the potential for farmers to capture a greater share of the value of their product, while keeping more dollars in their local and regional economies, instead of exporting raw commodities from rural communities.

NASDA recommends that USDA's Rural Business-Cooperative Service should give attention and focus to farmer-owned cooperatives to increase the value of farmers' products in the marketplace. NASDA recommends the Rural Business-Cooperative Service include small farm operations and provide education (technical and business planning) and financial resources to enable these small producers an opportunity to add value to their products and market them to retailers and consumers.

NASDA recognizes the powerful economic contributions of agricultural and other cooperatives in the United States. NASDA also recognizes the significant role and growth opportunities for new cooperative enterprises across a wide variety of sectors, and for new producer ownership models in businesses beyond the farm gate, which can positively affect agricultural and rural communities.

NASDA supports the preservation of the Capper Volstead Act to ensure the continued ability of farmers and ranchers to form cooperatives and to negotiate for fair business practices. NASDA also strongly supports cooperatives development centers and technical assistance for new cooperative enterprises.

The National Commission on Small Farms and the Secretary's Advisory Committee on Small Farms both issued recommendations for USDA consideration. NASDA recognizes both of these reports and supports recommendations that will strengthen the viability of small farmers and ranchers. This includes the establishment of small farm business councils at the state level, which comprises the involvement of state departments of agriculture.

***Economic Data; Information and Data Collection***—Effective agricultural policy should be based on accurate and objective data that describe the structure and operation of agricultural enterprises and measure their economic health. Proper data are needed both to administer programs and measure their performance. Data requirements need to be developed in parallel with policy. There should be better cooperation among USDA agencies on survey information and collection.

NASDA supports National Agricultural Statistics Service (NASS) initiatives to develop electronic data reporting systems.

NASDA also supports strong federal-state partnerships between individual state departments of agriculture and the NASS. NASDA provides a nationwide staff of interviewers who are essential to collection of meaningful agricultural statistics. NASDA strongly endorses NASS efforts to support a highly trained, competitively paid corps of part-time enumerators who collect the data that form the foundation of the NASS census and survey programs.

NASDA strongly supports providing adequate resources for conducting censuses of agriculture and for additional research to improve response, ease data reporting, and enhance data quality. In particular, NASDA encourages expansion of cost of production data for specialty crops, which are collected as part of the annual NASS Agricultural Resources Management Survey (ARMS).

NASDA encourages Congress to appropriate the necessary funding to expand pesticide use data collection through statistically valid survey procedures for all pesticide uses supported through the pesticide registration and the FQPA process.

NASDA recommends that the U.S. Department of Homeland Security's Customs and Border Protection provide individual states with data on plant, animal and food entries into states to enhance states' ability to prevent introduction of harmful plant and animal pests and diseases.

### **13.7 RURAL EDUCATION**

NASDA strongly supports K-12 agricultural education programs for. State departments of agriculture should support various efforts to develop and implement agricultural education programs which are focused on public awareness and leadership

### **13.8 BIOECONOMY AND ENERGY**

Agriculture historically has provided food and fiber to America. Now, with the development of new biofuels such as ethanol and biodiesel, and with greater commercial interest in wind and solar energy, America's farms and ranches are increasingly seen as a promising source of clean, renewable, home-grown energy. This role is expected to take on increasing prominence in years to come, given mounting concerns over oil prices and availability, and the environmental and geo-political implications of America's continued reliance on foreign sources of fossil fuels.

Replacing the use of imported petroleum with domestically produced sources of energy made from biomass, would address many economic, environmental and national security issues. Development of a

biomass industry will also ensure that U.S. agricultural producers have profitable new markets for their products, and that agricultural land is kept in productive use. Emphasis should be placed on the development of alternative fuels from agricultural commodities, livestock manures, forest products, agricultural crop residues, food processing byproducts, waste stream products, and other biomass products.

Beyond food, fiber and even energy, many people see agriculture as having potential as a new method of manufacturing pharmaceuticals and other products previously made through chemical or industrial processes. The emerging industrial biotechnology field is exploring how the building blocks in cellulose can be used to create a whole host of products, such as plastics, polymers, pharmaceuticals, solvents, paints, and other industrial chemicals.

The economic value of these potential markets for agricultural “feedstocks” might someday surpass the value of the food and fiber market. Rather than producing these products from finite fossil fuel resources, the U.S. can use its land base and natural resources to provide a continually renewable resource for industrial processing.

NASDA supports a national strategy that addresses the gaps in research and financing so that biomass feedstocks can be grown, harvested, and processed to maximum efficiency. This would result in an industry that produces goods that can compete with petroleum based products on price and availability.

NASDA supports increasing the Renewable Fuels Standard (RFS) to 7.5 billion gallons of renewable fuels by 2008 and increased to 30 billion gallons per year by 2025. Just as the current RFS provides for a portion of this amount to be met by cellulosic ethanol, any increases to the RFS should include a corresponding increase in the amount that must be derived from cellulosic feedstocks.

NASDA supports the implementation of the 25 X '25 initiative as proposed by the Ag Energy Working Group, which states that “Agriculture will provide 25 percent of the total energy consumed in the United States by 2025 while continuing to produce abundant, safe and affordable food and fiber.”

NASDA supports the establishment of on-farm incentives to produce and utilize solar energy, wind energy, biodiesel fuel, methane, and any other biopowers, biofuels and bioproducts. NASDA also supports emphasis and funding for carbon sequestration research and the implementation of a trading system for carbon credits.

The members of NASDA also support the continuation of existing federal tax credits for the ethanol, biodiesel, and wind production. The members of NASDA also support the minimum oxygen standard of the 1990 Clean Air Act Amendments and the replacement of MTBE with ethanol to meet that standard.

NASDA supports allowing Conservation Reserve Program (CRP) acres to be used for energy and biobased crops, with commensurate payment reductions. In addition, a cellulosic/energy feedstock base should be established. Participants could enroll their land by entering into long-term contracts, at least 10 years, to grow certain perennials, such as, but not limited to, switchgrass and trees. Such land use should also benefit the environment, wildlife and recreation. NASDA also supports providing more financial resources for the federal multi-agency Biomass Research and Development program, with additional resources specifically designated for commercialization. This program requires the USDA Secretary to conduct an inventory of biomass resources on a county-by-county basis. Additionally, NASDA supports an Energy Council in the Office of the Secretary to coordinate energy policy at USDA.

***Carbon Emission Cap and Trade System*** — NASDA supports a national carbon emission cap and trade system to offset non-farm greenhouse gas emissions and which allows the agriculture sector to receive credits for greenhouse gas reductions. Such a system should include provisions for standardized, cost-effective protocols for estimating greenhouse gas emission reductions from agriculture. NASDA also urges continuation and expansion of the Chicago Climate Exchange or other similar markets to provide financial compensation to farmers and ranchers for environmentally sound practices.

***Comprehensive Agricultural Energy Initiative*** – NASDA supports the development of a “comprehensive agricultural energy initiative” by the Administration that considers the renewable resources of this nation’s agriculture industry. There is a tremendous opportunity to formulate and propose agriculture-based energy initiatives that could be used as a “new opportunity” to promote ethanol, biodiesel and other bioenergy sources and the economic contribution to agriculture. Oxydiesel alternatives and others also provide an opportunity to share clean energy biomass electricity alternatives to a nation looking for more energy.

NASDA supports loan guarantee authority for biorefineries, with half going to loans less than \$100 million, and the other half for loans up to \$250 million. Loan guaranteed may cover up to \$2 billion in loans. NASDA supports Congress to require that construction contractors and subcontractors on federally assisted guarantee projects pay their employees not less than the prevailing wage.

Potential biomass production by using advanced gasification technology (not burning), biomass from switch grass crop residues and solid waste could produce a significant amount of clean, sustainable power. The economic benefits for biomass electricity and biofuels would create jobs. NASDA supports establishment of a Farm Energy Production Pilot Program to provide grants to farmers to demonstrate the feasibility of making farms energy neutral using existing technologies. Within the Rural Energy Self-Sufficiency Initiative, USDA is authorized to make cost-share grants for eligible rural communities in order for them to develop renewable energy systems and increase their energy self-sufficiency. NASDA supports increased funding for the Renewable Energy and Efficiency Improvements Program, to be renamed the Rural Energy for America Program. Biomass energy will keep energy dollars in the U.S. and provide for the positive environmental impacts needed.

***Energy Costs*** – Historically changes in cost of production have been due primarily to changes in the cost of land. More recently farmers have been especially hard hit by sharp increases in fuel prices because of their extensive use of oil and gas products in agricultural production. Agriculture already has a low return on investment and equity when compared to many sectors of the American economy, so volatile swings in energy and other input costs can drastically alter farmers’ net revenue. USDA’s projection for farmers’ expenditures for fuels and oils, electricity, fertilizer, and pesticides in 2007 is \$41.0 billion, up \$4.1 billion from 2006 or 11 percent, and up \$6.9 billion or 23 percent from 2001. That equals a decrease in net cash income of about 10 percent.

Increased energy prices, especially fuel prices, immediately impact farmers’ costs of production. Even though farmers are more energy efficient than ever before, spikes in energy costs hit particularly hard their already tight profit margins. But when considering the impact of higher energy prices on agriculture, it is also important to remember that the amount of energy used in agriculture is significant beyond the traditional gas and diesel for vehicle and machinery use. They use heating oil, natural gas, propane, kerosene and/or electricity to heat or regulate temperature in their hog or chicken facilities and dry their crops. Even pesticide costs are directly related to petroleum. As a general rule, it takes the equivalent of one gallon of diesel fuel to make one pound of active ingredient of pesticides.

Farmers are limited in what they can do to mitigate the effects of higher energy prices. When and where possible, producers are limited to employing different production strategies, such as reducing field operations by switching from conventional tillage practices to reduced till, adjusting fertilizer application rates, changing the timing of fertilizer applications and using animal manure and green fertilizer. Unfortunately, however, for the foreseeable future the costs of energy will remain relatively high and it is in the nation's best interest to deal with how to adjust to the increased prices.

NASDA recommends that government support for alternative fuel sources to fossil fuels continue, focusing on the use of ethanol, biodiesel and biomass production. Further, NASDA urges the government to keep a high priority for research related to bioenergy and biobased products. NASDA also urges USDA to complete the rulemaking on labeling regulation, to increase testing and labeling of biobased products and to expand awareness of the BioPreferred program. In addition, NASDA supports continuation of USDA's Biodiesel Fuel Education Program.

In the interim period, there should be a renewable fuels content standard in energy legislation, and preferential tax treatment for ethanol, such as in the small ethanol producer tax credit. Congress should also provide funds to continue the USDA Commodity Credit Corporation Bioenergy Program, which provides production incentives for increases in production of ethanol and biodiesel made from agriculture and forestry crops and associate waste materials, including animal manure and livestock/food processing waste. Specifically, the Biomass Energy Reserve Program establishes a program to encourage the production of feedstocks for cellulosic ethanol and other energy production and provides for five year contracts for producers to grow dedicated energy crops. It provides an incentive for producers to harvest, store and transport biomass to bioenergy facilities. It also helps farmers learn how to plant and cultivate these feedstocks in a cost-effective manner. NASDA supports the Forest Bioenergy Research Program that creates a program to address the specific issues facing the use of woody biomass for bioenergy production. Renewable fuels such as ethanol and biodiesel are the cornerstones in assisting American agriculture in terms of the use of its product and energy requirements.