

**Rural Development**  
**Statement of Judith Canales, Administrator, Rural Business-Cooperative Service**  
**United States Department of Agriculture**  
**Before the Subcommittee on Agriculture, Rural Development,**  
**Food and Drug Administration, and Related Agencies**

Chairman Kingston, Ranking Member Farr, and Members of the Subcommittee, thank you for the opportunity to testify regarding the Administration's 2013 Budget for the U.S. Department of Agriculture's (USDA) Rural Business-Cooperative Service (RBS). As our Nation continues to face challenging economic times, RBS programs and services, in partnership with other public and private sector funding, continue to be at the forefront in improving the economic climate in rural America. Our programs not only promote rural business employment opportunities, they close the opportunity gaps between rural and urban areas. The Administration's 2013 Budget requests \$127.8 million in budget authority for rural business and cooperative programs that will support over \$982 million in direct and guaranteed loans and grants, which will assist in creating or saving over 47,000 jobs by providing financial assistance to thousands of businesses. I appreciate the opportunity to discuss the Administration's 2013 Budget, as well as the successes of the business programs today.

**Administration Priorities**

USDA will continue our leadership role for the economic development of our Nation's rural communities as well as the development of renewable sources of energy. USDA will also focus on supporting our rural communities by seeking to foster economic development on a regional scale. Through these efforts, USDA is revitalizing rural communities by expanding economic

opportunities and creating jobs for rural residents to promote investment in building a greener economy and to build a link between local production and local consumption.

### **Capital Markets**

Affordable, available, and reliable capital is the lifeblood of economic development. For rural Americans to thrive economically, they must have improved access to financing – particularly long-term equity and venture capital. RBS administers several loan and grant programs that attract investment capital. We will continue to pursue aggressively our relationships with our public and private partners to increase access to capital in rural America.

### **Business Programs**

Business development and job creation are at the foundation of our agency mission. In 2011, we invested almost \$2 billion to ensure America's rural businesses maintain a competitive edge in today's global market place. The vast majority of this funding was provided through guaranteed loans, which leverage funding provided by the commercial lending community along with other private sector funding.

### **Guaranteed Business and Industry Loans (B&I)**

Businesses in rural communities need capital in order to create and maintain jobs. The 2013 Budget requests \$56 million in budget authority to support \$821 million in loan guarantees for our B&I guaranteed loan program. We estimate that the proposed level of funding will assist 512 businesses in creating or saving over 16,000 jobs. In 2011, we obligated 511 loans totaling almost \$1.4 billion, creating or saving an estimated 27,800 jobs. In 2010, under the American

Recovery and Reinvestment Act of 2009, RBS provided a 90 percent guarantee on a \$5.3 million third-party loan made to Missouri Forge, Inc. Using a highly skilled work force, this company is one of the automotive industry's top manufacturers of diesel engine rods. As a result of their success, the company plans to expand its operation and increase its workforce. This loan led to increased job creation for the local area. As one of the largest employers in the Doniphan, Missouri area, the company projects that it will increase employment by approximately 40 percent, from 80 to 110 employees.

### **Rural Business Enterprise Grant Program (RBEG)**

The 2013 Budget requests \$29.8 million for this program. In 2011, RBEG awarded 585 grants totaling almost \$39 million. A key aspect of this program is its flexibility in the types of projects it can fund, including those that finance and facilitate the development of small and emerging rural businesses, provide technical assistance, fund business incubators, and those that promote employment related to adult education programs. One example is a \$90,000 grant made to the Winneshiek County Agricultural Extension District. The grant assisted the Northeast Iowa Food and Fitness Initiative in expanding its support of regional local food systems in northeast Iowa. The tremendous impact of the Northeast Iowa Food and Fitness Initiative includes: 21 farmers sold products to 16 local schools, 5 new community-supported agriculture ventures were started, and 11 farmers started producing food for local markets.

### **Intermediary Relending Program (IRP)**

The 2013 Budget requests approximately \$6 million in budget authority to support \$18.9 million in loans to intermediaries. We estimate that the proposed level of funding will assist 642

businesses in creating or saving over 14,000 jobs over the life of these revolving funds. In 2011, IRP made 57 loans, totaling approximately \$19 million. One example is a recent IRP loan to Kentucky Highlands Investment Corporation (KHIC), which in turn loaned these funds to seven small businesses located in several counties. The loans, which ranged from \$100,000 up to \$250,000, were used to purchase equipment and real estate and provide working capital. Most importantly, these loans leveraged an additional \$2.9 million in commercial loans and other funding. Because of KHIC's entrepreneurial approach to assist business start-ups and expansions, the investments in the communities in these counties resulted in greater business stability and enabled local institutions to better serve the economic needs of local residents. This loan helped create 11 jobs and saved 192 jobs, which provide economic stability for families and a solid tax base for local and state governments.

#### **Rural Economic Development Loan and Grant Program (REDLG)**

The 2013 Budget requests approximately \$33 million in loan program level and \$10 million in grants. The REDLG program provides funding to rural projects through local utility organizations. The loan portion of REDLG provides zero interest loans to local utilities. The utilities, in turn, pass them through to local businesses (ultimate recipients) for projects that will create and retain employment in rural areas. The ultimate recipients repay the lending utility directly, which in turn repays the agency. The grant portion of REDLG provides grants to local utility organizations to establish revolving loan programs. Loans are then made from the revolving loan fund to projects that will create or retain rural jobs. One example is a \$429,000 grant and loan to the South Kentucky Rural Electric Cooperative Corporation, which they awarded to the Pulaski County Kentucky Industrial Development Foundation, Inc. to construct a state-of-the-art facility to train utility industry field technicians. These funds were used in

conjunction with \$2.1 million in training funds from the U.S. Department of Labor and the Commonwealth of Kentucky that enabled a local college to train over 180 low-to-moderate income participants for utility industry jobs. Of those 180 students, more than 72 percent now have permanent jobs.

### **Rural Microentrepreneur Assistance Program (RMAP)**

The 2013 Budget requests \$3.4 million in budget authority to support \$22.5 million in loans for this program. We estimate that the proposed level of funding will create or save over 3,000 jobs. RMAP, which was launched in 2010, provides capital access, business-based training and technical assistance to the smallest of small businesses—businesses of less than 10 people. In 2011, RMAP awarded 51 grants totaling \$6.7 million in budget authority to microlenders to provide technical assistance and established 40 rural microloan revolving funds through loans to microdevelopment organizations that totaled a loan portfolio of \$14.6 million and \$3.5 million grants. While only in its third year of operation, RMAP is showing results. One example is a direct loan of \$500,000 and a technical assistance grant of \$105,000 made to Appalachian Community Enterprises, Inc., located in Cleveland, Georgia, to establish a revolving loan fund to make loans to microentrepreneurs and to provide the technical assistance to give their start-up businesses the tools needed to grow and succeed. To date, this revolving loan fund has made 19 separate microloans totaling \$379,400 that created 20 jobs.

### **Energy Programs**

Recently, the President put forward a comprehensive, long-term vision to build a clean energy economy that will move the Nation towards energy independence and create high-paying

jobs in the U.S. RBS continues to be a leader in promoting the creation and expansion of renewable energy in rural areas. As the President stated in his State of the Union address this year, America is re-inventing its energy policy and needs to invest in “clean energy technology.” The President also encouraged an “all of the above” strategy that taps into all of America’s potential energy resources.

RBS administers four programs specific to energy that promote a cleaner and more sustainable energy future through investments in advanced biofuels, renewable energy, and energy efficiency. These four programs are the Rural Energy for America Program, the Biorefinery Assistance Program, the Repowering Assistance Program, and the Advanced Biofuel Payment Program. Since 2009, these four energy programs have invested approximately \$800 million in biorefineries, renewable energy, and energy efficiency systems through grants, loan guarantees, and assistance payments. The President’s 2013 Budget will support renewable energy projects funded through the Rural Energy for America Program. Renewable energy projects are also eligible for funding through our B&I Guaranteed Loan and Value-Added Producer Grant programs.

### **Rural Energy for America Program (REAP)**

The Rural Energy for America Program is the agency’s most successful and competitive renewable energy program. The 2013 Budget requests \$4.6 million to support a program level of \$19.1 million. In 2011, REAP awarded \$62.5 million in grants and \$34.1 million in loan guarantees to fund 2,008 projects in all 50 States and territories for renewable energy systems, energy efficiency improvements, feasibility studies, energy audits, and renewable energy

development assistance. One example is a \$49,500 grant made to the Powder River Energy Corporation. Ranchers located in a five county area of Northeastern Wyoming needed a cost-effective and energy-efficient way to deliver water to their livestock pasturing in remote locations. The corporation used this grant to help offset high water hauling costs by installing solar powered stock pump units and tanks. Today, these ranchers are realizing an overall annual cost savings of 25 percent in delivering water to their herds.

### **Rural Cooperatives**

An important business model and the cornerstone for business development in some rural communities, cooperatives provide rural residents with new job opportunities, enhanced educational and healthcare services, and products that enable them to compete with their urban and suburban counterparts. Opportunities are created locally and revenues are maintained and re-circulated locally.

### **Value-Added Producer Grant Program (VAPG)**

The 2013 Budget requests \$15 million in funding for this program. This level of funding allows RBS to maintain this program, which encourages producers to refine or enhance their products, increasing their value and their returns to producers. RBS recently announced 298 awards for approximately \$40.3 million in 44 States and Puerto Rico. Since 2009, RBS has made 427 awards for over \$24 million dollars to support value-added businesses across the country. The successes of VAPG are seen throughout the United States. For example, Dakota Lamb Growers Cooperative in Northwood, North Dakota, is a grower-owned company dedicated to producing high quality natural lamb. Shortly after its incorporation, the cooperative,

composed of 184 growers from North Dakota, South Dakota, Minnesota and Montana, received a \$144,000 VAPG award to assist with working capital expenses related to developing a new way for its members to market processed lamb products.

**Rural Cooperative Development Grant Program (RCDG) and Appropriate Technology Transfer for Rural Areas (ATTRA)**

The 2013 Budget requests \$7 million for this program. In 2011, 36 RCDG grants were made, totaling \$7.9 million. This program provides support to centers to develop new cooperatives and improve existing cooperatives. This program complements our national and state office technical assistance efforts by increasing outreach and developing feasibility studies and business plans for new cooperatives and assisting existing cooperatives in meeting the demands of today's global economy. The Foundation for Agriculture, Innovation and Rural Sustainability (FAIRS) in Richmond, Virginia, provides support to cooperatives and producers in developing and advancing their agricultural, economic, and social interests to enhance their quality of life. Since 2005, Virginia FAIRS has received RCDG funding to assist individuals, cooperatives, and small businesses in rural areas to enable and assist cooperative and business development. The budget also includes \$2.3 million for the Appropriate Technology Transfer for Rural Areas (ATTRA).

**Small, Socially-Disadvantaged Producer Grants**

The 2013 Budget requests \$3.5 million to support cooperatives or associations of cooperatives whose primary focus is to provide assistance to small, minority producers. In 2011, 19 grants were made, totaling almost \$3 million. The people of Winston County, Mississippi face many of



the same problems as other rural communities across the Nation, such as declining population, rising prices, and family farms in need of capital, business tools, and new markets for their products. In 2010, the Winston County Self-Help Cooperative received a \$200,000 grant to train a consortium of local farmers in business development and conservation.

### **Conclusion**

Thank you for your time, Mr. Chairman and members of the Subcommittee. The Rural Business–Cooperative Service is committed to promoting economic prosperity in rural communities through improved access to capital and economic development on a regional scale. With your help, we will continue working to bridge the opportunity gap between rural and urban areas.