Rural Development Left Behind in New Farm Bill Framework

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The latest budget framework released on March 25 for the 2008 Farm Bill provides zero new resources for community and economic development in rural America. Out of the more than 10 titles of the Farm Bill, Rural Development is the most prominent issue area provided a big, fat goose egg. As the only federal agency focused exclusively on building the community assets of rural America, the mission area of USDA Rural Development is far too important to leave off the priority list, let alone totally abandon.

This is an ominous strategic mistake by federal policy makers, in terms of our nation's future overall economic competitiveness, our ability to pursue energy independence and our farmer's capacity to continue producing the most efficient and safe food resources in the world. This decision is happening at the worst possible time, as the United States is now falling further behind our global competitors in investing in the fundamental building blocks for sustainable economic growth and competitiveness – community and physical infrastructure.

Our global competitors have learned from the successes of our great leaders, from President Jefferson to President Lincoln to President Eisenhower. A nation must invest in its public infrastructure, whether broadband, water and sewer, health care centers, workforce training facilities or transportation, if it is to efficiently and effectively participate in national and global trade. Access to markets is critical, both for our agricultural community as well as other sectors of the rural economy such as tourism, health care, energy production, manufacturing and service industries.

The fastest growing nations around the world understand this basic fact. As reported by *The Economist* in February 2008, China has spent more on its roads, railways and other fixed assets between 2001 and 2005 than it spent in the previous 50 years. Since the 1990s, China has built an interstate expressway that is second only to our interstate system. Unfortunately for us, their work isn't complete as they remain focused on linking communities with high-speed rail, 97 new airports and more than 300,000 kilometers of new roads. These investments are not just taking place in urban areas, but instead much of the emphasis is on connecting its vast rural landscape and workforce to trade centers and markets around the world.

Other emerging markets, such as India, parts of Europe and many sub-Saharan Africa nations, are also spending an increasing portion of their Gross National Product (GDP) (anywhere from four to eight percent vs slightly above 2 percent for U.S.) on infrastructure upgrades and improvements. Sure, they may have far more pressing unmet needs than we have. However, these nations are making strategic investments aimed at connecting nearly 70 percent of the world's workforce to the rest of the globe. The competitive challenges facing our farmers, let alone the rest of America's industries, are just beginning.

USDA Rural Development could play an even more critical role in helping the United States with its national defense and economic security – especially with energy independence and food safety. Rural development is often viewed through the lens of improving the quality of life in rural communities and providing basic services for rural communities that are often taken for granted in suburban and metropolitan areas.

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As the United States pursues an agenda aimed at making us more energy independent, more environmentally friendly with respect to global climate change and more competitive in the rapidly shifting world marketplace, we must invest much more heavily in rural America. Whether building a wind farm in the plains of Southwest Minnesota, testing cellulosic ethanol fuels in Illinois or pursue a creative economy in North Carolina, all of these initiatives require significant community know-how and public investments. Private industry will bring operational and market capital to rural America, but we must first ensure our smaller metropolitan and rural areas have the public services needed to bolster these private initiatives.

Unfortunately, the current portfolio of USDA Rural Development programs is grossly underfunded. The mission area has a project backlog exceeding $2 billion today, and even worse, much of this log jam is for the honor of tapping into USDA's loan and loan guarantee programs, not even for the agency's much prized and dwindling grant resources. Urban America wouldn't stand for this treatment, neither should rural America.

When examining the Consolidated Federal Funds Report for 2001, according to the Rural Policy Research Institute (RUPRI), a devastating structural disadvantage surfaces for rural America. It shows that a disproportionate rate of federal funds in rural America, nearly 64 percent, is in the form of transfer payments to individuals. By comparison, the rate for metropolitan areas is only 50.5 percent.

At first glance, this may seem like a positive trend for rural citizens. Heck, we're earning a greater return on our federal tax dollars. Unfortunately, it means that rural Americans are far more dependent on the federal government for our day-to-day survival, from Medicaid and Medicare assistance to monthly Social Security checks to farmer subsidies.

By contrast, our metropolitan communities are using a greater percentage of their federal assistance to invest in their economic future – roadways and intermodal gateways, water and sewer treatment plants, job-skills training centers, business incubators, and post-secondary education research labs.

Programs such as food stamps, nutrition assistance and commodity subsidies are important, and often vital, for the immediate survival of many rural citizens and farmers. However, they are more of a short-term fix compared to the long-range benefits of rural development assistance programs. Our primary focus, as a nation, should be on entrepreneurial development, value-added production and innovation (both agriculture and non-ag related), and sustainable economic and energy development that is environmentally friendly, beneficial to the national and economic security of our country and tied to regional and local priorities and assets.

This is one of the primary reasons that Senate Ag Chairman Tom Harkin (D-IA), who remains a prominent champion of conservation and nutrition assistance, is trying to strike a better balance between the immediate social and human service needs of all Americans with the sustainable economic competitiveness of rural communities and business interests. Chairman Harkin's Regional Collaborative Investment Program (RCIP) attempts to implement the research findings and policy recommendations of nearly every major policy think tank in the world and here at home – from the Organisation for Economic Co-operation and Development (OECD), Brookings Institution, Council on Competitiveness and RUPRI Center for Regional Competitiveness.

Our federal policies must reward regional collaborations of public, private and nonprofit leaders and groups. We must invest in regionally-based economic development strategies that build on local assets and strengths, instead of continuing to focus on local weaknesses. We must help our rural regions achieve the economies of scale needed to contend on the word stage. In addition, we must start to reinvest in regional comprehensive strategies that are locally-controlled and driven, while also making the investments needed to implement regional and local project priorities. Unfortunately, even at only $135 million out of a five-year, $82 billion Farm Bill package, it appears that RCIP may be left on the cutting-room floor.

Finally, our agricultural sector needs more investments in our rural community infrastructure to remain competitive, both from a quality of life perspective as well as the production, transport and safety of agricultural food and energy crops. Rural Development in the Farm Bill context shouldn't be viewed as a competitor, but as a complementary component. The agricultural sector is a primary beneficiary of just about every investment made by USDA Rural Development, whether related to improved water and water treatment facilities, improved housing options for workers, more affordable access to business financing, assistance for value-added production marketing or cheaper and reliable services from rural electric and telephone cooperatives.

With the proper strategic focus and streamlining of programs, USDA Rural Development could be re-engineered to directly support economic development initiatives, as well as help address the basic building blocks that are not just needed, but mandated by today's knowledge workers, entrepreneurs and creative economies. Today, our rural regions must have a host of ingredients to compete, let alone thrive: health care facilities, cultural and arts activities, community centers and educational venues, natural amenities, and reliable and affordable access to broadband, electricity, aviation and waterway ports, and housing.

The agricultural sector is no different in these regards. For example, today's farmer must have access to high-speed broadband as much as a financial trader on Wall Street or a legislative aide on Capitol Hill. They must have timely and on-going information about commodity trading markets around the globe, daily rates for fuel and materials, weather and crop conditions, and transportation logistics for moving goods to markets. The same could be said for other USDA Rural Development investments in regional and local water systems, affordable housing developments, business lending programs and community facility improvements. They all have an incredible multiplier effect and sound return on investment once the initial outlay is made.

There is still time for administration officials and congressional leaders to correct this strategic blunder. The final days of the 2008 Farm Bill conference negotiations offer an ideal time for our nation's policy makers to build on the legacies and visions of our greatest Presidents. It will take a steadfast commitment to the long-term interests of rural America, and our nation as whole, rather than just the most expedient path of least political resistance.

Putting money into USDA Rural Development is an investment that will pay dividends for the nation and rural America again and again over time, not just a one-time quick fix.

Matthew D. Chase is the Executive Director of the National Association of Development Organizations (NADO), a national membership association located in Washington, DC serving the national network of 520 regional development organizations across the nation. NADO is a founding member of the Campaign for a Renewed Rural Development (ruralcampaign.org). Visit NADO.org for more information about the association.