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From the Farm Bill to... California’s Working Landscapes
Seeking a Triple Bottom Line

Dr. Glenda Humiston, State Director
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- Funding and Technical Assistance for:
  - Business & Cooperatives Development
  - Community Facilities & Rural Utilities
  - Water, Sewer & Solid Waste Systems
  - Single, Multi-Family & Farmworker Housing

FY 2012: $1.3 Billion

CA Portfolio: >$8 Billion
Why Do We Have a Farm Bill?

The Depression and the Dust Bowl were wreaking havoc across rural & urban America in the 1930’s.

Since then other factors have influence:

- Policy of “Cheap Food”
- “Green Revolution”
- Environmental Issues
- International Trade
- Alternative Energy Sources

Photos courtesy of USDA NRCS
Conventional Wisdom on Farm Policy
Agriculture’s “Iron Triangle”

House & Senate Committees
Agriculture and Agriculture Appropriations

USDA
Secretary of Agriculture responsible for delivery of all Farm Bill programs.
Farm & Foreign Agriculture
Food Safety & Inspection
Marketing & Regulatory
Natural Resources & Environment
Nutrition & Consumer Research, Education & Extension
Rural Development

U.S. Farm Bill
Policy and laws governing agriculture, nutrition, rural development, etc.

Contributions
Information
Testimony

Agricultural & Commodity Groups
Farm Bureau Federation
Corporate Agri-Business
Land Grant Institutions

Comments, lobbying, appointees

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Problems With Global Farm Policies:

- Traditional advantages for farmers in the developed world - greater **access to capital & technology** - no longer exist.

- Agribusiness **controls most new technology**, and directs it where it earns the highest short-term return.

- **Subsidies** are trade distorting & encourage concentration.

- Entrenched distribution and processing infrastructure hinder efforts to advance regional food systems and/or access to healthier foods.
Ag Politics are Regional – Less Partisan

CRP Rents

Whose Ox Gets Gored?

Percent of Non-Federal Land in Grazing, 1997

Distribution of Minority Operated Farms, 1997

Percent of Farmers Receiving Direct Payments

1 Dot = 5 African American Farms
1 Dot = 5 American Indian Farms
1 Dot = 5 Asian/Pacific Islander Farms
1 Dot = 5 Other Non-White Farms

Maps Courtesy of USDA NRCS

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Expanding Since 1985 Conservation Title

Sustainable Agriculture

Sound Ecology
- Support Water & Air Quality
- Protect Natural Resources
- Sustain Biodiversity

Viable Economy
- Investment Capital Available
- Positive Affect on Local Economy
- Adequate Infrastructure

Feasible Implementation
- Public Supports Proposal
- Adequate Resources Available
- Laws & Regulations Work or Can be Changed

Landowner Objectives
- Balanced Land Use Planning
- Landowner Contributions Recognized and Valued
- What is Their Vision?

Sufficient Energy
- Expand Use of Renewable Energy
- Reduce Energy Demands
- Create Next-Generation Biofuels

Social Equity
- Public Has Opportunity for Input
- Rewards Fairly Distributed
- Level Playing Field

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2008: Interest Groups Shift

Conservative/Libertarian groups align with push for ecosystem services – if they can't end farm payments outright, best option is to shift $$ to ES payments.

AFBF supports reductions in domestic supports in favor of improvements to market access.

Free Trade Proponents – who see farm programs as an obstacle to market access – exploit efforts by anti-globalism activists to eliminate domestic farm subsidies.

Health care & nutrition sectors advocate food be tied to health.

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“Ecosystem Services”

Recognizes and **rewards the benefits** - other than food or fiber – provided by our working landscapes, yet are often **uncompensated in the marketplace**. These services vary greatly with management practices and investment levels.

The Millennium Ecosystem Assessment defines ecosystem goods and services as:

- **Provisioning Services** such as food, fresh water, fuel, and fiber;
- **Regulating Services** such as climate, water, and disease regulation as well as pollination;
- **Supporting Services** such as soil formation and nutrient cycling;
- **Cultural Services** such as educational, aesthetic, and cultural heritage values as well as recreation and tourism.
Institutional Analysis: U.S. Farm Bill

New Farm Bill Players
- Public Interest & Taxpayer Groups
- Private Sector “Free Trade” Forces
- International Institutions
- News & Other Media

Pressing New Demands

Pushing for Change

Environmental & Conservation Groups
- Sustainable Agriculture
- Minor & Specialty Crops
- Rural Development Interests

Limited input to the normal process

Iron Triangle
- USDA
  - Secretary of Agriculture: responsible for delivery of all Farm Bill programs.
  - Farm & Foreign Agriculture
  - Food Safety & Inspection
  - Marketing & Regulatory
  - Natural Resources & Environment
  - Nutrition & Consumer
  - Research, Education & Extension
  - Rural Development

House & Senate Committees
- Agriculture and Agriculture Appropriations

U.S. Farm Bill
- Policy and laws governing agriculture, rural development and related issues.

Agricultural & Commodity Groups
- Farm Bureau Federation
- Corporate Agri-Business
- Land Grant Institutions

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Why didn’t this work better?
• Key goals widely different.
• Relationships broke down.
• A “Tragedy of the Commons”.

Lost Opportunities!
• Common cause and likely relationships were shunned and/or overlooked.

Were the “New Players” heard?
• New interests didn’t pose a threat to re-election of individual House and Senate members.
• The White House was grappling with other issues considered to be more important.

What will prompt “Iron Triangle” to expand issues & partnerships?
• Global economy and new technologies.
• Demographic shifts and new players are changing political power bases.

How effective was the media? How involved was the public?
• Most people use info supporting current thinking.
• Other priorities took precedence.
Working a New Triangle??

• New players attempted to overpower existing process and groups.
• Some new players preferred to ignore and/or get antagonistic with Farm Bloc and some USDA agencies.

The Classic Iron Triangle Prevailed!

• Vested interests had much more to lose and fought harder.
• Well-established, enduring relationships hard to break apart.

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Global Demand Drivers

- Global Population Increase
- Climate Change Impacts
- Growing Middle Class
- Rapid Urbanization

• Rising Food Prices
• Rising Global Trade of Food
• Policies to Reduce Carbon Footprint
• Demand for Protein, Fruits and Vegetables

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Domestic Demand Drivers

- Obesity / Escalating Health Care Costs
- Dependence on Foreign Oil / Cost of Energy
- Climate Change / Reducing Carbon Footprint
- Support for Local Food / Energy / Businesses

Health / Food Policy Intersect

- “Buy Local / Buy Fresh”
- Regional Food Systems
- Production of “Green” Energy

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Study: Obesity adds $190 billion in health costs
“...the rent of land, the wages of labour, and the profits of stock; ...are the three great, original and constituent orders of every civilized society, from whose revenue that of every other order is ultimately derived.”

Adam Smith, 1776
An Inquiry into the Nature and Causes of the Wealth of Nations

TODAY: People & Planet & Profit
A “Triple Bottom Line”
Need to develop a new generation of farmers!

- Average age of U.S. farmer is 57
- 70% of farmland is owned by farmers who will retire in the next 20 years
- Small and mid-size farms account for 80% of all farmland.
Definition of “Rural”

97 California communities will lose eligibility for housing programs when 2010 Census implemented!
Agriculture Appropriations for Farm Bill Baseline
(appropriated annual budget authority in billions of dollars)

FY2013 Agriculture Appropriations: $139 billion

Ten-Year Scores of Senate & House 2013 Farm Bills

Total annual budget for Farm Bill is about $139 billion in FY2013.

The Senate (S954) reduces spending by $17.9 billion (-1.8%).

The House (HR1947) would reduce it by $33.4 billion (-3.4%).

Virtually no opportunity to affect 2013 Farm Bill at this Point! However…

Once USDA gets the Farm Bill, next few years will be writing actual rules and…

Interest Groups will start working on 2018 Farm Bill almost immediately!
Forums Produce Recommendations

January 2010 – 43 Forums

• Over 1,000 Californians Participated
• Consistent Recommendations Offered Throughout All of California
• Strong Partnerships Emerged

January 2011 – 58 Forums

• Almost 2,000 Californians Attended
• Update on Activities and New Economic Development Strategies
• Strong Support Received
• Many Requests for Collaboration

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Only 2% of annual state job gains are business relocations; most are from:
- expanding existing businesses – 42%
- creating new companies – 56%

Jed Kolko, September 2010, Public Policy Institute of California
Regional Industry Cluster Projects

- Create Jobs!
- Improve Distribution
- Expand Access to New Markets
- Enhance Goods Movement Strategy
- Reduce Carbon Footprints

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<table>
<thead>
<tr>
<th>SECTOR</th>
<th>2011 JOBS</th>
<th>5-YEAR NEW JOBS</th>
<th>AVG. HOURLY WAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support</td>
<td>1,446,232</td>
<td>183,018</td>
<td>$24.59</td>
</tr>
<tr>
<td>Production</td>
<td>206,303</td>
<td>-36,364</td>
<td>$23.34</td>
</tr>
<tr>
<td>Processing</td>
<td>226,216</td>
<td>5,173</td>
<td>$23.49</td>
</tr>
<tr>
<td>Distribution</td>
<td>585,014</td>
<td>29,913</td>
<td>$24.04</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,463,765</td>
<td>181,740</td>
<td>$23.87</td>
</tr>
</tbody>
</table>

SOURCE: CA Center of Excellence, “Agriculture Value Chain Scan”, June 2011

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Retail Cost vs. Farmer Share of Food Sales

Ag Value Chain Profits

Most of It Leaving Our Local Communities!

SOURCE: USDA National Agricultural Statistics Service
Capture the Multiplier Effect!

Case Studies from Arizona, Hawaii, Maine, New York, Michigan and Wisconsin

USDA Rural Development
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Woody Biomass Value Chain

• Value-Added Wood Products
  ➔ Manufacturing

• Slash Removal:
  • Biomass Products ➔ On-Site Processing
  • Fire Reduction ➔ Save Cost of Fires, Insurance, etc.
  • Water Production ➔ Ecosystem Credits
  • Wildlife Habitat ➔ Tourism

PRODUCTS
• OSB
• Pellets
• Heat
• Electricity
• Compost
• Biofuels
• BioChar
• Polymers
• Composites
• Biochemicals

• Trucking
• Manufacturing
• Distribution
• Storage
• Repair
• Management
• E-Commerce
• Support Services
• And More…

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Many California Firms Already Producing Bio-Based Products

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Value Chains and Industry Clusters

**Water Technology Cluster**
- Support/Suppliers
  - Irrigation/Services
  - Consulting
  - Farm/Processing Equipment Manufacturing
  - Equipment/Supplies
  - Marketing
  - Resource Management/Conservation
  - R & D

**Specialized Equipment Manufacturing Cluster??**
- Production
  - Crops
  - Animal
  - Poultry & Eggs
  - Ornamental Nurseries

**Local/Regional Food Systems**
- Food/Nutrition
- Agri-Tourism
- Culinary Tourism

**Processing & Packaging**
- Value Added (Direct Consumption and Intermediate)
- Dairy
- Wine/Beer/Beverages
- Biofuels
- Recycling
- Other Non-Food

**Distribution (Direct & By-Products)**
- Logistics
- Warehousing/Storage
- Sales
- Import/Export

**Clean Energy Cluster**
- Renewable Energy
- Processing

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• Farmgate: $1.6 Billion
• Indirect: $3.3 Billion
• 21,000 Jobs

Shift Local Consumption to Local Production =
More Jobs & Economic Growth!

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New Distribution Models

When measured on the basis of edible weight or average portion size, vegetables and fruit are less expensive than most dairy, protein, and “moderation” foods.

A price comparison based on calories does not account for the amount of food typically consumed.

Portions providing about 100 calories
Leverage Existing Infrastructure to Support Entrepreneurs

Aggregation Hubs

OPPORTUNITY: Partner with Food Banks
- Similar Facilities & Equipment
- Improve Access to Food Overall
- Complementary Hauling of Product

Commercial Kitchens

OPPORTUNITY: Partner with Schools, NGOs
- Use facilities & equipment 24/7
- Potential Revenue Stream for NGO
- Chance to Educate on Food Prep

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Public – Private Partnerships

Agricultural Technology Innovation Program

- Collaborate on Research and Development
- Quickly Move New Technology into Commercialization

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Link Various California Technology Clusters

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USDA-supported projects related to local and regional food systems for the years 2009-2011. You may select a map pin symbol to view more information about a project.


A partnership of federal & state agencies, educational institutions and NGOs

- Training
- Financing
- Networking
- Technical Assistance

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FarmLink provides a range of services to facilitate a transition from one farm owner to the next.

- Gives aspiring farmers the tools they need to lease and purchase land, access capital, and improve business and financial management skills.
- Retiring farmers learn of innovative ways to keep land in agricultural while also meeting financial goals related to retirement and estate planning.

Mission: Mobilize veterans to feed America.

[www.farmvetco.org](http://www.farmvetco.org)

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A Partner for Rural Communities

Coordinates business leaders, social innovators, economic development, government officials, and consumers to build Local Living Economies.

www.livingeconomies.org

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Working Landscapes

• Agriculture: food, fiber, open space, biofuels...
• Forests: wood, habitat, water, carbon sinks...
• Rivers/Coastal: fishing, food, tourism, energy...
• Parks/Public Land: tourism, recreation, habitat...
• Mining & Energy: solar, wind, geothermal, ore...

~ $2 Trillion of California Economy
Working Landscapes Initiatives:

• Watershed improvements that increase water supply, improve habitat and reduce fire damage.

• Support for city-centered growth strategies and farmland protection.

• Increased investment in rural and natural resource-based economies.

• Development of state and regional goods movement infrastructure.
The Investing in Manufacturing Communities Partnership

- Align & coordinate economic development programs across the federal government.

- Up to 25 communities will be awarded $200,000 in 2013 to create strategies and initiate public-private partnerships.

- The Fund would support five to six U.S. communities for competitively-selected awards in 2014, each receiving up to $25 million from the EDA, supplemented by funding and additional resources from other federal agencies.

- Solicitations for 2013 awards released soon, listening sessions this summer and awards announced this fall.
• 34 Ways to Access Capital

• Recommendations on Policy and Resources

• Over 130 top experts and activists representing financial institutions, private businesses, economic development organizations and government agencies pledged to implement!

www.rurdev.usda.gov/Reports/CA-CalFOR.pdf
Lessons Learned...

• **There is no single solution:** Our financial toolbox needs many tools as well as innovation, collaboration and a focus on results.

• **It’s not just about capital:** Competitive entrepreneurs, well-managed businesses, adequate infrastructure and regional industry clusters are important to long-term success.

• **Scale is important:** New intermediaries must be regional to manage risk and reduce transaction costs; financial products are needed along the continuum from microfinance to large funds.

• **All stakeholders must be engaged:** Buy local / invest local initiatives are as important as streamlined regulatory processes and triple-bottom-line approaches – the key is to find balance between competing needs and open opportunities for all to participate.

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• California Organized Investment Network
• State Assistance Fund for Enterprise – Business and Industrial Development Corporation (SAFE-BIDCO)
• Tax-Exempt Industrial Development Revenue Bonds
• Revolving Loan Funds
• Lending Circles

…and much more!

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On April 5, 2012, President Obama signed JOBS Act:

“Jumpstart Our Business Startups”

Rules from Securities and Exchange Commission were due January 2013.

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Direct Public Offerings

**Mendocino Brewing Company**
$3.6 million in six months for new brewery by word-of-mouth, cards placed in six-packs of ale.

**Real Goods**
Catalog of alternative energy products raised $4.6 million from customers. Several hundred thousand dollars returned when target reached.

**Zap Power Systems**
A manufacturer of electric bikes and scooters, raised $2.5 million from customers.

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Direct Public Offering

Powell, WY (pop. 5,200) lost its general store in 1999, residents created “The Merc”.

They sold stock door to door, $500 a share to town residents. The local newspaper ran testimonials from stock purchasers – ages ranged from 9 to 94.

$325,000 raised from 328 investors; store opened in 2002 selling clothing, shoes and accessories. The Powell Merc cleared $500,000 in the first year!

Now in Torrington WY, Ely NV and elsewhere...
Cooperatives

Purchasing cooperatives include:
• Ace Hardware,
• The Bike Cooperative,
• Unified Grocers
• and many more.

Worker cooperatives include:
• small bicycle & book stores,
• a fair-trade coffee roaster,
• a taxi company,
• an engineering firm…and more.
Employee Stock Ownership Plans

The U.S. has about 11,000 ESOP companies and about 11 million employee participants.

ESOP companies, as a whole and by industry, tend to outperform their non-ESOP counterparts.

<table>
<thead>
<tr>
<th>Difference in Post-ESOP to Pre-ESOP Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual sales growth</td>
</tr>
<tr>
<td>Annual employment growth</td>
</tr>
<tr>
<td>Annual growth in sales per employee</td>
</tr>
</tbody>
</table>

Corporate Investment in Shared Value

Alcoa spends $3.5 million to support community recycling – adding 300,000 tons of material to the supply chain and reducing greenhouse gas emissions by 3.4 million tons annually (= 600,000 less cars).

Cisco invested $350 million in 10,000 academies in 165 countries – half of U.S. community colleges host an academy. This helps communities AND creates customers Cisco needs to grow.
Leveraging Resources

Council on Foundations partners with USDA

• Improve the quality of life of rural Americans
• Create new sources of rural wealth – leverage assets
• Promote partnerships in workforce investment strategies
• Develop innovative & sustainable means of collaborating
• Joint convenings, webinars and teleconferences to advance common work

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New Model for Financing Regions and/or Sectors

Goal: $90 Million
Funds Raised to Date: $270 Million

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California Community Capital Collaborative

Investors:
- Pension Funds
- Foundations
- Banks
- 401ks

Fixed Income Asset Management Portfolio:
- Bond #1
- Bond #2
- Bond #3

Advisory Committee

Small Business
Foreclosed Residential
Health Centers

The California Community Capital Collaborative Funds:
- Fund ‘A’
- Fund ‘B’
- Fund ‘C’
- CDFI ‘A’
- CDFI ‘B’
- CDFI ‘C’

Prepared by: Tina N. Castro, Director, Impact Investing, The California Endowment and revised by Team 5

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California Citizens Hold $859 Billion in Retirement Accounts

SOURCE: Employee Benefit Research Institute, May 2010
Data from Averaging National Statistics

$43 Billion
for Investment in California if...
Residents Bring 5% of Their Retirement Accounts Home

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Equity capital in rural areas is as successful as equity capital in tech-oriented metro regions.

A study of 18,000 investments found no statistical difference between rural and metro regions measuring key variables: jobs created, type of industry, length of investment, exit type, or performance.

Patricia Scruggs et al, “The Role of Equity Capital in Rural Communities,” March 2010,
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Buy Local

Build Clusters & Value Chains

Provide Infrastructure & Goods Movement

Invest Local
Collaboration Improves Execution

Community Colleges & Job Training

Economic Development Corporations

Resource Conservation & Development Councils

NonProfits

Local Government

Venture Capital & Micro-Finance

State & Federal Programs

Research Institutions

Micro Enterprise Support

CAMEO

GoBIZ

USDA

Financial Institutions

Cooperative Extension

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YOU Provide the Intangible Capital!

Human Capital
- Experience
- Competencies
- Management Skills
- Workforce

Knowledge Capital
- Information
- Research
- Processes
- Intellectual Property

Social Capital
- Customers
- Vendors
- Partners
- Brands
- Reputation

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www.rurdev.usda.gov/ca