



Statement of Charles F. Conner

**President & Chief Executive Officer
National Council of Farmer Cooperatives**

**Testimony Before
House Agriculture Subcommittee On
Rural Development, Research, Biotechnology, and Foreign Agriculture**

Formulation of the 2012 Farm Bill: Rural Development Programs

Wednesday April 25, 2012

Chairman Johnson, Ranking Member Costa, and members of the Subcommittee, thank you for the invitation to testify today on how the 2012 Farm Bill can best help rural America meet current and new challenges, and specifically address issues as you look to write the Rural Development Title.

I am Chuck Conner, President and Chief Executive Officer of the National Council of Farmer Cooperatives (NCFC). NCFC represents the interests of America's farmer cooperatives. There are nearly 3,000 farmer cooperatives across the United States whose members include a majority of our nation's more than 2 million farmers. These farmer cooperatives allow individual farmers the ability to own and lead organizations that are essential for the vitality of the agriculture sector and rural communities. Earnings derived by farmer-owned cooperatives are returned to their farmer-members on a patronage basis thereby enhancing their overall farm income that directly supports and keeps capital in the rural economy.

According to the U.S. Department of Agriculture (USDA), rural America comprises three quarters of the nation's land area and is home to more than 50 million people. USDA rural development programs play a vital role in helping to ensure continued prosperity in these communities. We appreciate the opportunity to highlight some of these programs, and their impact on cooperatives and their farmer-owners.

These programs serve a variety of purposes including strengthening farm income, fostering the incubation of business in areas that are capital and financially challenged, and help rural America stay abreast of changing technologies. Rural development programs are intended to bolster rural communities and position them to better compete in a global environment. As such, it is important that USDA rural development programs continue to focus on agriculture and farmer cooperatives as a foundation for helping encourage and support rural economies.

Inasmuch as rural development programs have offered many benefits to American farmers and rural economies, some are often criticized for being unfocused and under-funded. It is worth noting that there are more than 88 programs administered by 16 different federal agencies specifically targeted at rural economic development. USDA administers most of the existing rural development programs and has the highest average of program funds going directly to rural counties, approximately 50 percent.

With a significant decrease in funding for farm bill programs, coupled with declining USDA resources to administer those programs, consolidation of programs, where feasible, is warranted. It takes the same amount of staff time to write rules, review applications, and administer a \$1 million program as it does a \$100 million program. It is not an efficient use of limited staff resources to be administering many programs that have differing application and administrative requirements where the overall program objectives are generally similar.

Conversely, the various requirements for applying for grants have become complicated and difficult to figure out and thus spawned a cottage industry for consultants to assist applicants through the process. It would be beneficial to have a system to evaluate the merits of a proposal aside from the professionally written content, and where it is encouraged that participants write their own grant applications. Samples of past grant applications together with work plans may be very useful to applicants. While the level of assistance varies from one state Rural Development office to the next, NCFC members have found their local offices to be extremely helpful resources and USDA staff willing to assist when questions arise.

NCFC supports streamlining the number of programs as well as the application process—the result will be a more efficient, effective agency, while providing for a more understandable, easier-to-navigate application process for all entities.

Value Added Producer Grants (VAPG)

A barrier that cooperatives often face is the capital necessary to innovate and process new consumer products. This is particularly acute for advance planning by cooperatives that requires substantial capital investment or commitment of resources, such as planning for operating and expansion expenses. Since its establishment, USDA's Value Added Producer Grants (VAPG) program has been a tremendous success in helping cooperatives overcome those constraints. The program has helped producers launch new agricultural products through their cooperatives, both domestically and internationally. These value-added products benefit both producers and consumers.

With VAPG funds, cooperatives are empowered to capitalize on new value-added business opportunities that would otherwise go unexplored. VAPG helps cooperatives differentiate and expand production, in turn helping them improve the value of their products through processing and marketing. The objective is to increase sales not by displacing other products, but rather build and sustain a market where one previously did not exist. Their successful, self-sustaining products have translated into greater and more stable income for producers from the marketplace. It also has served to promote economic development and create jobs.

The program is administered on a matching-fund basis, thereby doubling the impact of such grants and helping encourage investment in ventures that ultimately benefit rural America. As a cost-share program, it is as an excellent example of an effective public-private partnership bringing a number of self-sustaining products to market.

Of the 298 recipients of Value Added Producer Grants for 2012, 26 are farmer-owned cooperatives. NCFC strongly believes that cooperatives efficiently spread the benefits of the VAPG among a larger number of producers in the aggregate. Cooperatives by their nature bring many producers together who individually do not have the size, expertise and resources to take advantage of the value chain beyond the farm gate and gives them the opportunity to profit from those down-stream activities. Therefore, funds invested by USDA and the benefits of projects generated by cooperatives through the VAPG are distributed to a wide number of producers. Likewise, by investing in initiatives of cooperatives, USDA lowers the overall costs to the government in program administration per individual farmer that benefits.

In 2011, USDA made significant improvements to the program rules that recognize those benefits. I urge you to also recognize those principles and treat cooperatives as a priority in any direction you may give USDA in administering the VAPG.

Loan Guarantee Programs

Rural Development loan guarantees are a cost-effective way to leverage limited resources and funding. For example, communities in rural America need access to capital to upgrade our nation's water infrastructure. The water and water disposal guarantee loan programs administered by the Rural Utility Service of USDA increases ability to leverage all resources – public and private – to provide the financing necessary for our nation's water systems. This program is a cost-effective way to promote public/private partnerships that boost the rural economy and enhance the quality of life in rural communities.

Energy

Cooperatives play a significant role in the development and marketing of renewable energy. In addition to ethanol and biodiesel, many cooperatives also are investigating opportunities for creating renewable energy from biomass such as dairy cow manure through anaerobic digestion. USDA programs also are being used more and more by cooperatives to improve energy efficiency in their facilities. We strongly support reauthorization of these important grant, loan and related programs which research and promote the development and advancement of biofuels and opportunities for biomass, as well as such programs that assist in reaching energy efficiency goals.

USDA Cooperative Services Program

Over time, the Cooperative Services Program has lost many of its experienced professional staff. This office was once the premier source of information on cooperatives' role in various commodity sectors, and on cooperative legal foundations, taxation, finance, member

education/information, governance, and board/management relations. There are many areas in addition to these in which research by Cooperative Services could provide especially beneficial information. We often hear from NCFC member cooperatives that are searching for timely and complete statistics on farmer cooperatives. There is an evident lack of comprehensive and updated research on the impact of farmer cooperatives on rural economies.

In addition to research on the economic impacts of farmer cooperatives, Cooperative Services should re-visit very useful legal and tax publications it has published in the past. These publications are used frequently by farmer cooperatives. Materials and/or training sessions for boards of directors would also be greatly beneficial. Subjects such as financial decision-making, ethics, board make-up and representation, and executive succession are all important to the success of a cooperative. NCFC seeks inclusion of report language better directing the focus of USDA's Cooperative Services, and looks forward to working with the Committee in that regard.

In closing, maintaining a strong agriculture economy is essential to the health of rural America. Some of the challenges faced by the agricultural industry include dealing with immense regulatory pressure and struggling to have access to a legal, stable workforce. While, those issues clearly fall out of the jurisdiction of the USDA's rural development programs, they are vital to a strong agricultural economy. In addition, there are programs contained throughout the farm bill that enhance opportunities for rural communities—from maintaining a meaningful safety net for producers, to supporting agricultural exports.

Thank you again for the opportunity to testify today before the Subcommittee. We look forward to working with you to strengthen USDA's Cooperatives Services, keep the VAPG Program viable and available to farmer co-ops, and streamline other rural development programs and applications. I am happy to answer any questions you may have.

About the National Council of Farmer Cooperatives

Since 1929, NCFC has been the voice of America's farmer cooperatives. NCFC values farmer ownership and control in the production and distribution chain; the economic viability of farmers and the businesses they own; and vibrant rural communities. With an extremely diverse membership, NCFC members span the country, supply nearly every agricultural input imaginable, provide credit and related financial services (including export financing), and market a wide range of commodities and value-added products.

American agriculture is a modern-day success story. America's farmers produce the world's safest, most abundant food supply for consumers at prices far lower than the world average. Farmer cooperatives are an important part of the success of American agriculture. Cooperatives differ from other businesses because they are member-owned and are operated for the shared benefit of their members.

**Biography of Chuck Conner
President & CEO
National Council of Farmer Cooperatives**

Chuck Conner was named President and CEO of the National Council of Farmer Cooperatives in January 2009, and he brings more than 25 years of experience in national and state government and agricultural trade associations to the position.

Prior to joining NCFC, Conner served as Deputy Secretary of the U.S. Department of Agriculture, a position that he had held since 2005. As Deputy Secretary for the USDA, Conner served as Chief Operating Officer (COO) overseeing day-to-day operations including development of a \$95 billion budget for the 26 USDA agencies representing 300 programs and more than 100,000 employees. He represented the USDA on the President's Management Council providing executive expertise to proposed government-wide policy direction on key management initiatives, and effectively communicating all aspects of the USDA mission to internal and external audiences through speeches, presentations and forums. Conner interacted directly with President George W. Bush and his senior staff to formulate domestic and international food, trade, security and energy policy. He led development of the Bush Administration's \$300 billion Farm Bill proposal and the strategy to educate and inform industry, constituents and Congress.

From August 2007 to January 2008, Conner served as both USDA Acting Secretary and Deputy Secretary. He led an official delegation to Colombia and to a meeting of the Food and Agriculture Organization in Rome, Italy, to enhance the United States' role in influencing global food and trade issues. In addition, he played a key role in developing the Administration's immigration policy including important changes to the H2A program. His role in communicating USDA policy involved print and television media, including live appearances on Fox News, CSPAN, and the Squawk Box.

Conner's experience also includes the assignment of Special Assistant to the President, Executive Office of the President, from October 2001 to May 2005. In this role, he worked directly with President George W. Bush and his senior staff on the 2001/02 Farm Bill to develop the strategy behind the transfer of several USDA agency functions to the newly formed Department of Homeland Security.

From May 1997 to October 2001 Conner served as President of the Corn Refiners Association. He navigated and negotiated the interests of both large and small companies to gain consensus on the association's budget and policy direction. In addition, he directed a successful World Trade Organization (WTO) and NAFTA trade case against the Government of Mexico.

Conner is a graduate of Purdue University, with a Bachelor's of Science degree and is the recipient of Purdue's Distinguished Alumni Award. He and his wife Dru have four children.

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2009.

Name: Charles F. Conner

Organization you represent (if any): National Council of Farmer Cooperatives

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2009, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: _____ Amount: _____

Source: _____ Amount: _____

None

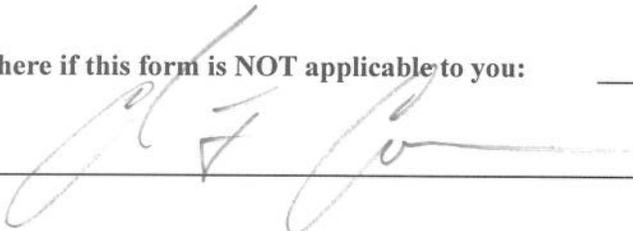
2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2009, as well as the source and the amount of each grant or contract:

Source: _____ Amount: _____

Source: _____ Amount: _____

None

Please check here if this form is NOT applicable to you: _____

Signature:  _____

* Rule XI, clause 2(g)(5) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.