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Leveraging Regional Industry Clusters and Value Chains for Growth & Jobs

Partnering with Communities and Stakeholders
Funding and Technical Assistance for:

- Business & Cooperatives Development
- Community Facilities & Rural Utilities
- Water, Sewer & Solid Waste Systems
- Single, Multi-Family & Farmworker Housing

FY 2012: $1.2 Billion

CA Portfolio: ~ $7 Billion
New Resources for Small and Mid-Sized Farmers

- Farm Storage Facility Loans help small/mid-sized producers access cold storage and related equipment like wash and pack stations.
- USDA Microloans allow beginning, small and mid-sized farmers to access up to $35,000 in loans using a simplified application process.
- Reduced crop insurance premiums for beginning farmers/ranchers and 5% surcharge on crop insurance for organic producers eliminated.
- More funding for Value-Added Producer Grants.
- Cost share support to pursue organic certification.
- Seven new Farm-to-School Coordinators in regional offices.
- Market News to collect local real-time price, volume, supply, and demand data for producers to use in production & marketing decisions.
- The USDA National Farmers Market Directory expanded to include CSAs, on-farm stores and food hubs.

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A Comprehensive Strategy to... 
...Get the Economy Going!!

Provide for Goods Movement & Other Key Infrastructure

Build Clusters & Value Chains

Invest Local

Buy Local

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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
Capture the Multiplier Effect!


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Rural & Urban Areas Very Interdependent

If rural Minnesota’s manufacturing cluster grows 6% ($1 billion), the urban area picks up 16% of all jobs gained and 38% of additional output.

$1 billion manufacturing decrease in rural MN leads to loss of 1,043 jobs and $208 million in revenue in Twin Cities!

Industry clusters of opportunity:

similar, related, or complementary businesses linked by core products or services. These businesses are economically interdependent and may have common supply chains, labor needs, technologies, and markets.
Working Landscapes
Agriculture ~ Forests ~ Fisheries ~ Mining
Watersheds ~ Energy ~ Recreation ~ Habitat

1.2 Million Jobs in California
$318 Billion Direct Sales & Exports
272,000+ New Jobs in Five Years

http://www.caeconomy.org/resources/entry/2013-california-economic-summit-playbook

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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
National Average: less than 1% of food consumed is from “local” sources.

Opportunity: increase & grow local economy

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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><strong>TOTAL</strong></td>
<td>2,463,765</td>
<td><strong>181,740</strong></td>
<td><strong>$23.87</strong></td>
</tr>
</tbody>
</table>

**SOURCE:** CA Center of Excellence, “Agriculture Value Chain Scan”, June 2011
Industry Clusters versus Value Chains

- Water Technology Cluster
  - Support/Suppliers
    - Irrigation/Services
    - Consulting
    - Farm/Processing Equipment Manufacturing
    - Equipment/Supplies
    - Marketing
    - Resource Management/Conservation
    - R & D
  - Production
    - Crops
    - Animal
    - Poultry & Egg
    - 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

AG Tech Innovation

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<table>
<thead>
<tr>
<th>Value Chain / Industry Cluster Development</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actions</strong></td>
</tr>
<tr>
<td>Identify Opportunity</td>
</tr>
<tr>
<td>• Assess readiness of Industry Cluster</td>
</tr>
<tr>
<td>• Map and Evaluate Supply Chain/Market</td>
</tr>
<tr>
<td>• Measure Assets/Risks</td>
</tr>
<tr>
<td>• Share Information</td>
</tr>
<tr>
<td>Develop Project</td>
</tr>
<tr>
<td>• Select Partners/Leaders</td>
</tr>
<tr>
<td>• Build Relationships</td>
</tr>
<tr>
<td>• Organize Management Structure</td>
</tr>
<tr>
<td>• Develop Pilot Projects</td>
</tr>
<tr>
<td>• Gather Resources</td>
</tr>
<tr>
<td>Monitor / Evaluate</td>
</tr>
<tr>
<td>• Meet Regularly</td>
</tr>
<tr>
<td>• Monitor Results</td>
</tr>
<tr>
<td>• Adapt Strategies</td>
</tr>
<tr>
<td>• Expand Opportunities</td>
</tr>
<tr>
<td>• Decide to Scale-Up</td>
</tr>
<tr>
<td>• Grow Relationships</td>
</tr>
<tr>
<td><strong>Who</strong></td>
</tr>
<tr>
<td>• Core Planning Group</td>
</tr>
<tr>
<td>• A Few Trusted Partners</td>
</tr>
<tr>
<td>• Required Partners</td>
</tr>
<tr>
<td>• Relevant Stakeholders</td>
</tr>
<tr>
<td>• Core Working Group</td>
</tr>
<tr>
<td>• Researchers</td>
</tr>
<tr>
<td><strong>Outputs</strong></td>
</tr>
<tr>
<td>• Increased Knowledge</td>
</tr>
<tr>
<td>• Opportunities Identified</td>
</tr>
<tr>
<td>• Inventory of Resources</td>
</tr>
<tr>
<td>• Market Assessment</td>
</tr>
<tr>
<td>• Commitments to Plan</td>
</tr>
<tr>
<td>• Project Deliverables</td>
</tr>
<tr>
<td>• Business Structure</td>
</tr>
<tr>
<td>• Project Evaluation</td>
</tr>
<tr>
<td>• Adapt &amp; Build Plans</td>
</tr>
<tr>
<td><strong>Means</strong></td>
</tr>
<tr>
<td>• Financial</td>
</tr>
<tr>
<td>• Physical</td>
</tr>
<tr>
<td>• Community</td>
</tr>
<tr>
<td>• Human</td>
</tr>
<tr>
<td>• Intangible</td>
</tr>
<tr>
<td><strong>Go/No Go Decision Criteria</strong></td>
</tr>
<tr>
<td>• Willing to Collaborate?</td>
</tr>
<tr>
<td>• Do Opportunities Exist?</td>
</tr>
<tr>
<td>• Benefit Outweigh Risk?</td>
</tr>
<tr>
<td>• Market Analysis Viable?</td>
</tr>
<tr>
<td>• Is Market Attractive?</td>
</tr>
<tr>
<td>• Competitive Returns?</td>
</tr>
<tr>
<td>• Resources Available?</td>
</tr>
<tr>
<td>• Partners Committed?</td>
</tr>
<tr>
<td>• Deliverables in Place?</td>
</tr>
<tr>
<td>• Partners Engaged?</td>
</tr>
<tr>
<td>• Receptive Market?</td>
</tr>
<tr>
<td>• Feasible to Scale Up?</td>
</tr>
</tbody>
</table>

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New Distribution Models

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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Moving Food Along the Value Chain: Innovations in Regional Food Distribution

8 U.S. Case Studies

- Supplying the growing demand for local and regional food products
- Creating additional economic opportunities
- Expanding healthy food access

SOURCE: USDA Agricultural Marketing Service

Committed to the future of rural communities
Since 2013, USDA has invested $10 million in Farm to School grants to support schools purchasing from local and regional sources. In the 2011-2012 school year alone, schools spent nearly $355 million on local and regional food purchases.
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
Agriculture & Technology
New Opportunities for Jobs & Economic Development

New Ag Technology
Ag & Technology Economy
Business Investment
Public Policy Support
Wireless Rural Broadband
Innovation Research Collaboration

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Farmgate Value: $1.6 Billion
Agriculture Value-Added: $3.3 Billion
21,000 Jobs
Working for more jobs!
- Local markets
- Export markets
Growing California’s BioEconomy: A Rural – Urban Partnership!

California produces an estimated 80 million gross tons of biomass each year, with sustainable feedstock potential of 32 million tons.

Biodegradable Plastics from Biomass

Commercial bioplastic is already made from cellulose – replacing petroleum-based plastics.

USDA scientists developed means to ferment a broader range of cellulosic materials – enabling large scale commercial production.

An estimated $375 billion market for chemical, plastic, and rubber products represents a substantial bioeconomy opportunity.
Bio-Green Planet

300+ California Firms Producing an Array of Bio-Based Products

February 2012: President Obama signs Executive Order Requiring Federal Agencies and Contractors to Utilize Biobased Products.

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The White House will designate 12 regions across the country to accelerate a resurgence of manufacturing; those regions will get preferential consideration for $1.3 billion in federal funding opportunities and support from 13 federal agencies.

### Gross Farm Income by State, 2011, USDA NASS

<table>
<thead>
<tr>
<th>State</th>
<th>In $1,000s</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>430,494,762</td>
<td></td>
</tr>
<tr>
<td>CA</td>
<td>47,524,477</td>
<td>1</td>
</tr>
<tr>
<td>Central Valley</td>
<td>34,726,126</td>
<td></td>
</tr>
<tr>
<td>IA</td>
<td>33,791,916</td>
<td>2</td>
</tr>
<tr>
<td>TX</td>
<td>27,037,260</td>
<td>3</td>
</tr>
<tr>
<td>NE</td>
<td>24,348,264</td>
<td>4</td>
</tr>
<tr>
<td>IL</td>
<td>22,018,107</td>
<td>5</td>
</tr>
</tbody>
</table>
Regional and State Goods Movement

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CalAgX is funded by a Specialty Crop Block Grant from CDFA, in cooperation with USDA, and presented by the California Centers for International Trade Development.

www.californiastep.org
Collaboration Improves Execution

Community Colleges & Job Training
Resource Conservation & Development Councils
Economic Development Corporations

Local Government
BALLE
NonProfits

State & Federal Programs
BALLE
Venture Capital & Micro-Finance

Micro Enterprise Support
Relationship Capital
Research Institutions

Financial Institutions
Structural Capital

USDA
Human Capital

CAMEO
Cooperative Extension
GoBIZ

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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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Equity capital invested in rural areas is just as successful as 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,
• 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
• 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
• Crowdfunding

...and much more!
• **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:** 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.
California Citizens Hold $859 Billion in Retirement Accounts

"Invest Local" Initiative

$43 Billion for Investment in California if...

Residents Bring 5% of Their Retirement Accounts Home

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

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YOU Provide the Intangible Capital!

Knowledge Capital
- Information
- Research
- Processes
- Intellectual Property

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

Human Capital
- Experience
- Competencies
- Management Skills
- Workforce

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Committed to the future of rural communities

California Rural Development
U.S. Department of Agriculture
430 G Street, Agency 4169
Davis, CA 95616

Phone: 530-792-5800

www.rurdev.usda.gov/ca