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Thematic Discussion: Agriculture and Rural Development

Intervention given by: **Carol Kramer-LeBlanc**, Acting Director, Sustainable Development, Office of the Chief Economist, U.S. Department of Agriculture

The U.S. delegation is pleased to participate in this discussion of the intertwined topics of agriculture and rural development. Agriculture has traditionally been the heart and soul of U.S. rural development. A key institutional innovation that has helped agriculture develop in the United States is also used to assist other rural businesses and communities to obtain needed services. This is the cooperative business organization or “co-op”: a member-owned, democratic, community-based business. Cooperatives are also finding successful application in other countries around the world, often through peer-to-peer counseling. Today I will talk briefly about: 1) the mechanism of cooperatives; 2) the problems that cooperatives can be used to address; and 3) additional mechanisms for sharing market information, accessing new markets, and developing value chains for input supply and value-added products both at home and abroad. We are providing a set of eight case studies to illustrate these points.

1) The mechanism of “co-ops” refers to organizations that are owned and operated by the persons they serve. In the United States, cooperative organizations are enabled by federal legislation. The purpose of co-ops is to benefit members rather than generate profit for investors. The member-owners of a co-op are responsible for its oversight and management. These persons have a vested interest in assuring that the co-op is operated effectively and efficiently, and that it will maximize benefit to the community. Co-ops are owned locally. This means that community assets are not exported from the community to investors in for-profit companies.

Cooperatives do not happen automatically even when there is a common interest. There may need to be special laws, as there are in the United States, which establish the rules that co-ops must follow. Government or private programs may provide special grants, loans, or loan guarantees, to help get co-ops established, expand, or to obtain new equipment or food processing facilities. In the United States, such programs are available from the U.S. Department of Agriculture. Cooperatives are supported with technical assistance at Regional Rural Development Centers.

2) The co-op tool can be applied to solve a number of different types of problems often found in rural areas. First, farmers may form supply cooperatives to jointly purchase agricultural inputs that might not be locally available, or to obtain the best possible prices

for farm supplies. About 25 percent of all U.S. farm inputs are purchased through farm cooperatives.

Next, farmers may form marketing cooperatives to jointly transport, process and market their products, gain bargaining power in the market, and create a brand identity. Farmers may form a cooperative to obtain a processing facility that an individual member could not afford. About 30 percent of farmers' products in the United States are marketed through nearly 3,000 farmer owned co-ops.

Third, in low density rural areas where for-profit utilities are not motivated to invest in infrastructure, utility cooperatives may be formed to supply electricity, communications, or water to rural customers including households and businesses. Originally, rural electric cooperatives just provided electric power at the lowest possible price. Now they assist business retention and growth, and promote job creation and community development. They are small, typically serving about 8,000 member-customers each, but collectively they deliver electricity to 40 million U.S. consumers, and they own and operate 43 percent of the electric distribution lines in the United States that cover 75 percent of the U.S. land mass. A total of 270 telephone cooperatives provide service to two million households. Electric cooperatives across the country are actively expanding their fuel portfolios to include an array of renewable sources, including wind, solar, geothermal, biomass, manure and hydro power.

Finally, rural communities may also form service cooperatives to address their social and health needs or financial cooperatives that provide local financing. Cooperatives may be established to provide housing, local hospitals, and schools. Public agencies may create cooperatives to purchase collectively or share services, thus increasing efficiency and reducing costs.

3) Lastly, we turn to information and communications technologies (ICT) and value-chain strengthening. These are critical in linking rural residents (farmers and other SMEs) to local, regional and international markets. Market information has long been a fixture in the United States either on early morning radio or, currently, on the internet. Knowledge of prices benefits consumers and producers to obtain the best deals available. USAID supports a variety of international projects that use ICT to improve regional markets, improve market access for small farmers, and increase food security. Similarly, USAID works with partners abroad to integrate smallholder producers into value chains (see the Dairy Value Chain in Kenya case study) and to use ICT to understand and satisfy export requirements for high value products (see case study "Increased Incomes for Smallholder Farmers in Ghana through Agricultural Exports").

We have offered a few co-op case studies that we hope will illustrate the nature and value of co-ops. Co-ops must have sound business models. Next week, on Thursday afternoon there will be a Learning Center providing information on "Business Models for Farmer Marketing, Supply and Credit Cooperatives." We invite you and members of your delegations to attend this event.

In the spirit of interactive dialogue, the United States will respond to three points raised yesterday. First, the United States is firmly committed to successfully concluding the Doha Development Round of the WTO. This will enhance participation of developing countries in the global economy. We do not support instituting further trade barriers in the name of promoting food security. Second, the United States agrees with Dr. Leaver that agricultural science and technology are important means to address food security. And third, the United States is firmly committed to the sustainable production of biofuels – both domestically and globally – and supports the ongoing efforts in other appropriate international fora to address biofuels and sustainability.

I thank you for your time.