

Rural America and the Role of Agriculture in the Broader Economy

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Remarks as Delivered

Thank you very much – it was good hearing the end of that last panel, and really glad that we've been able to host this discussion at the White House today. As no one in this room needs to be convinced, rural communities and our nation's agricultural sector embody the American value that hard work and dedication should be rewarded. Rural America contributes to economic growth, strengthening the middle class, and building America's economic competitiveness for the future.

To provide some context for the role that the rural economy plays, I want to talk a little bit about where we are right now in the overall economy. We've seen a strengthening in the data for the job market in the United States. The last six months was the strongest first half of a year for job growth since the 1990s. We've now created jobs for 52 straight months. That is the longest period of job creation for the private sector that we've seen in this country's history. As a result, the unemployment rate is falling at the fastest rate it's fallen in nearly 30 years. You've seen this manifest itself in rising nominal wage growth, but it's still only slightly above inflation, and as a result, families are still facing challenges when it comes to rising wages and making up for decades of challenges that we've seen in that area.

When looking at overall economic growth, I think there are a number of structural trends that we have on our side that will be helpful for us. One is the slowest growth of health costs in 50 years. Another, which I'll come back to because it's especially important in the rural context, is the boom in American energy, and finally we're seeing a lot of technical innovation. If you look more immediately at the next year or two or three, and what we need to see in order to see stronger economic growth in this country, [the answer] is we need to see everything.

The federal government is going to be doing a better job – we had a big contraction last year that helped hold our economy back. We had a lot of uncertainty in areas like the debt limit and sequestration, but that's mostly behind us, and we have more certainty and less fiscal drag going forward. That should put consumers in a better position to spend, and they've gone through a lot of the deleveraging process.

But two of the areas that are particularly important that I'll be talking about in the context of the rural economy are investment, where we've seen businesses with very large cash flows, with very good equity valuations, but that not translating as much into the magnitudes of investment that we need for overall growth. And exports, which were a big driver of the overall economic recovery, but slowed dramatically with the Eurozone crisis, have started to pick up, but have still

had their bumps up and down. And that's another place that I'll come back to in terms of the rural economy. Now overall, everything I'm describing is part of our recovery from the worst recession since the 1930s, and more work that needs to be done.

The agricultural sector really has been at the forefront of a lot of this recovery. Agricultural value added has grown 20 percent in real terms during the recovery – that compares with an overall 11 percent increase in real GDP, an 18 percent growth in manufacturing, and a 7 percent growth in finance, insurance, and real estate. The agricultural sector, of course, extends beyond the farm business to include a range of related industries. In 2012, the output of America's farms contributed \$167 billion to our GDP, but the overall contribution of the agricultural sector is many multiples of this. A lot of sectors of the economy use agricultural products as inputs to contribute additional value to the economy – for example in food production, restaurant services, and clothing. Farm services and food processing, which are also disproportionately located in non-metropolitan counties, are near historic levels, having rebounded by 17 percent since 2009. Farm production inputs, such as machinery and fertilizer, benefit from strong farm inputs and increasing demand for expanded production. In fact, if you look at all these sectors together – the entire input-output matrix for this area instead of the \$167 billion of GDP you're looking at directly – it multiplies to \$866 billion of annual GDP. Strength in agricultural production also supports other sectors of the economy. In broad terms, the U.S. agriculture industry supports one out of every twelve jobs in the economy, and is particularly important in rural areas.

An important part of our overall economic agenda in this administration is increasing our exports, and we're doing that in a variety of ways, including high-quality trade agreements with our pacific partners, with our European partners, as well as doing what we can to help businesses export more.

This is very important in the agricultural sector, which saw a record high level of \$141 billion of exports last year, continuing the strongest five year period for agricultural exports in our nation's history, and USDA projects that those exports will grow again this year. Overall, we care a lot about our trade balance, and right now our current account deficit is the smallest as a share of GDP since the 1990s, and part of what's helping that happen is the surplus that we have in agricultural exports, as well as the fact that we have greatly narrowed our deficit in petroleum and energy more broadly.

A second major part of our overall economic agenda is encouraging investment. It's encouraging more investment, it's encouraging better quality investment, it's encouraging private investment, through things like business tax reform, and encouraging public investment through investments in infrastructure. All of that has been particularly important in rural communities, and a lot of the point of this conference is to increase community investment and capital access, help rural business grow and entrepreneurs get their start.

Other places where the public sector can play more of a role is improvements to hospitals, clinics, schools, libraries, broadband projects, water, wastewater– a whole range of places where we have infrastructure needs. USDA, in particular, has made historic investments to help producers take advantage of the multi-billion dollar marketing opportunity arising from the increased demand for locally-produced foods, which I heard you just talking about a moment

ago. At the same time, the USDA supports the development of physical infrastructure, often in partnership with private lenders, and provides technical assistance with marketing, food safety, production, research, training, and other areas.

One of the most particularly promising areas is energy, and as you all know, our overall philosophy on energy is an ‘all of the above’ energy strategy that includes increases in production in a variety of areas, changing the way in which we use energy, and conserving energy where we can. One good example is unconventional production in areas like shale gas, whose production has more than doubled in the last decade. That growth in natural gas production has made substantial contributions to employment growth— around 12 percent for counties with substantial increases in production over the last decade.

Renewables are a critical part of that ‘all of the above’ strategy to energy, and states with largely rural populations have some of the highest potential for renewable energy development, and will be some of the major recipients of the new energy projects that we’re seeing that are contributing so much to our growth at the same time that they lower our carbon pollution. This includes jobs in the construction and operation of wind and solar projects, and smart-grid and a range of other areas which we’ve tried to contribute to, from the first day in office through the Recovery Act and beyond.

Federal efforts also help to advance bioenergy production through continued investment in the next generation of advanced biofuels, research and development on biomass and next generation feedstocks, and supporting the manufacture of biobased products. One thing the Secretary has been teaching me about is that the bioeconomy goes well beyond energy and goes into the use of crops and plant-based material to produce a whole wide range of products, whether it’s the seat of the car I’m driving in, or soybeans being used for crayons to candles to car seats. In fact, if you read a real newspaper this morning, soy ink was probably used for color, and if you read USA Today, the entire newspaper was printed out of soy ink.

All of these are the ways in which the overall economic agenda – which is about exports, which is about investment, which is about an ‘all of the above energy’ strategy – are really critical to the rural economy, and all of the ways in which the rural economy is really critical to the type of economic growth that we need to not only finish the job of recovering from the Great Recession, but to expand our economic potential and growth even after we have recovered.

Together, our efforts in this area will help businesses and families in rural America reach their potential and continue their vital contributions to our overall national economic strategy for economic growth, job creation, and rising wages for middle class families. Thank you for everything you all have done for this conference and will continue to do in this area.