

Oregon Jobs & Economic Growth Forum
USDA Listening Session
Bend, OR
January 28, 2010

INTRODUCTION: Lynn Voigt, FSA State Executive Director

- Forums follow President Obama's December 3 Job Creation roundtable at the White House. The USDA has been asked to follow-up by listening to communities to generate ideas for creating jobs and economic opportunities.
- RD and FSA are initiating conversations that will spur ideas for innovation, creativity, and economic development to help Oregon's rural communities and rural areas become stronger and more vibrant. Vicki Walker, RD State Director, and I are honored and proud to host these listening sessions on behalf of the USDA.
- Primary focus will be listening to you – real Oregonians – on ideas to accelerate job growth in rural Oregon. Ideas that make a real difference to rural Oregonians are not going to come from Washington, DC – they'll come from you.
- Themes of President Obama's State of the Union speech last night: small business growth, clean energy, and export expansion. These themes focus directly on what we're here for.
- Rural Oregon is especially hard hit by the recession. Statewide unemployment may be about 11%, but Crook County right here in Central Oregon is about 17%. That means nearly 1 in every 5 workers is out of work. As the President said, "Jobs in rural communities have been hit especially hard – life has become harder for those already suffering."
- We must find ways to create wealth in Oregon's rural communities so that they are self-sustaining, repopulating, and thriving economically. That will involve both productive agriculture and forestry.
- We'll keep notes of your ideas, and they will be passed through Secretary Vilsack's Office and on to the White House. Ideas and suggestions can also be shared on-line and by e-mail. Your ideas will be heard.

OPENING REMARKS: Vicki Walker, RD State Director

This is a timely forum given the President's State of the Union address last night. The number one issue for 2010 will be jobs and the economy. Over 40 programs in RD that help rural Oregon and we have our Redmond office here today to help you learn more about how we can help you.

Welcome elected officials:

Wayne Kinney – Rep. for U.S. Senator Ron Wyden

Jonathan Manton – Rep. for U.S. Senator Jeff Merkley

Aurolyn Pickham – Vice Chairwoman for Confederated Tribes of Warm Springs

Intro of Panelists and Facilitator/ Video by USDA Deputy Secretary Kathleen Merrigan

PANEL SPEAKERS:

- **Roger Lee: Executive Director, Economic Development for Central Oregon**
 - o What's working?
 - Banking industry
 - Renewable energy, solar
 - Medical devices and software
 - Knowledge-based industries
 - Education; phenomenal growth has led to capacity issues.
 - Lawyers and bankruptcies
 - o Not working?
 - 15 % unemployment rate in Deschutes County
 - Job losses – ½ come from manufacturing and construction – everything related to those two sectors (2 out of 3 jobs come from wood products). Tri-county area has twice the concentration of construction jobs than in other parts of the nation.
 - Downturn in building permits has had major impact in area
 - Electronics – no longer cutting edge, produced overseas because lower cost of production.
 - Housing bust
 - o Opportunities?
 - Renewable energy
 - Software – networks (have only scratched the surface)
 - Aviation/aerospace – need to diversify into defense work and unmanned vehicles.
 - o Obstacles; Needs?
 - Simplify tax code, lower taxes.
 - Ease land use restrictions on marginal farm ground.
 - Coordinated efforts between agencies.
 - Unified understanding that business is start of healthy economy. We need to support business all the time, not just when times are bad/good.

PANEL SPEAKERS:

- **Panelist 2**
 - o Needs?
 - People who know about economic development who can develop networking (i.e. EDCO Director, Roger Lee).
 - The Oregon Consortium/Oregon Workforce Alliance – elected officials of all rural counties. Alliance consists of providers;

- programs help develop workforce training – looks at adjustments when jobs are lost. Government needs to do more of this.
 - Flow of money – for building job force and adjusting to changes.
 - Government needs to provide infrastructure (water, transport, phone, sewer).
 - Communities need to find and develop niche for geographic areas. In turn, creates culture. Need connectivity; e.g. agriculture. Jefferson County – growing mint, sugar beets, etc. China is competitor – hard to compete. Need to find niche.
 - Forest Products – one mill in every forested area needed; cannot lose mills.
- Working?
 - Central Oregon is not on freeway, so it took awhile to develop.
 - Redmond airport has helped business for Central Oregon.
- Opportunities?
 - Boom and bust towns – use resources, then leave; cities die. Need to look at sustainable resources.
 - Juniper – weed, but has opportunity.
 - Water – recharging aquifer, exploit it in sustainable way.
 - Climate change – how can we get ready?

PANEL SPEAKERS:

- **Panelist 3**

- Working?
 - Base economic growth on what your community has a comparative advantage in; need to coordinate growth with skills in the labor force and world markets. Morrow and Umatilla Counties have stable agricultural economies. In Central Oregon - ag goods and forestry – advantage because exist throughout Oregon.
- Needs?
 - Allow public officials to take risk – Feds need to support this.
 - Use local people to develop ideas.
 - USDA – get involved with Bull trout issue.
- Not working? Not in cycle – fundamental restructuring of U.S. economy. Moving from goods/services economy. Need to readjust. Devil is not in details but in big picture.
- Rural economies – weaker than the rest of the U.S.; earning 67% of national average. In 15 years, half of boomers into their 70s are retiring. They will be traveling back to rural America.
- Obstacles? Need better policies on growth of trade skills to how we open our markets.

QUESTIONS:

1. Speaker 1

- Baker County – perfect storm. People lost main investment (home), attacked ability to spend. Small businesses – how going to fund expansion and start-up? Hard to get new money from lending institutions.
- Concerned about future. Where are regulations? Cap and trade going to cost people in Baker.
- Areas of life in Baker – has witnessed support from local governments. USDA helpful. Without support, rural Oregon would be in dire straits. Concerned whether funding is going to always be available.
- Manufacturing has helped smaller communities. Oregon Business Development Fund needs re-funded.

2. Speaker 2

- Working?
 - Lakeview has renewable energy projects in the works – carbon footprint analysis is taking place and it looks good – may be carbon neutral – 600-800 jobs being created in:
 - Biomass plant – almost approved; permanent jobs going to be tremendous (good paying jobs)
 - 2 geothermals – started in summer; Tilapia farm
 - Solar farm – finished today; 2 more coming, largest in Oregon
 - Wind testing – finished hydro project
 - New hospital
 - New library just broke ground
 - \$10-\$15 million shy of reaching gap for the ongoing projects. Need funding support from USDA, though they have given money to geothermal plant, and hospital expansion.
- Not working?
 - Wood industry – if housing doesn't turn around, infrastructure will leave. Lake County got no USFS stimulus dollars.

3. Speaker 3

- Not worked?
 - LaPine has real dependence on Bend due to proximity; been difficult to gain its own identity.
 - Government sponsored programs – only meet urgent need. Not long term, not sustainable.
 - Green jobs not always sustainable...trendy, but will they last?
- Working?
 - LaPine received assistance from RDI and Ford Foundation. People have come alive because of collaboration. Learned fundamental ways of operation from these groups. Have more confidence; know they have future.

- Have biomass energy opportunity – \$50 million investment coming.
- “Forum being held today is beneficial – shows us how to access funding for capital.”
- Biggest resource is people. Let’s capitalize on pioneer spirit.
- Forest – let’s use sustainably.

4. Speaker 4

- Sustainable food farms growth – has twice # of clients than can provide for, would like to expand.
- CSAs produce green jobs – protect land, soil, water.
- Hurdles?
 - Unrealistic food prices based on historical incentives for cheap production (not sustainable).
 - Zoning issues – hurdles in expanding farm; farm use zoning. Restrictions should not be based on acreages. Understands and supports the need to preserve farmland, but laws outdated.
 - Cannot have on-farm dwelling for one labor employee because farm is only 10 acres.
 - Opportunity is available to expand – farming interns with CSA farms program interested – would succeed if could offer dwelling to eager interns.
 - Owns ag building with loft – would like to have minimal ag tourism – successful in Europe. Needs to be supported in America. Huge enthusiasm from the people. Noble and viable pursuit.

5. Speaker 5

- Working?
 - Tourism and recreation very important to area. Senator Wyden has been very supportive.
 - Biomass possibilities
 - Sisters Ranger District – wood materials
- Not working? Construction
- Infrastructure/Stimulus –
 - USDA has helped with sewer system.
 - Economic stimulus funds “felt like mirage” – fast-paced and furious for staff. Transportation side: \$5 million statewide pool; \$1000 was max for small city. Regulations limited benefit to small cities.
 - Regulations, rules, process very frustrating for small cities to work through when trying to develop these projects. (i.e. developed project on sewer. Found out Sisters “not on state-revolving fund loan list” so never got funded.) Cities not qualified to apply for the money because of regulations... frustrating. Shovel-ready projects not out here. Have to spend

own time and \$\$\$ because timelines by Federal government unrealistic and frustrating.

Response: Roger Lee - has seen some stimulus, but largely wishful thinking. Rules written for immediacy. Hard when engineering and other processes done and then do not get funded. "Roads leading nowhere." No job creation in these big projects being created.

6. Speaker 6

- "Land rich, but capital poor"
- Developing:
 - Biomass
 - Solar energy project
- Concern?
 - Fear that job training and infrastructure will get in the way of taking advantage of stimulus opportunities –does not have capacity to be shovel ready – lacking infrastructure, workforce training.
 - Biomass does not allow tax production credits for finances.
- Stimulus – process not allowing entity to gain opportunity.
 - Telecommunications – no chance to be recognized
 - Rules – at disadvantage on priority ranking for stimulus;
- Opportunity?
 - Technology for fireproof doors and composite products. This has been a bright spot.
 - Energy administration – High priority to capitalize. Want to learn about new energy programs.

7. Speaker 7

- USDA grant assistance – working in Deschutes, Klamath, Lake counties.
- Needs?
 - In regards to stimulus – government needs to give on-site energy assessments, help people understand opportunity available and what energy would be most effective.
 - Forest and ag (inelastic markets). How do these areas fit in with small business development?
 - Need money for demo projects – no funding available (would like to target group of businesses who have same energy demands and do demo for solar water heaters).
- Opportunities?
 - Renewable energy – supports contractors, farmers, and small businesses.
 - Biomass facility – effective heating water and cheap. Not many projects exist in America, but do in Canada. Energy conversion to hot water.
- Suggestions? Do not rely on government for money. Create co-op for middle class savings to turn into renewable energy products.

8. Speaker 8

- Stimulus –
 - “Illusion in most rural communities.” Very hard for small cities to compete for this money. Environmental reports have to be generated in certain time frame. Have to bid on contract, they schedule you in, etc... process difficult for rural counties.
 - Madras – only money received was mandatory distribution...\$.35 per capita here in Madras. Had well-qualified projects posted, but not chosen.
- Opportunity?
 - Compete globally – Brightwood, Keith Manufacturing, Double Press are successful local companies.
 - Ag community healthy.
- Needs?
 - Structural disadvantage – education. K-14 needed. Our kids have to travel too far to get advanced education. Support COCC expansion. Our community earns 35% lower salaries.
 - Health insurance – have high charitable care rate in Madras. Local community has to pick up the difference to keep hospital open. Over 20% of full-time employees in city do not have health insurance.

9. Speaker 9

- Owns 10 acres. Raise heritage breeds – Jacobs’s sheep, cattle, chicken. All grass-fed. Started with 5 head; now 100. Raise 6 varieties of chickens.
- Needs?
 - Outfit is totally sustainable, but need labor. Need on-site housing. Laws prohibit having lodging on farm.
 - High cost of irrigation. Cannot pay for electricity due to cost – approximately \$2000/monthly.
 - Small farmers need support from USDA. Separate them from “Big Ag.”
 - Need grassroots action of support. Make shopping local a habit; need education about home grown vegetables, how farmers’ markets work. People afraid of price – feel too expensive, but really not.
 - Insurance for small farmer hard to find; loans hard to get.
 - Not able to build house on property; needs housing for one laborer – outdated regulations need to be changed.
 - Only two USDA processing plants in area. Need local processing plant. Has to ship to Washington, butchers pay extra price and cost trickles down to consumer. Customers are requesting a fresh chicken every day, but cannot process locally. Government needs to change regulations.

- Prineville – has a railroad – eco-friendly. Need help getting railway to move small farmers’ products.

Comment: Lynn Voigt - Secretary Merrigan has key priority in helping small farmers; see Initiative “Know your farmer, Know your food.” Help people understand where food comes from, support local food systems.

10. Speaker 10

- Needs?
 - SBA applicant – laborious process to apply – need streamlined process to get funding for small business owner.
 - Need business culture that retains a talented workforce. It is more expensive to live in rural area – losing talent to metro areas.
 - Look at companies that look long term.
 - Need public transportation system that will help employees who work in communities.
 - Effective trade-school program needed in Central Oregon. “Were exporting kids out of the community for education and they don’t return.” (i.e. renewable energy education moving to Hood River).

11. Speaker 11

- Needs?
 - Access to funds – why more funding not going out to SBA?
 - Role of USDA as an intermediary for funding. Lack of access to capital a problem.

Comment: Panelist 3 – USDA programs have a lot of capital. Go as local as possible, create networks and stay close to your production. People available who can help build business plans – groups out there, ask him. (i.e. Rural Initiatives)

Comment: Vicki Walker – President indicated in his State of the Union address that he wants Congress to put more funding in community bank lending.

12. Speaker 12

- Needs?
 - Must produce a product, not just a job. Service jobs don’t last. ARRA jobs don’t produce product. Money only good short term.
 - Product starts at natural product level: energy, timber, ag.
 - Commends Warm Springs – Forest Service needs to look at Warm Springs. They have sustainable forest and not limited by all rules/regulations.
- Not working?
 - Stimulus money is fine short term, but wasteful long term. i.e. Prineville – \$100,000 spent to put in bypass. Now not being

used, jobs left. Long range plan – ODOT will probably take out. Frustrated at money being thrown away.

- USDA price support programs artificially keep prices stable, but keep food prices too low.

PANEL CLOSING COMMENTS

Panelist 3 – value-added ag important; needs encouragement, will bring more jobs.

Roger Lee – expect power and gas prices to continue to go up, incremental increase is reality. Land use – trying to maintain quality of life – regulations need to be modified.

Panelist 2 – develop networks of people. Elected officials respond better to group of people rather than individuals. Networking very important. Exclusive farmland in Oregon – state law is tying hands. Need to recognize rural life. Challenge? Big events taking place in people’s “backyards” vs. farm help – competing discussions at local and state level.

BREAK

PANEL SPEAKERS:

- **Bob Repine: Assistant Director, Energy Incentives, Oregon Department of Energy**
 - Future for renewable opportunity on the eastside of the Cascades must be greater on this side of Cascades. Biomass, solar, wind and geothermal have a much larger presence in the central and eastern part of the state.
 - Types of proposal that we are working on that would have an effect in Central Oregon
 - Process for grinding junipers into briquettes – taking place in Redmond. Use as supplement for logs in wood stoves, higher efficiency, limited use, creates jobs.
 - Horizontal wind turbines manufacturing opportunity in Redmond
 - Seeing new programs evolving from old technology such as the manufacturing or new parts for older turbines located in the Gorge and other areas out in Eastern Oregon.
 - New opportunities coming about due to new law changes. The plastic bottle legislation never addressed what we do with bottles afterwards other than charge .05 cents at the time of its purchase. Currently we are shipping bottles to India to burn for energy because no processing plan was created prior to legislation in Oregon. We are working with a company that will capture the plastic materials in the state and allow it to be reused for other plastic commodities.

- Ideas that would improve economic opportunities in Oregon related to renewable energy
 - Need agreements from Forest Service to remove forest materials for biomass fuel.
 - Improvement on the states Power Grid System that delivers power in-state. This look at the grid system needs to be proactive, accountable and predictable. If system develops incorrectly it could have a negative effect on future renewable projects around the state.
 - Need quicker response from education system to keep up with training for new technologies.

PANEL SPEAKERS:

- **Brent Searle: Special Assistant to the Director, Oregon Department of Agriculture**
 - Ag industry in Oregon – growing steadily for many decades: 140,000 ag jobs statewide, \$20 billion economic footprint, 10% of state economy is ag. Family farms not connected to size; 98% of farms in OR are family owned.
 - Knowledge jobs – ag undervalued as knowledge jobs. High tech, few industries have the productivity that ag does.
 - Economy based less on consumption and more on what we conserve. As population grows, resources have to be developed.
 - Marketing is a three-legged stool: local, domestic, international. 80% of what is produced leaves the state. Half of that goes overseas.
 - Needs?
 - Export market – containers that we ship products on are going back to China empty. USDA needs to slow down the train, so we get exports going out. Improve USDA Market Access Program.
 - Need support for co-ops, extension offices.
 - Problems?
 - Invasive species – coming in on trade; very damaging.
 - Vulnerability?
 - Input costs – labor; immigration issue needs to be resolved. Specialty crops require hand labor. Oregon is in top 5-6 states for labor input cost in U.S.
 - Fertilizers – most now imported; too reliant on other countries. USDA needs soil insurance program on input fertilizer cost.
 - Environmental issues starting to coalesce – land, air, water.

PANEL SPEAKERS:

- Phil Chang: Program Admin, Central Oregon Intergovernmental Council

- Future?
 - New forest economy emerging – economic transformation when liabilities become assets. Woody biomass – an expensive waste disposal item is becoming a valuable product.
 - Sawmills can be retooled to handle small logs that historically were cut and burned. In past – clearing out small trees was very expensive. New economy – sawmills able to process small logs and flourish of other small wood enterprises.
 - Redmond – shaving whole trees to make animal bedding
 - LaPine – making post and pole / fencing material
 - Prineville – sending pulp chips to Weyerhaeuser
 - Hog fuel for electricity generation – takes tops of trees
 - None of these enterprises are big scale plants, but in aggregate 150 jobs created.
 - If we develop this smallwood infrastructure – forest restoration is less drain on U.S. taxpayers.
 - Wood pellets – cheaper than fossil-based fuels and also carbon neutral; important in climate change. Europe importing \$300 million of these annually
 - Export potential – west Sacramento breaking ground on new wood pellet plant able to produce \$20 million of product annually
 - Wood pellet production --- great opportunity to create high-value products out of wood waste
- Needs?
 - Oregon spends \$10 billion/year on energy; 80-85% of that leaves our state. Need to capture more by using locally produced energy
- Suggestions for USDA
 - USDA RD already provides tech assistance (market analysis, training, loans, etc.) People not making good use of programs, although loan guarantees are available. RD needs to do more marketing so public knows how to access.
 - Too many programs targeted to private land owners; Oregon is 60% federally owned.
 - Pay more attention to biomass heat energy
 - Use Community Facility (CF) program to help capitalize cost of renewable energy systems, but do it in grants, not loans.
 - Wood pellet manufacturers trade association – interested in growing market domestic and international. Need state to help group develop international markets.

QUESTIONS:

1. Speaker 1

- Needs?
 - RD – focus more on mutual self-help housing (esp. rehab), which increases skill levels, creates better neighborhoods.
 - RD - increase incentives for development of small farms and local shopping guides; create business association.
 - RD - increase staffing in local offices. Services taking longer than they should.
 - Communities need to revisit economic development strategies. Look at longevity of businesses still in place while also focusing on recruitment. Direct money toward small, local companies.

Response: Vicki Walker - Self-help program: build homes with other people in neighborhood; Community works together. Staffing is another congressional issue. Strategic plans – RDI can help rewrite these plans. Difficult for FSA and RD to fund programs with no roadmaps for future.

2. Speaker 2

- Needs?
 - Need partnership among federal, state and nonprofit agencies: RD, Forest Service, Economic Development, ODEA, ODA, FSA, LCRI, ETCA...pool and leverage resources strategically. Need collaborative government systems put in place because we are not covering complex issues.
 - Listen and design a plan first. Use network of local teams to listen to what rural Oregon needs.
 - “Forums like this today needed.” Need multilateral conversations. “Seemed to have lack of consensus on ideas shared today” – different philosophies expressed, but group learning needed to shape policies.

3. Speaker 3

- Moving away from a monolithic economy. Baker as rural community – had to re-diversify out of ag, timber, mining.
- Needed to have job forums BEFORE stimulus funds distributed.
- Integrated forest products – Baker County has done lots of studies. Pellet plants would be coming if county could guarantee material availability. Lack of assured supply because of our federal forests.
- Need more collaboration, forums, roundtables. Need local finance forum.

4. Speaker 4

- World's largest wind farm being created in Gilliam County
 - 60-100 permanent jobs being created. Infrastructure not going to be able to support incoming people. Chicken and egg problem.
- Needs?
 - Need infrastructure to support new industry. Economy will only have incremental effect due to lack of housing stock; people will not move into town. Only 10% of houses in Gilliam built after 1950. Need 3-bedroom, 2-bath homes. How can city encourage housing to capitalize on economy that is coming?
 - Education services needed; technology only a partial solution. "Our children are our biggest export." Bring services closer to home. Aging workforce.
 - Construction, developers, USDA, federal, local need to come together to prepare for new industries.

5. Speaker 5

- RDI has 20 years of experience; believe in asset-based community development. Entrepreneurs are key to economic health.
- Needs?
 - Support entrepreneurial business, particularly small business.
 - Put more money into Main Street, Buy Local, and farmers markets.
 - Without capacity building, it won't work.
 - State should help more with funding to help build strong rural communities.

6. Speaker 6

- USDA here because they want to help. Thank you.
- Field reps hear stories, suggestions – you are heard. Don't be shy to dialogue with Wyden and Merkley office.

7. Speaker 7

- Stimulus – challenge on accessing funds
 - Need USDA to work with rural communities to get projects shovel ready. Help us select and prepare three projects.
 - Green jobs proposal – applied to Dept of Labor to create 300 green jobs; \$4 million grant given to Portland instead. Need more education – challenging to define green jobs and attaching it to local training.
- Needs?
 - Want training in social enterprise business model – triple bottom line approach, rather than purely profit driven business model.
 - Internships – need for cross-cultural training, such as First Nations Development Institute, where two industries learn from

one another through facilitation. CPAs, attorney, etc. help knowledge transfer take place.

- Trying to work with RARE program for internships. Most unsuccessful at recruiting Native Americans. Need better cross-cultural communications.

8. Speaker 8

- For biomass to be economically feasible, need both small and large trees. New technology will not emerge unless sustainable availability of harvest. Forest Service needs to look at 100-year stewardship contracts, which will make capital investment more likely.
- Banks will not loan to businesses without a track record
 - over 300 applications – backlogged at Oregon Secretary of State’s office. Took over 9 months to secure funding through SBA. Bank will not loan unless been in business at least 2 years and showing a profit. Will not fund start-ups.
 - 400% collateral position required. Most people cannot do. House equity often the only source of funding, but with collapse of housing market, there’s little equity left.

9. Speaker 9

- Harney County has wind energy project in works – outside interest groups are halting process. BLM and government rolling over to special interest groups. Project will generate 15 high-paying long-term jobs, which is a lot for Burns, OR. Fear of special interest groups holding up progress in litigation. Please stand up to these groups. Green energy is a good thing.

PANEL CLOSING COMMENTS

Bob Repine – love/hate relationship with biomass; government clarification would help. Central OR positioned well, have thought about future, felt pain and anguish of failure, no longer holding out for timber jobs. Reality is moving on – really appreciates pioneering spirit of Oregonians. ARRA funds – tons going out to schools to replace inefficient pumps to higher-efficiency pumps; some being spent to change out poorly burning wood stoves.

Brent Searle – Issue of scale: how does government help companies start, and those that are growing projects? Need to work with USDA on how best to finance different sized businesses.

Phil Chang – Start seizing and owning green jobs label. There are many shades of green.

Lynn Voigt – Thank you to staffers & panelists. “This meeting was your meeting. Ideas will be shared with Secretary and White House.”

CONCLUSION