



Testimony of Cornelius Blanding, NCBA CLUSA Board Member
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“Stakeholder Perspectives on USDA’s Rural Development Programs”

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Chairman Johnson, Ranking Member Caraveo, and other members of the subcommittee. Thank you for the opportunity to testify today and highlight the critical importance of the role that cooperatives play within Rural Economic and Workforce Development. My name is Cornelius Blanding, and I am testifying today in my capacity as an elected Board member for the National Cooperative Business Association CLUSA International, or NCBA CLUSA, the apex trade association for cooperatives across all sectors that are crucial for our local economies. In my day-to-day, I serve as Executive Director for the Federation of Southern Cooperatives.

Founded in 1916, NCBA CLUSA has served as the primary voice for the cooperatives across all sectors - including farmer co-ops, rural electric co-ops, credit unions, food co-ops, worker co-ops, cooperative lenders and cooperative development organizations. NCBA CLUSA's members include not only individual co-ops, but also the larger sectoral associations like the association of my fellow witness from the National Rural Electric Cooperative Association and the Federation of Southern Cooperatives, the largest Black Farmer owned and serving institution founded out of the Civil Rights movement in 1967. With nearly 65,000 cooperative establishments and over 130 million members, cooperatives and credit unions are found in every corner of the United States. Approximately one in three Americans is a member of at least one cooperative. These cooperatives range from small, neighborhood businesses to multibillion-dollar business trading in international markets on behalf of their members.

As this subcommittee and full agriculture committee works to reauthorize the Farm Bill, NCBA CLUSA recommends the following legislative improvements. First, the Farm Bill should increase flexibility within the Rural Cooperative Development Grant (RCDG) and other RD programs by modifying burdensome matching requirements, allowing for larger, regional, and multi-year grants, and incentivizing and facilitating regional collaboration. Second, robust investment in the expertise and capacity for rural places, and especially historically underserved communities, to plan, implement, and measure the impact of locally-led community economic development strategies. And third, robust investments in rural infrastructure including broadband, electric, community facilities, water, and housing. Federal programs should be flexible and provide consistent support to meet the needs of communities.

Cooperatives are formed for many reasons – whether to access critical markets and services, address community needs or create competition, the democratically-owned and governed structure of a cooperative requires it to be responsive to its member owners and in turn the local community. Cooperatives are crucial for rural economies with more than ½ of all farmers as owners of the businesses



that provide them inputs and market their products, and over 40 million households and businesses who own and control their own electric utility. Without cooperatives, rural people would not be able to fully participate in the modern economy. Within the various sectors, co-ops are rooted in local economies with food co-ops sourcing five times more of their products locally than conventional stores. Or in the care economy, worker-owned homecare cooperatives demonstrating an almost 25% less turnover rate during the pandemic while providing six times higher wage increases at a time when most businesses were forced to lay off workers when our aging population, particularly in rural areas, needed these services most. Cooperatives are more resilient than other types of business models as was demonstrated in 2020 when only 20% of worker cooperatives, businesses owned by their employees, experienced losses of more than 50% in revenue. In comparison, nearly 30% of all small businesses experienced losses greater than 50% in revenue. The democratic governance structure allows the member-owners of a cooperative to make business decisions that better serve the community and remain people-centric.

Across the Rural Development mission area, programs like Rural Cooperative Development Grant (RCDG), Socially Disadvantaged Groups Grant (SDGG), Value Added Producers Grant (VAPG), Business and Industry (B&I) Guaranteed Loan Program, Rural Energy for America Program (REAP) and Rural Energy Savings Program (RESP) all work to support rural communities despite the persistent disinvestment in allowing these places to thrive and fully recover from the disproportionate economic impact of global events like the covid-19 pandemic or the Great Recession. Bureau of Economic Analysis data from 2020 demonstrate that in the decade following the great recession, rural areas experienced almost 5% less growth in local GDP than urban areas along with an aging workforce.¹ And we see this trend continue today with the Economic Research Service finding that 86% of persistent poverty counties classified as rural or nonmetro. Meanwhile 20% of rural census tracts are also considered disadvantaged communities,² which is considered a predictor of vulnerability to natural disasters. Ultimately, rural communities have far too often been left behind by federal policy initiatives meant to spur national economic and workforce development initiatives despite the fact that nearly 70% of our nation's 3,069 counties are rural.

As rural leaders, we know the dynamics that serve as barriers to rural communities. In addition to the statistics that I have cited around economic growth and poverty trends, rural communities are most susceptible to climate disasters while simultaneously serving as our first line of defense. Namely, research on indicators of social vulnerability and flood exposure has shown rural areas are particularly at risk for

¹ <https://equitablegrowth.org/gaps-in-u-s-rural-and-urban-economic-growth-widened-in-the-post-great-recession-economy-with-implications-amid-the-coronavirus-recession/>

² CEQ Climate and Economic Justice Screening Tool



flood hazards,³ and over the last two decades, 68% of U.S. counties experiencing persistent drought were rural. The Rural Development Title of the next Farm Bill presents the best opportunity to set a national rural policy to improve resilience and allow local leaders to unlock the communities' potential and drive future growth for our nation.

We also know that small businesses across sectors are the backbone for thriving communities, yet we are in the middle of a watershed moment that could further devastate Main Street America. According to the U.S. Census Bureau, over the next 10 years 40% of the U.S. population will reach retirement age and over half of small businesses are owned by this demographic. While some owners may choose to simply close their business, a better option – for the owner, the workers, and the community– is to convert the ownership of the business to a worker or consumer cooperative. Converting to a cooperative business ensures that not only the owner earns the profits of their hard work but ensures that the goods and services provided by this business are still available to the community.

The cooperative business model provides a time-tested approach to addressing the challenges of rural communities by serving as local anchors, promoting growth through increased business profitability, access to affordable quality products and markets for their member-owners, and an opportunity to build wealth and drive a more equitable economy through the multiplier effects of community investment, jobs and local procurement. According to the University of Wisconsin's Center for Cooperatives, over the last 10 years, approximately 21% of newly incorporated cooperative businesses were in rural areas tracking with the national rural population percentage. These numbers are only an estimate due to a patchwork approach to cooperative statutes that has different frameworks in every state, sometimes these statutes can be limited to just one or two sectors of the economy making it difficult to track the concrete number of new cooperatives. New Census Bureau Data from the 5-year economic business census collected beginning in 2017 will provide more information on just how much cooperatives are contributing to each of your state and local economies. Yet without the targeted resources for Rural Development, groups like the Interagency Working Group on Cooperative Development are unable to analyze or publish the data to truly see how these federal investments are materializing on the ground.

Within Rural Development Programs, the rural cooperative ecosystem's foundation begins with the Rural Cooperative Development Grant (RCDG) Program. Authorized through the Rural Development Title of the Farm Bill, the RCDG program provides grants to Cooperative Development Organizations to provide technical assistance, training, education and outreach to cooperatives.

³ Eric Tate and others, "Flood exposure and social vulnerability in the United States"



These nonprofit organizations, sometimes affiliated with universities, provide on the ground expertise to help support or start rural cooperatively owned businesses. Since the 2018 Farm Bill, the RCDG program has created 300 new businesses and helped create or save thousands of rural jobs. The Federation of Southern Cooperatives, with whom I work, provides a good example. As a 13-year RCDG recipient the Federation has worked with rural African American communities to utilize rural development resources to spur economic growth through cooperative development. With resources provided by the RCDG program, we have provided technical assistance to rural families interested in developing cooperatively owned housing and healthcare facilities. Additionally, we have strengthened rural cooperative capacity by providing cooperative education regionally through our Regional Conference called CoopEcon and by restarting our Regional Loan Fund as a tool to support local business development and land retention.

As awardees for the RCDG program, the support has allowed the Federation of Southern Cooperatives to deepen Regional Marketing Capacity for the cooperatives that we serve. SoCo or Southern Cooperative is the name of the commodity aggregate that we helped develop for its member-owners. Through this cooperative, the farmer-owners have been able to maximize the marketing volume of their products, increase income, and meet the increased demand from northeast markets, in particular. The invaluable resources provided through RD helped make it possible for our Cooperative Development center to allocate staff that provided technical assistance to the newly formed cooperative member-owners on growing, quality control, storage, and transportation methods that ultimately increased the marketability of their produce to exceed customer expectations.

As part of the multiplier effect of cooperatives, the Federation has also assisted our members in gaining access to other RD programs through education and even direct technical assistance such as the 504 Home Repair Program and the Multifamily Housing Rental Assistance Program administered through the Rural Housing Service.

One of the challenges we and other RCDG recipients have faced is the persistent hurdle of lengthy and complex applications for the grant program that we must go through on an annual basis. As many of you may know, rural communities face continuous challenges in navigating RD programs and the application process. We have heard far too often how our oftentimes most rural and under resourced communities are left with limited options but to hire a grant writer, which can cost upwards of thousands of dollars –resources that these communities simply do not have. Nor should they have to make these investments to access the programs that are intended to serve them. We deeply appreciate our continued partnership with Rural Development and the Rural Cooperative Services Branch and encourage them to



limit the cumbersome and redundant reporting requirements from the application process throughout award compliance. Additional barriers to access include the matching requirement for many of these programs and a lack of flexibility that does not meet the unique needs of our communities.

Support from Rural Development has been important for the cooperatives and cooperative development organizations that primarily serve underserved communities as we do at the federation; however, there have been challenges as well. One of the challenges with accessing programs is the break in momentum that has to occur simply to apply for funding due to the lengthy and incredibly complex application process. In our experience with RCDG for example, each year we have to slow down or even pause the work that we are doing on the ground in order for staff to dedicate the time and effort needed in writing a high-quality report and competitive proposal. Moreover, the annual cycle of renewal makes it difficult to describe significant changes simply because significant economic development typically does not occur in such short time horizons. To truly transform the circumstance of Rural and Socially Disadvantaged communities requires years of effort.

To help address the challenges faced by rural America, NCBA CLUSA recommends the following legislative improvements. First, the Farm Bill should increase flexibility within RD programs, including by modifying burdensome matching requirements (especially for highly distressed communities), allowing for larger, multi-year and regional grants, and incentivizing and facilitating regional collaboration. Within the RCDG program, explicit congressional intent for USDA to level the playing field for organizations that simply meet the cost-share and enact multi-year grants would be a significant boost for Cooperative Development Organizations like the Federation of Southern Cooperatives to not only increase our effectiveness in program implementation but expand our capacity to better implement our multi-state strategy and serve more rural communities.

Second, improve Rural Development policies so that underserved and unserved rural populations can access and utilize the programs. NCBA CLUSA has advocated alongside the Federation of Southern Cooperatives and scores of other rural organizations for much more robust funding for rural organizations so that all rural people, and especially those that have been historically underserved, have access and are able to use the federal community economic development programs. Federal programs should be flexible so that they serve the community – and not vice versa. Programs should offer multi-year, consistent support that builds the human and institutional capacity of communities.

Addressing the match requirement and multi-year grants for underserved communities, even providing exemptions in some cases like 1890s institutions, would go a long way in reducing the barriers to access rural development programs, and federal programs more broadly, for our underserved



communities. Another challenge we face is the fragmentation of our efforts by a process that requires each of our member states to apply for resources separately. The Federation, as with most organizations works best when we have the latitude to cooperate and consolidate our efforts. Our states don't operate in silos. Moreover, individual farmers, landowners and cooperatives often cross state lines to collaborate because they recognize their common interest and have identified common needs. We believe that Rural Development should support this kind of interconnectivity with regional frameworks for support.

Third, robust investments in rural infrastructure to create enabling environments that encourage sustainable, long-term rural economic and workforce development. Such federal investment would leverage other good work occurring across rural communities. For example, through our work with Tribal Communities in partnership with the Native American Agriculture Fund (NAAF), NCBA CLUSA has is working with Tribal Communities to build their capacity to use cooperatives as they seek to build a more secure food system. In another example, the Robert Wood Johnson Foundation is working with the Cooperative Development Foundation and NCBA CLUSA on an Affordable Housing Initiative that seeks to improve the housing development environment for limited equity housing cooperatives and other types of shared ownership. In the spirit of cooperation, NCBA CLUSA works with the Federation of Southern Cooperatives and others in helping historically underserved farmers build out a cooperative development ecosystem, work supported by USDA.

To materialize these recommendations, Congress should prioritize robust investment in the expertise and capacity for rural places to plan, implement, and measure the impact of locally-led strategies. One example that members can look to is the Rural Partners Network through which USDA has placed boots on the ground in the pilot communities to truly embody and bolster local capacity.

NCBA CLUSA aims to serve as a resource for this subcommittee and all members of Congress by helping to lead a broad coalition of rural development stakeholders that support these principles and are ready to work with you. Rural Development Under Secretary and NCBA CLUSA's 2022 Co-op Champion, Xochitl Torres Small often says, "if you've been to one rural community, you've been to one rural community". Recognizing the diversity in population, economies and relying on the local expertise of leaders who best know what their needs are is the best approach to building local capacity and equipping folks with the tools to be more resilient across the board.

As Congress works to reauthorize the Farm Bill, we encourage you to support the dream and hopes of rural entrepreneurs working tirelessly to realize their dreams of economic prosperity by supporting these programs and improving upon their success. The assistance we provide to help rural businesses develop and grow is critical and goes beyond the economic benefits but affects the social and



cultural fabric of our society through the cooperative model. By addressing the barriers to access and fully unlocking the potential of Rural Development programs, we will create a more resilient and prosperous Rural America. Thank you for the opportunity to testify before the subcommittee this morning on behalf of NCBA CLUSA.