

# Tonsager Returns To His Rural Development Roots

## USDA's Mission Area Is Spending Billions To Create New Opportunities



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WASHINGTON, D.C.

The first time Dallas Tonsager worked for what is now called USDA Rural Development (RD), it was known as the Farmers Home Administration (FmHA) and often labeled “the lender of last resort.” That was 1993, and after watching many farmers struggle with credit access during the 1980’s, lawmakers decided to shift much of the on-farm lending portfolio over to what is now the Farm Service Agency (FSA). Tonsager left his post as president of the South Dakota Farmers Union to serve as state RD director in South Dakota during the Clinton Administration

Little did he know then that he would someday be at the helm of the “new” Rural Development, a mission area at USDA with a total portfolio of more than \$100 billion that USDA invests through 40 different programs. And with the \$787 billion stimulus package approved by Congress earlier this year, the RD mission area has even more responsibility: the lion’s share of USDA’s allocation will be devoted to Rural Community Development.

While the current structure of the agency has

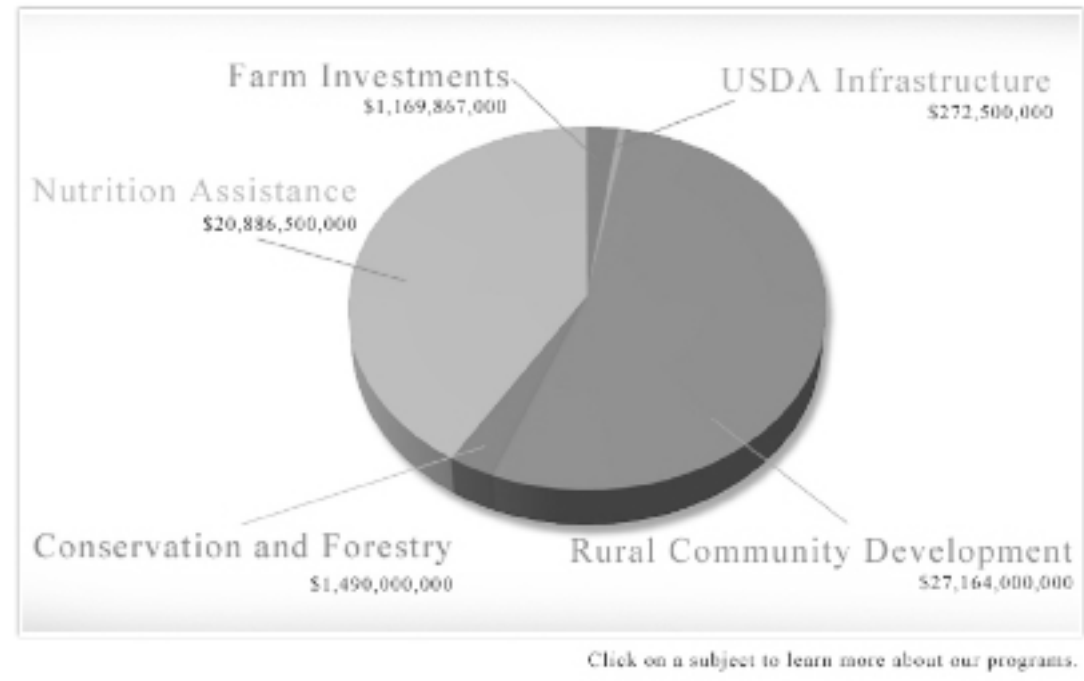
ers.”

That said, Tonsager believes: “We need to be looking very hard to see how we can help the livestock sector get more involved in alternative energy. USDA has done 120 projects so far just in the biogas area, including some really great demonstration projects.”

“The creation of the ethanol industry – all the jobs and wealth created that has stayed in rural America because farmers and other rural people invested in it – is exactly the type of rural economic development model we want to replicate. We need to do it in all kinds of ways, be it with livestock, forestry, or farming – a wide variety of ventures that create rural wealth.”

**2. Broadband.** Tonsager sees the rollout of broadband funds as carrying on an old RD tradition of building infrastructure, whether it is rural electrification or rural water systems. He says RD staff has been working overtime, along with the Commerce Department’s National Telecommunications Information Administration (NTIA), to deliver an unprecedented, \$7.2 billion for the broadband program.

“There was a good bit of critique of rural development because they had a broadband loan program, but they weren’t able to get too far from urban areas. In this first round, we are giving a larger grant opportunity to make sure remote rural areas have a high



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Antique maps, like this one Tonsager hung in his USDA office, underscore how much Rural America has changed in the last 200 years. His home state of South Dakota used to be part of the northernmost part of the Louisiana Purchase of the United States and later the incorporated Territory of Dakota until it was admitted into the Union in 1889. Dealing with change is only one part of the complex challenges he faces with building infrastructure and new job opportunities through RD programs.



evolved a great deal since he was a state director, it still bears some of the imprint he left as co-chairman of the committee that, in the early 1990’s, helped structure the new RD and laid out the plan for how staff would migrate farm loan programs to FSA.

“I felt like I was around at the very beginning of the agency,” Tonsager recalled during a recent interview with Agri-Pulse. “It’s really gone through some remarkable changes over the years.”

One thing that hasn’t changed is the commitment to creating new opportunities for people living in Rural America, something that’s even more important, Tonsager says, because of the serious economic recession confronting all Americans.

“It’s kind of a big jump for us, generating very large amounts of money for loans and every kind of project imaginable,” he says of the challenges involved with delivering stimulus funds.

A look at the announcements issued by RD in just the month of September give you some idea of the dollars and the variety of projects. Almost every few days during the month, RD announced either a program signup or allocation of dollars, ranging from \$1.4 million to help small and socially disadvantaged agricultural producers and co-ops, to \$13 million for Rural Energy for America Program (REAP) loan guarantees and grants, to a whopping \$794 million in rural electric loans. These programs touch about every aspect of rural America: whether they be on the farm, farmers market, electric co-op, rural housing project, hospital or fire station.

With so many program areas, Tonsager is trying to focus on five key objectives, underpinning goals set out by Agriculture Secretary Tom Vilsack. These include:

**1. Biofuels.** The industry has struggled because of wild market fluctuations and the recession, but Tonsager says: “We have to pursue this industry thoughtfully and on a sound economic basis. I’ve grown up in parts of the country where I can see the direct economic benefits that have accrued to producers from biofuel programs. But we must also be cognizant of the impact that biofuels have on livestock produc-

priority.” Tonsager expects those projects to be announced in November.

**3. Local food systems.** “We all think there is a huge economic opportunity for those who like to grow and provide food locally,” says Tonsager. “We will be constantly looking for ways to fund those opportunities. I’m a corn, soybeans and wheat guy and also a dairy farmer. I’ve dealt with bulk commodities all of my life, but I think these local food systems help everybody. It’s good for agriculture and good for economic development.”

**4. Regional economic development.** Secretary Vilsack is very interested in this subject because he had success as governor in Iowa, explains Tonsager. “The idea is that communities and groups of communities need to work together for their collective interests. I grew up in a town of 200 in Oldham, SD. There was always this rivalry between schools over football, basketball and the like. Quite often this inter-city rivalry causes people to not work as closely as they could.”

**5. Access to capital.** As someone who previously served on the board of the Farm Credit Administration, Tonsager says he remains very interested in the whole subject of capital markets and how they impact rural America, especially now during the recession. “Credit is very tight and people are being cautious about financing. I’m not objecting to that, but to move the economy forward, we have to increase the flow of investment capital to rural areas. If we hope to do all of the big things we want to do with wind, solar, transmission and electric power, it’s going to take lots of capital flowing to Rural America.” Tonsager says RD is “attempting to go as far as we can with loan guarantees” in the business and industry loan program, by increasing the percentage of guarantee and taking second positions for working capital. Δ

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