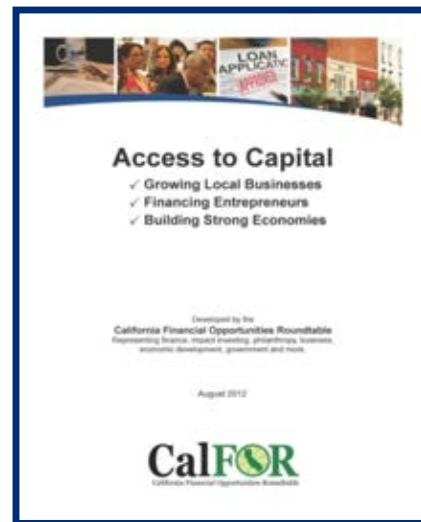
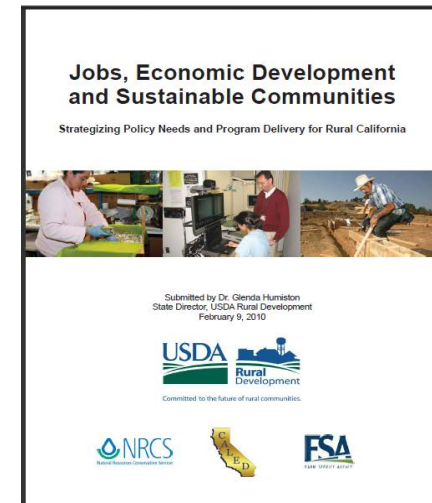




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California's Working Landscapes



Leveraging Regional Industry Clusters and Value Chains for Growth & Jobs

Dr. Glenda Humiston, State Director



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- **Funding and Technical Assistance for:**
 - **Business & Cooperatives Development**
 - **Community Facilities & Rural Utilities**
 - **Water, Sewer & Solid Waste Systems**
 - **Single, Multi-Family & Farmworker Housing**

FY 2012: \$1.3 Billion

CA Portfolio: \$ 7.8 Billion

Forums Produce Recommendations

Jobs, Economic Development and Sustainable Communities

Strategizing Policy Needs and Program Delivery for Rural California



Submitted by Dr. Glenda Humiston
State Director, USDA Rural Development
February 9, 2010



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January 2010 – 43 Forums

- Over 1,000 Californians Participated
- Consistent Recommendations Offered Throughout All of California
- Strong Partnerships Emerged

January 2011 – 58 Forums

- Almost 2,000 Californians Attended
- Update on Activities and New Economic Development Strategies
- Strong Support Received
- Many Requests for Collaboration



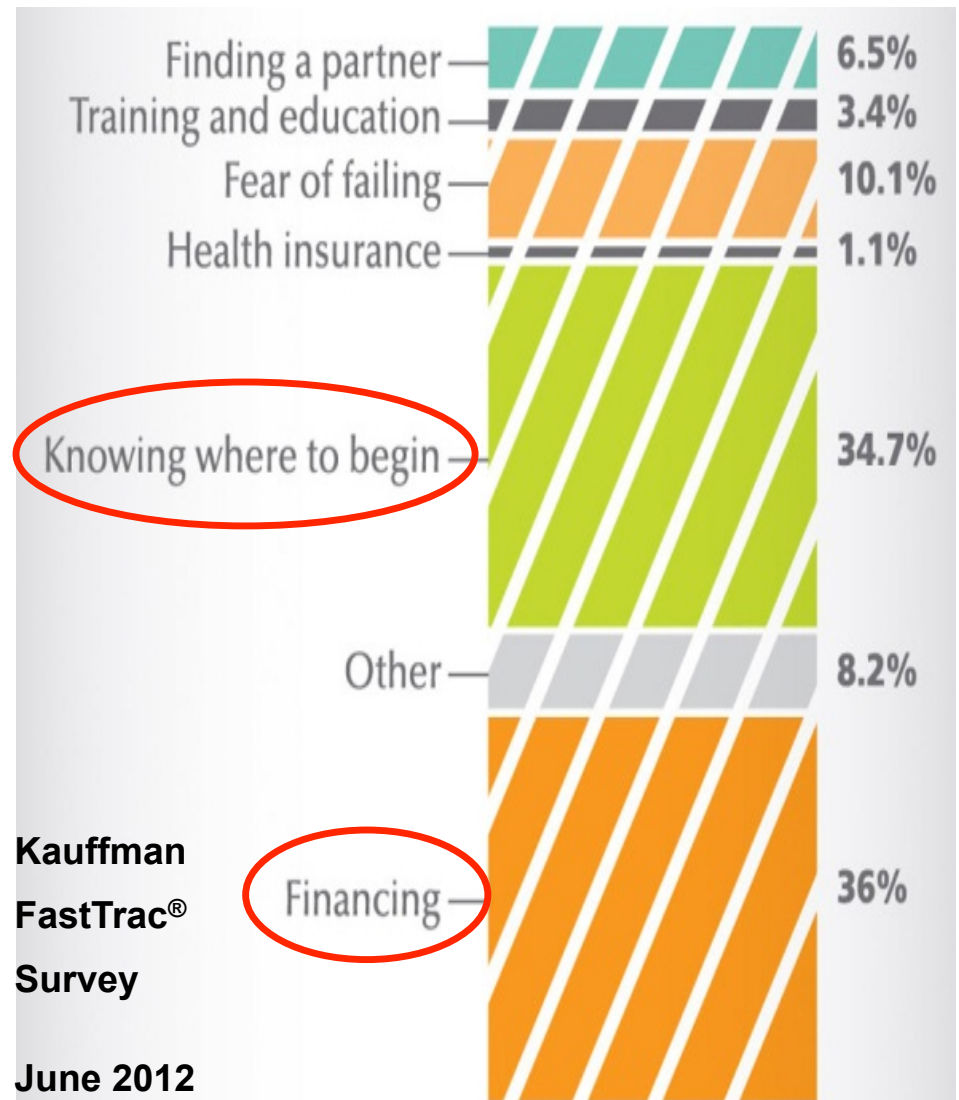
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Only 2% of annual state job gains are business relocations; most are from:

- expanding existing businesses – 42%**
- creating new companies – 56%**

*Jed Kolko, September 2010,
Public Policy Institute of California*

Biggest Obstacle To Starting A Company Is:





Regional Industry Clusters:

similar, related, or complementary businesses linked by core products or services. These businesses are economically interdependent and may have common supply chains, labor needs, technologies, and markets.

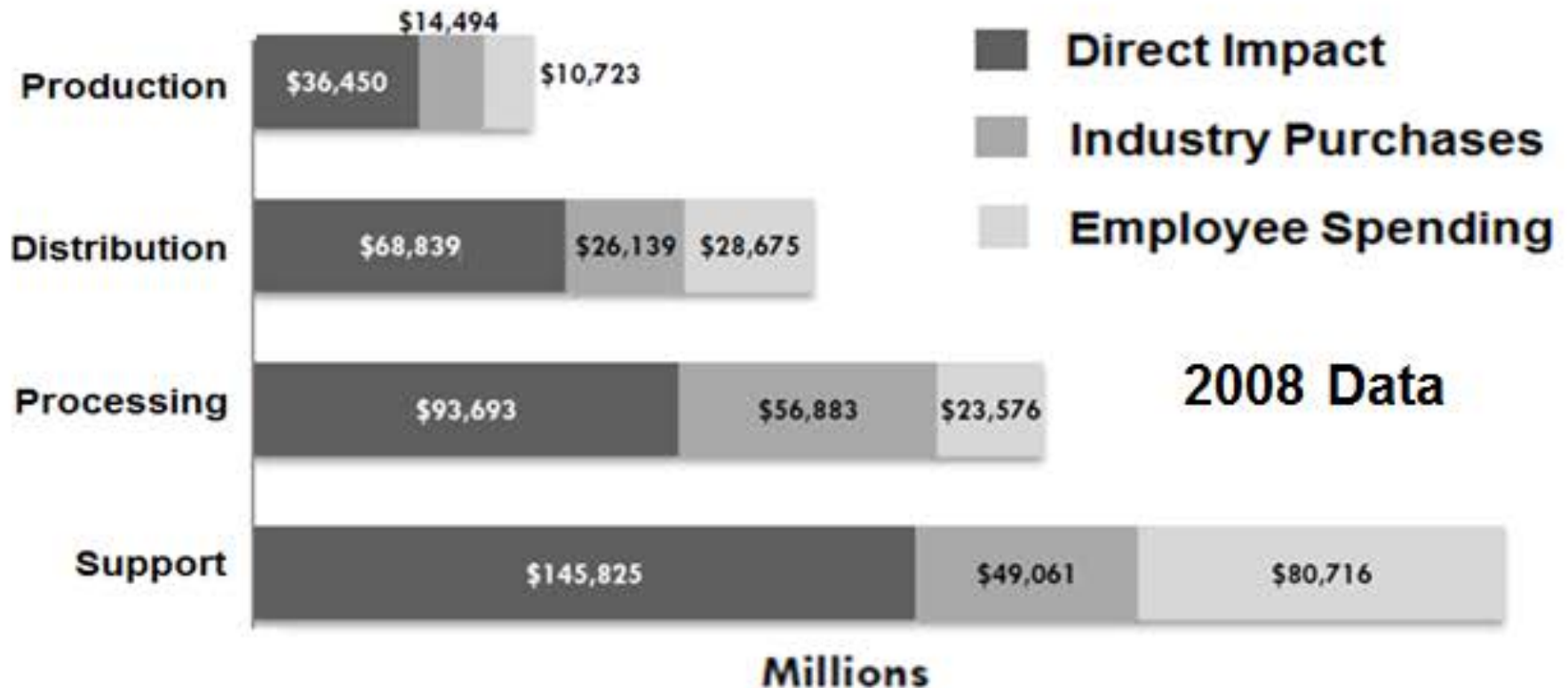
Regional Industry Cluster Projects

- Create Jobs!
- Improve Distribution
- Expand Access to New Markets
- Enhance Goods Movement Strategy
- Reduce Carbon Footprints



California Agriculture Value Chain Direct Impact is over \$344 Billion

Multiplier Effect Takes it to \$635 Billion per Year



SOURCE: CA Center of Excellence, "Agriculture Value Chain Scan", June 2011



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Woody Biomass Value Chain

• Value-Added Wood Products → Manufacturing

• **Slash Removal:** →

• Biomass Products → On-Site Processing

• Fire Reduction → Save Cost of Fires, Insurance, etc.

• Water Production → Ecosystem Credits

• Wildlife Habitat → Tourism

PRODUCTS

- OSB
- Pellets
- Heat
- Electricity
- Compost
- Biofuels
- BioChar
- Polymers
- Composites
- Biochemicals

JOBS

- Trucking
- Manufacturing
- Distribution
- Storage
- Repair
- Management
- E-Commerce
- Support Services
- And More...



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“Working landscapes” benefit people and planet.

Example: forests produce wood for housing, furniture, heating, and paper, as well as habitat for wildlife, opportunities for recreation, carbon sequestration, and water. Such ecosystem services include:

- Agriculture: food, fiber, open space, biofuels, etc.
- Forests: wood, biomass, habitat, water, leisure, etc.
- Coastal: fishing, tourism, renewable energy, etc.
- Parks & Recreation lands: tourism, habitat, etc.
- Mining & Energy: solar, wind, geothermal, ore, etc.

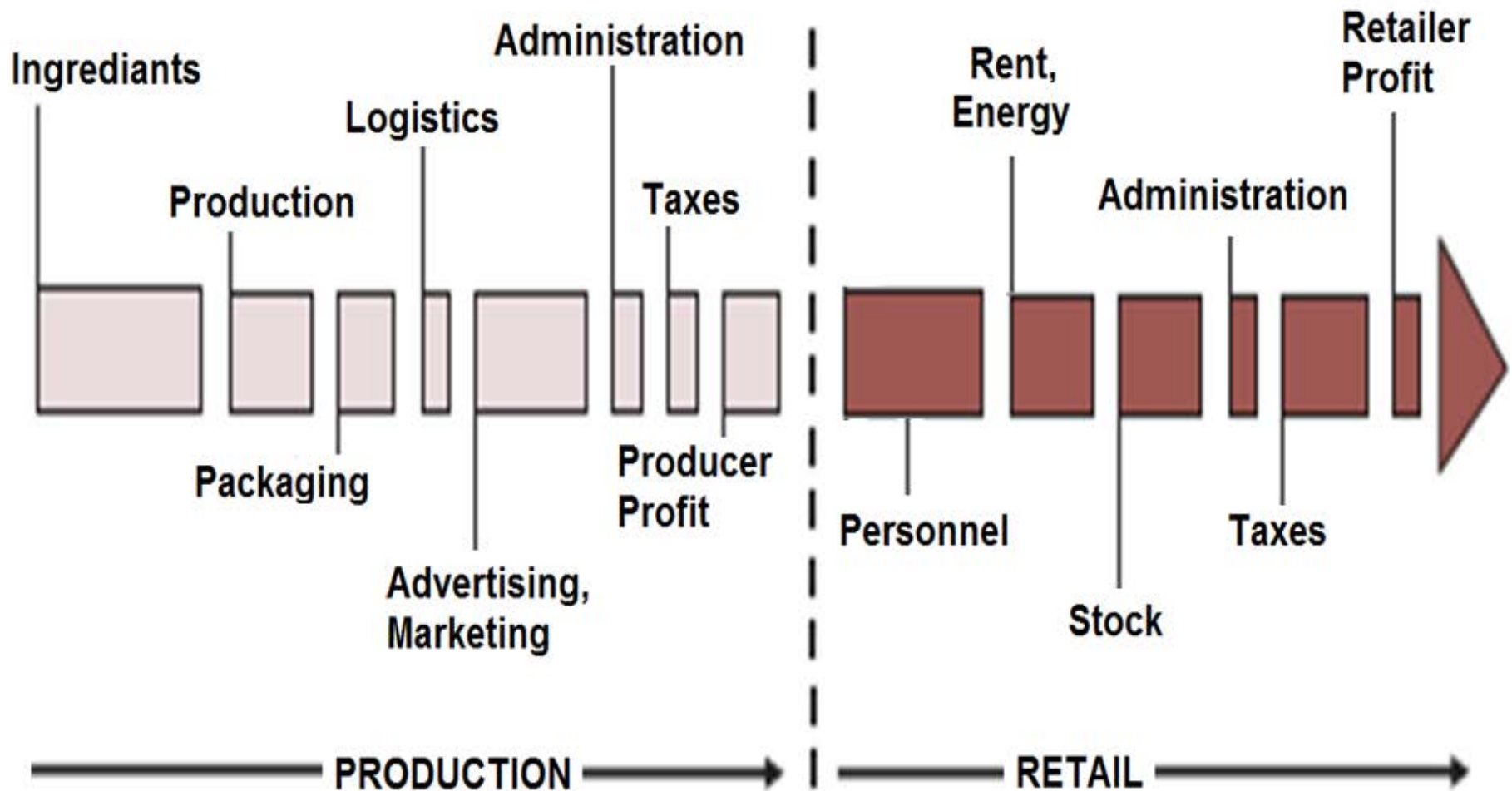




Many California Firms Already Producing Bio-Based Products



Typical Components of a Value Chain



Growing Awareness of Opportunities

AGRICULTURE INNOVATION

 **The GAMEchangers:**
GROWCalifornia's 2011 Conference Series



Is “Ag Valley” the next Silicon Valley?

Moderator: Nicole Perlroth,
Forbes Media

Dr. Spencer Maughan,
Venrock

Stuart Rudick,
Mindful Investors

Dr. Ron Meeusen,
Cultivian Ventures

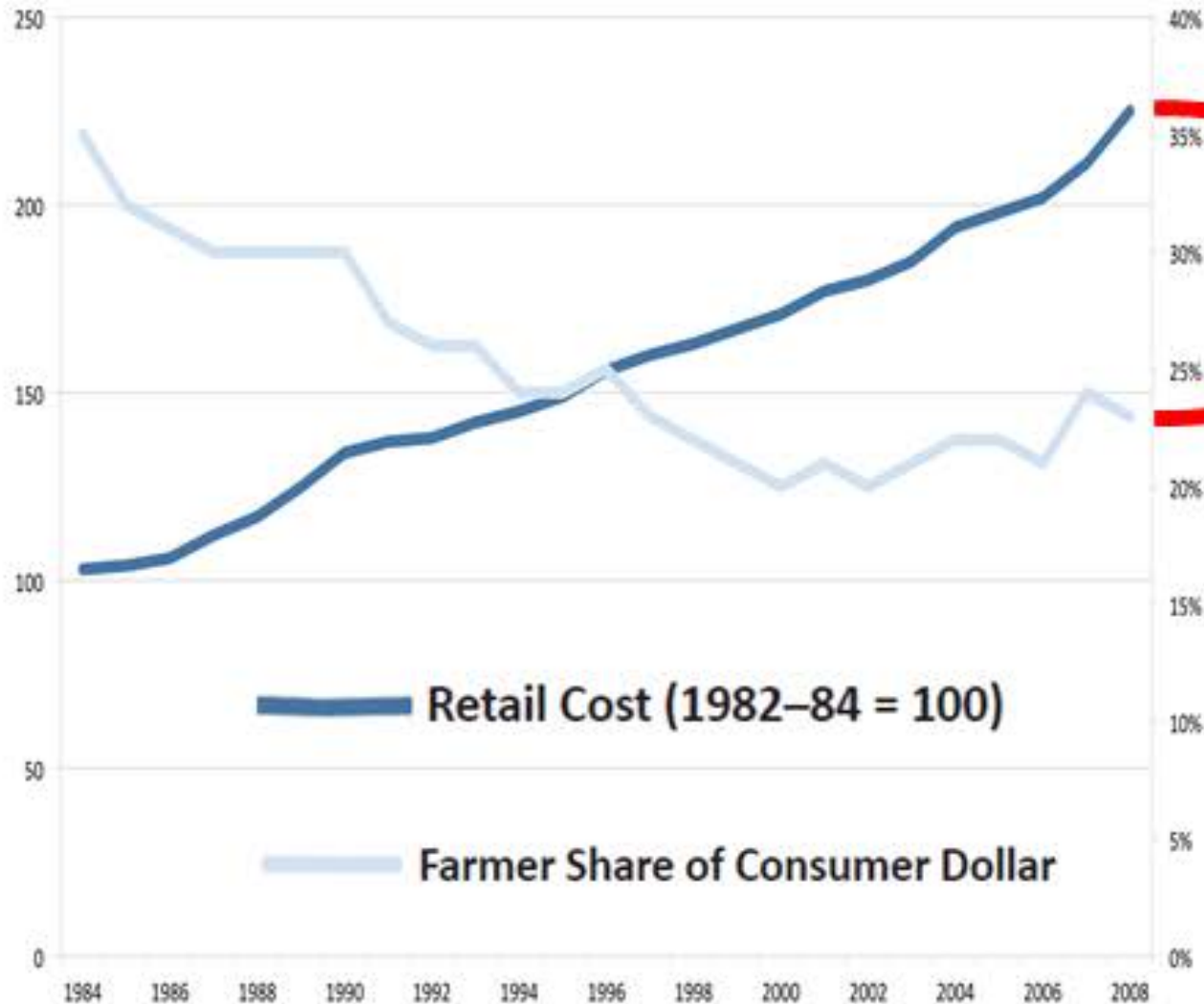
Joe Hudson,
One Earth Capital

Craig Fourchy,
Ultra Gro Plant Food



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Retail Cost vs. Farmer Share of Food Sales



**Ag
Value
Chain
Profits**

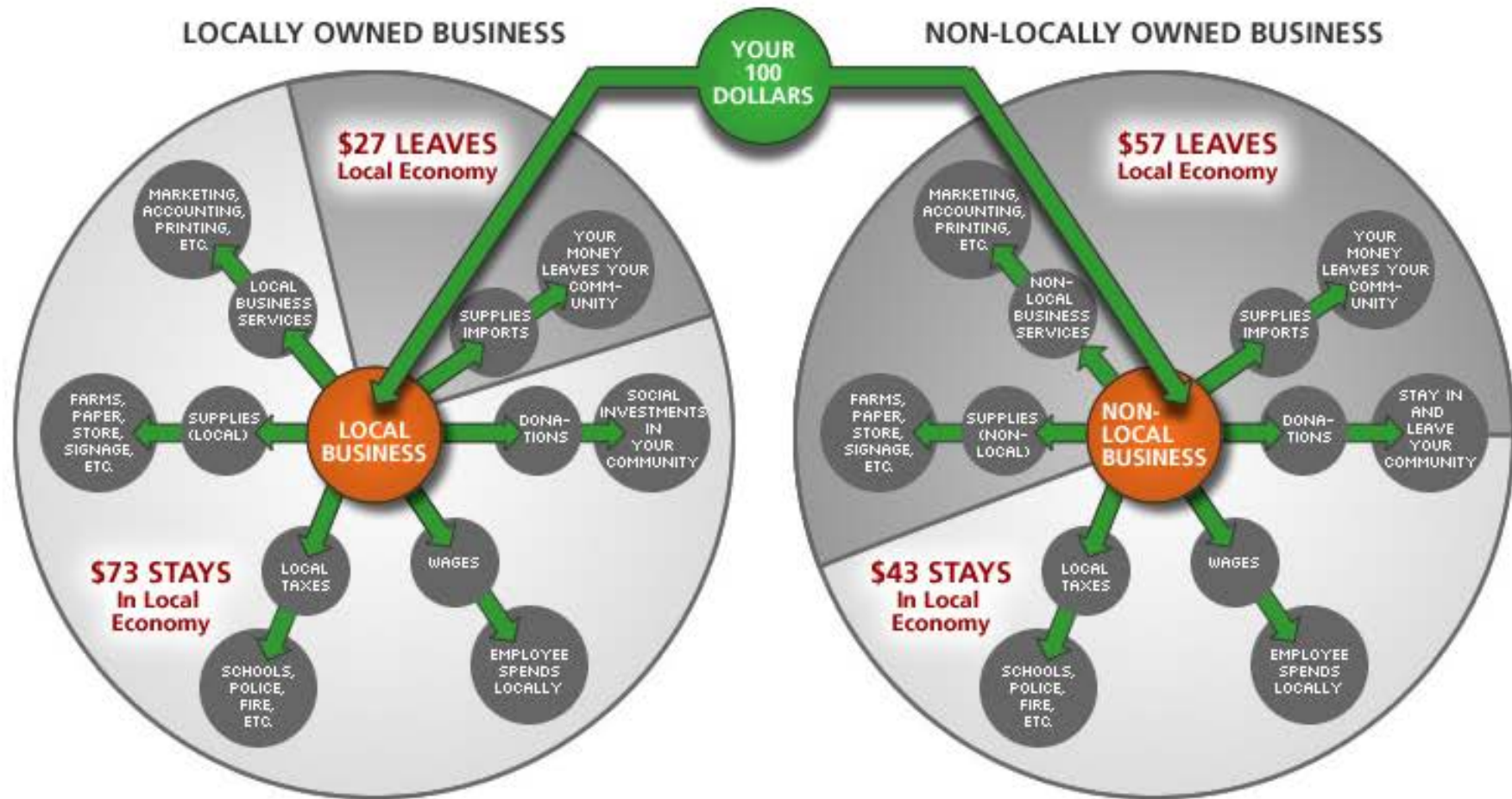
**Most of It
Leaving
Our Local
Communities!**

SOURCE: USDA National Agricultural Statistics Service



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Capture the Multiplier Effect!



SOURCE: "Local Works: Examining the Impact of Local Business on the Economy" Case Studies from Arizona, Hawaii, Maine, New York, Michigan and Wisconsin



Projection: Agriculture Value Chain Occupation by Sector

SECTOR	2011 JOBS	5-YEAR NEW JOBS	AVG. HOURLY WAGE
Support	1,446,232	183,018	\$24.59
Production	206,303	-36,364	\$23.34
Processing	226,216	5,173	\$23.49
Distribution	585,014	29,913	\$24.04
TOTAL	2,463,765	181,740	\$23.87

SOURCE: CA Center of Excellence, "Agriculture Value Chain Scan", June 2011



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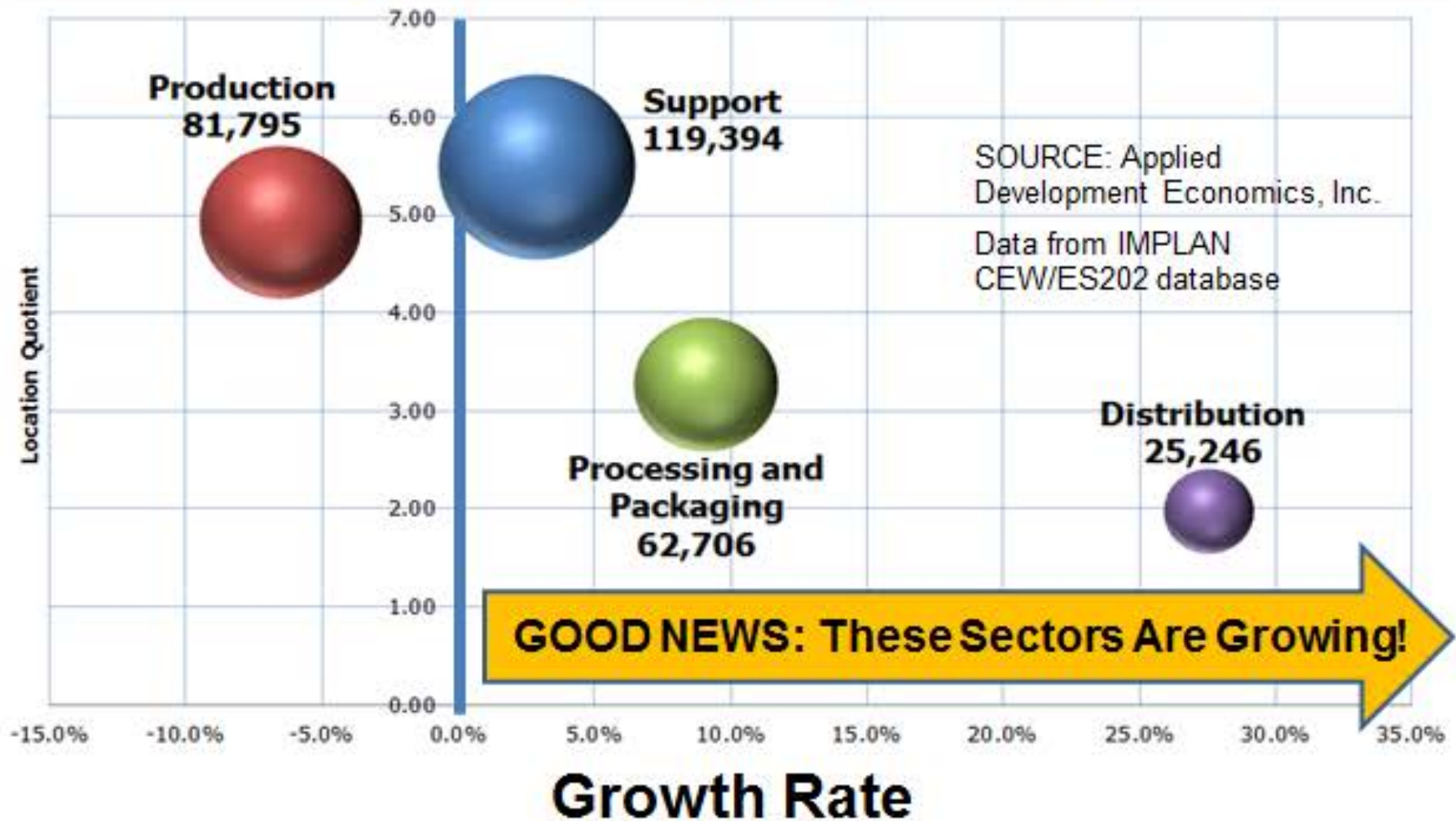
Over 60% of Jobs are in SF and LA but Other Regions Are Aggressively Pursuing Them!

Agriculture Value Chain 5 - Year Job Growth by Region						
SECTOR	Support	Production	Processing	Distribution	TOTAL NEW JOBS	% OF NEW JOBS
San Joaquin Valley	32,252	-19,081	1,992	5,165	20,328	11.2
LA/Orange Ventura/SB	63,085	-3,397	2,923	11,401	74,012	40.7
S.F. Bay Area	35,031	-5,453	-442	6,256	35,392	19.5
Inland Empire	16,596	-2,736	1,188	3,381	18,429	10.1
Imperial / San Diego	18,433	-1,486	286	1,047	18,280	10.1
Northern California	17,621	-4,211	-774	2,663	15,299	8.4
TOTAL	183,018	-36,364	5,173	29,913	181,740	100

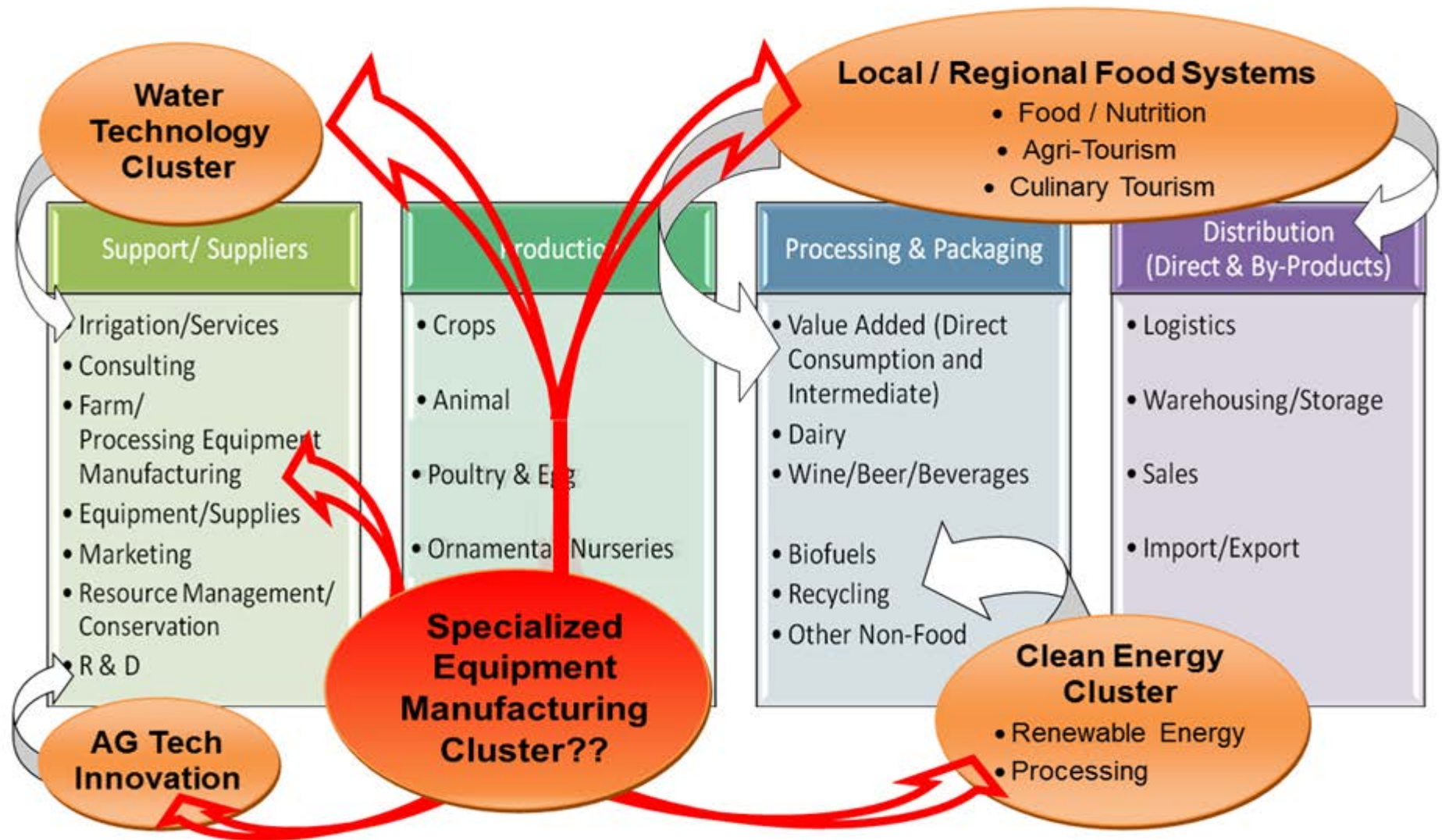


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San Joaquin Food and Agricultural Cluster Regional Employment Growth And Concentration, 2001 to 2010



Value Chains and Industry Clusters

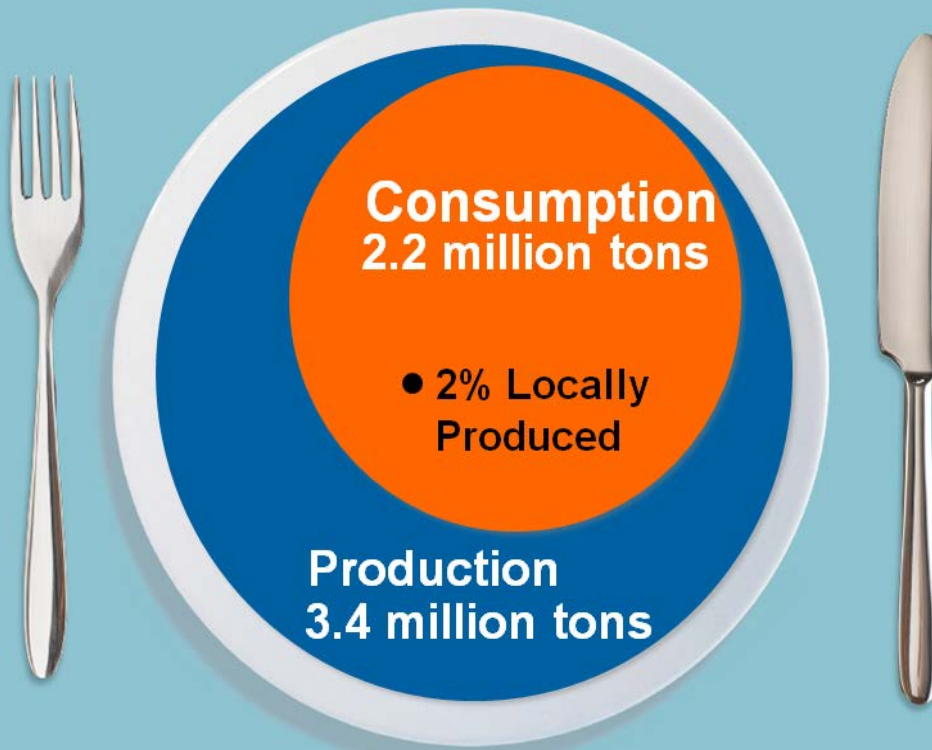


Rural-Urban Connections Strategy

Sacramento Area Council of Governments • www.sacog.org/RUCS



Production and Consumption



**National Average:
just under 1% of
food is “local”.**

United States
Department of
Agriculture
Economic
Research
Service
Economic
Research
Report
Number 87
May 2010

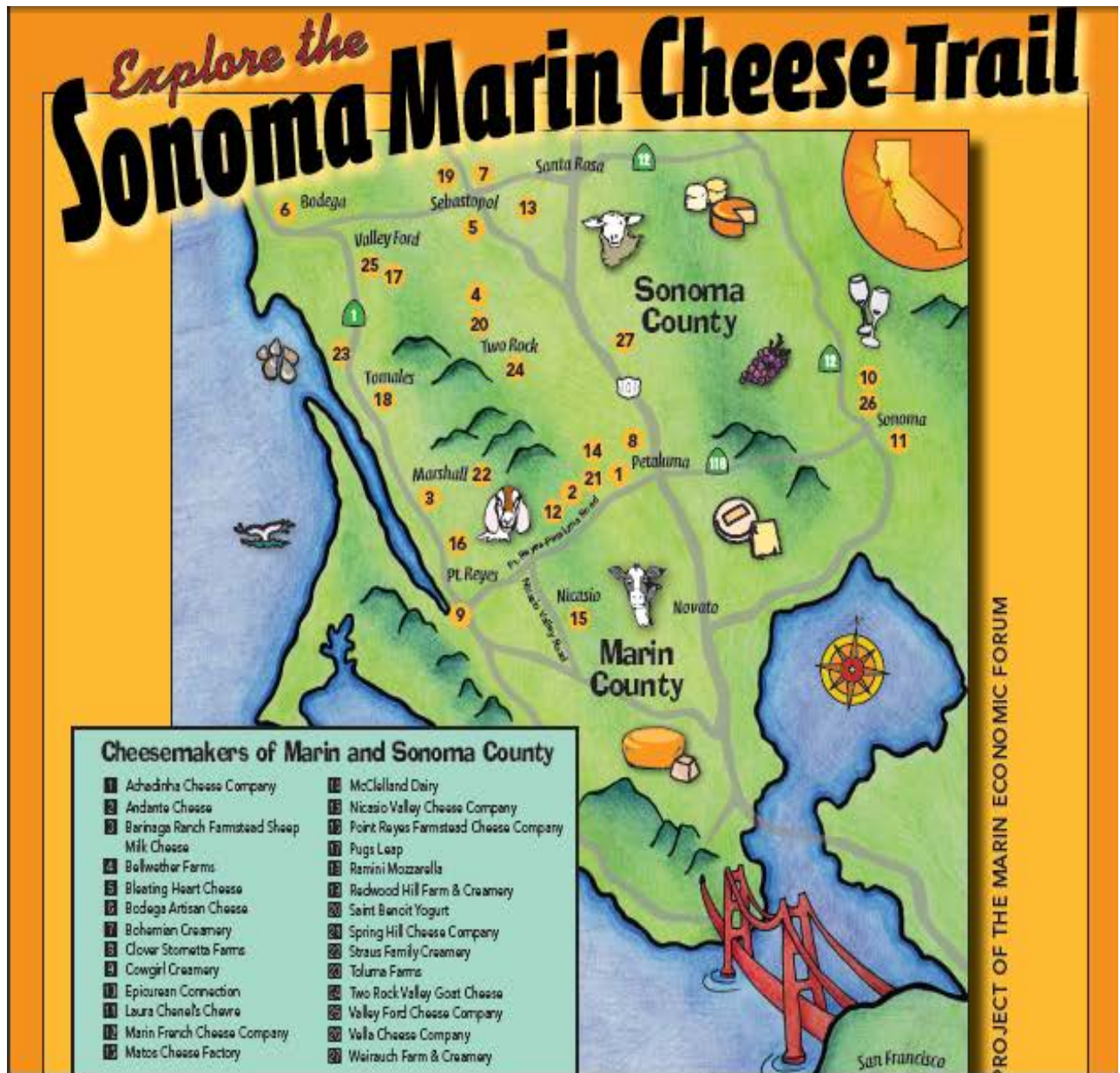


Local Food Systems Concepts, Impacts, and Issues

Steve Martinez, Michael Hand, Michelle Da Pra, Susan Pollack,
Katherine Ralston, Travis Smith, Stephen Vogel, Shellye Clark,
Luanne Lohr, Sarah Low, and Constance Newman



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Ag Institute of Marin
California Milk
Advisory Board

Marin & Sonoma
County Board of
Supervisors

Marin Agricultural
Land Trust

Sonoma County
Agricultural
Preservation and
Open Space District

Marin & Sonoma
County Farm Bureau

Sonoma Land Trust

USDA Rural
Development



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Founded in 2009 by undergraduate business majors from Haas School of Business at UC Berkeley.

- Daily collections of coffee ground waste.
- Utilized for gourmet pearl oyster mushrooms and “growit-at-home” mushroom kits.
- Substrate becomes premium soil amendment.

Sold in Home Depot, Peet's Coffee, Whole Food, etc.

Over 3,000 Accounts in Two Years

Named to Forbes 30 Under 30



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Chico, California

- **Locally-Owned**
- **Local Manufacture**

GOURMET BIODIESEL
(AS GOOD AS THE FOOD YOU SERVE)

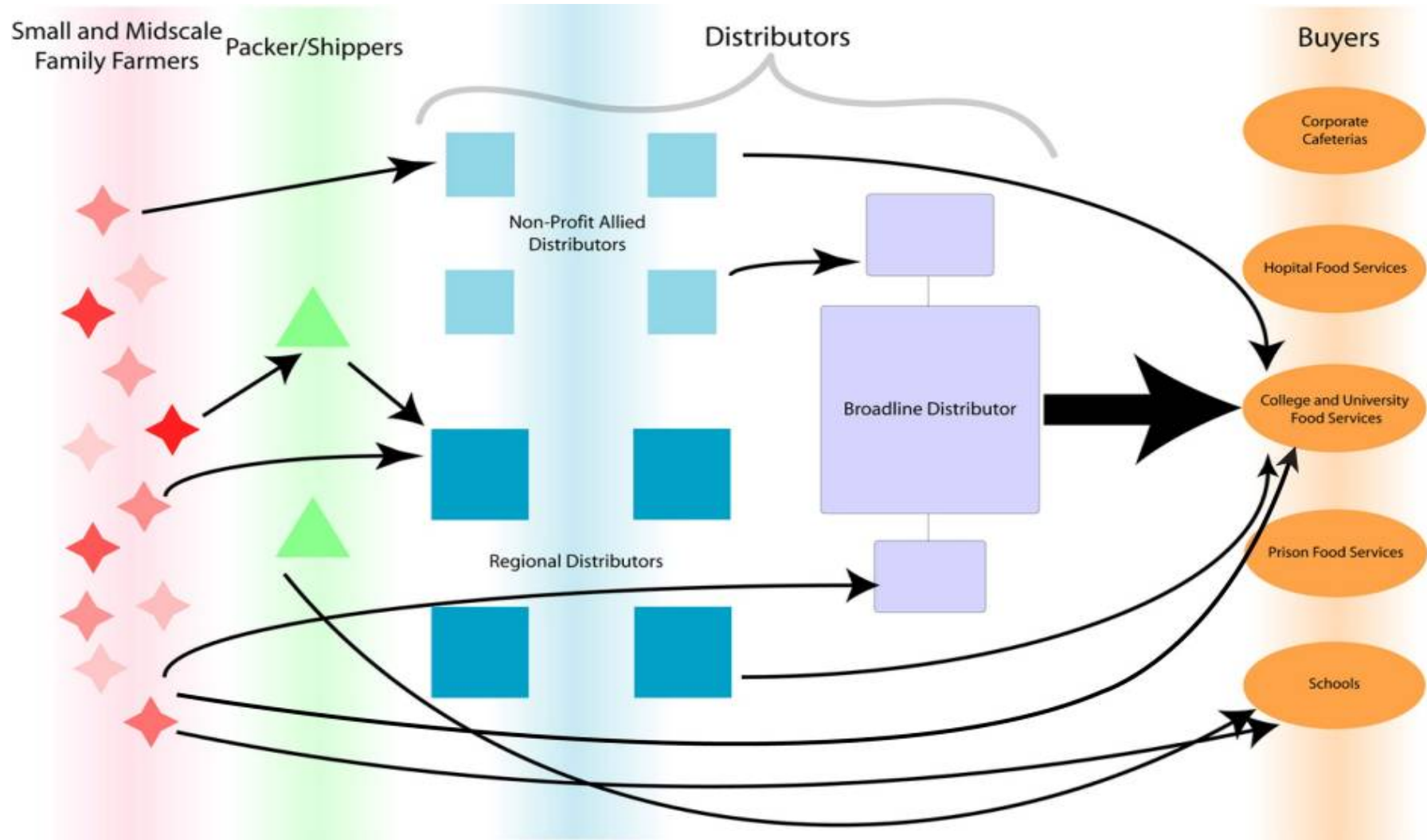


**OPPORTUNITY: biodiesel from livestock
offal to support specialty meat cluster.**



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New Distribution Models



Feenstra, G., P. Allen, S. Hardesty, J. Ohmart, and J. Perez., "Using Supply Chain Analysis to Assess Sustainability of Farm-to-Institution Programs." *Journal of Agriculture, Food Systems, and Community Development*

Zingerman's Community of Businesses includes small food-related companies & entrepreneurial ventures located in the Ann Arbor area.



- Mail Order
- Delicatessen
- BAKE! With Zing
- Roadhouse
- Creamery
- Catering
- Coffee Company
- ZingTrain
- Candy Manufactory
- Press
- Food Tours
- Dancing Sandwich

Leverage Existing Infrastructure to Support Entrepreneurs

Aggregation Hubs

OPPORTUNITY: Partner with Food Banks

- Similar Facilities & Equipment
- Improve Access to Food Overall
- Complementary Hauling of Product



Commercial Kitchens

OPPORTUNITY: Partner with Schools, NGOs

- Use facilities & equipment 24/7
- Potential Revenue Stream for NGO
- Chance to Educate on Food Prep

Public – Private Partnerships



Agricultural Technology Innovation Program



- Collaborate on Research and Development
- Quickly Move New Technology into Commercialization

Link Various Ag Technology Clusters



Energy Biosciences Institute
University of California, Berkeley

innovate north state

Seed CentralSM
Center of Seed Excellence and Innovation

PROJECT 17
AGRICULTURAL TECHNOLOGY CLUSTER

SC2 Agriculture Technology Cluster

BLUETECH VALLEY

CAL POLY
SAN LUIS OBISPO

BRAE
BioResource and Agricultural Engineering Department

UC RIVERSIDE
UNIVERSITY OF CALIFORNIA

USDA
ARS

Center for Environmental Research & Technology
BOURNS COLLEGE OF ENGINEERING

© geology.com



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NATIONAL EXPORT INITIATIVE

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NATIONAL EXPORT INITIATIVE

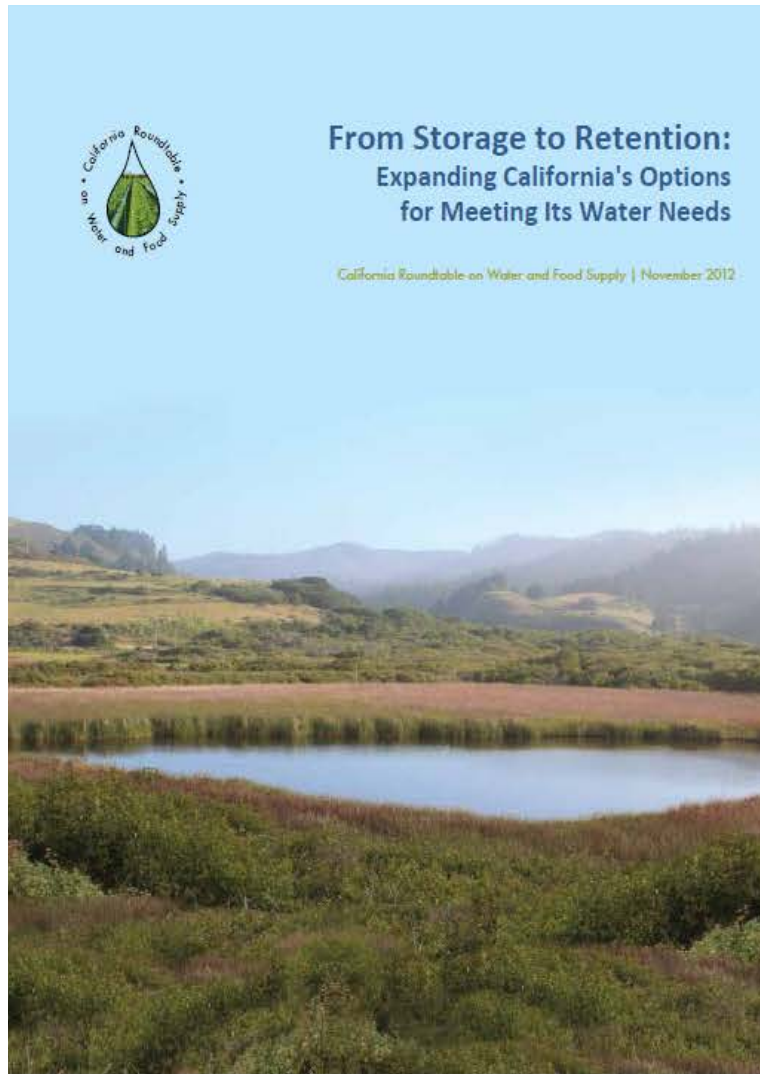
www.export.gov

“Every additional billion dollars of agricultural export sales helps to generate 8,400 jobs at home.”

Secretary Vilsack on the 2012 Farm Bill, October 24, 2012



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California Roundtable on Water & Food Supply

Actions to expand storage infrastructure, improve information, more effectively coordinate across scales, and tap new and diverse funding streams to improve water security in California.

http://aginnovations.org/images/uploads/CRWFS_Storage_FINAL.pdf



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Seeking A New Definition of “Rural”

Persistent Poverty by Census Tract



**No County in California
is Considered to Have
Persistent Poverty!!**



**Communities
About to Lose
Eligibility for All
RD Housing
Programs**

Equity capital in rural areas is as successful as equity capital in tech-oriented metro regions.

A study of 18,000 investments found no statistical difference between rural and metro regions measuring key variables: jobs created, type of industry, length of investment, exit type, or performance.



Patricia Scruggs et al, "The Role of Equity Capital in Rural Communities," March 2010,



Access to Capital

- ✓ Growing Local Businesses
- ✓ Financing Entrepreneurs
- ✓ Building Strong Economies

Developed by the
California Financial Opportunities Roundtable
Representing finance, impact investing, philanthropy, business,
economic development, government and more.

August 2012

CalFOR
California Financial Opportunities Roundtable

- **34 Ways to Access Capital**
- **Recommendations on Policy and Resources**
- **Over 130 top experts and activists representing financial institutions, private businesses, economic development organizations and government agencies pledged to implement!**

www.rurdev.usda.gov/Reports/CA-CalFOR.pdf



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Lessons Learned...

- **There is no single solution:** Our financial toolbox needs many tools as well as innovation, collaboration and a focus on results.
- **It's not just about capital:** Competitive entrepreneurs, well-managed businesses, adequate infrastructure and regional industry clusters are important to long-term success.
- **Scale is important:** New intermediaries must be regional to manage risk and reduce transaction costs; financial products are needed along the continuum from microfinance to large funds.
- **All stakeholders must be engaged:** Buy local / invest local initiatives are as important as streamlined regulatory processes and triple-bottom-line approaches – the key is to find balance between competing needs and open opportunities for all to participate.

CalFOR

California Financial Opportunities Roundtable

- **California Organized Investment Network**
- **State Assistance Fund for Enterprise – Business and Industrial Development Corporation (SAFE-BIDCO)**
- **Tax-Exempt Industrial Development Revenue Bonds**
- **Revolving Loan Funds**
- **Lending Circles**

...and much more!

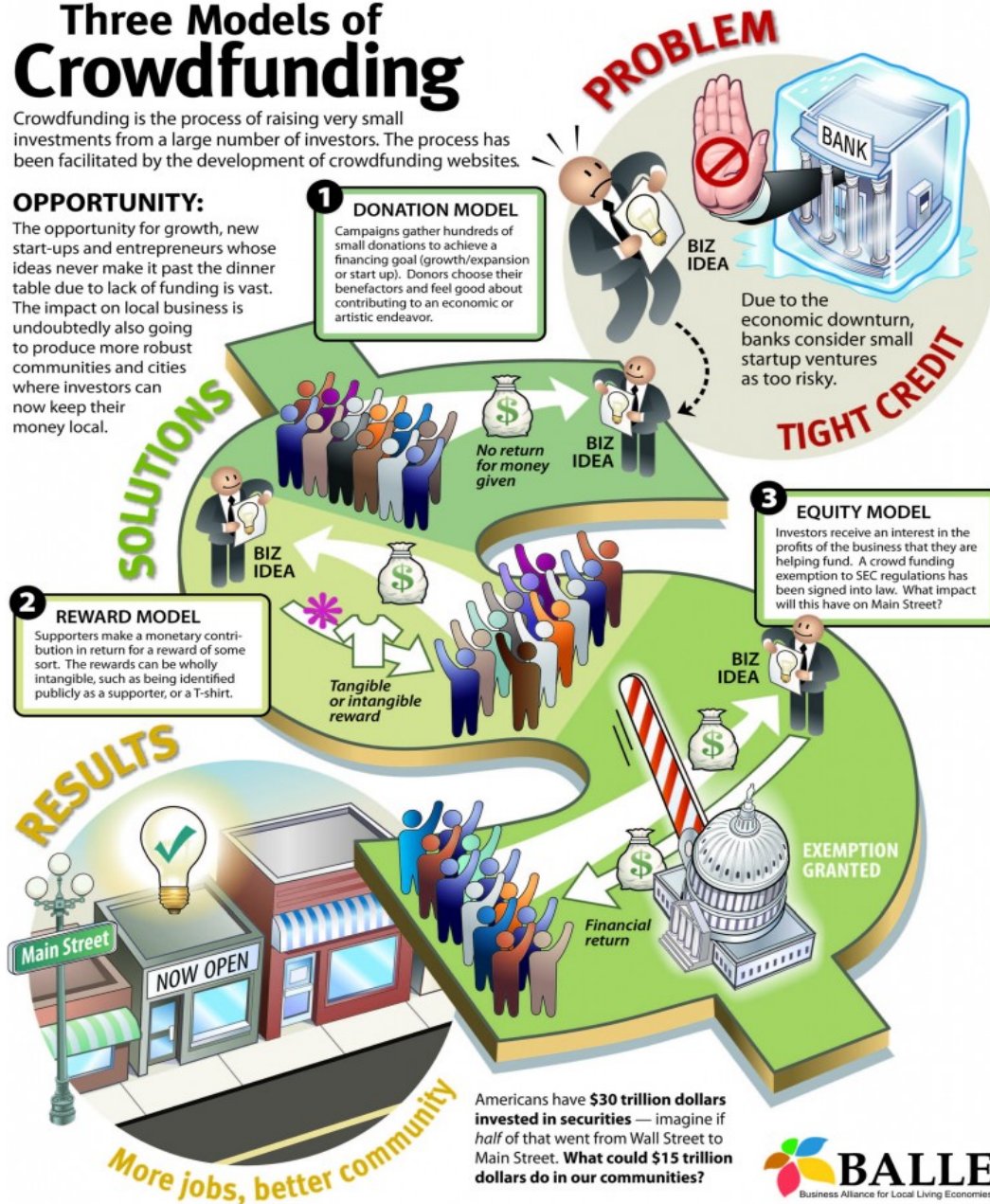


Three Models of Crowdfunding

Crowdfunding is the process of raising very small investments from a large number of investors. The process has been facilitated by the development of crowdfunding websites.

OPPORTUNITY:

The opportunity for growth, new start-ups and entrepreneurs whose ideas never make it past the dinner table due to lack of funding is vast. The impact on local business is undoubtedly also going to produce more robust communities and cities where investors can now keep their money local.



On April 5, 2012, President Obama signed JOBS Act:

“Jumpstart Our Business Startups”

The Securities and Exchange Commission has until January 2013 to enact rules.

Direct Public Offerings



Mendocino Brewing Company

\$3.6 million in six months for new brewery by word-of-mouth, cards placed in six-packs of ale.

Real Goods

Catalog of alternative energy products raised \$4.6 million from customers. Several hundred thousand dollars returned when target reached.



Zap Power Systems



A manufacturer of electric bikes and scooters, raised \$2.5 million from customers.

Direct Public Offering

Powell, WY (pop. 5,200) lost its general store in 1999, residents created “The Merc”.



They sold stock door to door, \$500 a share to town residents. The local newspaper ran testimonials from stock purchasers – ages ranged from 9 to 94.

\$325,000 raised from 328 investors; store opened in 2002 selling clothing, shoes and accessories. The Powell Merc cleared \$500,000 in the first year!

Now in Torrington WY, Ely NV and elsewhere...

Cooperatives

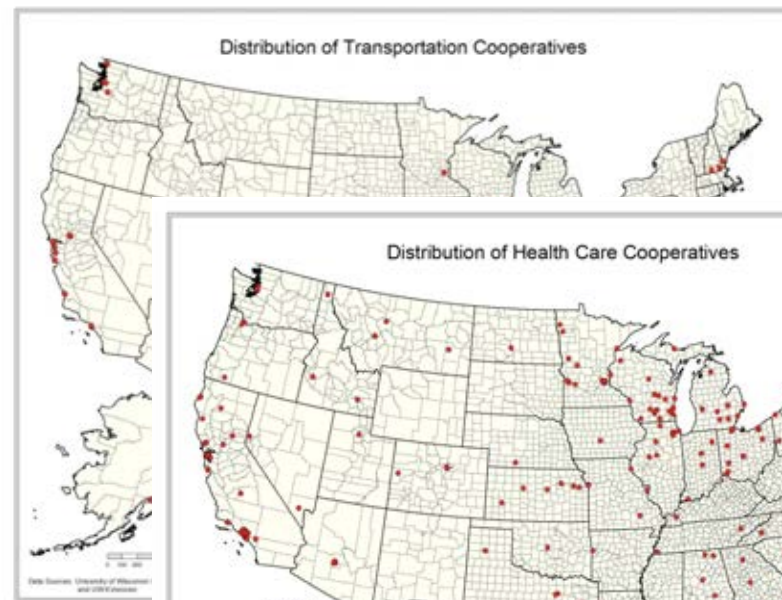
Purchasing cooperatives include:

- Ace Hardware,
- The Bike Cooperative,
- Unified Grocers
- and many more.



Worker cooperatives include:

- small bicycle & book stores,
- a fair-trade coffee roaster,
- a taxi company,
- an engineering firm...and more



Employee Stock Ownership Plans



The U.S. has about 11,000 ESOP companies and about 11 million employee participants.

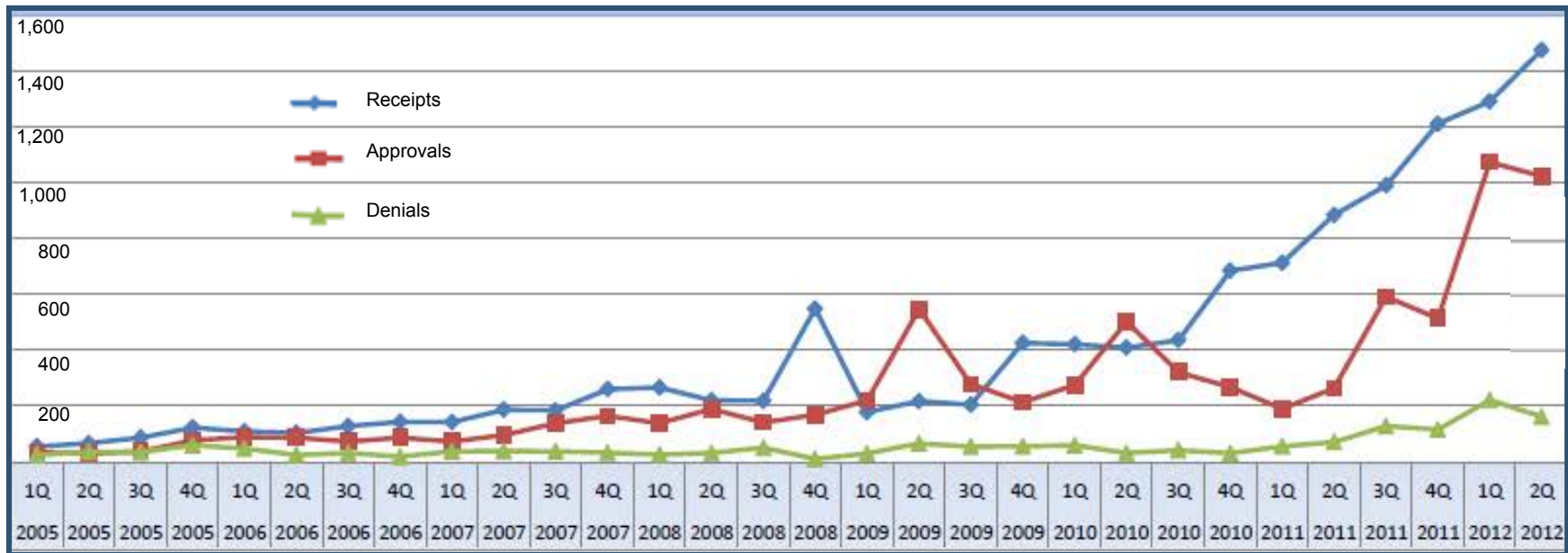
ESOP companies, as a whole and by industry, tend to outperform their non-ESOP counterparts.

Difference in Post-ESOP to Pre-ESOP Performance	
Annual sales growth	+2.4%
Annual employment growth	+2.3%
Annual growth in sales per employee	+2.3%

SOURCE: Pugh, W., Oswald, S. & Jahera, J., "The effect of ESOP adoptions on corporate performance: Are there really performance changes?" *Managerial and Decision Economics*, 21(5): 167, 2000

EB-5 Visa for Immigrant Investors

Immigrants who invest \$1 million in a business that creates or preserves 10 U.S. jobs over two years receive residency along with their family. This can be reduced to \$500,000 by investing in a regional center or establishing businesses in a Targeted Employment Area (i.e. Rural).



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Corporate Investment in Shared Value



Alcoa spends \$3.5 million to support community recycling – adding 300,000 tons of material to the supply chain and reducing greenhouse gas emissions by 3.4 million tons annually (= 600,000 less cars).



Cisco invested \$350 million in 10,000 academies in 165 countries – half of U.S. community colleges host an academy. This helps communities AND creates customers Cisco needs to grow.



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Leveraging Resources

Council on Foundations partners with USDA

- Improve the quality of life of rural Americans
- Create new sources of rural wealth – leverage assets
- Promote partnerships in workforce investment strategies
- Develop innovative & sustainable means of collaborating
- Joint convenings, webinars and teleconferences to advance common work



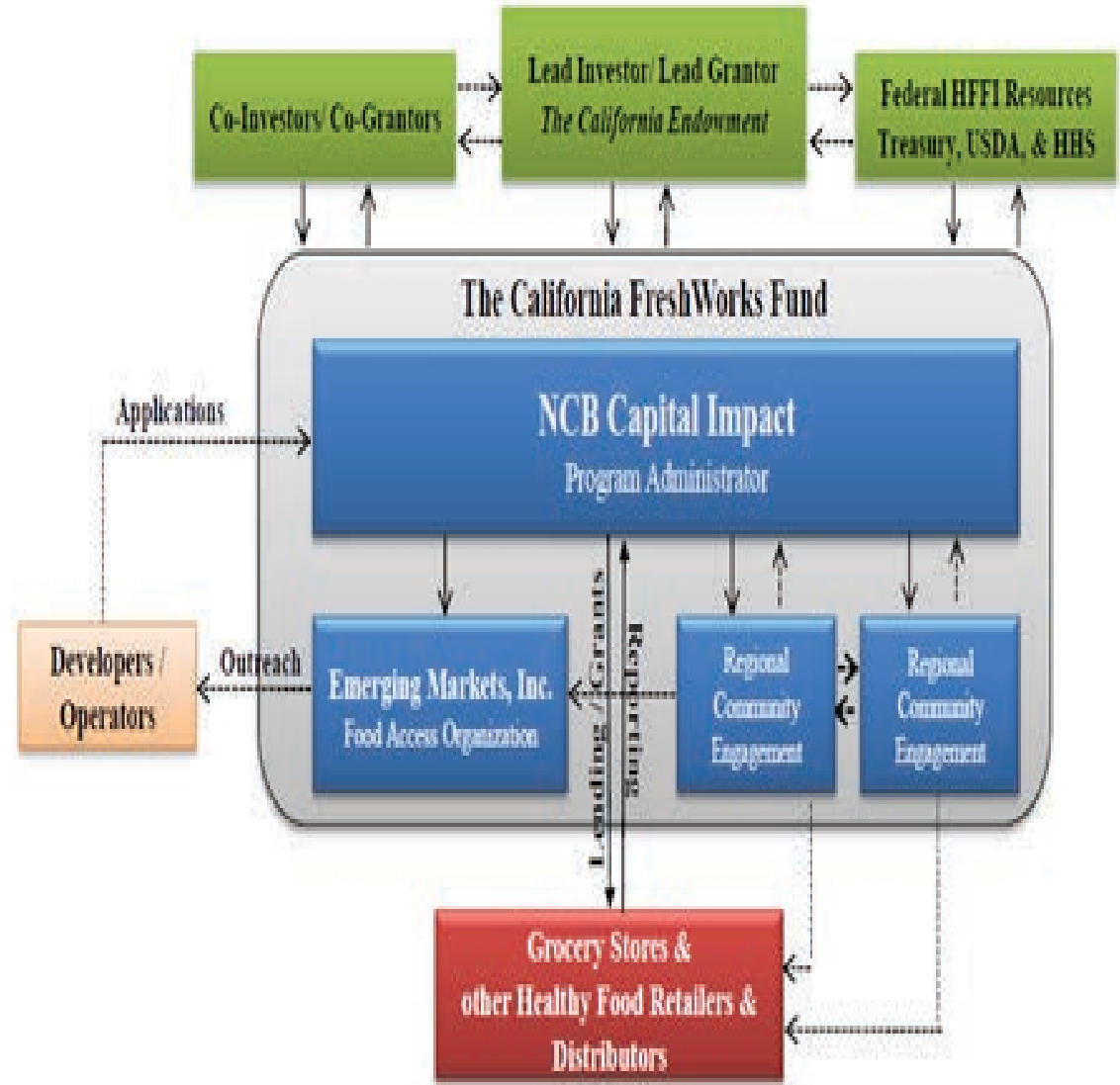
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New Model for Financing Regions and/or Sectors

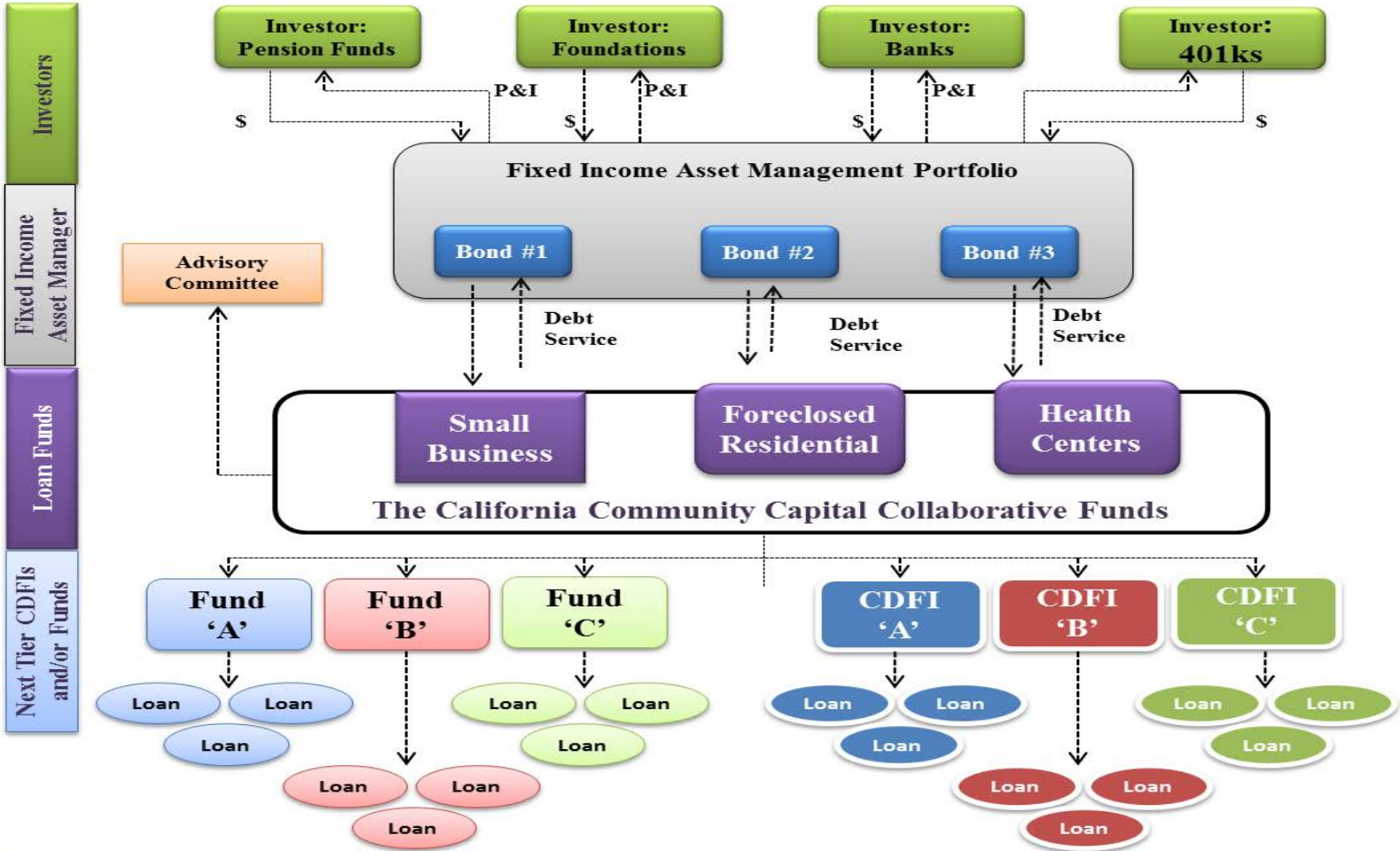


Healthy Food. Closer To Home.

Goal:
\$90 Million
Funds Raised
to Date:
\$270 Million



California Community Capital Collaborative



Prepared by: Tina N. Castro, Director, Impact Investing, The California Endowment and revised by Team 5



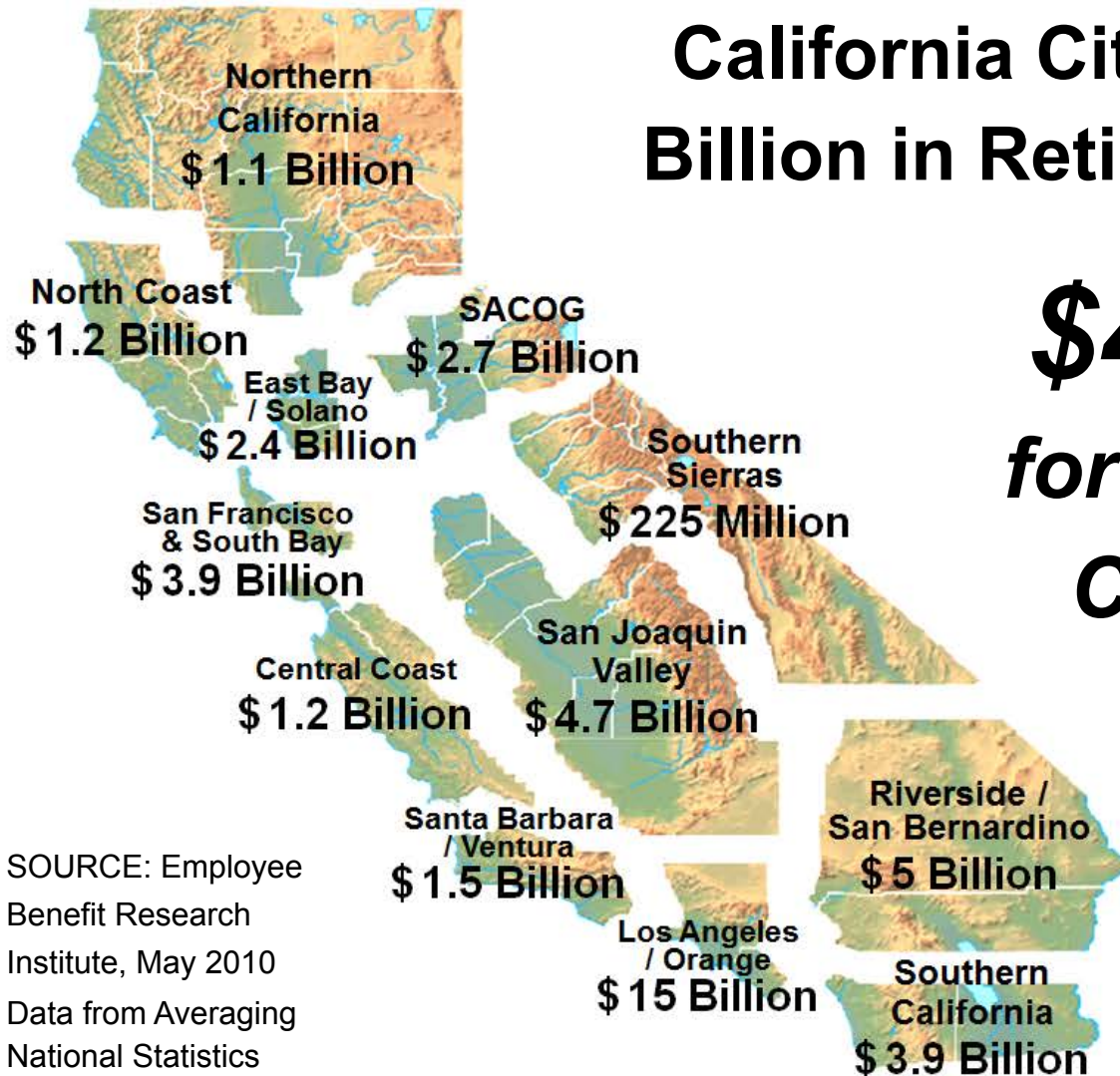
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Start “Invest Local” Initiatives

California Citizens Hold \$859 Billion in Retirement Accounts

\$43 Billion
for Investment in
California if...

Residents
Brought **5%** of
Their Retirement
Accounts Home



SOURCE: Employee
Benefit Research
Institute, May 2010
Data from Averaging
National Statistics

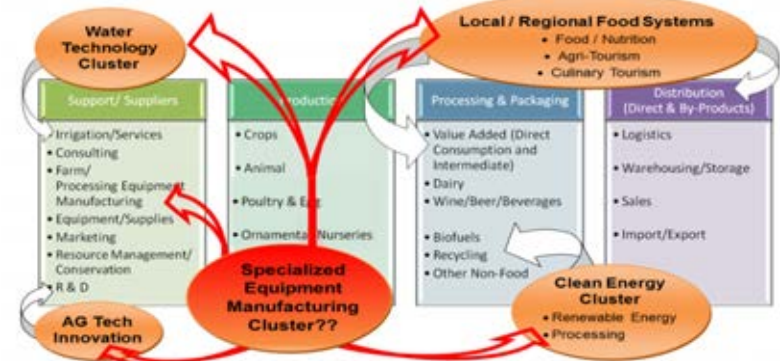


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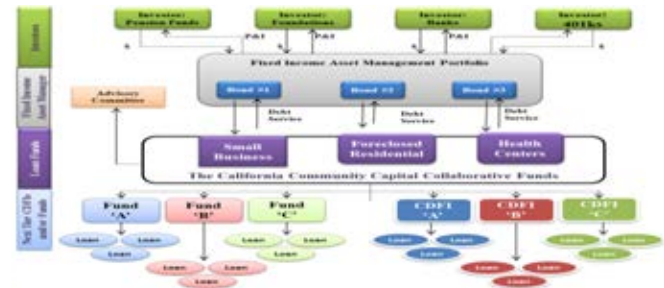
Buy Local

Build Clusters & Value Chains



Provide Infrastructure & Goods Movement

Invest Local



YOU Provide the Intangible Capital!



Human Capital

Experience

Competencies

Management Skills

Workforce

Structural Capital

Information & Knowledge

Processes

Intellectual Property



Social Capital

Customers

Vendors

Partners

Brands

Reputation

USDA



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**California Rural Development
U.S. Department of Agriculture
430 G Street, Agency 4169
Davis, CA 95616**

Phone: 530-792-5800

www.rurdev.usda.gov/ca