

Good Evening.

It's great to be in Thief River Falls. In you don't know how happy I am to be here.

These bus trips can be grueling. First of all, you have to get up at 5 A.M. -- ride in an airplane to Moorhead -- do an event and then ride a bus to events in Hendrum, Halstad, East Grand Forks, Alvarado, Warren, and Thief River Falls.

And then tomorrow I get to get up at 5 A.M. and do it all over again.

Usually we go out on these bus trips and all we have to worry about is having a great time.

But today is a little different. Oh, we're still having fun, but when you see people suffering from all the water in Northwestern Minnesota it takes a little edge off the fun.

But from what I have seen today, people in towns like Moorhead, Hendrum and Halstad and East Grand Forks aren't going to let this trouble keep them from the good life in Rural Minnesota.

It's a sad time. But Minnesotans are fighters.

And with help from their families, their neighbors and, yes, their government -- they will make it back.

This is a proud region.

And I am proud to be here, along with my commissioners, to learn more about its people and its natural resources.

(Introduce Hugoson, Fisher, Garber & Carlson)

These Commissioners have been working with me for the last year and a half to help develop a rural economic development plan.

We all know that it can be dangerous for a community to become too dependent on any one business for its economic livelihood.

The Old West ghost towns are reminders of what can happen when that business dries up or goes through a massive change.

Right now rural Minnesota is feeling the impact of massive changes in agriculture, and we continue to see the rural population shrink.

But if we are smart about it, we can strengthen our farm community while at the same time diversifying our rural economy to make it less vulnerable to downturns in the agricultural sector.

This message is not popular with everyone, but it is important: things have changed in rural America, and we cannot bring back the "good old days" no matter how hard we try.

That is why it is so important for regional centers like Thief River Falls to look to growing industries like tourism while continuing to develop its farming potential.

With tourism and farming you can have a one-two punch in this global economy.

You may not know it but travel and tourism is now the leading industry in the world with more than \$3.7 trillion in revenue.

By 2008 revenues are expected to double to more than \$7.5 trillion, or 20 percent of the world's total gross domestic product

And in agriculture globalization has created new and powerful competitors for world markets. Grain prices are now influenced by exchange rates and crop conditions in South America as much as by what decisions are made in Washington, D.C.

Individuals, businesses and communities of all sorts are struggling to find a place in the new, global marketplace, and they often look to public officials for answers.

I believe one of the most helpful things we can do in Minnesota is to give farmers a hand in making a successful transition to the new global marketplace of the 21<sup>st</sup> century.

The big challenge farmers face in the 21<sup>st</sup> century is to become as creative and skilled at marketing a product as they are at growing a product.

That's a big switch from the traditional mindset of producing first and marketing second.

But from what I have seen, farmers are already beginning to adjust their strategies.

What role can the state play?

Well, I strongly believe that any truly effective effort to help farmers must be part of a larger strategy for helping rural communities.

Rural economic development priorities like telecommunications access, transportation infrastructure, and workforce training must be part of the mix when we talk about helping our farm sector.

Beyond that, I believe there are a number of things our state should do to help Minnesota agriculture adapt to the global economy.

First, we must encourage more value-added processing in the state \_ especially by farmer-owned cooperatives.

Farmers' long-term success will depend on their ability to capture more of the consumer dollar. The best way to do this is by moving beyond just producing commodities.

Right now, 85 percent of Minnesota farm income comes from eight commodities (dairy, beef, pork, turkey, corn, soybeans, wheat, and sugar beets). Farmers must get themselves a piece of the action in food and fiber processing, which has higher profit margins.

The second major objective of the state should be to diversify the commodity base of Minnesota agriculture -- especially through the market-driven development of alternative crops.

Corn, soybeans, sugar beets and wheat will probably always be our biggest crops, but farmers -- especially small-scale farmers can benefit by hunting out specialty crops that can bring a higher return per acre.

Organic foods and industrial hemp are excellent examples of this. It is also smart to diversify by expanding your commodity base. For years, State Agriculture Commissioner Gene Hugoson has been talking about the value of expanding livestock production -- especially dairy -- in this part of the state.

We've made some progress, but we can do more.

If you wonder why Commissioner Hugoson is so interested in boosting livestock production in this part of the state, the reason is simple. Just recently, the Southeastern Minnesota Farm Business Management Program released numbers that showed farmers who had a combined crop/livestock operation fared much better in 1999 than did farmers who only grew crops.

According to the 1999 figures, the average field crop farm showed a profit of only \$21,500. A big chunk of that came from government payments. Add milk cows or hogs, though, and the numbers jump. The hog farms involved in the southeastern survey showed a profit of \$97,000 and the dairy farms saw an average profit of \$78,000.

Of course the exact numbers would be different in different years, but those numbers show that your mom was on to something when she said you're better off not having all your eggs in one basket.

Another thing the state can do is to help strengthen the competitive position of Minnesota's farm community. I created the FARM Cabinet to do that.

The idea behind the FARM Cabinet is that by combining the resources of our state agencies, we can more effectively remove unnecessary obstacles that limit farmers' competitive power.

If we are going to pass laws that require farmers to implement changes for the sake of the environment or for any other reason, we should try to be sensitive to what it means for them economically.

A fourth goal for Minnesota state government should be to persuade the federal government to adopt farm policies that have long-range value.

Here's an example of what I mean:

We also need to expand American farmers' access to international markets by fighting trade barriers and by leaving agricultural products out of economic sanctions that we place against foreign countries.

The recent vote in Congress to grant permanent normal trade relations with China is a good start, but too many foreign markets are still off-limits for U.S. farmers, and that is just plain wrong.

According to University of Minnesota economists, our state would be able to support less than a third of our 80,000 farmers if we were to close off all export markets and supply food only for U.S. consumers.

Experts predict that the world's population will double in the next 50 years. It has been shown that the first thing people in developing countries do with extra income is improve their diet.

When that happens let's not wait for them to call us.

Finally, I want to repeat that it is very important for us to bring our rural areas up to speed with technology.

E-commerce is only a curiosity for most people today, but it has unlimited potential for transforming the ways we do business.

Rural areas cannot be left out.

Just as government took a lead role in bringing electricity to rural areas, I believe we should take a leading role in bringing high-speed Internet access and all the other technological must-haves to rural America.

There's a limit to how much individual states like Minnesota can do to solve problems that have global roots.

We won't be able to save every farmer, but the top farm policy goal of a state government in 2000 should be to help its agricultural community \_ and rural Minnesota in general -- make a successful transition to the 21<sup>st</sup> century.

That's what my commissioners and I plan to do.

Thank you for your wonderful hospitality. It's great to be here and I hope you will invite us back again.

(If we have time I'd be happy to take some questions.)