

**COLORADO
DEPARTMENT OF
AGRICULTURE**



Department of Agriculture Briefing to the House & Senate Agriculture Committees

John Salazar
Commissioner of Agriculture

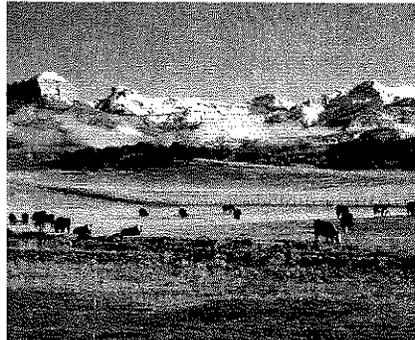
January 16, 2013

**COLORADO
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Today's Discussion

- ✓ Department Overview
- ✓ The State of Colorado's Agriculture Industry
- ✓ Strategic Plan Review
- ✓ FY2013-14 Budget Request
- ✓ Regulatory Agenda
- ✓ Questions



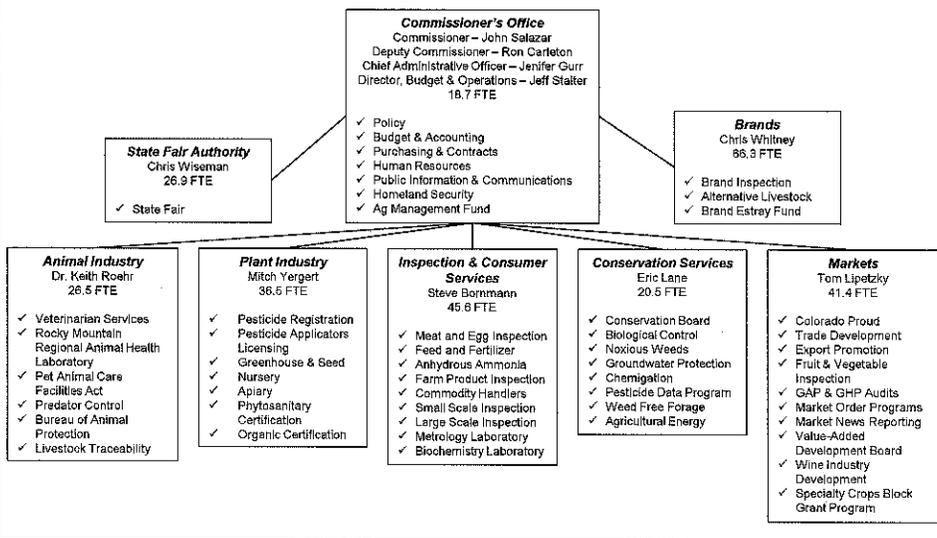
Laurie Purcell – 2012 CDA Photo Contest



About CDA



CDA Organization Chart

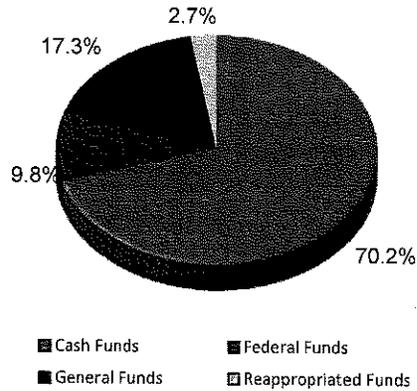




A Snapshot of CDA

- Total FY12-13 appropriation of \$39.6 million.
- 282.4 FTE allocated across the Commissioner's Office and seven operating divisions.

FY12-13 Budget Appropriation



Animal Industry	Brands
Colorado State Fair	Conservation Services
Plant Industry	Markets
Inspection & Consumer Services	



CDA 2012 Successes

Animal Industry – Implemented the USA Herds information management system, improving capabilities to monitor animal movements and disease incidents, license facilities, record testing information, and archive data.

Brands – Reorganized the Division's operating structure, bringing about efficiencies, greater fiscal integrity, and improved management.

Conservation Services – Established the tamarisk leaf-feeding beetle in the Arkansas River Basin providing landowners and managers with an effective tool to attack the 67,000 acres of tamarisk in the watershed.

ICS – Increased General Fund support from the Legislature allowed for the implementation of fee reductions of 25% - 50%.

Markets – Developed and implemented a communications and promotion campaign restoring consumer confidence and sales of Rocky Ford cantaloupe.

Plant Industry – Established a web-based on-line testing system at five locations statewide, reducing travel time and costs for commercial pesticide applicators to take licensing tests.

State Fair – Increased non-Fair revenues in FY12 by \$265,000.



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A Point to Remember

With less than 1/10th of 1 percent of the State's General Fund appropriation, the Colorado Department of Agriculture supports an industry that generates more than \$40 billion of economic activity annually, supports 170,000+ jobs, and protects consumers, animals, and our natural resources!



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Colorado's Agriculture Industry



Colorado's Agriculture Industry

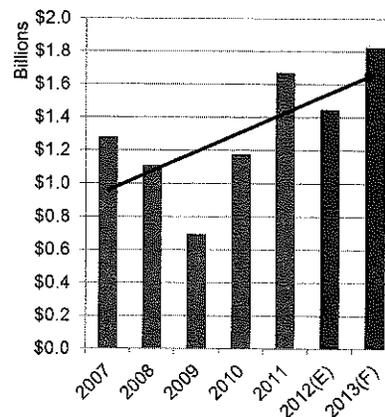
- ✓ Colorado's farmers and ranchers ...
 - Help create local food systems, as well as feed the nation and consumers around the world,
 - Provide wildlife habitat and protect our natural resources,
 - Support Colorado's rural communities, and
 - Are increasingly a player in Colorado's new energy economy.
- ✓ Colorado is an industry leader ...
 - Leader in the number of cattle and lambs fed, meat processing technology, and animal welfare,
 - Milk production per dairy cow is among the highest in the nation,
 - Among the leading states for millet, fresh potatoes, barley, cantaloupe, lettuce, sweet corn and winter wheat production,
 - Strong reputation for organic and natural foods, and
 - Home to a growing number of wine, craft beer, and spirits producers.



Farm & Ranch Income

- ✓ Colorado net farm income for 2012 is estimated to be \$1.4 billion – roughly \$225 million less than the record-high of \$1.7 billion for 2011.
- ✓ Looking ahead to 2013, with some easing of the drought conditions, Colorado farmers and ranchers could see net income levels rise to a new high approaching \$1.8 billion.

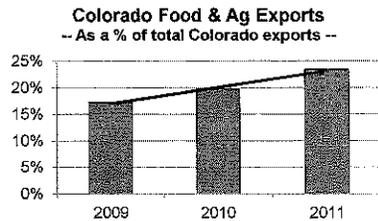
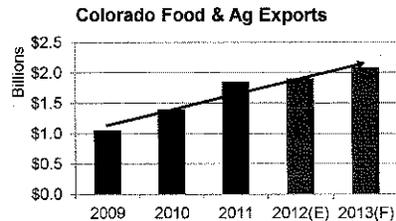
Colorado Total Net Farm Income





Exports Have Never Been Higher

- ✓ Buyers from 115 countries imported \$1.8 billion of food and ag products in 2011 – a level 75% greater than 2009.
- ✓ Market access remains a key to export growth.
 - U.S. Korea FTA.
 - Mexico – fresh potatoes.
 - Japan & China – beef.
- ✓ Food and ag exports are taking on more importance as well, representing 23% of the State's total exports in 2011 -- up from 17% in 2009.



Challenges & Threats to Colorado Agriculture

-- 2012 Ag Industry Survey --

	Very Significant	Somewhat Significant	Not Very Significant	Not Significant	Rating Average ¹
Loss of Use/Availability of Water	88.0%	10.3%	1.7%	0.0%	3.86
Regulatory & Environmental Policies Impacting Agriculture	65.5%	23.3%	10.3%	0.9%	3.53
General Farm Economics	56.4%	37.6%	6.0%	0.0%	3.50
State/U.S./Global Economy	52.5%	38.1%	9.3%	0.7%	3.43
Increased Taxes, Fees, etc.	56.0%	30.2%	12.1%	1.7%	3.41
Lack of Connection to and Understanding of Agriculture by the General Public	50.4%	37.6%	9.4%	2.6%	3.36
Development and Loss of Agricultural Lands	49.2%	39.8%	9.3%	1.7%	3.36
Labor and Immigration	43.6%	47.0%	9.4%	0.0%	3.34

Others included: Food Security/Ability to Feed an Increasing Population (3.19), Activists and/or Disinterest Groups (3.13), Food Safety (3.10), Lack of Public Investment in Ag Sciences and Applied Research (3.08), Lack of Investment in Rural Infrastructure (2.95), Lack of Global Market Access and High Import Tariffs (2.72), Agricultural Credit (2.83), Food & Ag Imports from Other Countries (2.81), and Climate Change (2.82).

¹) The scale for the rating average is 1 to 4 with 4 being the highest.

Q) In your opinion, how significant of a challenge and/or threat do you believe the following issues are relative to the long-term sustainability and profitability of Colorado's agriculture industry?



Opportunities for Colorado Agriculture

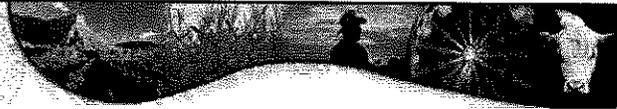
-- 2012 Ag Industry Survey --

	Vary Significant	Somewhat Significant	Not Very Significant	Not Significant	Rating Average ¹
Water (i.e., new supplies, storage, etc.)	87.1%	10.3%	2.6%	0.0%	3.84
Consumer and Public Education about Agriculture and Food	53.4%	39.8%	5.9%	0.8%	3.46
Sustainability	45.8%	44.9%	8.5%	0.8%	3.36
Precision Agriculture/New Technologies	41.0%	48.7%	8.5%	1.7%	3.29
Natural Resources Conservation	35.7%	48.7%	14.8%	0.9%	3.19
Trade Promotion and Export Market Development	38.6%	44.7%	12.3%	4.4%	3.18

Others included: Development of Value-Added Business Ventures (3.15), Biotechnology (3.14), Advancement of New & Alternative Crops (3.13), Promotion of Local Food Systems (3.02), Promotion of Animal Health & Disease Traceability (2.99), Advancement of Ag-Based Energy Efficiency and Renewable Energy (2.99), and Organic and Natural Production (2.72).

1) The scale for the rating average is 1 to 4 with 4 being the highest.

Q) In your opinion, how significant do you believe the following opportunities are to enhancing the long-term sustainability and profitability of Colorado's agriculture industry?



Strategic Plan Update

Tom Lipetzky

Director, Marketing Programs & Strategic Initiatives

In the Past Year

- CDA leadership and senior staff reviewed the Strategic Plan in light of feedback from the JBC, State Auditor, and the House & Senate Ag Committees, as well as new guidance from OSPB.
- Revised Mission and Vision.

Mission Statement

*To strengthen and advance
Colorado's agriculture industry,
promote a safe, high quality,
and sustainable food supply,
and protect consumers, the
environment, and natural
resources.*



Lou Costy – 2012 CDA Photo Contest



Vision Statement

That Colorado's agriculture industry is strong and vibrant, a key driver of the state's economy, and is recognized worldwide for its safe, affordable, and abundant supply of high quality food and agriculture products.



In the Past Year

- CDA leadership and senior staff reviewed the Strategic Plan in light of feedback from the JBC, State Auditor, and the House & Senate Ag Committees, as well as new guidance from OSPB.
- Revised the Mission and Vision.
- Established that CDA's operating Divisions would define the Major Program Areas and identified the various Strategies supporting each. This approach more directly aligns CDA's annual budget request with the Strategic Plan.
- Mapped out the Critical Processes, Inputs, Outputs, and Performance Measures for each Strategy.
- Identified five of the thirty-three Strategies as being Strategic Priorities and identified a major new initiative requiring additional investigation.



Strategic Priorities & New Initiative

Strategic Priorities

- 1) Maintain a disease free status for our livestock industry.
- 2) Foster continued growth of local marketing initiatives like Colorado Proud.
- 3) Create opportunities for developing and expanding food and agricultural product exports.
- 4) Develop agriculture-related opportunities for implementing energy efficiency and renewable energy technologies.
- 5) Position the State Fair for long-term financial sustainability.

New Initiative

- 1) Increase awareness of the diversity and excellence of Colorado's food and agriculture industry among Colorado's general public, as well as food and agriculture business leaders throughout the U.S. and around the world.



Going Forward

- Incorporate any feedback from the House & Senate Ag Committees.
- Circle back with CDA staff to fine tune details of the Strategic Plan.
- Regularly review progress and report to leadership.
- Develop and incorporate the strategy encompassing the "*Telling our Story*" initiative.
- Revisit the Strategic Plan annually.



FY13-14 Budget Request

Jeff Stalter
Director, Budget & Business Operations



Highpoints of FY13-14 Budget Request

- ✓ Primarily a base budget request.
- ✓ Includes a budget change request to address indirect cost recoveries should the office consolidation request be approved (CDC hearing 18 December).
- ✓ Office Consolidation.
 - Approximately \$8.6M Capital Construction request for the purchase, design, and build-out of a new facility.
 - Consolidate all metro area offices to one location.
 - Lakewood
 - Commissioner's Office, Conservation Services, Markets, Plant Industry, and Animal Industry (Leased)
 - Denver
 - Brands (Leased)
 - Inspection and Consumer Services, Metrology Lab, and Rocky Mountain Regional Animal Health Lab (Owned)

Highpoints (continued)

- Primary Funding Sources.
 - Sale of owned facilities
 - Estimated nearly \$3 million
 - Certificate of Participation (COP)
 - Annual payments supported with indirect cost recoveries
- Agricultural Management Fund will support non-construction related costs.
- Efficiencies gained.
 - Consolidation of administrative support, operating, fleet
- Net savings of over \$300,000 to General Fund.
- Operating costs, including COP, funded with indirect cost recoveries.
- No change in fee structures.

Office Consolidation Budget Summary

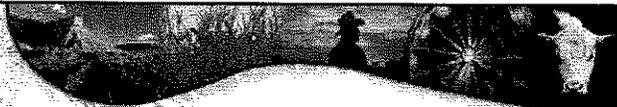
Interim Spending Authority Change During Transition (this request)					
Line Item	Total Funds	GF	CF	RF	FF
COP	\$239,923	\$0	\$0	\$239,923	\$0
Commissioner's Office Operating	\$125,348	(\$116,634)	\$0	\$241,982	\$0
Utilities	\$15,621	(\$39,733)	(\$55,267)	\$110,621	\$0
Leased Space	\$0	\$0	\$0	\$0	\$0
Capitol Complex	\$0	\$0	\$0	\$0	\$0
Indirect Lines (Throughout LB)	\$592,526	\$0	\$483,585	\$0	\$108,941
Net Spending Authority Change	\$973,418	(\$156,367)	\$428,318	\$592,526	\$108,941

Net Spending Authority Change upon Complete Consolidation					
Line Item	Total Funds	GF	CF	RF	FF
COP	\$239,923	\$0	\$0	\$239,923	\$0
Commissioner's Office Operating	\$125,348	(\$116,634)	\$0	\$241,982	\$0
Utilities	\$15,621	(\$39,733)	(\$55,267)	\$110,621	\$0
Leased Space	(\$103,594)	(\$39,214)	(\$64,380)	\$0	\$0
Capitol Complex	(\$198,416)	(\$138,891)	(\$59,525)	\$0	\$0
Indirect Lines (Throughout LB)	\$592,526	\$0	\$483,585	\$0	\$108,941
Net Spending Authority Change	\$671,408	(\$334,472)	\$304,413	\$592,526	\$108,941



Regulatory Agenda

**Jenifer Gurr
Chief Administrative Officer**



Department of Ag in the Colorado Code of Regulations

- ✓ 8 CCR 1200 Series
- ✓ 55 Regulations
 - Multiple rules within each regulation
- ✓ Rules are adopted by:
 - The Commissioner of Agriculture with a recommendation from the Colorado Agricultural Commission
 - The State Board of Stock Inspection Commissioners "Brand Board"
 - Colorado State Fair Authority Board of Commissioners "State Fair Board"

Executive Order D 2012-002

- ✓ Signed in January 2012
- ✓ "Each principal department and state agency shall conduct a review of all of its rules to assess the continuing need for, appropriateness, and cost-effectiveness of its rules to determine if they should be continued in their current form, modified or repealed."
- ✓ Agencies shall consider whether each rule:
 - Is necessary and does not duplicate existing rules;
 - Is written in plain language and is easy to understand;
 - Has achieved the desired intent and whether more or less regulation is necessary;
 - Can be amended to reduce any regulatory burdens while maintaining its benefits; and
 - Is implemented in an efficient and effective manner, including requirements for the issuance of permits or licenses.

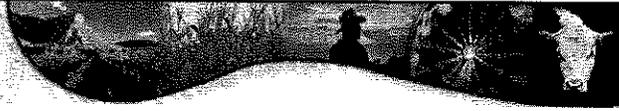
Statutory Changes to the Rulemaking Process

- ✓ House Bill 12-1008
 - Representative Groups to evaluate and comment on proposed rules
 - Notification to the General Assembly of rule-making that results in fee increases or fines
 - Submission of a Departmental Regulatory Agenda
- ✓ Senate Bill 12-026
 - Mandates on local government



2012 Rulemaking Activity

- ✓ On average the Department conducts 7 rulemaking actions per year.
- ✓ Through the "Regulatory Efficiency Reviews" Executive Order we repealed the canola rule.
 - The original purpose for creating the district was to protect what was at the time an emerging market for food grade canola from industrial grade canola. After surveying canola crops in Colorado and meeting with producers it was determined there was no longer a risk and the prohibition on industrial grade canola was actually limiting producer resources. Two persons testified at the hearing in support of the rule repeal. The Ag Commission approved the repeal at their February 14, 2012 meeting.



2013 Regulatory Agenda

- ✓ Contains 19 rulemaking actions
- ✓ We do not plan on any fee increases
- ✓ 3 of the 19 hearings will include revisions as a part of our "Regulatory Efficiency Reviews"
 - 8 CCR 1201-11 "Rules and Regulations Pertaining to the Administration and Enforcement of the Pet Animal Care and Facilities Act"
 - 8 CCR 1201-21 "Rule Pertaining to the Administration and Enforcement of the Colorado Aquaculture Act"
 - 8 CCR 1203-5 "Rules and Regulations Pertaining to the Administration and Enforcement of the Colorado Nursery Act"
 - 8 CCR 1203-20 "Rules and Regulations Pertaining to the Production of Strawberry Nursery Stock"
 - Has been noticed for repeal



2013 Regulatory Efficiency Reviews

- ✓ In addition we will conduct "Regulatory Efficiency Reviews" on 4 rules that may or may not result in rulemaking
 - 8 CCR 1203-13 "Quarantine for Late Blight"
 - 8 CCR 1203-18 "Quarantine Against the Importation of Prunus Species into the San Luis Valley"
 - 8 CCR 1203-22 "Colorado Seed Potato Act"
 - 8 CCR 1205 2 "Administration and Enforcement of the Alternative Livestock Act"



Questions

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For More Information:

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Photo courtesy Russell Dohrmann