

Department of Agriculture SMART Act Briefing for the House & Senate Agriculture Committees

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Today's Topics

- ✓ About CDA
- ✓ Current State of Colorado's Food & Agriculture Industry
- ✓ Performance Plan Update
- ✓ Budget Request Overview
- ✓ Legislative Agenda
- ✓ Regulatory Agenda
- ✓ Organic Promotion
- ✓ Discussion



Kodi Diller – 2011 CDA Photo Contest



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About CDA

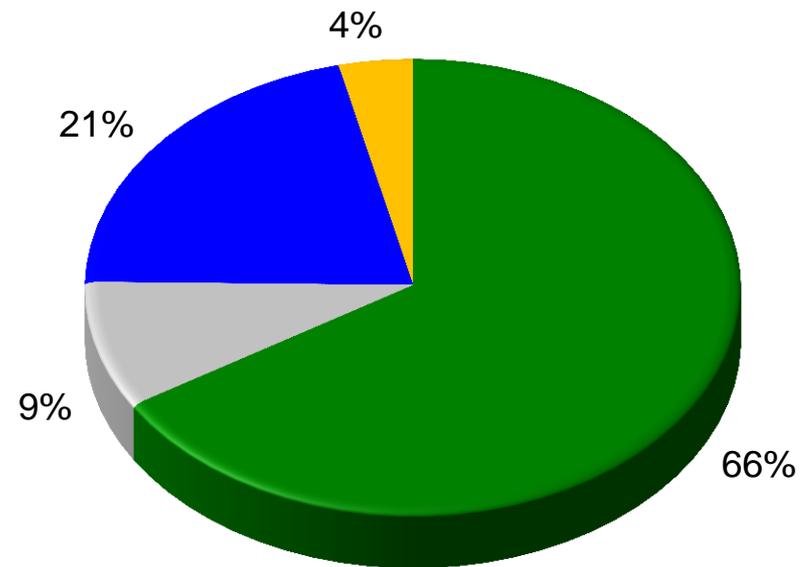


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A Snapshot of CDA

- ✓ Total FY15-16 appropriation of \$45.7 million.
- ✓ 274.1 FTE allocated across the Commissioner's Office and seven operating divisions.
 - Animal Health
 - Brand Inspection
 - Colorado State Fair
 - Conservation Services
 - Inspection & Consumer Services
 - Markets
 - Plant Industry

FY15-16 Budget Appropriation



■ Cash Funds

■ Federal Funds

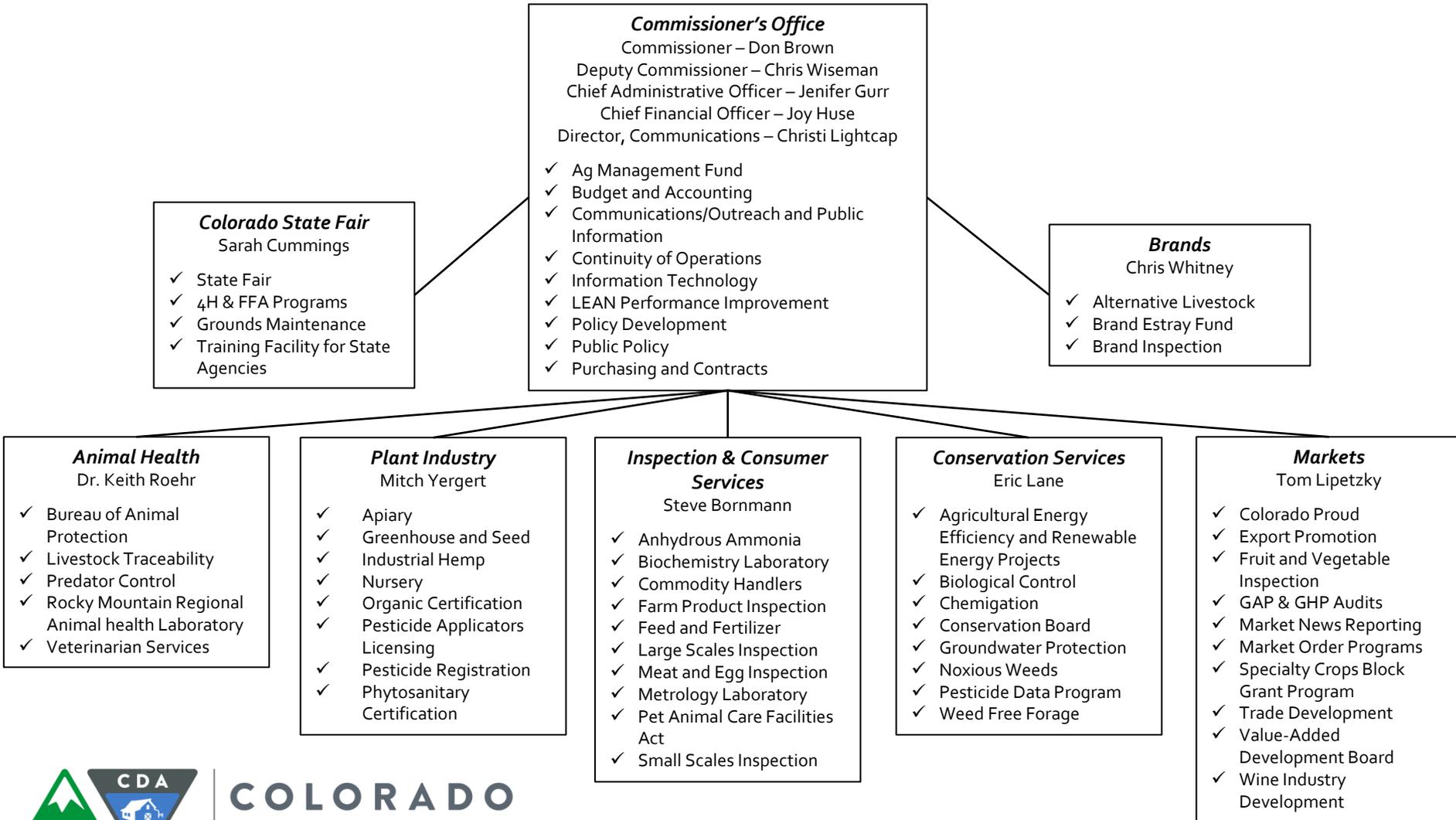
■ General Funds

■ Reappropriated Funds



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CDA Organization Chart



Vision

- ✓ CDA's vision is *"that Colorado's agriculture industry be 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 agricultural products."*



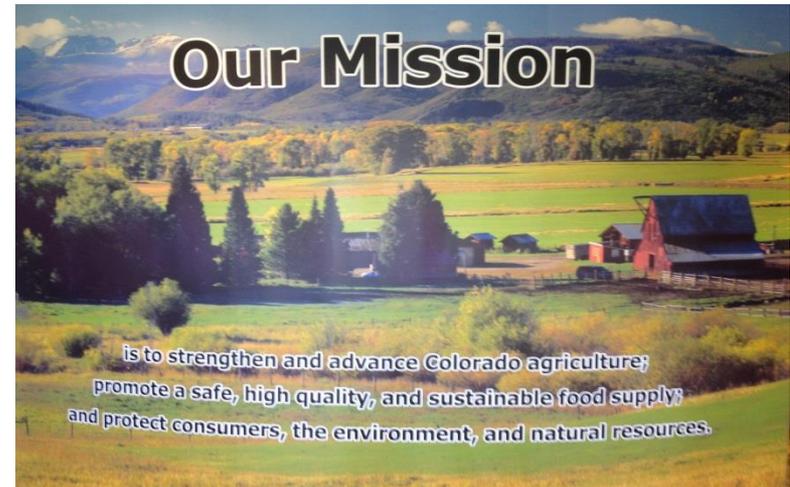
Laurie Purcell – 2012 CDA Photo Contest



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Mission

- ✓ To attain CDA's vision, staff strives each day to deliver programs and services that lead to fulfilling our **mission** *"to strengthen and advance Colorado agriculture; promote a safe, high quality, and sustainable food supply; and protect consumers, the environment, and natural resources."*



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A Snapshot of Colorado's Food & Ag Industry

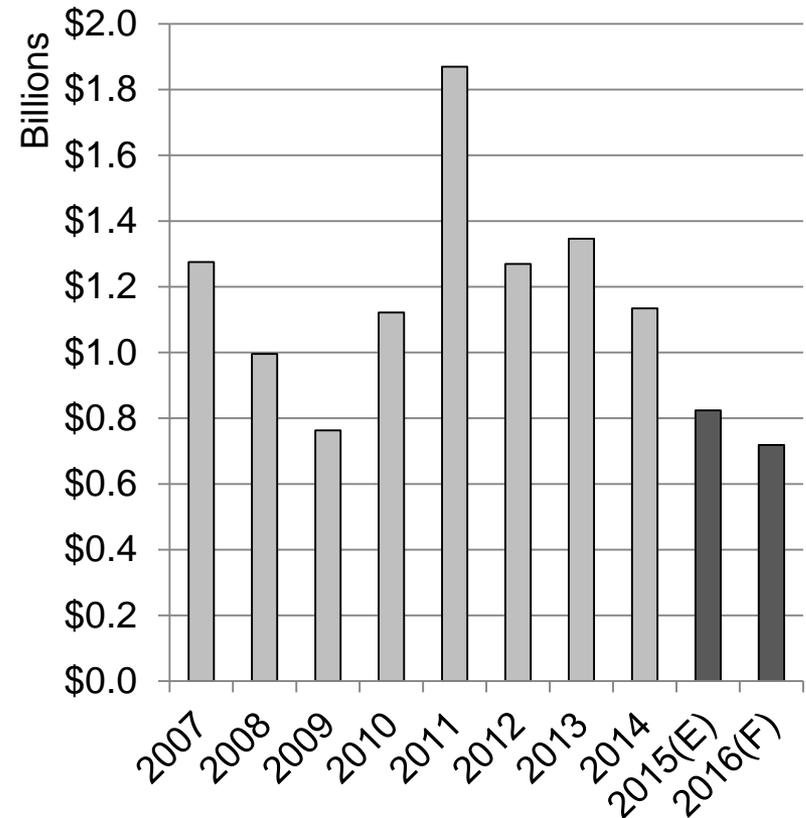


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Farm & Ranch Income

- ✓ Colorado net farm income for 2015 is estimated at about \$800 million, \$1 billion less than the record high of 2011.
- ✓ Record high livestock and grain prices of the prior 5 years have given way to new, lower price levels all across the board.
- ✓ Looking ahead to 2016, net income is forecast at about \$700 million, the lowest in more than 15 years.
 - Cattle prices to continue to soften.
 - Record global wheat stocks.
 - Colorado dairy producers look to be in a better position than others across the nation due to strong local demand.

Colorado Total Net Farm Income



2016 Food & Ag Industry Stakeholder Survey

-- Challenges --

| Most Mentioned | % |
|--|-----|
| Water (availability, loss to municipalities, competition with fracking, drought, climate change, etc.) | 24% |
| Farm and ranch economics (higher input costs, lower prices, shrinking margins, viable markets, etc.) | 24% |
| Government (increasing regulation, lack of enforcement, etc.) | 22% |
| Lack of public understanding/support of agriculture | 8% |
| Activism (animal welfare, anti-GMO, questioning of practices, trying to drive policy, etc.) | 5% |
| Labor | 5% |



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Source: 2016 Colorado Food & Ag Industry Stakeholder Survey – Q3) What is the single issue affecting Colorado’s food and ag industry today that most often keeps you up at night?

2016 Food & Ag Industry Stakeholder Survey

-- Opportunities --

| Most Mentioned | % |
|--|-----|
| Market growth (new markets, exports, organics, growing population, etc.) | 24% |
| Public education (tell our story, ag literacy, where our food comes from, role ag plays in economy, etc.) | 14% |
| Local Markets (development and promotion of more direct to consumer and local markets, local food systems, etc.) | 14% |
| Innovation/Technology (new technologies, collaboration, recruitment of ag-related businesses, etc.) | 12% |
| Water (more efficient use of water, irrigation technology, water storage, water efficient crops, etc.) | 11% |
| Industrial hemp and cannabis production | 6% |



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Source: 2016 Colorado Food & Ag Industry Stakeholder Survey – Q4) Where do you currently see the single greatest opportunity for Colorado’s food and ag industry?

Performance Plan Update



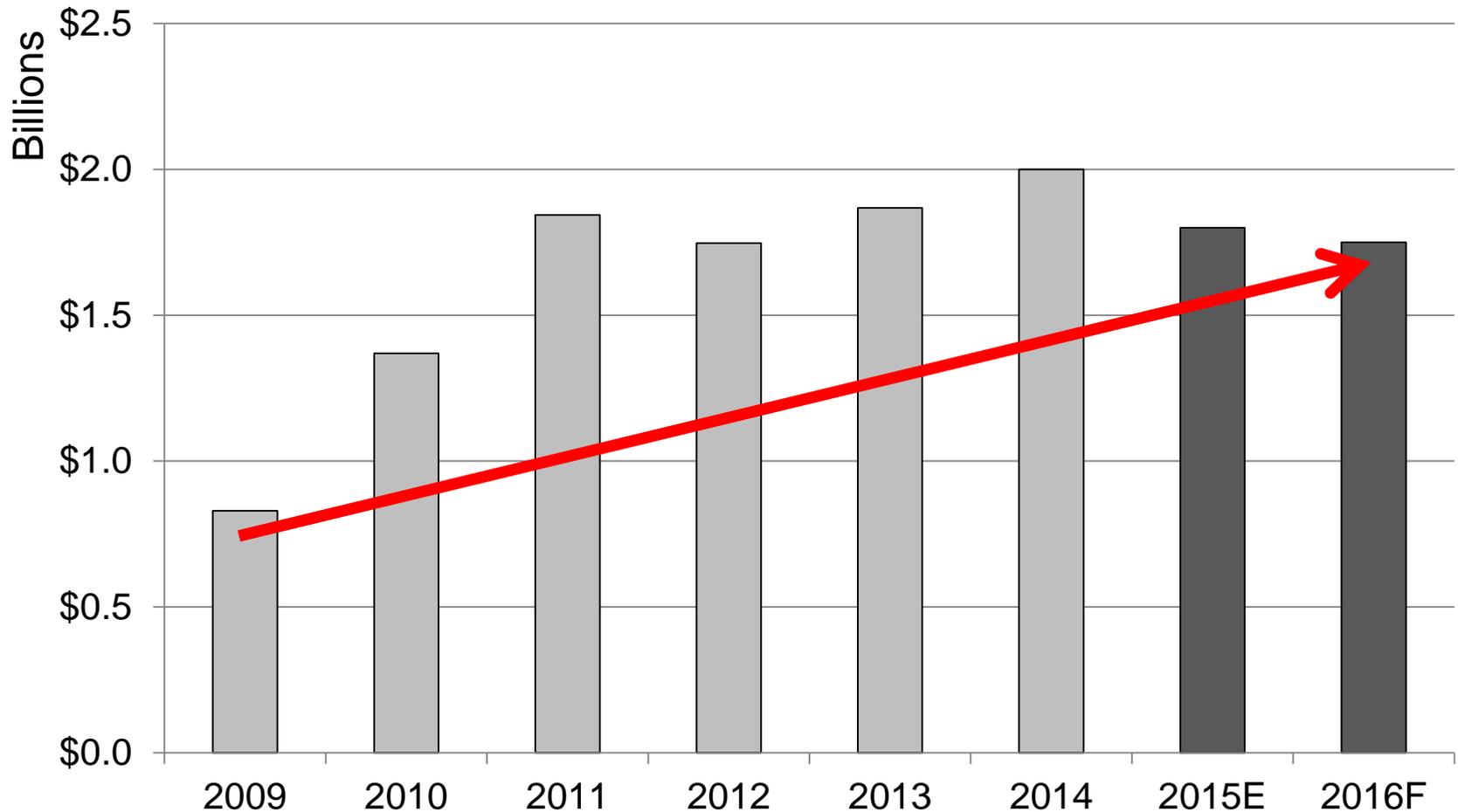
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Key FY15 Strategic Policy Initiatives

| Initiative | Outcome |
|---|---|
| Complete Phase 1 of the AgLicense Project | Phase 1 of AgLicense involving 9 programs was rolled out on time and on budget. |
| Enhance energy efficiency opportunities for Colorado agricultural producers | A new program to assist dairy operators and powered irrigators was launched in cooperation with the Colorado Energy Office. |
| Foster growth and market opportunities for Colorado's livestock producers. | Colorado maintained its regulatory disease-free status during FY15. |
| Complete the Department's office consolidation | Phase 1 completed in FY14. Planning for Phase 2 is underway. |
| Capitalize on Fresh Potato Market Access Agreement with Mexico | Colorado potato growers and shippers increased sales of fresh potatoes to Mexico and captured a larger share of exports of U.S. fresh potatoes to Mexico. |



Colorado Food & Ag Exports



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CDA Strategic Overview

1 Vision

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

1 Mission

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

3 Priorities

- ✓ Enhance public understanding of Colorado agriculture.
- ✓ Increase marketing and sales opportunities throughout Colorado's food and agriculture value chain.
- ✓ Make it easier for our customers to do business with us.



-- Strategic Policy Initiative #1 --

Enhance Public Understanding of Colorado Agriculture

Why is this important?

- ✓ Americans are increasingly further removed from farming and ranching so it is important that agriculture “tell its story” to foster public attitudes and policy favorable to the long-term sustainability of Colorado’s food and agriculture industry.

What are the strategies to accomplish this?

- 1) Communicating information about Colorado agriculture and CDA programs/services to the public and media.
- 2) Informing Coloradoans about food and agricultural products grown, raised, or processed in Colorado.
- 3) Showcasing Colorado agriculture to attendees of the annual State Fair.

How will we measure success?

- ✓ That public attitudes, as measured by CDA’s survey of Public Attitudes about Agriculture in Colorado, remain supportive of Colorado agriculture. Lead indicators include media impressions, website views, Facebook “likes”, awareness of Colorado Proud, and visitors to the State Fair who indicated learning something new about agriculture.



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-- Strategic Policy Initiative #2 --

Increase Marketing and Sales Opportunities throughout Colorado's Food and Agriculture Value Chain

Why is this important?

- ✓ Increasing the economic activity generated by Colorado's food and agriculture industry is essential to Colorado agriculture being strong and vibrant. Economic growth also benefits Colorado's economy and helps support our rural communities.

What are the strategies to accomplish this?

- 1) Creating opportunities to develop/expand exports.
- 2) Strengthening disease surveillance and traceability capabilities and testing for livestock diseases.
- 3) Implementing inspection, promotion, verification, and other programs that help food and agricultural suppliers to support marketing claims and enhance marketing opportunities.

How will we measure success?

- ✓ Increase annual economic activity generated by Colorado's food and agriculture industry which is currently estimated at \$40 billion. Lead indicators include the percent of companies participating in export programs reporting new business as a result of participating, whether or not we maintain a regulatory "disease-free" status, and performance targets met for the various CDA processes that provide inspections, verifications, and resources that help enhance marketing opportunities.



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-- Strategic Policy Initiative #3 --

Make it Easier for our Customers to do Business with Us

Why is this important?

- ✓ Colorado's farmers, ranchers, and others that conduct business with CDA expect top-level customer service and their business to be handled efficiently and accurately.

What are the strategies to accomplish this?

- 1) Building out our online Ag License portal.
- 2) Consolidating our offices and staff.
- 3) Conducting LEAN analyses of processes in all major program areas.

How will we measure success?

- ✓ The desired longer-term outcome is for CDA's customer satisfaction rating, as measured by stakeholder survey, to improve to 87% by 2018. Leading indicators include the # of programs supported by AgLicense, progress toward office consolidation, and the # of LEAN processes implemented.



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The Operational Component

- ✓ Major Program Areas were defined as the Department's seven operating Divisions.
- ✓ 1 process for each division was mapped as part of the FY15 Plan and each division mapped an additional 2-3 processes for the FY16 Plan.
- ✓ Divisions will have all distinct processes mapped for the FY17 Plan to be submitted July 1, 2016.
- ✓ Process maps define the customer, the inputs, the steps to implement the process, and evaluative metrics in terms of outputs and performance measures.
- ✓ Progress is reviewed quarterly.



2014 Legislative Agenda



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FY14-15 Budget Request



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FY 2016 Appropriation vs FY 2017 Request

| FY 2015-16 Initial Appropriation | | | | | | |
|---|---------------------|--------------|--------------------|---------------------|--------------------|--------------------|
| 01. Commissioner's Office and Administrative Services | \$11,665,142 | 18.7 | \$3,080,330 | \$6,718,932 | \$1,527,548 | \$338,332 |
| 02. Agriculture Services Division | \$14,462,138 | 129.2 | \$4,453,063 | \$7,524,871 | \$84,000 | \$2,400,404 |
| 03. Agriculture Markets Division | \$4,829,690 | 41.4 | \$689,079 | \$3,169,055 | \$45,000 | \$926,556 |
| 04. Brand Board | \$4,252,044 | 59.0 | \$0 | \$4,252,044 | \$0 | \$0 |
| 05. Colorado State Fair | \$8,925,912 | 26.9 | \$300,000 | \$8,625,912 | \$0 | \$0 |
| 06. Conservation Board | \$2,139,127 | 5.2 | \$1,183,762 | \$450,000 | \$0 | \$505,365 |
| FY 2015-16 Total Initial Appropriation | \$46,274,053 | 280.4 | \$9,706,234 | \$30,740,614 | \$1,656,548 | \$4,170,657 |

| FY 2016-17 Governor's Budget Request | | | | | | |
|---|---------------------|--------------|---------------------|---------------------|--------------------|--------------------|
| 01. Commissioner's Office and Administrative Services | \$12,108,523 | 18.7 | \$3,354,065 | \$6,961,898 | \$1,527,548 | \$265,212 |
| 02. Agriculture Services Division | \$14,915,266 | 130.2 | \$4,537,885 | \$7,883,091 | \$84,000 | \$2,410,290 |
| 03. Agriculture Markets Division | \$4,867,228 | 41.4 | \$699,841 | \$3,194,217 | \$45,000 | \$928,170 |
| 04. Brand Board | \$4,298,871 | 59.0 | \$0 | \$4,298,871 | \$0 | \$0 |
| 05. Colorado State Fair | \$9,261,848 | 26.9 | \$300,000 | \$8,961,848 | \$0 | \$0 |
| 06. Conservation Board | \$2,152,936 | 5.2 | \$1,196,155 | \$450,000 | \$0 | \$506,781 |
| FY 2016-17 Total Governor's Budget Request | \$47,604,672 | 281.4 | \$10,087,946 | \$31,749,725 | \$1,656,548 | \$4,110,453 |



FY 2016-17 Budget Request

- ✓ \$90,865 Cash Funds and 1.0 FTE for Pesticide Laboratory Staff
 - ✓ An increased demand for pesticide analysis has resulted in a backlog of 175 samples, an increase of 483% compared to prior years with a 30 sample backlog.
 - ✓ Current wait times for analysis range from several weeks to several months.
 - ✓ Additional resources, coupled with a capital request for additional equipment, will help the lab reach its goal of turnaround times of 14-30 days.
- ✓ \$220,000 Cash Funds for the Hemp Regulation and Seed Certification Program
 - ✓ Supports the development of a full regulatory and seed certification program for Hemp.
 - ✓ Access to certified seed will benefit Colorado growers and reduce crop destruction for plants that contain more than 0.3% THC.



FY 2016-17 Budget Request

- ✓ \$1,734,935 Cash Funds and 14.0 FTE for Pesticide Applicator Inspection and Enforcement Resources
 - ✓ Pesticide use on Marijuana is now regulated by CDA under the Pesticide act.
 - ✓ An increased demand for investigation and inspection services has overtaxed the existing program resources, and has created a backlog of approximately 200 inspections.
 - ✓ CDA has a typical violation rate of less than 1% with non-marijuana pesticide users. Currently, the violation rate for marijuana pesticide inspections is 100%. Additional resources will help CDA provide education, inspection and enforcement to achieve a similar violation rate with marijuana growers that use pesticides.
- ✓ \$750,000 General Fund for Colorado State Fair Resources
 - ✓ As stated in Governor Hickenlooper's Budget Request for FY 2016-17, "While the State Fair itself is a profitable event, these profits alone cannot sustain the year-round operations of the fairgrounds and its attendant buildings."



Regulatory Agenda



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2015 Rulemaking Activities

- ✓ In 2015 the Department conducted 10 rulemaking hearings.
- ✓ All 10 rules included the regulatory efficiency review process.
- ✓ 8 additional regulatory efficiency review processes were conducted with no changes.
- ✓ We did not adopt any new rules or repeal any existing rules.



Variations from the 2015 Regulatory Agenda as Published

- ✓ We added 2 rulemaking hearings for revisions that were not planned.
 - ✓ One was for clean-up of existing rules
 - ✓ One was as a result of legislation.
- ✓ 1 rule was pulled from the Regulatory Agenda.



2016 Regulatory Agenda

- ✓ We plan to conduct 8 rulemaking hearings to revise existing rules.
- ✓ We are planning 17 regulatory efficiency review processes.
- ✓ 1 new rule is anticipated.
- ✓ 1 rule has been noticed for repeal.



Organic Promotion



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Promoting Organic Production

Plant Industry Division

- Certification
- Federal organic cost share funds
- Educational presentations on getting certified

Markets Division

- Colorado Proud “certified organic” label
- Call out for “certified organic” in Farm Fresh publication and mobile app, as well as online MarketMaker portal
- Price reporting for organic products sold at farmers markets, roadside stands, and farm-to-school programs
- Grants through Specialty Crop Block Grant Program (i.e., Arkansas Valley Organic Growers Association)

Questions



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Samantha Kujala – 2012 CDA Photo Contest



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