

**DEPARTMENT OF AGRICULTURE  
FY 2021-22 JOINT BUDGET COMMITTEE HEARING AGENDA**

**Wednesday, January 6, 2021  
2:30 pm – 3:30 pm**

**2:30-2:45 INTRODUCTIONS AND OPENING COMMENTS**

Presenter: Kate Greenberg, Commissioner

**2:45-2:55 COMMON QUESTIONS**

Main Presenters:

- Kate Greenberg, Commissioner
- Jill Schnathorst, Chief Financial Officer

Topics:

- Implementation of FY 2020-21 HLD Decrease: Pages 1-2, Question 1 in the packet, Slide 6
- COVID-19 Changes: Page 2, Question 2 in the packet, Slide 6

**2:55-3:10 SUMMARY OF THE FY 2020-21 APPROPRIATION AND FY 2021-22 REQUEST**

Main Presenters:

- Kate Greenberg, Commissioner
- Jill Schnathorst, Chief Financial Officer

Topics:

- R-01 Agricultural Climate Resilience Office: Pages 3-4, Questions 3-4 in the packet, Slide 9
  - Soil Health Program: Pages 3-4, Questions 3-4 in the packet, Slide 9
- R-02 Industrial Hemp Enforcement FTE: Pages 5-6, Questions 5-8 in the packet, Slide 9
  - Hemp seeds, plants, and THC level thresholds: Pages 5-6, Questions 5-8 in the packet, Slide 9
- Agricultural Management Fund: Pages 6-8, Questions 9-10 in the packet, Slide 12

**3:10-3:30 THE AGRICULTURE ECONOMY AND OTHER DEPARTMENT RELATED GENERAL QUESTIONS**

Main Presenters:

- Kate Greenberg, Commissioner
- Tom Lipetzky, Markets Division Director

Topics:

- Economic outlook and support for agricultural industry: Pages 8-10, Questions 11-12 in the packet, Slides 13-20
- Communities of color in agriculture: Pages 10-11, Question 13 in the packet, Slide 18

**DEPARTMENT OF AGRICULTURE**  
**FY 2021-22 JOINT BUDGET COMMITTEE HEARING AGENDA**

**Wednesday, January 6, 2021**

**2:30 pm – 3:30 pm**

**COMMON QUESTIONS FOR DISCUSSION AT DEPARTMENT HEARINGS**

- 1. Please describe the Department's actions to implement the Health, Life, and Dental decrease in lieu of a 5.0 percent General Fund salary base reduction. Please include dollar and percentage share data on planned "allocations" of the decrease to all divisions and programs within the Department. Please describe the use of vacancy savings, delayed hiring, and the implementation of one-time or ongoing operating savings. Please describe the urgency of the Department's need to engage in a furlough in FY 2020-21 due to the inability to achieve savings in other ways.**

In order to implement the reduction to the Health, Life and Dental (HLD) appropriation, the Department utilized a number of strategies including holding vacancies for a longer period of time, adjusting operating expenses, and refinancing portions of positions with federal grants. The table below shows the impacted divisions, amounts, and the type of adjustment made.

<b>Colorado Department of Agriculture - Summary of Health, Life and Dental Decrease Implementation</b>			
<b>Division</b>	<b>Reduction</b>	<b>Share Percentage</b>	<b>Summary</b>
Inspection and Consumer Services Division	(\$74,607)	22%	\$24,607 from operating, \$50,000 from one-time federal grant refinancing
Animal Health Division	(\$49,607)	14%	\$24,607 from operating, \$25,000 Animal Health Laboratory staff refinancing
Plants Division	(\$109,607)	32%	\$24,607 from operating, \$85,000 from Deputy Plants Director Vacancy - holding for entire year
Markets Division	(\$34,607)	10%	\$24,607 from operating, \$10,000 from hiring position at lower class and promoting at a later time
Conservation Division	(\$34,607)	10%	\$34,607 from Personal Services vacancies
Commissioner's Office	(\$42,249)	12%	\$42,249 from Personal Services, backfilling with Agriculture Management Fund one-time
Total	(\$345,284)	100%	

Finally, in addition to the adjustments mentioned above, the Governor and executive branch Agencies agreed that the best way to achieve a fair and equitable pathway for all Agencies to meet the FY 2020-21 statewide reduction goal for balancing efforts was through a furlough plan. It was estimated furloughs would save approximately \$46,356 General Fund at CDA. The state's furlough plan is targeted and more limited than most other businesses and governments. Many businesses and municipalities have shortened hours, implemented 5-10 day furloughs, or even laid off employees. About half of state employees were exempted from the furloughs, and most employees only have 1-2 days.

**2. Please describe how the changes implemented in response to the COVID-19 pandemic have changed the nature of the Department's work. Please address programmatic, budgetary, and office space impacts.**

**Programmatic:** CDA programs have continued to operate effectively with limited interruptions. Employees have been innovative partners in looking at business processes and adapting to remote work while limiting in-person trips to the office. We are continuing to develop and examine additional opportunities to transition our internal process and customer services to virtual and electronic formats. Our inspection and field work has been impacted due to contact with the general public and other business entities. Critical inspections to keep commerce moving have continued without pause. In some cases, virtual inspections have been implemented or inspections have been postponed until a safer environment exists for their completion.

**Budgetary:** In responding to the COVID-19 pandemic, the Department saw a number of changes to its budget that allowed it to utilize resources to better support staff working from home or safely in the field. CDA strategically used the pandemic as an opportunity to transform State Government for the better, taking advantage of opportunities to build a more engaged workforce, have lower overhead, and provide services that can be accessed online. Given travel restrictions, many training or other trips were canceled or rescheduled which created savings in the budget. In some programs, this savings was repurposed to support staff working from home by moving some processes to electronic platforms, buying laptops and other equipment necessary to adapt at home. Funding was also repurposed to supply Personal Protective Equipment (PPE) in the field in order to keep staff safe while completing inspections and continuing to support the food supply chain.

**Office space:** At this time changes to office space have been of a temporary nature in response to the pandemic with the primary change being minimal staff on-site and only on an as-needed basis. Permanent changes to office space are being considered as we look at post-pandemic and what our future on-site workforce looks like. It is important to note that approximately one-half of the CDA workforce has been, and will continue to be, remote or field based with support-based functions from the central or field offices.

## FY 2021-22 BUDGET REQUESTS

### **R-01 AGRICULTURAL CLIMATE RESILIENCE OFFICE (ACRO)**

- 3. [Sen. Hansen]: We understand that the Department created a new soil health program based on private funding. Identify the statutory provision(s) that authorize the Department to do so.**

Work to enhance soil health or soil quality at the Colorado Department of Agriculture (CDA) is accomplished through the Colorado State Conservation Board (CSCB) operationally housed within CDA's Conservation Services Division. The CSCB assists conservation districts in the conservation of soil and water resources. Soil health and initiatives for the conservation of soil and water resources are not new and have been undertaken since the creation of the CSCB and conservation districts after the dust bowl.

The Colorado Department of Agriculture recently signed a five-year, \$5 million agreement between the USDA Natural Resources Conservation Service (NRCS) and the CSCB to advance soil health and the conservation of soil and water resources. Additionally, the Department is exploring opportunities to expand this work with the support of foundations and other funding partners. For example, the Gates Family Foundation has provided a \$125,000 grant over two years and we are seeking a matching Environmental Protection Agency (EPA) section 319 grant to bring the Saving Tomorrow's Agricultural Resources (STAR) program to the state. The STAR program offers farm operators and landowners a tool to evaluate their soil management practices. These grants were accepted under the authority in 35-1-104(1)(dd) C.R.S.

The agreement creates new employee roles to bring voluntary conservation and regenerative agricultural assistance programs for agricultural producers to incorporate into their operations. Specifically, the funding will provide 75% support for 25 existing conservation district jobs, and fund new CSCB conservation positions geographically distributed throughout the state. The agreement expands funding for existing conservation technical assistance jobs and will eventually add five new positions to support the CSCB's work to improve soil health and the conservation of soil and water resources. Further, it will create an Urban Agricultural Specialist position to help small urban and peri-urban agricultural operations implement soil conservation practices and boost production. The distribution of funds by the State Conservation Board is done under the authority in 35-70-103(5)(g) C.R.S. This net-zero request aligns with the Agency's third Strategic Priority: promoting and incentivizing soil, water, and climate stewardship.

The relevant statutory authorities are listed below:

35-1-104(1)(dd) - (State Department of Agriculture Act of 1949)

*For each division, section, program, or established funding source of the department, to solicit, receive, and spend grants, donations, and gifts. Such moneys shall be transmitted to the state treasurer, who shall credit the same to the particular cash fund or established funding source deemed most appropriate by the department.*

35-70-103(5)(g) - (Colorado Soil Conservation Act)

*To administer and disburse any funds that may be made available to the state board for the purpose of assisting conservation districts in the conservation of soil and water resources of the state of Colorado*

*and to defray expenses of the state board and its duly appointed or employed agents in carrying out the provisions of this article;*

4. [Sen. Hansen]: **Describe the Department's plan for creating and sustaining the proposed programs. How does this proposal fit within the Climate Roadmap?**

**Advancing Colorado's Renewable Energy and Energy Efficiency (ACRE3):**

The Colorado Department of Agriculture will seek to reinstate a \$500,000 tier II severance fund tax transfer that expired in 2017. The Department worked with the legislature to bring forward legislation last session that would have reinstated the funding. Due to the uncertain budget situation the sponsors decided to pull that proposal last session and agreed to work with the Department to bring it forward this session. The reinstatement of funding will be part of the legislation that the Department will seek this session for creating the Agricultural Climate Resilience Office (ACRO). The programs stemming from this Office will be driven to help achieve the Governor's targeted emission reductions needed to confront the climate crisis.

As part of the legislation, the Department will ask for authority for the ACRO to administer voluntary, incentive based agricultural climate programs in a broader way than it has authority to do now. This structure will position the Department to be able to accept and request State funding as well as bring in additional dollars such as those from programs administered by the USDA. It is anticipated that with the transition in presidential administrations there will be a greater focus nationally on addressing climate change through the agricultural sector.

**Soil Health Initiatives of the Colorado State Conservation Board:**

The Colorado Department of Agriculture signed a five-year, \$5 million agreement between the USDA Natural Resources Conservation Service and the Colorado State Conservation Board. The agreement provides 75% support for 25 existing conservation district jobs, and funds new Colorado State Conservation Board conservation positions. The Department is exploring additional opportunities to expand this work with the support of foundations and other funding partners. For example, the Gates Family Foundation has provided \$125,000 over two years and we are seeking a matching EPA section 319 grant to bring the Saving Tomorrow's Agricultural Resources (STAR) program to the state. The STAR program offers farm operators and landowners a tool to evaluate their soil management practices.

**Climate Roadmap:**

Improving soil health has the ability to increase the amount of carbon sequestered in the soil and increase yields while reducing fossil fuel-intensive inputs. Increasing soil health on Colorado's working lands through voluntary, incentive-based programs is a vital component of addressing Greenhouse Gas Emissions (GHGs) while advancing Colorado agriculture. Increased energy efficiency and use of on farm renewables reduce energy costs and GHG emissions in agricultural production. Supporting the adoption of soil health practices, increasing the energy efficiency of agricultural operations, and growing the use of renewable energy in the agriculture sector are integrated into the Colorado Greenhouse Gas Pollution Reduction Roadmap.

## **R-02 INDUSTRIAL HEMP ENFORCEMENT FTE**

- 5. [Rep. Ransom] If a grower only purchases certified seeds, why would the resulting product have a THC level that exceeds the allowable threshold?**

Planting Certified Hemp Seed is not mandated, and its availability is currently limited. Hemp seed that is Certified must have had numerous years of genetic improvement and breeding research behind it and meet national standards, therefore the amount of Certified seed available increases slowly every year. Planting certified seed will help ensure good germination, genetic traits, and lower THC rates. The risk of non-compliant THC exceedance is greatly diminished when using Certified Seed; however, considering the current available varieties there is no guarantee that any cannabis plant will not exceed a particular THC level. Other factors may come into play such as timing of crop harvest (the more mature a crop the greater the THC content), weather/temperature, soil conditions, and inputs or amendments added to the plant. The last days before harvest in particular often see a dramatic increase in plant THC levels and the threshold of compliance of 0.3% THC can easily be exceeded in a short period of time. There is still a lot that needs to be done regarding research and development of viable genetics.

- 6. [Rep. Ransom] If a grower is not compliant in terms of hemp THC levels, why are they required to destroy the crop? Could the grower pass the product on to another vendor to sell as a legal marijuana product?**

Hemp is an agricultural crop and it is important to maintain its distinction from marijuana to ensure the integrity of the hemp industry. Per rule 5.2, “Notwithstanding the fact that a sample of a Commercial Registrant’s Industrial Hemp tests higher than 0.3% but less than 1.0% delta-9 THC concentration the Registrant shall not be subject to revocation or suspension of their Registration if the crop is destroyed or utilized on site in a manner approved of and verified by the Commissioner”. CDA’s policy is that the crop may not leave the farm, be consumed, or enter the stream of commerce. The grower must provide visual evidence that the crop has been rendered unrecognizable to CDA. Any commercial cultivation, transfer, manufacturing, testing, distribution, or sale of marijuana in Colorado requires a license issued by the Department of Revenue Marijuana Enforcement Division and approval by the relevant local jurisdiction; further, all commercial marijuana needs to originate within the closed-loop system and be tracked in the inventory tracking system until the point of sale. These requirements, among other requirements and restrictions in statute and rule, are reasons a hemp grower cannot transfer their inventory that turns out to be marijuana to a licensed marijuana business.

- 7. [Rep. Ransom] If plants are fertilized naturally (e.g., bees), how does that impact the THC standards they are required to follow?**

Cross pollination can influence THC traits of crops located several miles away from each other. Cannabis plants can be pollinated by wind and/or by bees. Cross pollination occurs when pollen from one variety fertilizes a different variety via wind or insects. In Marijuana, cross pollination could lead to a decrease in THC content, impacting marketability having seeds in smokable flowers and profit. This is of particular concern in Pueblo County where both outdoor hemp and marijuana cultivation are allowed. Currently the state does not require a distance between cultivation sites, however local governments may have stricter limitations. National Certified Hemp Seed standards, however, do require a separation distance of 6 miles between a seed Certification field and other fields. Every time a producer

labels seeds as Certified, that seed must have been grown on fields in Colorado that are under the purview of the Colorado Seed Growers Association. They are inspected in the field each year for quality, uniformity and presence of diseases, insects and weeds. The harvested seed is tested by Colorado State University seed lab, as well as CDA for THC levels, and only if it passes the National standards is a label issued. This happens every year the seed is Certified.

**8. [Sen. Rankin] Describe the Colorado hemp industry, and how fast it is growing (e.g., acreage, number of producers, geographic locations, required water usage, value of the crop, etc.)?**

Colorado's hemp program grew from 1,811 registered acres and 131 registrants in 2014 to 88,743 registered acres and 2,600 registrants in 2019 following the passage of the 2018 Farm Bill decriminalizing hemp. However, in 2020 there was a dramatic market correction nationwide reducing the acres and number of producers by roughly 50%. Even with this significant decline in hemp production, Colorado still leads the nation in acres registered and planted.

Colorado's hemp industry has strong potential to speed up the state's economic recovery. 58 of 64 Colorado counties have hemp production during the 2020 season. The most hemp production occurs in Mesa, Delta, and Montrose counties on the western slope, Saguache county in the San Luis Valley, and Larimer, Weld, Morgan, Adams, El Paso, Pueblo, Otero, and Baca counties in eastern Colorado.

There is widespread claim that hemp uses less water than most agricultural crops like corn. However, due to diverse cropping patterns more research needs to be done to verify those claims. For example, hemp grown mostly for cannabinoids (including CBD) is often planted with more space while crops planted for seed and fiber are more densely planted. Many growers use drip irrigation and plastic mulch to increase water efficiency. These irrigation systems are relatively costly but can be justified by the current market value. However, the market value fluctuates on a regular basis and has gone down recently due to last year's market correction. Jason VonLembke of the Subsurface Irrigation Efficiency Project (SIEP) in Kersey is quoted as saying "Prior to hemp we believed alfalfa was one of the most valuable cash crops because you can get about \$130 to \$140 a ton for it. But we can sell our hemp flower at \$35 a pound." That is the equivalent of \$70,000 per ton". (December 2019).

**R-03 BUDGET AND OPERATIONAL EFFICIENCIES**

**9. [Sen. Moreno]: The Unclaimed Property Tourism Promotion Trust Fund is designated as one of the fund sources that comprises the State's TABOR emergency reserve. How would the Agricultural Management Fund (and the programs it supports) be impacted if the Governor were to transfer the \$5,000,000 that is designated as part of the TABOR reserve for purposes of a disaster emergency?**

The Department does not anticipate a significant impact to the Agriculture Management Fund (AMF) or associated programs if \$5 million is designated for disaster emergency purposes. Per 38-13-801.5 C.R.S., the AMF receives 65 percent and the Colorado State Fair Authority Cash Fund receives 25 percent of the interest earned on the Unclaimed Property Tourism Promotion Trust Fund. Given the current balance of the fund, if \$5 million were transferred out, the Department anticipates the AMF would receive approximately \$26,000 less in revenue and the Colorado State Fair Authority Cash Fund would receive

approximately \$10,000 less in revenue in FY 2020-21. The Department would be able to absorb this shortfall within the current balance of the funds. As such, the Department does not expect any negative programmatic impacts by providing one-time financial support for disaster emergency aid.

10. [Sen. Moreno]: The Agricultural Management Fund has been used recently for balancing and refinancing purposes. How long can the Department use this fund for these purposes? Please provide projected revenues, expenditures, and fund balances for the AMF.

The Department had some flexibility in using AMF to help with budget balancing as a result of sound stewardship of dollars through the office consolidation and construction of the laboratory building that were all financed through the AMF. However, the Department does not anticipate it will be able to continue to refinance with these funds much longer as the fund is projected to decrease over time. Please see the tables below for a forecast of the cash fund balance, revenue and expenditure.

Agriculture Management Cash Fund Summary*					
Item	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Notes
Beginning Fund Balance	\$4,696,730	\$3,497,874	\$1,785,009	\$652,062	Linked to prior year end of year balance
Estimated Revenue	\$2,959,472	\$2,900,283	\$2,842,277	\$2,785,432	Forecast based on most recent year assuming it levels off after 2 years of drop
Revenue Transfers	(\$579,102)	(\$1,420,362)	(\$579,102)	(\$579,102)	Transfer to the State Fair. FY22 includes GF Transfer as requested through the budget process.
Total Available Funds	\$7,077,100	\$4,977,795	\$4,048,185	\$2,858,391	Sum of Revenue
Estimated Admin Item Expenditure	\$1,530,312	\$1,143,872	\$1,347,209	\$1,347,209	See Table Below. FY 23 and FY 24 include Depreciation expenditures
Estimated AMF Line Item Expenditure	\$2,048,914	\$2,048,914	\$2,048,914	\$1,511,182	Expenditures to this line will need to be reduced in order to stay within the projected cash fund balance
<b>Total Expenditure</b>	<b>\$3,579,226</b>	<b>\$3,192,786</b>	<b>\$3,396,123</b>	<b>\$2,858,391</b>	
<b>End of Year Balance</b>	<b>\$3,497,874</b>	<b>\$1,785,009</b>	<b>\$652,062</b>	<b>\$0</b>	

\* Amounts may vary from Schedule 9 as the revenue and expenditure forecasts are reviewed and adjusted monthly.

Estimated Agriculture Management Cash Fund Expenditures			
Administrative Line Items	FY 2020-21	FY 2021-22	Notes
Personal Services	\$436,440	\$0	FY21 offset GF as a budget savings measure
Health, Life Dental	\$196,300	\$196,300	
Administrative Law Judge	\$23,355	\$23,355	
Office Consolidation COP	\$162,920	\$162,920	
Adult Agriculture Leadership Grant Program	\$150,000	\$150,000	
Indirect Cost Assessment	\$161,297	\$161,297	
Matching Grants to Conservation Board Districts	\$400,000	\$450,000	CDA received a small severance tax cash fund transfer this fiscal year but anticipate no transfer over the next few years that typically fund these grants
Capital Construction/Depreciation	\$0	\$0	NP item that would eliminate depreciation for the year
Estimated Admin Expenditures	\$1,530,312	\$1,143,872	

## OTHER DEPARTMENT RELATED GENERAL QUESTIONS

11. [Rep. McCluskie] Given the drought and some of the challenges that farmers and ranchers are facing, please provide an update on the economic health of the state agricultural sector.

USDA's Economic Research Service recently updated its Colorado net farm income for 2019 to \$1.83 billion, a level just below the all-time high of \$1.84 billion set in 2011. Reflected in these numbers are government payments, which are contributing to over one-third of net farm income. These payments have been critical in supporting agriculture through massive disruption, but also indicate the need to address perennial challenges in the ag economy.

There was strong momentum coming into 2020 on the prospects of improved trade arising from the U.S. Mexico Canada Agreement and the Phase 1 deal with China. However, with the onset of the Covid-19 pandemic, prices for many agricultural products fell as global demand weakened and consumer purchasing behavior trended towards the retail sector. Workforce health issues also brought about significant supply chain disruptions. Temporary closures of beef processing facilities were especially detrimental to Colorado beef producers and with less gasoline consumption, corn producers saw prices fall for lack of demand for ethanol.

Congress enacted Federal stimulus programs to assist agricultural producers impacted by covid-19. That support has been unprecedented, with more than \$374 million of the USDA Coronavirus Food Assistance Program (CFAP) resources paid out to Colorado producers in 2020. Markets have also shown some resilience since early fall providing producers, especially wheat and corn producers, an opportunity to lock in some of the best prices in years. For example, closing wheat prices for December 15th were 33% higher than at the August 7th low. Similarly, corn prices were 35% higher than the August 10th low and fed cattle prices, while still well below the highs of recent years, have rebounded 17% from July lows.

Small and mid-scale producers and processors, as well as local entities such as farmers markets, have overcome substantial challenges in order to try and stay in business while in some instances struggling to access federal relief. Many producers have seen unprecedented demand for local food and have pivoted business models overnight. Independent meat processors are seeing demand booked out 12-18 months in advance, which is far more demand than they currently have capacity to meet; and entities such as farmers markets have reimaged their operations to stay open for business as part of the critical retail supply chain.

At the commodity level, given the recent strengthening of market prices and the unprecedented levels of Federal support to the agriculture sector, Colorado net farm income for 2020 could potentially be record high. However, the picture for 2021 looks much different. Trade disruption and coronavirus-related payments that have brought Colorado producers nearly \$500 million of support since 2018 are not likely to be sustainable. Producers will need continued strengthening of livestock prices and demand for wheat and corn to remain strong for farm income in 2021 to remain at or even near current levels.

Through October, importers from 107 countries had purchased Colorado food and agricultural products totaling \$1.44 billion, a level about equal to year ago but below the \$1.64 billion level for 2018. Top importers for Colorado food and agricultural products, in descending order, are Canada, South Korea, Mexico, Japan, and China. Beef and beef variety meats remain Colorado's top export with \$849 million of beef exported January – October 2020. South Korea is the top buyer of Colorado beef followed by Canada, Japan, Mexico, and Taiwan.

**12. [Sen. Hansen] Are there any particular short-term measures the Department would recommend that the General Assembly consider taking to stimulate the agricultural sector (e.g., support for agricultural shows). Describe the expected impact on the state economy.**

Through the Colorado Department of Agriculture, the Governor allocated \$1.68 million in CARES Act funds to support the Colorado Farm and Food Systems Response Team's (CFFSRT) response and rebuild fund. The CFFSRT is made up of 14 food systems and agricultural organizations, including the Colorado Department of Agriculture, and is helping fill the gaps in federal aid. It was formed to respond to the challenges and needs of agricultural producers and local food systems resulting from COVID-19. The CFFSRT received over \$5.8 million in applications for demonstrated COVID-19 related expenses and business model pivots for producers and processors, such as developing and promoting digital consumer storefronts, beginning or increasing direct to consumer product offerings, changing crop or livestock production, and increasing organizational/farm capacity. The emergency funding was distributed among all eligible applicants in December 2020.

Just like in many sectors across Colorado's economy, the need for support in the agriculture sector far exceeds the state's ability to meet all of the needs. Direct financial support, infrastructure investment, support for rural and agricultural worker health and market development are some of the needs across the sector. In addition to allocating State aid, CDA has been working with the National Association of State Departments of Agriculture to advocate for federal support that would benefit more Colorado producers. CDA is still assessing the impact that the December 2020 relief package will have on Colorado's agricultural sector.

Direct payments, such as those made by the CFFSRT, to small and medium-sized agricultural producers and processors for costs related to COVID-19 provides immediate financial relief and helps to stimulate rural economies by putting those dollars to work quickly.

Additionally, language within HR 133 could potentially offer further support to bolster the industry's supply chain; aligning well with the Department's proposal on grants for food processors and producers. Section 751 of the document states, "That from the amounts provided in this section, the Secretary of Agriculture shall use not less than \$1,500,000,000 to purchase food and agricultural products, including seafood, to purchase and distribute agricultural products (including fresh produce, dairy, and meat products) to individuals in need, including through delivery to nonprofit organizations that can receive, store, and distribute food items, and for grants and loans to small or midsized food processors or distributors, seafood processing facilities and processing vessels, farmers markets, producers, or other organizations to respond to coronavirus, including for measures to protect workers against the Coronavirus Disease 2019 (COVID-19)."

All these efforts have served to bolster agriculture's economy throughout the pandemic, but still, more is needed. Investments in local and regional processing, infrastructure and distribution are more likely to have a significant economy-wide benefit than conventional food sales.

Furthermore, supporting agricultural workers and rural mental health through culturally literate and relationship-based initiatives helps reduce the impact of the public health crisis on our food supply chain by keeping businesses open.

In addition, supporting local and international marketing efforts and business development is essential to driving forward Colorado's ag economy. Some of CDA's international marketing efforts have shown over time an ROI of >10:1 in terms of sales generated vs. the cost of doing the promotion. Additionally, Colorado Proud member surveys have reported that about 74% of companies believe the program has helped to increase sales. Of those who have increased sales, 43% reported a sales increase of 10% or less; 41% reported an increase of 11-25%; and 16% reported an increase of more than 25%.

**13. [Rep. Herod] Are there any programs within the Department that specifically address communities of color in the agricultural industry? Please provide an overview of those programs here.**

While the Department does not currently have any programs that specifically address communities of color in the agriculture industry, we are making concerted efforts to address inequities in agriculture within existing programs.

CDA is working to develop its first-ever Equity, Diversity and Inclusion (EDI) roadmap and action plan to identify opportunities to better serve our community through hiring and recruitment; outreach and education; training; and programs and services.

We are overhauling our stakeholder outreach process to reach new communities and ensure equity of access to participate meaningfully in the department's processes and decision-making. This includes outreach for better representation on boards and commissions. We are expanding relationships with both of Colorado's federally-recognized Tribes and the Colorado Commission on Indian Affairs as well as Indigenous-lead organizations to enhance our consultatory relationships and explore opportunities to

drive more resources to Indigenous and Tribal producers. Our initial conversations have focused on expanding these partnerships through our Agricultural Workforce Development Program.

Through the Colorado Department of Agriculture, the Governor allocated \$1.68 million in CARES Act funds to be distributed by the Colorado Farm and Food Systems Response Team (CFFSRT) to producers, intermediaries and processors for COVID-19 related expenses and business model pivots. The grant program gives additional consideration to applicants who are beginning producers; veteran producers; Black, Indigenous, and producers of color; female producers; and LGBTQ+ producers, as those historically underserved by public food and agriculture programs are bearing the brunt of the crisis's impact.

Additionally, the Laboratory Services Division Outreach program had conducted outreach and scheduled visits from urban school programs such as the Agricultural Sciences Program at the Bruce Randolph school in spring 2020. Due to the pandemic, the outreach program was put on hold. CDA anticipates that this program will be restarted and expanded in the future as we continually look for creative ways to welcome and include more people in agriculture.



## Agenda

- CDA Mission and Vision
- FY 2020-21 Budget Adjustments
- FY 2021-22 Budget Request Package
- Pandemic, Drought, Wildfire, Equity in Agriculture and the Ag Economy

# Our Work in Context

CDA helps advance Colorado agriculture by tackling and advocating for some of the biggest issues, such as:

- Access to markets/financial viability
- Rural broadband
- Family farm transition
- Reducing barriers for next generation
- Sound regulation
- Voluntary stewardship & climate resilience
- Equity & inclusion
- Natural disaster response
- Mental health



**COLORADO**  
Department of Agriculture

**MISSION**

To strengthen and advance Colorado agriculture; promote a safe and high-quality food supply; protect consumers; and foster responsible stewardship of the environment and natural resources.

**VISION**

Our vision is that Colorado agriculture be strong and vibrant, a key driver of the state's economy, and recognized worldwide for its safe and abundant supply of high-quality food and agriculture products.

A group of dark brown cattle grazing in a lush green field.



## FY 2021 WILDLY IMPORTANT GOALS

Every day we continue to engage in a full range of work and operational priorities to support Colorado producers. So why do we need WIGs? When we choose wildly important goals (WIG), we're identifying the most important objectives we may not achieve unless they get special attention.



### GOAL #1- STRENGTHEN MARKET OPPORTUNITIES

OUTCOME MEASURE: Increasing the percentage of consumers buying Colorado products from 83% to 84% by June 30, 2021.



### GOAL #2- VOLUNTARY STEWARDSHIP

OUTCOME MEASURE: Increase voluntary participation from 44 to 119 Colorado farms and ranches in conservation activities through direct CDA assistance by June 30, 2021.



### GOAL #3- INCREASE ACCESS TO SERVICES

OUTCOME MEASURE: Institutionalize streamlined, effective technologies, policies, and processes by increasing the number of improved systems from 19 to 25 by June 30, 2021.



## FY 2020-21 Budget Adjustments

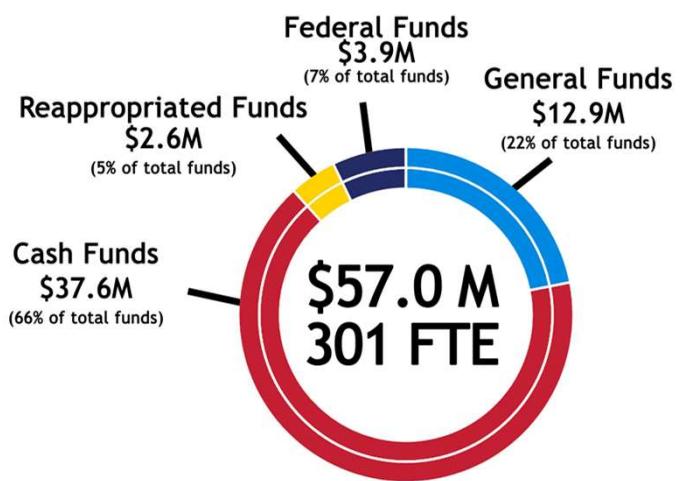
- Health, Life and Dental 5% Personal Services General Fund budget reduction
  - \$345,284 spread across the Divisions
  - \$46,356 in General Fund savings from furloughs
- COVID-19 Impacts
  - Remote work and continued inspections



# FY 2021-22 Budget Requests

## FY 2021-22 Request

- Overall increase of \$1.2 M Total Funds, \$1.5M General Fund
  - \$1.37M Annualizations and base adjustments
  - \$1.39M Total Comp and Common Policy adjustments
  - -\$432k Non-Prioritized Requests
  - -\$1.1M Decision Items



**COLORADO**  
Department of Agriculture

# Budget Requests

CDA's FY 2021-22 Budget Request includes the following:

- R-1 Agricultural Climate Resilience Office (ACRO)
  - \$0 and 0.0 FTE
  - Consolidate resources under the Conservation Services Division.
- R-2 Industrial Hemp FTE
  - \$87,826 Cash Funds, \$7,363 Reappropriated Funds and 1.0 FTE
  - Hire Hemp Enforcement Specialist to investigate complaints, investigate hemp above the allowable THC limit and enforcement actions.



## Budget Requests Continued

- R-3 Budget and Operational Efficiencies
  - -\$261,942 General Fund, -\$951,297 Cash Funds and -1.0 FTE
  - Permanent adjustments include:
    - Merging leadership programs
    - Moving the Pet Animal Care Facility Act funding
    - Reducing Information Technology (IT) Asset Maintenance appropriation
    - Reducing the General Fund appropriation to Divisions with some cash fund backfill.

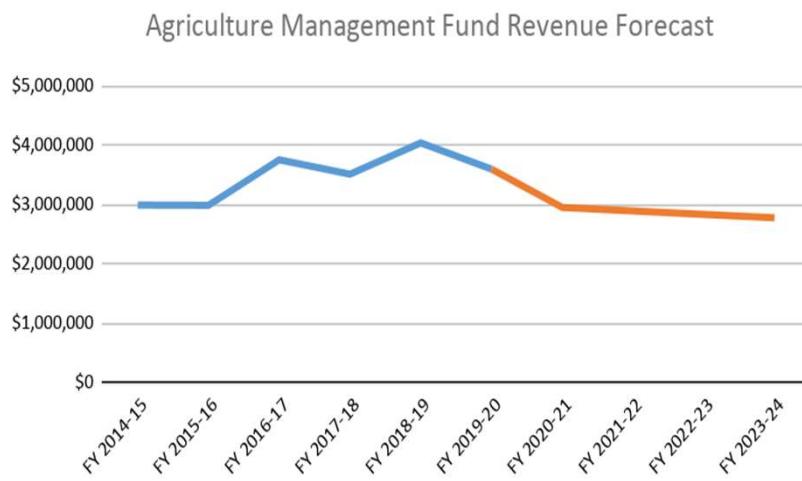


# Budget Requests Continued

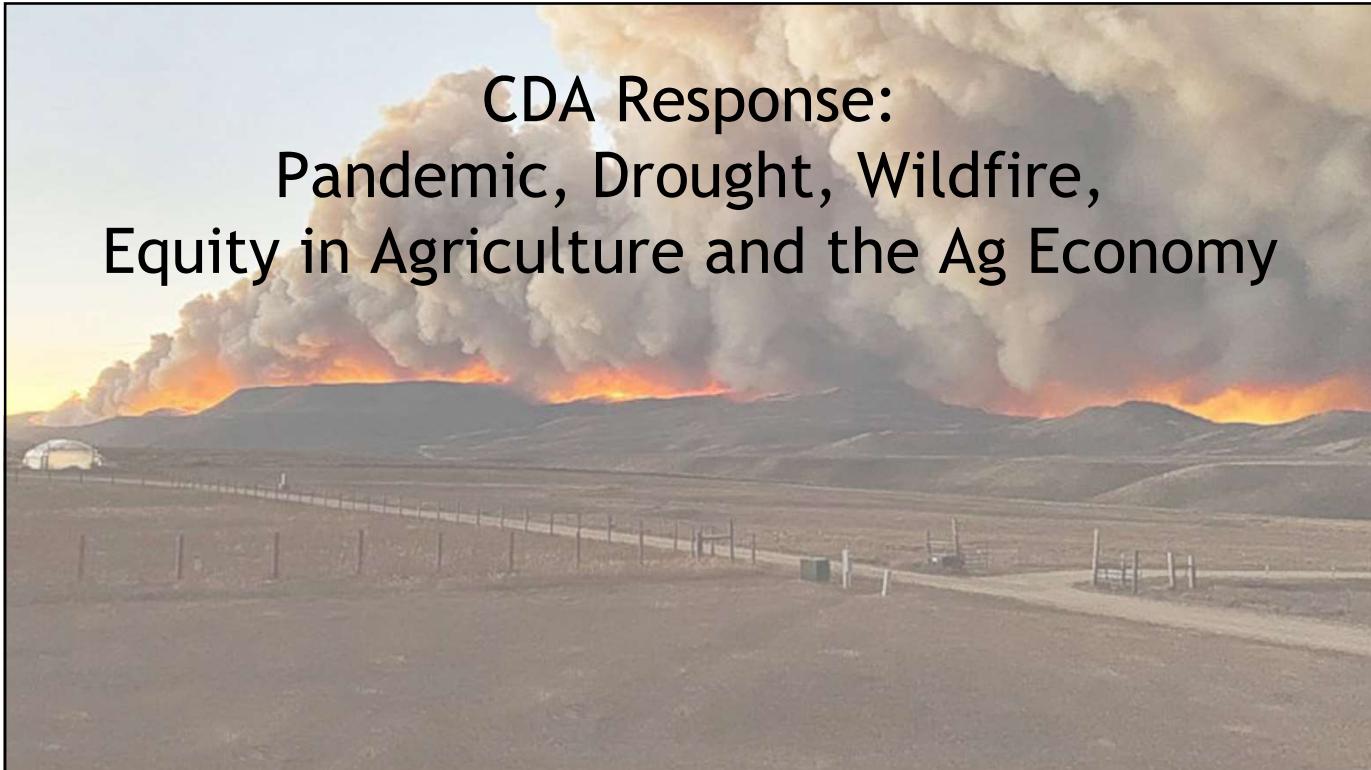
- R-3 Budget and Operational Efficiencies continued
  - One-time reductions include;
  - Continuation of a one-time FTE funding reduction to the State Insectary for one more year
  - One-time reduction to the Agriculture Management Fund line item spending authority.



## Agriculture Management Fund



# CDA Response: Pandemic, Drought, Wildfire, Equity in Agriculture and the Ag Economy



## Pandemic Ag Impact

- Ag businesses had to **pivot overnight**, putting strain on the ag economy from producers to farmers markets to processors
- Prices for most agricultural products fell as global demand weakened and **consumer purchasing shifted** almost entirely to the retail sector
- Markets have shown some resilience since early fall
- **Temporary closures of beef processing facilities** were especially detrimental to Colorado beef producers
- With less gasoline consumption, **corn producers saw prices fall** for lack of demand for ethanol



# Pandemic Ag Response

- Coordination - Represent ag at SEOC; coordinate with stakeholders; work with USDA and industry to mitigate impacts on livestock processing
- Consistency in Service - 100% of vital services continued throughout pandemic
- Support - 20,000+ COVID-19 tests conducted at the State Fairgrounds, new CO Proud website to promote local producers
- Relief - \$1,688,000 in CARES Act funds to support producers, intermediaries and processors; Colorado producers have received \$374.7 million from USDA CFAP I and CFAP II programs

*\*Find much more detail in CDA's COVID-19 Response 6 Mo. Review doc*



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# Drought

- 2020 is the 1st time since 2012 that **100% of the state was in drought**.
- Major drivers of the 2020 severe drought include: absent monsoon seasons, accruing soil moisture deficits, **record high temps and winds**
- Rapid and intense fire expansion in October - an **unprecedented phenomenon attributable to severe drought**
- Climate outlooks for 2021 indicate **drought conditions are highly likely to continue next year**
- By 2050, drought is likely to cost Colorado an additional **\$830 million in expected annual damages**, with \$511 million from agricultural damages

*\*What happens next year if we have a weak winter??\**



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## Wildfire

- 2020 saw the three largest wildfires in the state's history
- Drought and wildfire are intimately connected, with the former stoking conditions for the latter
- Working with federal, state, local and association partners to **get resources where needed**
- Leading new Ag Recovery Task Force to focus on secondary impacts
- **Significant economic and personal impact** on families, businesses, and natural systems



*Burn scar and remnants of a ranch in Grand County*



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## Equity in Agriculture

- Foundational issue in agriculture
- Working on 1st-ever EDI roadmap and action plan, led in coordination with EDI Committee and Senior Mgt
- CARES Act relief dollars gave **additional consideration** to beginning, veteran, Black, Indigenous, and producers of color; female producers; and LGBTQ+ producers as those historically underserved
- Actively supported **promotora** public health model for ag workers led by young farmers
- Building EDI lens into hiring, recruitment, culture, programs and services, stakeholder outreach, and self-education
- Focusing on actively building **new relationships**



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# Economic Outlook

- The Ag sector had strong momentum heading into 2020 until the onset of the COVID-19 pandemic
- Colorado net farm income for 2019 was \$1.83 billion, a level just below the all-time high of \$1.84 billion set in 2011
- Over 1/3 of net farm income is from federal aid
- \$374 million of CFAP resources paid out to Colorado producers in 2020, could result in record net income
- 2021 looks different - with trade and COVID payments unsustainable, producers will need continue strengthening of prices

**Bottom line:** Direct payments have been essential, but we must invest in strengthening and diversifying sustainable marketplaces for CO agriculture



## So what can we do?

- Invest in ag and rural infrastructure, business & marketing, and workforce development
- Reduce barriers to the next generation, such as access to land, capital and training
- Put rural Colorado on equal footing through investments in rural broadband, telemedicine, rural roads, schools and housing
- Support advancing local and regional food systems, which support premium markets for producers, independent family businesses & system resilience
- Work toward equity in the food system





## *Questions*



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