

Indiana State Department of Agriculture

FY 2012/2013

Biennium Budget Transmittal Letter

ISDA FY 2012-13 BIENNIUM BUDGET TRANSMITTAL LETTER

INDIANA'S AGRICULTURAL ECONOMY

Agriculture is a significant driver of Indiana's economy, and in many rural counties, agriculture is the primary economic activity. Indiana's economy cannot be at its best unless all key economic sectors – including agriculture – are realizing their full potential.

The importance of agriculture to Indiana's economy could not be more obvious than it is today. While other sectors of the economy are softening, agriculture is strong. Unprecedented global demand for agricultural products combined with agriculture's expanding role meeting energy demand has resulted in record investment and job creation in Indiana's agricultural sector and record farm income. Indiana agriculture is well positioned to lead other sectors during the recovery of the global recession. The state in general, and rural communities in particular, are benefitting from agriculture's strong economic performance.

Indiana agriculture is very diverse, with activities ranging from large-scale crop and livestock production to specialty niche production, from logging to premium hardwood furniture manufacturing, from mint to tomatoes, and from farmers markets to global markets.

1. ISDA OVERVIEW:

The Indiana State Department of Agriculture (ISDA) was created by unanimous action of the General Assembly in 2005 (HEA 1008). With this legislation, the Lt. Governor was designated the Secretary of Agriculture and agriculture was moved out of the former Department of Commerce and into a dedicated department.

The mission of ISDA is to support growth in Indiana agriculture by serving as an advocate at the local, state and federal level; defining and nurturing economic opportunity in the food, fuel and fiber sectors; and enhancing the stewardship of natural resources on agricultural land. To accomplish this mission, ISDA has three broad, primary strategies:

- Economic Development
- Environmental Stewardship
- Advocacy

In addition, ISDA serves a regulatory role by managing and supporting the Indiana Grain Buyers and Warehouse Licensing Agency.

Economic development is broadly defined and includes all activities that encourage and promote growth in the state ranging from production of the most basic commodities to sophisticated value-added agribusinesses. This strategy area includes the execution of our bioenergy, livestock, hardwoods, international trade, and diversified agriculture programs. ISDA also works closely with the Indiana Economic Development Corporation (IEDC) to help create jobs in the agricultural sector.

Environmental Stewardship involves enhancing the stewardship of natural resources on agricultural land in a manner that creates value-added opportunity for producers and assists agriculture stakeholders with current and future regulatory challenges. To accomplish this strategy, we utilize programs and provide technical assistance to private landowners to implement conservation practices on their land. Conservation practices are designed to keep topsoil on the land and to prevent crop nutrients and other materials from being washed into our streams and rivers. Reducing topsoil and nutrient runoff results in cleaner waters and reduces the need for expensive ag inputs on fields. Conservation programs are administered by a complex array of partners and partnerships that bring together federal, state, local and landowner resources. The importance of effective conservation practices was dramatically highlighted by the severe flooding in 2008 and the increased national attention to Gulf hypoxia.

The Advocacy strategy involves being a science-based advocate for agriculture at the local, state and federal level with outreach, regulatory coordination and policy development. Regulation of agriculture in Indiana is carried out at the state, local and federal level. Moreover, as a local control state, units of local government have specific responsibilities with regard to agriculture regulation. In developing these rules, many local units of government have sought input from ISDA to help them ensure the long term viability of agriculture in their community. As regulatory policy is developed in each of these settings, it is critical for agriculture to have an advocate to address concerns such as overlapping regulations, inconsistency in agency policies, and the cumulative economic impact of proposed regulatory changes. This area also includes certain legislatively developed initiatives (Indiana Land Resource Council, for example) designed to enhance the agricultural economy.

Grain licensing is accomplished by the Indiana Grain Buyers and Warehouse Licensing Agency, which is housed in the Department. Companies storing grain for third parties and companies buying grain from farmers are generally required to be licensed by the agency. Licensing standards are specified in statute. The agency includes field staff who perform unannounced audits of licensed firms, at over 400 grain buying facilities, to ensure compliance with the statutory requirements and office staff which administer the licensing process. The regulatory oversight of the agency is complemented by a farmer-funded Grain Indemnity Program which reimburses farmers for financial losses if a licensed company is unable to pay farmers for grain they delivered.

2. ACCOMPLISHMENTS AND CHALLENGES

Since the creation of the Department in 2005, ISDA has made significant progress in advancing Indiana agriculture for the benefit of all Hoosiers. The following successes demonstrate that Indiana agriculture merits continued aggressive promotion and support.

- **Economic Development.** With the help of ISDA, IEDC and a favorable business environment, the agriculture, food and life science sectors have seen over 6,500 new jobs and over \$5 billion of investment since 2005. The economic development group has been successful in connecting local economic development offices with private industry

interests and investors to create relationships that result in new investment, growth and jobs. ISDA's agricultural economic development work encompasses a wide variety of businesses and is evidenced by recent investment in such things as: seed corn distributor warehouses, potato processing facilities, egg laying facilities, greenhouse technology, renewable fuels, aquaculture, life science research, winemaking, furniture manufacturing, and food processing. While livestock prices were weak and commodity prices at record volatility over the past few years, ISDA has worked to position Indiana, and agriculture in particular, to lead the economic recovery. We have been able to accomplish growth and investment across our focus areas.

Specifically within focus areas:

- Bioenergy- In 2005, Indiana had one ethanol plant, no biodiesel plants and no public E85 fueling stations. The renewable fuels industry had largely overlooked Indiana. As a result, we identified bioenergy as one of our first areas of focus. Today, Indiana boasts 12 operating ethanol plants and several biodiesel plants, including the world's largest integrated soybean crushing and biodiesel production facility. These plants represent over 1 billion gallons of biofuel manufacturing capacity. Indiana now has over 140 public E85 pumps with more on the way.
- Livestock. Livestock agriculture generates over \$2.5 billion in cash receipts annually for Hoosier producers. Based on Indiana's expressed commitment to increase livestock production, Indiana has seen growth in almost every livestock sector and an increase in processing capacity. Nearly all of these production facilities are on family farms, and the processing facilities provide off-farm jobs. Expanding livestock production also highlights certain challenges. Most notable are challenges related to land use decisions and general misconceptions about modern livestock agriculture. ISDA has worked to address these challenges with our administration of the Indiana Land Resource Council (ILRC) and our voluntary Certified Livestock Producer Program (CLPP). ILRC works with local governments to assist them in identifying land use policies, zoning issues, and comprehensive planning to benefit their communities. CLPP recognizes livestock producers who use "best in class" practices across their entire operation, and spotlights them as examples of modern agriculture's commitment to production practices that address the needs of the animal, the environment, the consumer, the neighbor and the community as well as the producer.
- Hardwoods. In partnership with the Indiana Department of Natural Resources, ISDA has been expanding opportunities for woodland owners, loggers, and manufacturers of hardwood products. The hardwoods sector is a significant employer in Indiana. To help retain these Indiana jobs and increase sales, ISDA has led industry-sponsored buyer missions to a number of international trade shows in emerging hardwood markets, such as Brazil, Turkey, Vietnam, and Dubai. These events have resulted in numerous leads and sales for Indiana companies.

- Diversified Agriculture. The niche market, locally grown and organic food sectors have seen tremendous growth in the past few years. The USDA reported that Indiana saw a 47% increase in farmers markets in 2009. ISDA has played a critical roll in this expansion and has a number of initiatives to assist these diversified operators. ISDA partnered with Purdue Extension and the Indiana Cooperative Development Center to bring MarketMaker to Indiana. MarketMaker is a web-based tool that allows producers to perform census-based market research and also facilitates potential buyers and sellers of food products by identifying one another. This program is available to producers at no charge. ISDA recently developed an online directory which enables consumers to locate farmers markets, u-pick operations, wineries and agritourism destinations.

- International Trade. Indiana is well positioned to capitalize on export markets. We are a leading producer in a wide variety of agricultural products including corn, soybeans, hogs, tomato products, hardwoods, wood office furniture, and others. Rail access to east and west coast export points combined with river access to the Gulf of Mexico make Indiana a competitive export origin. Agricultural delegations have been included within most of the Governor's foreign trade missions and all of the Lt. Governor's ag-specific trade missions. Recently, the Lt. Governor's ag-specific trade mission to China led to on the spot deals that directly benefited Indiana companies. In addition, ISDA regularly hosts international buyer delegations, conducts export training seminars and assists companies with individual export challenges. As a direct result of ISDA assistance, additional Indiana companies are now exporting and companies that were previously exporting have opened new markets. With the overwhelming majority of the world's consumers living outside the U.S., including most of the expanding global middle class, it will be increasingly important that Indiana companies take full advantage of global trade opportunities.

- Conservation. Conserving Indiana's soil is absolutely critical to preserving our agricultural productive capacity and the water resources we all depend on. Without high quality soil, Indiana loses its ability to produce crops competitively and in the quantities needed to feed the world's growing population. Soil conservation measures are vital to retaining the productive capacity of our soil. Use of appropriate tillage practices keeps topsoil and decaying crop residue in place and ensures that our crop fields will be productive for generations to come. Other conservation practices filter soil as well as residue and nutrient run-off out of water as it flows off the land and into our streams, rivers and lakes. These important practices protect, preserve and enhance the quality of water for all life downstream.

In partnership with USDA, Indiana is a part of the Conservation Reserve Enhancement Program (CREP) that focuses our conservation efforts on specific higher risk watersheds. We recently expanded the program to 11 watersheds that include 65 counties and allows us to enroll over 26,000 acres in the program within current funding levels. CREP is an attractive program for landowners as it enables them to receive federal payments for their

conservation practices. Since joining CREP in 2006, the program has leveraged state dollars to bring in tens of millions of federal dollars to Indiana landowners.

ISDA also played a part in developing the Conservation Cropping Systems Initiative (CCSI). The intent of CCSI is to provide landowner assistance by promoting a systematic approach to production agriculture focusing on continuous no-till/strip-till, cover crops, precision farming, nutrient and pest management, and conservation buffers resulting in improved soil quality, water quality and profitability on Indiana cropland. Like most conservation programs, this program is in partnership with our local and federal partners.

- **Advocacy.** In discussions with stakeholders, the most consistent comment we receive is that we have brought unprecedented attention to and appreciation for agriculture throughout the state. Through media attention, programs and activities, ISDA continues to reach a broad audience with the story of the important role agriculture plays to the economic revitalization of Indiana and our rural communities.
 - **Indiana Land Resources Council.** ISDA administers the Indiana Land Resources Council (ILRC) which provides assistance to local governments on issues related to land use planning and zoning. The ILRC has developed model zoning ordinances for counties to reference that address land uses for modern agriculture and bioenergy. Thirteen different counties have utilized some part of the model ordinances. The ILRC has also recently developed a Cost of Community Services study to help local decision makers understand the local fiscal impact to different types of growth and land use. ISDA has been directly involved in assisting counties that are undertaking the comprehensive planning process to implement countywide zoning for the first time.
 - **Regulatory Coordination-** ISDA regularly works with numerous other state agencies to ensure that regulations affecting agriculture are based on science and are not in conflict with other local, state and federal regulations. ISDA also serves as a regulatory ombudsman for constituents with permitting questions, helping them to navigate the permitting process in the appropriate regulatory body.
- **Grain Licensing.** Indiana's Grain Buyers and Warehouse Licensing Agency is responsible for licensing businesses which store grain or which buy grain from farmers. With record grain prices and record volatility, grain businesses are under tremendous strain. Agency personnel monitor licensee compliance with financial standards and operating requirements prescribed by law, and work to ensure that farmers delivering their grain will be paid. Our thorough auditors have been able to identify troubled businesses and take appropriate action to protect farmers, as well as uncover criminal financial activity at businesses that otherwise were unaware.

3. **OBJECTIVES FOR THE NEXT BIENNIUM**

ISDA's objectives are clearly defined in our Strategic Plan, which was updated in June 2009. It is still our vision that Indiana will be a global leader in food, fuel and fiber production and will lead the economic recovery. Our three main strategies of economic

development, environmental stewardship and advocacy will continue to serve as our overarching strategies to support growth in agriculture that will ultimately create jobs and improve rural communities. As described in our Strategic Plan specifically, we will strive to:

- Position Indiana to attract a cellulosic biofuel production facility
- Create a blueprint for communities to become energy independent by utilizing renewable energies and improved technology
- Identify and develop more overseas markets for Indiana producers and exporters
- Increase livestock production in Indiana, in an economically and environmentally sustainable manner, at a rate of 3% per year
- Increase landowner participation in conservation programs
- Advocate for science based regulations at the local, state and federal level
- Continue to create a favorable business climate to attract agribusiness growth

4. KEY PERFORMANCE INDICATORS AND PROGRAM MEASURES:

ISDA utilizes one Key Performance Indicator (KPI) and 4 program measures:

KPI- The increase in Indiana Agriculture's percentage of National GDP.

Goal- an increase of 0.25% annually

Program measures- (in order of priority)

1. Number of food/agribusiness/associations/producers/local governments directly assisted by ISDA.
Goal- 750 direct assists annually
2. Federal dollars leveraged for state dollars invested in Clean Water Indiana and the Division of Soil Conservation.
Goal- \$50 million annually
3. Federal grant dollars awarded to Indiana agriculture projects directly assisted by ISDA.
Goal- \$770,000 annually
4. Percentage of grain facility audits completed.
Goal- 100% annually

5. ORGANIZATIONAL CHART

See attached chart

6. PROPOSED PROGRAM REDUCTIONS

ISDA does not currently plan to reduce or eliminate any programming. We have taken aggressive cost cutting actions over the last biennium to improve our efficiency while continuing to deliver valuable services to Hoosiers. We have moved offices, consolidated operational staffing positions, left vacant positions and retirements unfilled, reduced our vehicle fleet and restricted travel. We have been able to successfully minimize our operational costs without sacrificing services and results. We will constantly reevaluate our procedures to ensure the most cost effective method of accomplishing our mission.