

Schedule 13

Department of Agriculture

Funding Request for The FY 2019-20 Budget Cycle

Request Title

R-02 International Marketing for CO Agriculture

Dept. Approval By: _____



Supplemental FY 2018-19

OSPB Approval By: _____



Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$1,486,745	\$0	\$1,498,607	\$300,000	\$300,000
FTE		5.4	0.0	5.4	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$508,061	\$0	\$519,923	\$300,000	\$300,000
	CF	\$50,454	\$0	\$50,454	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$928,230	\$0	\$928,230	\$0	\$0

Line Item Information	Fund	FY 2018-19		FY 2019-20		FY 2020-21
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$1,486,745	\$0	\$1,498,607	\$300,000	\$300,000
FTE		5.4	0.0	5.4	0.0	0.0
03. Agriculture Markets Division, (A) Agricultural Markets, (1) Agricultural Markets - Program Costs	GF	\$508,061	\$0	\$519,923	\$300,000	\$300,000
	CF	\$50,454	\$0	\$50,454	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$928,230	\$0	\$928,230	\$0	\$0

Auxiliary Data

Requires Legislation? NO

Type of Request? Department of Agriculture Prioritized Request Interagency Approval or Related Schedule 13s: No Other Agency Impact



Cost and FTE

- The Department of Agriculture requests an ongoing annual appropriation of \$300,000 General Fund for the Markets Division to fund international programming.

Current Program

- General Fund currently appropriated for the Markets Division primarily supports for staff and general operating costs. All funding for marketing and promotion must be developed annually, primarily through grants and partnerships.

Problem or Opportunity

- Funding uncertainty, from one year to another, makes it almost impossible to commit to long-term programming supporting Colorado food and agricultural product suppliers. Funding limitations restrict the opportunities that can be offered to Colorado food and agribusinesses to promote their products.
- Post activity has shown that more than 80 percent of the suppliers develop new business as a result of participating in the Department's activities. A 2016 study of USDA's Export Market Development Programs conducted by Informa Economics found the benefit cost ratio (BCR) related to international promotion to be about \$25 for every dollar invested.

Consequences of Problem

- If the request is not approved, the workload of Division staff would continue to focus on obtaining funding for projects instead of devoting time to executing the best projects possible. This would result in a less effective and efficient use of staff time as well as less marketing promotion of Colorado agriculture products.

Proposed Solution

- This funding would allow the Division to offer greater opportunities to expand Colorado's export markets through international marketing.
- International marketing is a key strategy supporting the Department's initiative aimed at *Increasing Marketing and Sales Opportunities, as well as Profitability, throughout Colorado's Food and Agricultural Value Chain*. In addition, these programs directly relate to the Governor's Vision 2018 priority of *Economic and Infrastructure Development*.



COLORADO
Department of Agriculture

John W. Hickenlooper
Governor

Don Brown
Commissioner

FY 2019-2020 Funding Request | November 1, 2018

Department Priority: R-02
Request Detail: International Marketing for CO Agriculture

Summary of Incremental Funding Change for FY 2019-20	Total Funds	General Fund
International Economic Stability for Colorado Agricultural Products	\$300,000	\$300,000

Opportunity:

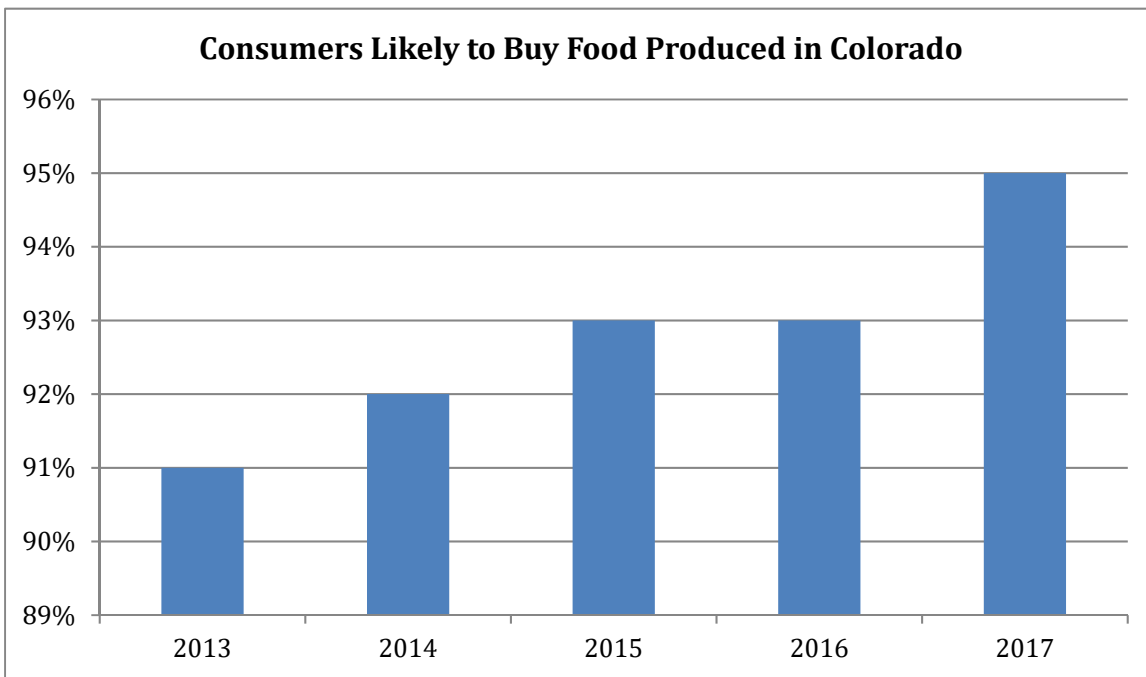
The mission of the Markets Division in the Department of Agriculture is to help increase marketing and processing opportunities for stakeholders throughout Colorado's food and agriculture value chain. More specifically, CRS 35-1-104 and 35-75-203 outline functions, powers, and duties of the Department relating to the marketing of Colorado agricultural products that include:

- ✓ To extend in every practicable way the distribution and sale of Colorado agricultural products throughout markets of the world;
- ✓ To act as advisor to producers and distributors....and to assist them in the economical and efficient distribution of their agricultural product;
- ✓ To take charge of the exhibition of Colorado agricultural products at international or national expositions;
- ✓ To cooperate with the USDA in getting and disseminating production statistics, market and trade information concerning demand, supply, prevailing prices, and commercial movements;
- ✓ To enforce the state laws or regulations relating to fruit and vegetable inspection and grading; and
- ✓ To encourage and promote agricultural business projects adding value to agricultural products and aiding the economies of rural communities.

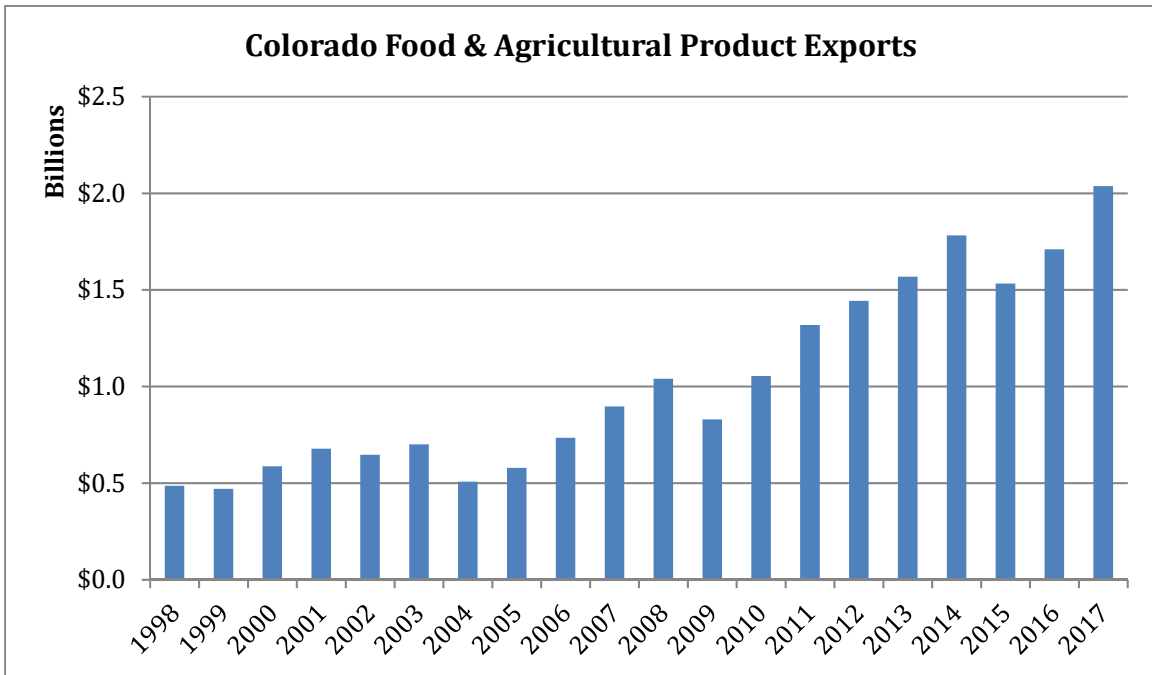
Colorado's food and agriculture industry ranks among the state's most important economic drivers. A study conducted by Dunham & Associates in 2017 for an alliance of food and agriculture organizations, estimated that Colorado's food and agriculture value chain generates more than \$50 billion in direct economic activity annually and supports more than 400,000 jobs. The Department must continue to show leadership in the marketing and promotion of Colorado's food and agricultural products to maintain the "Colorado" brand positioning that has been developed over time and to promote economic stability for the agriculture industry. Private industry and the associations supporting Colorado's farmers and ranchers have some capacity to

promote their own products, but the Department is uniquely positioned to market and advance Colorado's food and agriculture industry as a whole.

Public attitude surveys commissioned by the Department report an increasing percentage of Colorado consumers would buy more food and agricultural products grown, raised or processed in Colorado if the products were identified as such. The Department hopes to capitalize on the successes of the Colorado Proud brand recognition to maintain a presence in international markets.

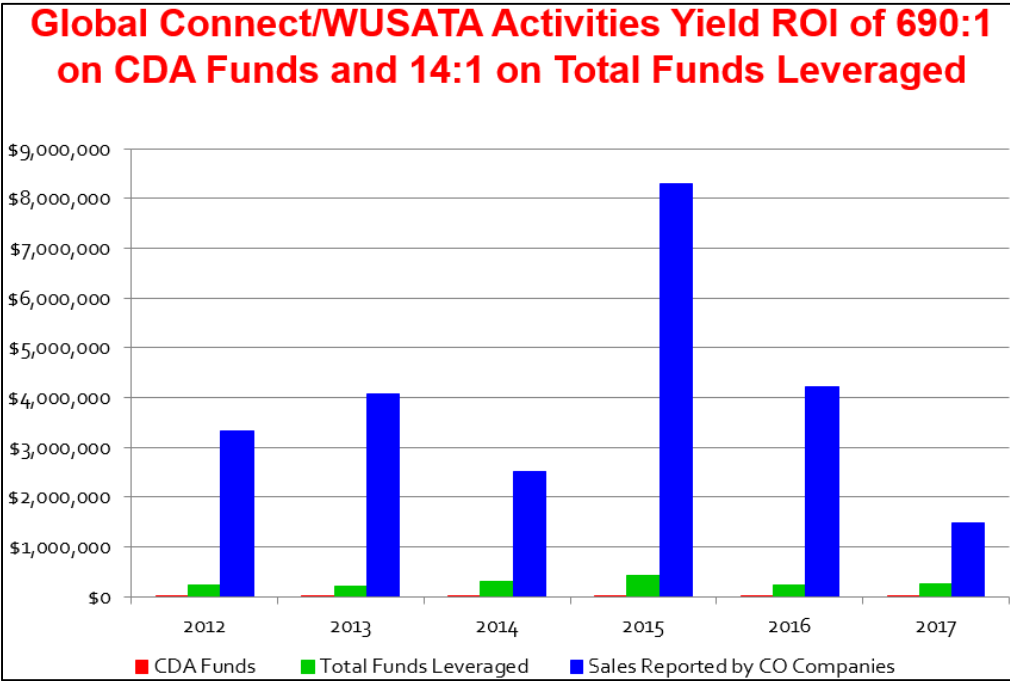
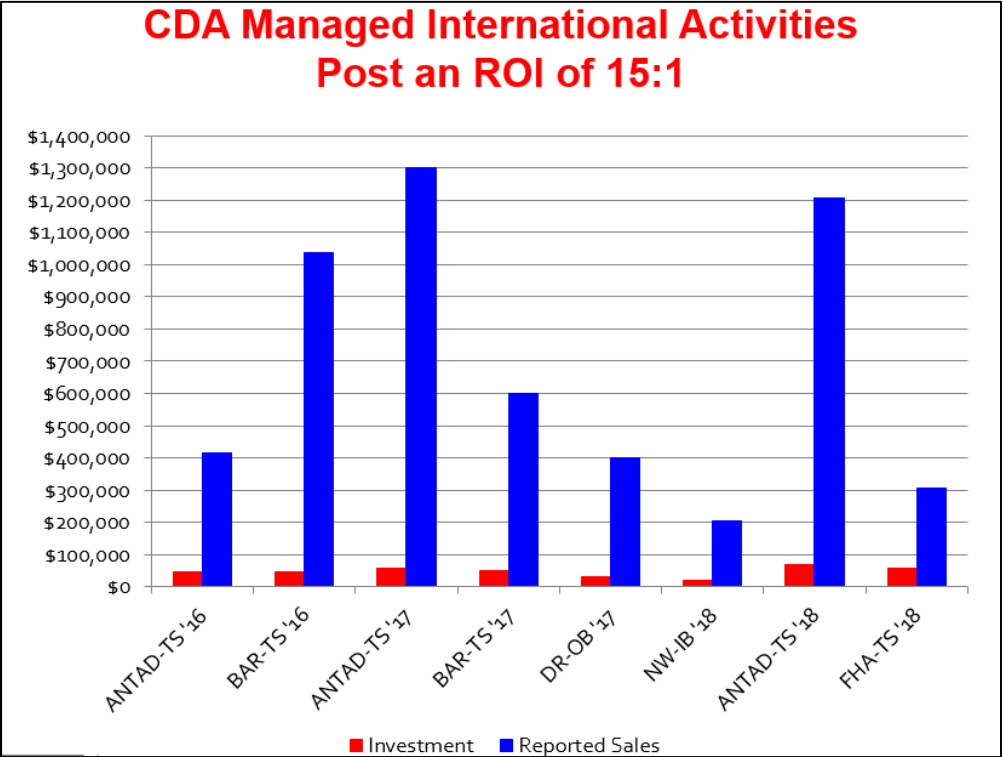


Additionally, more than 95 percent of the world's population resides outside the U.S. and affords suppliers of Colorado food and agricultural products opportunity, through trade development and export promotion initiatives led by the Department, to spread market risk and find more profitable markets for certain products than if the product(s) were to be sold locally and/or within the U.S.



The Department’s most recent survey of stakeholders identified both development/promotion of local markets and global trade/growth of exports among the greatest opportunities for Colorado’s food and agriculture industry. An ongoing annual appropriation of \$300,000 General Fund would help to fund international programming.

International programs consist of hosting inbound buyer teams, coordinating outbound trade missions, and organizing Colorado companies to participate in international trade shows. As many as 100 Colorado food and agricultural product suppliers are directly engaged in these activities each year. Post activity surveys have shown that more than 80 percent of the suppliers expect to develop new business as a result of participating in Department sponsored activities. Along this same line, a 2016 study of USDA’s Export Market Development Programs conducted by Informa Economics found the benefit cost ratio (BCR) related to international promotion to be about \$25 for every dollar invested. The two charts below show reported sales for CDA’s recent international efforts.



Currently, Project Managers spend a good deal of time assembling funding annually through grants and partnerships, but those funds are limited, generally have restrictions, and are not conducive for long-term solutions. The Markets Division will continue to seek other funding and use resources in creative, imaginative, frugal and efficient ways, but could provide the best customer service to Colorado food and agri-businesses if funding were more reliable.

Proposed Solution:

The proposed solution is an ongoing appropriation of \$300,000 General Fund to support marketing and promotion activities to ensure economic stability for the Colorado Agricultural Industry. These funds will be used to promote Colorado agricultural products, and help provide businesses participate in international marketing efforts.

Workload for Division staff would change from focusing on obtaining funding for projects to devoting time to executing the best projects possible, refocusing their inputs and creating better outputs for our customers. This change would result in a more effective and efficient use of staff time. The Department and stakeholders would benefit from the ability to plan more long-term, rather than operating on an activity-to-activity basis.

International marketing is a key strategy supporting the Department's Strategic Policy Initiative aimed at *Increasing Marketing and Sales Opportunities, as well as Profitability, throughout Colorado's Food and Agricultural Value Chain*. In addition, these programs directly relate to the Governor's Vision 2018 priority of *Economic and Infrastructure Development*. A lack of funding to continue these activities could potentially impact the Department's ability to meet stated performance goals.

The consequences of these programs not being funded is multi-tiered. At the highest level, these efforts help to "brand" Colorado and create favorable market positions for participating producers and companies. There is also an economic consequence of these projects not being funded and that would be demonstrated in producers and companies not being afforded the same opportunities to connect with buyers, resulting in fewer sales and less sales tax revenue for the State of Colorado. This is especially important as participating suppliers have reported generating new sales as a result of participating in Department sponsored activities. For example, suppliers participating in the Colorado Pavilion at this year's ANTAD trade show in Guadalajara, Mexico reported more than \$1.2 million in new sales.

After agriculture helped lead the state out of the Great Recession, lower commodity prices coupled with trade uncertainty related to recent tariffs have hit our farmers and ranchers hard. A helpful hand up through increased marketing of their products will help see some of them through to more prosperous times. An ongoing funding stream for the Department's marketing programs could lead to exponential results.

Anticipated Outcomes:

The outcomes will be measured through metrics currently existing in the Department's Performance Plan and lead to continued progress and attainment of even greater results. The Department will know if the proposed solution has been successful if results are improved as follows:

International programs would use this consistent funding source to quickly react to an opening of a market or easement of trade barriers that can create opportunities for trade, or zero in on a chosen market for a commodity that needs assistance to develop exports.

Goals may include a larger number of Colorado food and agricultural supplier participants and reports of increases in existing business or development of new business as a result of participating in CDA promotions, as well as the number of new companies participating in international activities.

This request is directly aligned with two of the Department’s Strategic Policy Initiatives including “Enhance Coloradans’ Understanding of Agriculture” and “Increase Marketing and Sales Opportunities, as well as Profitability, throughout Colorado’s Food and Agriculture Value Chain.” Leading indicator measures are tracked and reported quarterly including:

Strategic Policy Initiative	Measure	Baseline	FY2017 (actual)	FY2018 (preliminary)	FY2020 (goal)
Enhance Coloradans’ understanding of agriculture	% of consumers aware of the Colorado Proud logo ¹	59% (FY09)	83%	72%	>80%
Enhance Coloradans’ understanding of agriculture	% of consumers reporting the purchase of Colorado food and agricultural products ²	77% (FY09)	83%	79%	>80%
Increase marketing and sales opportunities, as well as profitability, throughout Colorado’s food and agricultural value chain.	% of suppliers reporting an increase in existing business or believe they will develop new business as a result of participating in the promotion(s) ³	81% (FY16)	80%	84%	>80%

- 1) Earlier surveys reported awareness at 59% for FY09, 67% for FY10, 68% for FY11, 76% for FY12, 81% for FY13, 78% for FY14, 85% for FY15, and 86% for FY16. Television advertising was not a significant element of the FY18 Colorado Proud “Faces of Agriculture” promotion and likely contributed to the lower awareness level.
- 2) Earlier surveys reported the percent of consumers purchasing Colorado food and agriculture products at 77% for FY09, 84% for FY10, 84% for FY11, 84% for FY12, 81% for FY13, 85% for FY14, 89% for FY15, and 86% for FY16.
- 3) FY16 data reflects post-activity reports from 90 of 124 suppliers that participated in 14 export promotions conducted by the Department in FY16. FY17 data reflects reports from 74 of 92 suppliers that participated in eight promotions. Through Q4 FY18, 104 companies have participated in eleven promotions implemented by the Department. 73 have responded to the post-activity surveys with 61 indicating an increase in existing sales or the expectation of developing new business.

This solution also links to the Vision 2018 Priority Area, “community focused economic and infrastructure development.” The Department helps promote entrepreneurship and business growth through business development assistance as well as promotions that help food and agricultural suppliers enhance marketing opportunities locally and globally.

Assumptions and Calculations:

The table below outlines an estimate of how an appropriation would be allocated to the different economic stability efforts in the Markets Division. CDA will continue to solicit partnerships for these efforts and will reallocate funds to different activities as specific market trends necessitate new approaches and projects.

Category	Estimated expense	Notes
In-bound and Outbound international trade teams focusing solely on Colorado	\$100,000.00	Travel expenses, contractor/translator services
Increase footprint and presence at trade shows such as ANTAD, FHA, and others	\$200,000.00	Registration and booth costs, travel costs for additional Colorado businesses to attend, international contractor expense