

INDIANA

agriculture

Purpose. Possibilities. Progress.

INDIANA - POSSIBILITIES AHEAD

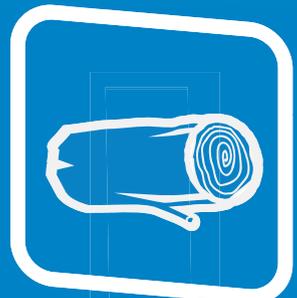
FOOD



FUEL



FIBER



Indiana State Department of Agriculture
Strategic Update



“Agriculture is a central piece of Indiana’s heritage and an important part of our present economy. However, most importantly, Governor Daniels and I believe that agriculture is a critical piece of Indiana’s future. As one of our natural strengths, agriculture has the possibility to play an even larger role in the Hoosier economy of tomorrow. From cellulosic biofuel production to food processing to hardwood furniture, agriculture is an industry that touches each and every Hoosier each and every day. With that impact, the possibilities for Indiana agriculture are endless-- and, with those possibilities comes progress in the form of jobs, capital investment, and wealth for our small cities and towns across rural Indiana.”

Becky Skillman

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2005-2008 accomplishments

Since creation of the Indiana State Department of Agriculture (ISDA) in April 2005, the Daniels Administration has worked tirelessly to ensure that agriculture remains a central part of the Hoosier economy and, importantly, that Indiana is well-positioned to become a global leader in food and agricultural innovation and commercialization.

Major accomplishments over the past four years include:

Partners in significant economic growth in food and agriculture. *Indiana has seen over \$4 billion in investment and the creation of over 4,000 jobs from food and agriculture projects. ISDA has been a key partner to the Indiana Economic Development Corporation, a sister agency, in these efforts.*

Revitalization of Indiana's livestock industry. *After years of decline, Indiana has seen growth in nearly all sectors of its livestock industry.*

Development of a \$30 million food and agriculture venture fund. *Partnering with the Indiana Finance Authority, ISDA supported the creation of the MidPoint Food & Ag Fund, a new venture capital fund designed to assist food and agriculture interests.*

Leadership in global trade. *Governor Daniels and Lt. Governor Skillman led eight trade missions, all of which were partially or totally focused on agriculture.*

Development of land use planning tools. *Working with the Indiana Land Resources Council, ISDA developed model zoning ordinances to assist local decisionmakers integrate agriculture into local economic development efforts. To date, at least 13 counties have adopted pieces of these ordinances.*

National leadership in biofuels production and distribution. *Indiana has gone from one ethanol plant and zero public E85 pumps in 2005 to 11 ethanol and five biodiesel plants as well as 129 E-85 pumps, ranking the state third in the country for public availability of ethanol.*

Diversification of marketing opportunities. *Partnering with stakeholders, ISDA assisted Indiana farmers in diversifying their marketing opportunities through a variety of tools including MarketMaker, an on-line database linking consumers to niche producers, a directory of agri-tourism destinations, and distribution of federal grant dollars for farmers' markets and specialty crops.*

Increased soil and water conservation on the land. *ISDA's Division of Soil Conservation staff put new conservation on the land by establishing a Conservation Reserve Enhancement Program agreement for Indiana. To date, nearly 450 farmers have contracted more than 4,900 acres in 29 counties for this program bringing over \$14.4 million in federal funding to Indiana.*

STAKEHOLDER feedback

Over the past year, ISDA has sought feedback through several means including a stakeholder survey, an industry round table discussion, informal discussions with industry leaders, and written evaluations.

Evaluation of the Department's performance and value was generally positive. For example, results of the stakeholder survey indicated:

- 91% of respondents were aware that a new department was created.
- 64% of respondents believed that attention from state government has increased.
- 61% of respondents believed opportunities for agricultural growth have increased.
- 49% of respondents believed that general public now places a greater importance on agriculture

Beyond evaluation of its performance, ISDA sought feedback from stakeholders regarding issues of importance to Indiana agriculture. Specifically, the Department asked what issues are important, how it can improve current efforts in present areas of focus, and where to concentrate future resources.

Issues of significant interest that surfaced include the need to:

- Enhance the public understanding of agriculture
- Address land use and zoning policies
- Enhance soil and water conservation
- Stimulate innovation, technology and economic development

"Our Board believes ISDA has done a solid job of communicating with the various sectors of agriculture in the state. Continue to do this. We believe ISDA should continue to focus on being the 'spark plug' for promoting and marketing agriculture within and outside the state. Create opportunities for the various ag sectors and non ag sectors to sit down to work and plan together."

-Indiana Crop Improvement Association

AGRICULTURE

outlook

At the request of ISDA, Purdue University compiled a series of white papers addressing crucial areas of opportunity and challenge for Indiana agriculture. Insight from these materials, as well as stakeholder feedback on the current state of the industry, is summarized below.

CHALLENGES

Public understanding of agriculture: *There is a growing disconnect between consumers and modern agriculture production.*

Stewardship of natural resources: *As increased demand for agriculture products brings new opportunity, there is a heightened need for stewardship of Indiana's natural resources. Stewardship of the environment is key to the continued viability of agriculture.*

Infrastructure: *New opportunities in agriculture create additional needs in infrastructure. As grain yields and livestock production increase, so does the need for transportation of additional product. Similarly, development of cellulosic ethanol will create a need for new handling and storage systems.*

Risk management: *With higher input costs and volatile commodity markets, agriculture producers face increased risk in their business.*

OPPORTUNITIES

Bioenergy: *With its current and future cellulosic resources, Indiana could have the capability to produce 400 million gallons of ethanol per year. As conversion process yields increase, this capacity could rise to 600 million gallons. Beyond this resource base, Indiana also has a unique advantage in its transportation and transmission infrastructure which enables marketing to states that have a renewable energy mandate but limited opportunity for renewable energy generation.*

Grain: *Indiana's grain production sector is in a period of dramatic adjustment to major world drivers of change such as rapid growth in income in developing countries, increased demand for animal protein, and a growing demand for biofuels. These drivers will create substantial new market opportunities.*

Hardwoods: *Indiana has developed a global reputation for excellence in hardwood tree production and product manufacturing. The product quality and craftsmanship in this valuable industry make it well-positioned to rebound with a renewed economy.*

Livestock: *As the global middle class continues to expand, consumers, particularly in China and Asia, are changing their diets from vegetable to animal protein creating new markets for Indiana livestock producers of all species.*

Rural renewal: *There is new opportunity for growth in rural communities as a result of higher incomes in grain production, greater interest in returning to the farm, and the availability of additional jobs in grain, animal processing and bioenergy facilities.*

Entrepreneurship on small farms: *Agriculture is undergoing a transition both in the crops produced and the people who are farming. According to the 2007 Census of Agriculture, the number of Indiana farms has increased in the last five years, reversing decades of decline. Much of this gain has been in small farms which have increased in number and income.*

Role of agriculture in innovation: *As scientists continue to increase their understanding of biology and apply this knowledge in biotechnology, the role of agriculture in innovation will dramatically expand. With these developments, agriculture has the potential to become a raw material supplier for a broader set of industries.*



MOVING forward

Under the leadership of Governor Daniels and Lt. Governor Skillman, agriculture has been an important economic driver for Indiana since ISDA was created four years ago. Moving forward, ISDA's vision is that Indiana's food, fuel and fiber sectors will continue to advance-- feeding, fueling and furnishing Hoosiers for decades to come. From advocacy to economic opportunity to environmental stewardship, the future holds great promise as well as great challenge. In both dynamics, however, there is a tremendous opportunity for Indiana to lead.

VISION

Indiana agriculture will be a global leader in innovation and commercialization for food, fuel and fiber production.

MISSION

ISDA will 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.

STRATEGIES

To accomplish its mission, ISDA resources are devoted to nine initiatives under three strategies.

ADVOCACY

Serve as an advocate for Indiana agriculture at the local, state and federal level.

ENVIRONMENTAL STEWARDSHIP

Enhance 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.

ECONOMIC OPPORTUNITY

Define and nurture economic opportunity, including technology development, in the food, fuel and fiber sectors.



ADVOCACY

outreach

Communicate, including promotion and education, to mainstream audiences about agriculture.

WHY this initiative?

Agriculture plays a role in the life of each Hoosier every day. Yet, there is a growing disconnect between consumers and the many farm families responsible for producing the food on their table. And, at the same time this lack of understanding continues to grow so do the challenges facing Indiana agriculture-- the very industry that feeds, fuels, and furnishes our state. From food safety concerns to environmental regulation to animal welfare issues and sustainability, the number of critical issues for agriculture to navigate is growing exponentially at the local, state and federal level.



ADVOCACY

regulatory coordination

Advocate for regulatory standards, including land use provisions, that are based in science and will not impede economic development in agriculture.

WHY this initiative?

Indiana is unique in its decentralized structure of agriculture regulation. Regulation of agriculture at the state level is carried out by 13 agencies, organizations and other government-related entities.

In addition to state regulation, Indiana agriculture is further subject to regulation by local and federal agencies. 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 industry concerns such as overlapping regulations, inconsistency in agency policies, and the cumulative economic impact of proposed regulatory changes.



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ADVOCACY

policy development

Be an advocate for agriculture in the legislative process at the local, state and federal level.

WHY this initiative?

From farm programs to the environment and energy, Indiana agriculture is directly affected by legislative policy enacted at the local, state and federal level on a wide range of issues. Matters of immediate concern include trade, labor, food safety, infrastructure development and climate change policy.

ISDA has a critical role in working with stakeholders to educate elected officials about industry needs so as to foster the development of policy that will enable agriculture to prosper.

ENVIRONMENTAL STEWARDSHIP

Enhance 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.

WHY this initiative?

Stewardship of the environment is key to the continued viability of agriculture for generations to come. In addition, Indiana agriculture provides a number of important environmental benefits for Hoosiers-- including clean air, water and wildlife habitat.

A focus on environmental stewardship on agricultural land is warranted for two reasons. First, there is an increased interest from consumers in products grown in a green or otherwise sustainable manner. Second, from climate change to hypoxia to air quality, there are a number of significant regulatory challenges facing agriculture that create a critical need for technical assistance to producers.



ECONOMIC OPPORTUNITY

hardwoods

Nurture economic opportunity for Indiana hardwoods through marketing and technology support.

WHY this initiative?

Over 80 percent of the forests in Indiana are privately-owned and 95 percent of the tree species are hardwoods. The industry stemming from this resource is quite valuable. Forestry and wood product manufacturing is a \$7.5 billion industry that employs over 54,000 Hoosiers.

Indiana has developed a global reputation for excellence in hardwood tree production and product manufacturing. However, growing competition from wood product manufacturers in Asia, Latin America and elsewhere threatens the viability of Indiana's hardwood industry. With that threat, it is critical that ISDA assist this sector in finding ways to not only maintain its competitiveness but, more importantly, create new growth opportunities.



ECONOMIC OPPORTUNITY

entrepreneurship

Nurture entrepreneurial development in the food, fuel and fiber sectors.

WHY this initiative?

Although corn, soybeans and livestock continue to dominate the landscape of rural Indiana, opportunities beyond these traditional segments abound. From 2002 to 2007, the number of Indiana farms increased from 2,128,982 to 2,204,792 with the majority of this increase coming from operations of less than 10 acres. Farmers' markets have grown to a billion dollar U.S. industry, and the consumption of locally-produced foods continues to lead consumer food trends.

Further examples of entrepreneurship in agriculture include wineries and direct marketing venues such as agri-tourism destinations. Wineries contribute over \$33 million in tourism to the state each year. In addition, Indiana is home to over 500 agri-tourism, farmers' market and u-pick destinations.

Entrepreneurial development in agriculture can be further nurtured through strategic partnerships, grant and marketing opportunities, spotlight events, and a commitment to excellence in this innovative and evolving sector.



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ECONOMIC OPPORTUNITY

livestock

Support a continued resurgence of Indiana's livestock industry in an environmentally and economically-sustainable manner at a rate of 3 percent per year.

WHY this initiative?

Each year, livestock agriculture contributes over \$2.5 billion in cash receipts and \$420 million in export sales to the Indiana economy. Beyond direct sales of animal products, however, this sector also creates jobs in processing facilities and captures additional value for our grain.

In 2005, ISDA set a bold goal of doubling pork production in Indiana. Today, in part through initiatives to better integrate livestock agriculture, including pork production, into local economic development planning, Indiana has seen growth in nearly all livestock species. With this growth, Indiana has reversed decades of decline in production. But, despite these increases, the total number of hogs, beef and dairy cattle in 2008 was only 62 percent of the highest number of animals in 1962.

Looking ahead, the Department is optimistic about the opportunity for continued growth. As consumers in developing economies experience growing real incomes, they are changing their diets from vegetable to animal protein thereby creating new opportunities for Indiana livestock products, processing and jobs.

ECONOMIC OPPORTUNITY

international trade

Nurture international relationships so as to increase sales from Indiana agriculture into global markets.

WHY this initiative?

Since 2005, ISDA has conducted or taken part in trade missions to 13 countries which have helped build global markets for Indiana corn, soybeans, pork, wine, dried distillers grains, feed products, tomatoes, and hardwoods. In addition, the Department has played a key role in coordinating agreements between various international and Indiana educational institutions as well as promoting goodwill with international trade partners.

These efforts are important because Indiana is a major exporter of food and agriculture products. According to USDA, the U.S. exported over \$115 billion in food and agriculture products in 2008. Indiana exported \$2.4 billion in food and agriculture products in 2007 and is consistently the tenth leading agriculture exporting state in the nation. Further, USDA estimates the value of one in three production acres in Indiana is exported to international customers.

ECONOMIC OPPORTUNITY

bioenergy

Maximize the production and encourage the use of energy in Indiana derived from agriculture resources, including wind.

WHY this initiative?

Bioenergy is making a significant contribution to the Hoosier economy. In 2009, Indiana corn ethanol plants are expected to produce approximately 600 million gallons and 1.7 million tons of dried distillers grains, a byproduct sold as livestock feed. At current prices, this production is worth approximately \$1.3 billion.

Looking ahead, bioenergy holds great promise in Indiana. Federal policy may create new opportunity for energy derived from cellulosic, wind and other agriculture resources. Notwithstanding legislative or regulatory policy, however, Indiana has a distinct advantage in bioenergy production and distribution due to its feedstock availability, transportation infrastructure and proximity to consumers.



OTHER responsibilities

In addition to implementing the action items in each strategy, ISDA resources are also devoted to carrying out other responsibilities. Such duties may be mandated by statute or are otherwise important but are not directly tied to achievement of the Department's strategic focus. Alternatively, these responsibilities may be strategic in nature but have come to be operational in nature and no longer represent a new goal.

Examples of other responsibilities include:

- Regulating the grain buyers under the Indiana Grain Buyers Licensing and Warehousing Agency and compensating farmers in the event of a grain elevator failure under the Indiana Grain Indemnity Fund.
- Assisting agriculture interests with identification and procurement of grant resources
- Coordinating international trade missions and hosting international delegations.
- Administering the Clean Water Indiana program with the State Soil Conservation Board.
- Serving as an ombudsman for agriculture in local, state and federal government on regulatory matters and other resource needs.
- Facilitating conservation through assistance to agriculture landowners and operators and support to Soil and Water Conservation Districts and other conservation partners.
- Conducting annual elections for the Indiana State Fair Board

For additional information and supporting materials concerning development of this document, please go to www.in.gov/ISDA.

Technical and Statistical References:

Purdue Working Papers, Presented to ISDA (4-16-08) for the purpose of a Strategic Outlook; USDA National Agricultural Statistics Service and U.S. Forest Service.

June 2009

INDIANA
STATE DEPARTMENT OF
AGRICULTURE

www.in.gov/isda



AGRICULTURE

in action

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ADVOCACY

Outreach: Communicate, including promotion and education, to mainstream audiences about agriculture.

- Assist in the coordination of advocacy efforts by industry stakeholders including development of a unified message and implementation framework.
- Organize a statewide network of grassroots advocates to promote the industry to consumers, decision makers and other opinion leaders.
- Procure and maintain comprehensive data regarding the economic impact in Indiana of major agriculture industry segments.
- Host a series of workshops around the state to introduce community and business leaders to the economic value of and opportunity in agriculture.

Regulatory Coordination: Advocate for regulatory standards, including land use provisions that are based in science and will not impede economic development in agriculture.

- Facilitate a workgroup to bring industry partners together to discuss and coordinate action steps addressing regulatory issues in agriculture.
- Expand and promote the availability of tools to assist local decision makers in community planning, including tools to analyze both the projected cost of community services as well as the fiscal impact of decisions made.
- Partner with industry to address any changes needed to modernize the grain licensure and oversight system to reflect present day business dealings and market conditions.

Policy Development: Be an advocate for agriculture in the legislative process at the local, state and federal level.

- Partner with industry to organize farm and agriculture business tours for elected officials and staff in key districts around the state.
- Cultivate relationships with federal decision makers by coordinating regular visits to Washington D.C. by a cross section of industry leaders.

ENVIRONMENTAL STEWARDSHIP

Environmental Stewardship: Enhance 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.

- Advance a voluntary Crop Stewardship Certification Program that will showcase producers who have adopted an exceptional level of resource management in their operation.
- Identify key regulatory challenges and list of potential private sector partners to work with in addressing each of these issues; partner with private sector to address at least one issue through increased adoption of new technology or resource management practices.
- Create a steering committee for the Conservation Reserve Enhancement Program comprised of local, state and federal partners to maximize efficiency and effectiveness in program implementation, facilitate development of training programs, and coordinate promotion efforts.

ECONOMIC OPPORTUNITY

Bioenergy: Maximize the production and encourage the use of energy in Indiana derived from agriculture resources, including wind.

- Position Indiana to attract a cellulosic biofuels production facility.
- Develop and disseminate a blueprint for communities to model in becoming energy independent, including a menu of technologies to create energy from agriculture resources, and partner with related interests to educate community leaders about plan implementation.

Hardwoods: Nurture economic opportunity for Indiana hardwoods through marketing and technology support.

- Support a feasibility study to evaluate development of an overseas warehouse to market Indiana hardwood into niche global markets.
- Seek additional opportunities for promotion and support of Indiana's secondary hardwood industry.

Livestock: Support a continued resurgence of Indiana's livestock industry in an environmentally and economically-sustainable manner at a rate of 3 percent per year.

- Expand participation in the Certified Livestock Producer Program by recruiting at least one livestock integrator to participate in the program, and partnering with a processor to feature the program certification on their label.
- Partner with the Indiana State Fair and industry to construct a livestock classroom at the Fairgrounds for year-round education opportunities.
- Facilitate and support the creation of an industry committee to raise funding and award grants for youth livestock events and facilities, including county fairgrounds.

Entrepreneurship: Nurture entrepreneurial development in the food, fuel and fiber sectors.

- Expand and promote the availability of resources for agriculture entrepreneurs including: an on-line clearinghouse of entrepreneurial development information, resources and tools, an on-line agri-tourism guide, and an entrepreneur networking initiative.
- Double producer participation in the "Market Maker" program, an on-line directory of state and regional food producers and buyers.
- Facilitate development and implementation of a branding initiative to build awareness of and appreciation for Indiana agriculture.

International trade: Nurture international relationships so as to increase sales from Indiana agriculture into global markets.

- Facilitate the creation of an on-line marketing tool to connect agriculture exporters to global consumers.



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