

Colorado Agriculture Issues and Trends
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Agronomic Strengths

The status of agriculture in Colorado is of substantial concern to producers, lending institutions, and agribusinesses. An overall depressed economy coupled with a significant drought and new farm bill means that strategies for business management in Colorado Agriculture are challenged in new ways.

Colorado is among the top five states in the country in the production of barley, dry beans, potatoes, millet, carrots, lettuce, sheep and lambs, cattle on feed, fed cattle marketings, market sheep, lamb and wool. Colorado's traditional agriculture output contributed \$5,232,991,000 to the state's economy in 2000. This figure represents farm production only, not the processing or marketing of farm products, and is 3.1% of the state's gross product of \$168 billion for 2000. When the \$2.6 billion of the equine industry and \$2 billion of the green industry are added, the total output is nearly \$10 billion, or 5.9% (Colorado Erg Statistics, 2002).

The state's four leading crops including hay, corn, potatoes and wheat totaled \$1.26 billion. In 2001. An additional \$98.3 million was accounted for by vegetable crops, and \$15.3 million was accounted for by fruit. The January 1, 2002 inventory value for livestock in Colorado was \$2.22 billion, a loss of approximately 8% from 2001.

Floriculture businesses with operations over \$100,000 in income added \$65 million to the Colorado economy. Moreover, echoing a structural trend in agribusiness, floriculture operations with less than \$100,000 in annual income added an additional \$22,127,000 to the economy.

In addition to the challenges of the economy and the drought, Colorado's 30.6 % increase in population between 1990 and 2000 has largely brought urban and small acreage owners into the state who challenge resources and local practices. These new arrivals tend to be demanding of services, competitive for resources and more active in the political arenas. This can be seen as both an opportunity and a challenge for production agriculture in Colorado.

Probably there is no clearer evidence of the impact of growth in Colorado than Weld County. The fifth largest agricultural producing county in the nation, Weld County's proximity to the Front Range growth has resulted in an expanding, diversified economy. While it meets the definition of an Agricultural important county economically, it does not meet the definition of Agriculture dependent as do 11 other Colorado counties, largely along the Eastern border of the state (See A County Agribusiness Dependency).

Small Acreage Interests

The impact of an increased number of small acreage owners can be seen in the annual Ag Statistics for Colorado. While in 1992 there were 25,500 farms in Colorado operating on 32.8 million acres, by 2001 there were 30,000 farms operating on 31.3 million acres. This is a drop of 1.5 million acres in farmland and an increase of 4,500 farms. This change is largely accounted for by the increase in small acreage owners. In 2001, there were 14,600 farms listing an income of less than \$10,000 per year. In contrast, there were 4,900 farms with incomes of over \$100,000. These larger farms and ranches controlled 18 million acres of the agricultural land, while only about 4 million acres were controlled by small owners. The group of small acreage owners could be a viable advocacy and support group for agriculture or could create increased conflict.

The small acreage owners have educational needs that cross departmental or specialty knowledge areas. They may cause difficulty for agronomic farmers and ranchers if they are unable to manage their weeds, water, and wastes thereby damaging the natural resources in the area.

Green Industry

Colorado's green industry has been one of the most rapidly growing areas of agriculture over the last decade. It has obviously been hard hit by the recent drought where access to water for municipalities and junior water rights holders have been compromised. While the total direct farm gate in Colorado equals \$5.23 billion, the green industry revenues contributed \$1.468 billion in direct revenues to the Colorado economy in 2001, and over \$2 billion if you consider indirect multiplier effects of the industry. Estimates of effects of the drought in 2002 include a loss of 15,000 jobs and \$75 million in revenue.

Business Management

Both small acreage owners and green industry businesses also encourage business management techniques such as value added production. The global economy, the sensitivity of Colorado's agriculture to drought conditions and increasing specialized consumer markets suggest that wise agricultural managers should increase the flexibility of their investments and be ready to take advantage of different opportunities when conditions encourage that. Another challenge is the need for different and more creative leadership among agribusinesses, particularly agricultural cooperatives. Where large producers can dominate a cooperative, but there are increasing numbers of small acreage owners and urban dwellers who are interested in joining cooperatives, there is a need for new leadership skills among management. The development of more flexible, responsive practices within cooperatives and other agribusiness structure could enhance their positive support from urban and suburban dwellers and increase the diversification of their product lines.

Drought Impacts in Traditional Areas

Traditional commodity production has been hard-hit by drought in Colorado, particularly with livestock, wheat, feed grains, and forage. In 2002, Colorado harvested its smallest wheat crop since 1968 with an average yield of only 22 bushels per acre. Current higher wheat prices encouraged wheat planting and the marketing of wheat held in storage

resulting in a record value of crops sold. Corn acreage will undoubtedly be decreased with acres transferred over to wheat or dry beans, less water-demanding crops. Dryland bean production was largely lost in 2002 but strong prices and increased acreage due to the limited irrigation water demands of beans portend an increased crop in 2003. The potato production in the coming year will be critically affected by the recharging of the San Luis Valley aquifers from winter snowcap.

It is estimated that 20 percent of Colorado's breeding cows have been sold off and it will take years to recover from the impact of this destocking. Dairy cows are increasing as total western herd numbers increase, and hogs will probably increase due to rebounding prices.

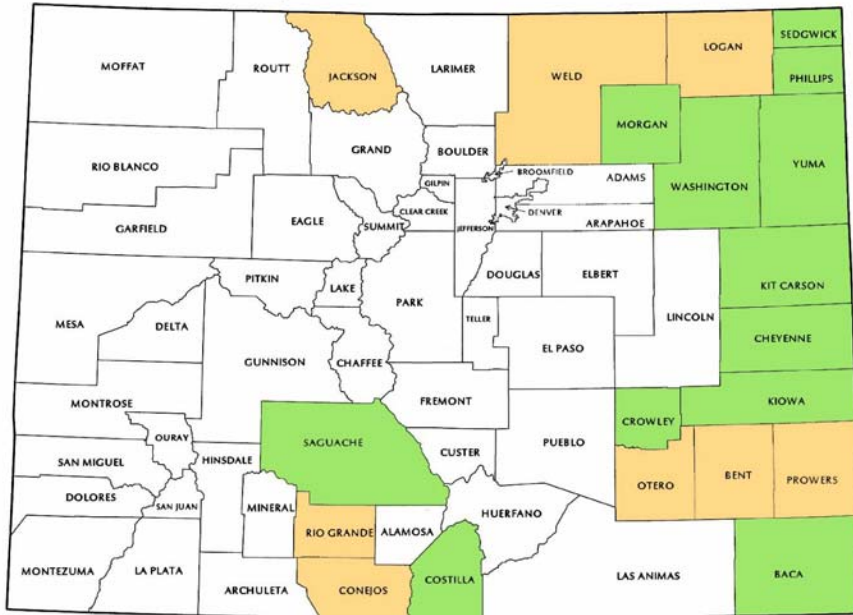
Farm Bill Impacts and Challenges

The Farm Security and Reinvestment Act of 2002 was passed in May 2002 and has received appropriations. Its 10 titles have an increase in the federal government's contribution to farm income while reducing price risk through direct payments and counter cyclical payments. The conservation title has a number of programs which may assist Colorado farmers and ranchers to mitigate drought and supplement farm income. EQIP monies, the CRP program, the Wildlife Habitat Incentives Act, the Farmland Protection Act, the Wetlands Reserve Program, the creation of a new Grasslands Reserve Act and conservation security programs all may assist Colorado. The Conservation Security Program encourages stewardship with tiered payments for progressively more environmentally sound practices. Such practices may especially be appropriate for a state like Colorado where preserving open space can contribute to the general value of the land.

Agriculture Issues

- A small acreage educational team needs resources to provide critical research based information on resource management, business planning and rural civic responsibilities, especially for new immigrants to Colorado.
- One of the issues presented by the green industry is competition for investments; thus lender capital, labor, and marketing expertise needed by these industries may pull from the larger, more traditional sectors of the agriculture economy. The green industry is especially dependent on minority labor force and issues of recruitment, training, and services provide special challenges to rural communities. However, the positive integration of such workers into a local economy can enhance the viability and richness of local communities.
- Colorado agricultural profitability will increasingly depend on business management including skilled marketing. Water conservation, flexible enterprise development, and risk management strategies will be increasingly demanded.
- Animal disease prevention, surveillance and mitigation is particularly critical in a state with 73 % of its agricultural marketing in livestock.

COLORADO COUNTIES



■ Agriculture Dependent
■ Agriculture Important

Map Compilation: Colorado Division of Local Government, 2001