

AGRICULTURAL MARKETING SERVICE

Statement of Anne L. Alonzo, Administrator before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies

Mr. Chairman and Members of the Subcommittee, I am very pleased to have this opportunity to present the fiscal year (FY) 2016 budget request on behalf of the Agricultural Marketing Service (AMS). America's economic vitality depends on competitive, efficient, and productive agricultural markets. AMS has a long tradition of administering programs that provide valuable services to farmers, ranchers, and other participants in the agricultural marketing chain. By ensuring fair and open access to markets and information, supporting marketing innovation, delivering market intelligence, and promoting a competitive and efficient marketplace, AMS programs develop agricultural opportunities that advance USDA's goal of creating prosperity in rural communities.

AMS MISSION

AMS' mission is to facilitate the strategic marketing of agricultural products in domestic and international markets, while ensuring fair trading practices and promoting a competitive and efficient marketplace to benefit producers, traders, and consumers of U.S. food and fiber products. To accomplish our mission, we partner with State agricultural agencies, local and Tribal governments, other Federal agencies, agricultural producers, and other stakeholders along the marketing chain.

This budget request provides the resources necessary to expand marketing options for farmers and ranchers of all agricultural commodities. To accomplish this, we are requesting a total of \$84 million in annual appropriations. Before I describe our budget proposals, I would like to briefly highlight a few of our recent accomplishments.

2014 ACCOMPLISHMENTS

Market News

This year we are celebrating the 100th anniversary of the Market News program and its ongoing commitment to improving information products, data access, and market information delivery. Our Market News program collects, analyzes, and disseminates statistics, prices, and sales information that enables producers to evaluate market conditions and trends, make purchasing decisions, and assess movement of products across the nation and the globe. Agricultural stakeholders around the country rely on USDA Market News as a trusted source for timely, reliable, unbiased data.

AMS continues to improve Market News with reports that provide farmers, agricultural businesses, and consumers with unified information across commodities. For example, in response to stakeholder interest, AMS developed a new series of market reports on locally and regionally-produced agricultural products in 2014, issuing reports on farmers markets, farmers' auctions, and direct to consumer sales—with more to come. AMS also expanded reports on organic commodities, which accounted for \$35 billion in annual U.S. sales in 2013. These reports provide transparent market data that can help attract private investment and make it easier for producers to access appropriate credit, insurance, and disaster assistance products.

Also in 2014, we released an innovative version of the Market News portal website with simplified navigation and easier access that allows users to reach existing or customized reports across commodity groups for near real-time information transparency. These improvements to the Market News website will continue in 2015 with updates to the Market News data and technological infrastructure. The new structure will combine reporting functions into one platform to reduce redundancy, improve analysis, increase electronic reporting capability, and speed information delivery from data providers through agency analysts and to the public.

Commodity Procurement

In 2014, AMS' Commodity Procurement Program purchased over \$1.5 billion worth of American grown and processed food that was distributed through the National School Lunch

Program and other food assistance programs. These purchases support American agriculture by providing an outlet for surplus agricultural products and encouraging domestic consumption of domestic foods. AMS also conducts contracting activities on behalf of the Food and Nutrition Service (FNS). As directed by the Agricultural Act of 2014 (2014 Farm Bill), AMS and FNS are conducting a pilot project in eight states to provide flexibility for using USDA food entitlement dollars for the procurement of unprocessed fruits and vegetables. The goal of the pilot is to develop additional opportunities for schools to purchase fruits and vegetables with entitlement funding; take advantage of existing commercial distribution channels and relationships between schools and growers, wholesalers, and distributors; and allow schools to purchase at the local level if they so choose. It also expands opportunities for our nation's fruit and vegetable producers. Throughout 2014, AMS and FNS communicated with interested vendors and interested States via webinars, conference calls, and information sheets before inviting them to apply. USDA announced the eight participating states – California, Connecticut, Michigan, New York, Oregon, Virginia, Washington, and Wisconsin – in December 2014. Since then, AMS has already approved more than 15 vendors, and we continue to accept applications from eligible vendors who meet established requirements to participate in the program.

Transportation and Marketing

Investing in local and regional food systems supports the livelihoods of farmers and ranchers while strengthening economies in communities across the country. Local and regional food systems help revitalize rural economies and meet growing consumer demand for local options. Our Transportation and Marketing Program provides tools, including research, technical assistance, and grants, that support local and regional marketing. One popular tool is the USDA National Farmers' Market Directory, which lists over eight thousand markets and gets about two million hits annually, making it easy for consumers to find locally and regionally-produced food. Building on the directory's popularity, we recently released three new online local food directories – USDA's National Community-Supported Agriculture (or CSA) Enterprise Directory, National Food Hub Directory, and National On-Farm Market Directory. The information in these searchable directories is voluntarily self-reported by the listed businesses. The directories facilitate connections between producers and consumers by giving

potential customers, business partners, and community planners' one-stop access to current information about different sources of local foods.

Our Transportation and Marketing program also awards and manages grants for marketing-related projects. Through the \$30 million Farmers Market and Local Food Promotion Program, funded by the 2014 Farm Bill, we awarded grants to eligible entities for projects to establish, improve, and support over 370 local food markets. In addition, the Federal-State Marketing Improvement Program, awarded \$1 million in competitive matching grants to State agencies for 17 projects that explore new market opportunities for food and agricultural products, address marketing barriers, and encourage research and innovation to improve the marketing system.

Also in 2014, AMS launched an outreach initiative to better educate and provide technical assistance to eligible applicants to the Farmers' Market and Local Food Promotion Program grants. Specifically, AMS established an agreement with USDA's National Institute of Food and Agriculture (NIFA) and Regional Rural Development Centers to conduct grant-writing workshops. Eligible applicants are often new to the Federal grants process, and the workshops will help them understand how to develop and submit solid grant applications, as well as manage grant awards. There are currently 95 workshops scheduled for 2015.

To help communities and stakeholders leverage the services already available and identify and fill resource gaps, this year AMS is creating state-by-state Market Guides with comprehensive summaries of available resources for local and regional food systems – essential information that makes it possible for producers/buyers to capitalize on opportunities and establish new connections. AMS is selecting states based on USDA Strike Force criteria and will ultimately complete assessments of all 50 states. The goal is to identify and map states' local food infrastructure and resources in the food supply chain, including production capacity, existing local and regional markets, distribution networks used by local buyers and sellers, processors, market size and demographics, and other food system traits.

AMS' Transportation and Marketing program also provides architectural planning and facility design assistance for food market planners, managers, and communities to improve their

facilities, including food hubs and other aggregation models, farmers' markets, and wholesale markets. AMS support has made it possible for communities to establish farmers markets and food hubs in available lots and repurposed historic buildings. For example, AMS technical assistance was instrumental to creating farmers' markets at an historic flour mill in Pennsylvania, at a train depot in Tennessee, in a ferry terminal in California, and in shipping containers in New York.

AMS has been representing agricultural shippers and reporting on agricultural transportation for decades. This includes providing USDA's comments on rail service and rates to the Surface Transportation Board, issuing the weekly Grain Transportation Report, and more recently launching the Ocean Shipping Container Availability Report. AMS also provides reports on refrigerated truck, barge, and ocean shipping; and prepares profiles of U.S. agricultural ports and exporter guides. AMS is now updating its 2010 report to Congress on a Study of Rural Transportation Issues. Last year, AMS issued a report on Networking across the Supply Chain focused on transportation innovations in local and regional food systems. Report recommendations include building robust and tight scale-appropriate supply chains, and developing relationships between national and regional food logistics.

Trade

AMS contributes to USDA's trade and export success. For example, AMS establishes commodity quality standards that are universally understood in marketing agricultural goods. AMS maintains the Institutional Meat Purchase Specifications (IMPS), a series of meat product specifications that large volume purchasers reference when buying meat products. In 2014, as part of the Regulatory Cooperation Council, the U.S. and Canada agreed to harmonize the terminology used for wholesale meat cuts by adopting the IMPS as the standard meat nomenclature. Meat production in the U.S. and Canada is highly integrated, and using the same terminology reduces the cost of maintaining separate inventories and facilitates efficient trade with our Canadian partners.

AMS provides user-fee funded export certification and verification programs that offer opportunities for American farmers and businesses to succeed by connecting them with foreign

markets. Specifically, in 2014, the dairy program expanded its electronic document system to facilitate export certification for exported products to China, adding to the existing system for exports to the European Union and leading to over 44,000 export certificates worldwide. The new system has reduced the time required to issue certificates from an average of five days to two days. These dairy export certificates were issued to over 110 countries impacting nearly \$6.6 billion in trade.

National Organic Program

Our National Organic Program (NOP) develops and enforces USDA organic regulations that govern production, handling, and labeling of organic food and fiber, a rapidly growing sector that offers economic opportunities for farmers and ranchers. In 2014, AMS introduced a “sound and sensible” initiative to make organic certification accessible, attainable, and affordable. To advance this work, AMS is partnering with 13 organizations to share tools that will identify and remove barriers to certification and streamline the certification process. These partner projects will be completed by September 2015. The resulting tools, resources, and technical assistance – including educational materials, training videos, and more – will be widely available to help farmers and businesses that are new to organic production.

In 2014, NOP integrated its list of nearly 27,000 certified USDA operations with its annual list of suspended and revoked operations, thereby increasing awareness of operator status and protecting the integrity of the organic seal. With funding from the 2014 Farm Bill, NOP is building a modernized Organic Integrity Database to replace the existing once-a-year posting of certified organic operations. This database will contain current information on certified organic operations, thereby increasing transparency for the supply chain, promoting visibility for organic operations, reducing the certifier reporting burden, and deterring fraud.

NOP also supports international trade through organic recognition and equivalency agreements. After the Republic of Korea halted organic imports in January 2014, the NOP was a key player in negotiations to reopen the market. On July 1, 2014, the U.S. and Korea announced an equivalency agreement that eliminates export barriers, creating opportunities for American businesses and securing access to a market valued at \$35 million per year in 2013. Over the last

five years, AMS has established organic equivalency arrangements with the world's four largest organic markets – Canada, the European Union, South Korea and Japan – creating an open market for \$60 billion in combined organic sales.

FY 2016 BUDGET PROPOSALS

For FY 2016, AMS proposes \$83.1 million for Marketing Services activities and \$1.2 million for Federal-State Marketing Improvement Program (FSMIP) grants, for a discretionary appropriation of \$84.3 million. In total, our Marketing Services request reflects a net increase of \$1.9 million above the 2015 budget, including \$1.8 million for Transportation and Market Development and \$0.6 million for the proposed pay increase and expansion of Federal health benefits for seasonal workers, partially offset by the proposed reduction of \$0.45 million in Shell Egg Surveillance.

The budget includes a \$1.77 million increase for the Transportation and Marketing Program to expand upon its state-by-state assessments of local and regional food systems. Congress generously appropriated \$880,000 for AMS to do this work in FY2015, and AMS is already starting to identify and map local food infrastructure and resources. The FY 2016 requested increase will be used to complete additional state assessments of local and regional food systems. These state-by-state guides will address critical knowledge gaps that communities and businesses need in order to gain a better understanding of the opportunities and challenges facing agricultural food systems across the country. With the FY 2016 request, AMS will conduct comprehensive assessments of the resources available to address food system development in more states each year.

To conduct the assessments, AMS will establish agreements with Federal and State agencies, Land-Grant Universities, Regional Planning Commissions, and other entities. These cooperators will use Geographic Information Systems technology to map local food systems in their States, with layers to represent the resources currently in place. They will also provide information about production capacity, existing local and regional markets, distribution networks used by local buyers and sellers, market size and demographics, and other food system traits.

These assessments will help State and local governments strengthen their policies and initiatives using existing assets and infrastructure, while targeting new initiatives to where they will be most effective. Working with partners at the State or regional level, AMS can encourage efficient and high-impact use of Federal programs and grants that support local foods and help inform planning at the local level. This information will also assist producers and local and regional food businesses by helping them connect with others in their supply chain, resulting in a stronger local and regional food distribution system. AMS will continue core activities related to market facilities, marketing innovation, and agricultural transportation, while providing additional resources to support the development of food hubs and other marketing outlets for locally and regionally produced food.

The Budget includes \$2 million for Shell Egg Surveillance. This is a funding reduction of \$0.45 million made possible by organizational changes and improved compliance at shell egg facilities. The Shell Egg Surveillance Program inspects registered shell egg facilities and prevents eggs that do not meet minimum U.S. standards from entering the consumer marketplace. Over time, industry consolidation has reduced by 28 percent the number of registered facilities that need inspection. Additionally, compliance has improved – the number of compliance actions resulting from inspection has decreased by almost 70 percent since 2000.

AMS will continue inspecting packing plants and hatcheries with the necessary frequency to ensure the effectiveness of the program. The Program will continue to meet the regulatory requirements by inspecting packing plants a minimum of four times annually and hatcheries once annually, working with State Departments of Agriculture and cross-utilizing grading personnel in order to maintain the current inspection levels.

CONCLUSION

By facilitating competitive and efficient markets for agricultural products, our programs make it possible for agricultural producers, processors, handlers, shippers, and sellers to be successful, supporting rural communities across the country. The allocation of resources proposed in the 2016 Budget represents the most effective use of available funding to advance AMS' important mission. Thank you for this opportunity to present our budget proposal.