

AGRICULTURAL MARKETING SERVICE

Statement of Elanor Starmer, Acting 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) 2017 budget request on behalf of the Agricultural Marketing Service (AMS). As you know, America's economic vitality depends on competitive, efficient, and productive agricultural markets. AMS has a proud history of administering programs that provide valuable services to farmers, ranchers, and many other participants across the agricultural marketing chain to promote a competitive and efficient marketplace. We work hard to ensure fair and open access to markets and information, deliver the intelligence needed for marketing decisions, and support marketing innovation. This work creates opportunities for a broad range of agricultural stakeholders to 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 others throughout the supply chain.

For FY 2017, we are requesting a total of \$83 million in annual appropriations. This funding will enable AMS to continue delivering the services that U.S. agriculture relies upon. Before I expand on our budget proposal, I would like to briefly highlight a few of our recent accomplishments, focusing on AMS Market News, organic standards, food procurement, market development and grants that support local and regional marketing.

2015 ACCOMPLISHMENTS

Market News

Even as USDA Market News program celebrated its 100th birthday last year, we continue updating program services and delivery methods to keep pace with current market information needs. With reports on prices, volume, quality, condition, and other market data about farm products in specific markets and marketing areas, Market News produces information that impacts billions of dollars in agricultural trading each year. It is an information lifeline for the agricultural sector. It provides all stakeholders with timely, reliable, unbiased data that is essential for business decisions.

Market News covers approximately 700 products on a daily basis and issues more than 250,000 unbiased reports per year, attracting more than 53 million views from stakeholders. The reports increase market transparency and help farmers and ranchers identify opportunities by ensuring that all farmers, traders, and agribusinesses have equal access to information. While our traditional price reporting programs continue to serve as a backbone for the industry, we have innovated within the program to include pricing data relevant to small and mid-sized fruit and vegetable producers and participants in emerging sectors such as grass-fed, organic, and local foods.

A range of stakeholders have emphasized the importance of Market News. During the 2013 government shutdown, AMS heard repeatedly of significant market disruptions. Without Market News, it was hard for farmers to determine fair prices, and commodity futures on the Chicago Mercantile Exchange decreased significantly. Buyers and sellers use Market News prices either to establish contract values or negotiate spot market prices. Small farmers who market their commodities through formula arrangements, in which the determination of price is based on published data, were severely affected because the lack of Market News data put them at a disadvantage in price negotiations. Hog producers were also heavily impacted, as more than 96% of market hogs are priced on a formula arrangement where the base price is determined by Market News data. There were a number of other impacts caused by the absence of Market News reports:

- Fruit and vegetable markets went through a sharp price escalation and experienced volatility.
- Wholesalers and retailers were more cautious in purchasing, renegotiating contract terms, and slowing forward purchasing in the absence of reliable data about the direction the markets were heading.
- Meat industry commodity traders pulled money out of the market, slowed or halted trading, and adjusted settlement terms.
- The Chicago Mercantile Exchange, which uses a weighted average calculation based on published Market News prices, temporarily suspended both its feeder cattle and lean hog indexes due to the lack of Market News data.
- Cotton futures trading and forward contracting were unable to use Market News, and the Farm Service Agency was missing information for loan calculations.

Market News also plays a key role in supporting the growing sectors of local/regional food – which industry sources estimate may be a \$20 billion market by 2019 – and organic agriculture, which topped \$39 billion in sales nationally in 2014. Beginning last year, AMS established Federal-State cooperative agreements to capture local, farm gate, and retail data and make it available to the public on a regional and national level. In addition, AMS provides approximately 250 reports on organic commodities. This information – about the value of organic products and food in local and regional food systems – helps producers access crop insurance and other resources, such as low cost loans and operating capital, from companies and programs that routinely use data from Market News. AMS also launched new Market News reports about global dairy trade and emerging markets like grass-fed lamb and goats, pasture-raised pork, non-GE/GMO grains, and tribal-produced commodities.

In 2016, Market News plans to expand collection and publication of underserved local and emerging market data from farmers markets, auctions, and farm-to-school programs, as well as begin to collect data from food hubs and foster new cooperative agreements with additional State Departments of Agriculture to initiate local and emerging market reporting activities.

Other Federal programs rely on information from Market News reports to support agricultural producers. For example, the Risk Management Agency insures approximately 256

million acres of crops valued at \$78 billion using Market News information in part to determine price elections and product valuation. AMS Commodity Procurement supports producers and maximizes the value of nutrition assistance program purchases by using Market News data to evaluate markets when buying more than \$2 billion in domestic foods each year. AMS' Perishable Agricultural Commodities Act Program uses Market News as a resource to help buyers and sellers of perishable commodities settle financial disputes that totaled almost \$17 million in 2015. Finally, the U.S. International Trade Commission uses Market News information in monitoring North American Free Trade Agreement provisions on tomatoes and peppers.

Transportation and Market Development

AMS' Transportation and Market Development Program supports agricultural infrastructure with technical expertise, grants, informational tools, research, and outreach. In recent years AMS has, consistent with the direction in the 2014 Farm Bill, expanded program activities that strengthen local and regional food systems in order to support the livelihoods of farmers and ranchers, help revitalize rural economies, and meet growing consumer demand for local options. As demand for and sales of local food continue to grow – topping \$11.7 billion in 2014 according to industry estimates – AMS plays a key role in helping stakeholders throughout the supply chain.

In 2015, AMS created three new online local food directories that provide public listings of food hubs, on-farm markets, and community supported agriculture operations. Similar to the National Farmers Market Directory, which now includes about 8,500 market locations, each new directory provides vital information about listed enterprises, including a mapped location, operating hours, months of operation, the types of products available, the number of producers at each market, and the accepted forms of payment. These directories allow household shoppers and wholesale food buyers to quickly identify nearby suppliers of local foods, while producers and distributors of local foods are able to take advantage of emerging opportunities in direct-to-consumer and wholesale markets.

Communities continue to invest in farmers markets as community spaces, opportunities to connect consumers with agriculture, and vehicles to expand access to healthy foods in areas with limited options. After witnessing growing interest in farmers markets by residents on military installations, AMS partnered with the Department of Defense and Wholesome Wave to release a “Guide for Farmers Markets on Military Installations.” This guide provides step-by-step instructions for market managers and military leaders who want to establish farmers markets at military sites. AMS also doubled the number of vendors at the USDA Farmers Market for the market’s 20th season and cultivated partnerships within the Washington, DC metro community to increase opportunities for local food businesses.

To support agricultural transportation, and rural investment, AMS co-hosted the biennial Agricultural Transportation Summit in August 2015 in Rosemont, Illinois. The summit focused on overcoming challenges in transportation capacity by facilitating collaboration between leaders from producer organizations and agribusinesses with representatives from rail companies, shippers, ports, truckers, and government. Discussions centered on the importance of inland waterway, rail, truck, and vessel transportation to the competitiveness and profitability of U.S. agriculture. AMS also co-sponsors Ag Shipper Workshops on exports each fall and winter. The most recent workshops were held from December 2015 through February 2016 in Minneapolis, Portland, Boise, Atlanta, Fresno and Sacramento. These workshops bring shippers and forwarders of agricultural and forest products together to discuss current issues facing exporters and facilitate discussion with representatives from ocean carriers, ports, trucking, and government.

After hearing from many communities that are interested in better understanding the economic impact of local and regional food systems, AMS convened a team of economists and food system specialists to develop a best practice toolkit for evaluating the economic impacts of local food system activities. The team, coordinated by Colorado State University, developed a toolkit that can guide and enhance the capacity of local organizations to make more deliberate and credible measurements of local and small-scale economic activity and other ancillary benefits. In addition, the agency established cooperative agreements to evaluate the potential impact of mobile markets and create guidance for food hubs to help them meet food safety

requirements. AMS responded to approximately 1,000 requests for technical assistance for small and mid-sized agricultural producers, businesses, and underserved communities. Examples of technical assistance range from a food hub that asked for help in finding farmers to supply product for their buyers, to a local government that contacted AMS for assistance with facility design for a new multi-functional farmers market. AMS also participated in five regional meetings with State Departments of Agriculture and led roundtables and stakeholder meetings with farmers and local businesses in New Mexico, New York, and Nebraska, bringing together multiple USDA agencies to talk about the many programs and services available through the Department to support local and regional food systems.

AMS awards Farm Bill funded grants to projects that support direct producer-to-consumer marketing, local food infrastructure, and the competitiveness of U.S. specialty crops. In 2015, AMS funded 324 projects through the Farm Bill funded Farmers Market and Local Food Promotion Program.

National Organic Program

AMS' National Organic Program facilitates market access for organic agricultural products and conducts compliance and enforcement activities that protect the integrity of the organic label. The National Organic Program develops and enforces clear standards in order to ensure consumer confidence in the label.

AMS establishes national organic regulations and accredits 79 third-party organic certifying agents worldwide. Those certifiers oversee an organic industry that continues to experience double-digit growth, with 21,666 certified organic operations in the U.S. and 31,020 around the world.

To facilitate the international trade of organic products, AMS works with the Foreign Agricultural Service and Office of the United States Trade Representative to establish equivalency arrangements. Over the last five years, AMS has established five such arrangements that make it easier for U.S. organic businesses to access a \$65 billion global organic market.

In July 2015, AMS signed the fifth organic equivalency arrangement with Switzerland to streamline access for American producers. In addition, AMS continues to lead discussions on potential equivalency arrangements with Mexico, Taiwan, Costa Rica, Peru, and Chile. For 2016, AMS is working on a new equivalency arrangement with Mexico, while supporting existing agreements with Canada, the European Union, South Korea, Japan, and Switzerland.

In 2015, AMS also conducted outreach to a wide range of stakeholders, including members of the National Organic Standards Board; accredited certifying agents; producers, processors, and handlers; and consumers. As part of this outreach, AMS developed a comprehensive series of videos, tip sheets, and training materials to support accessible, affordable certification across the county, including technical assistance resources designed to support underserved farmers.

In terms of rulemaking, AMS has worked on a number of proposed rules related to organic aquaculture, origin of livestock, and animal welfare practices for livestock and poultry. As the rulemaking process moves forward, AMS will make sure that there is ample opportunity for interested parties to comment. AMS conducted two web-based public comment sessions, and established a hydroponic taskforce that reports to the National Organic Standards Board to evaluate current hydroponic production methods and assess their alignment with organic regulations.

To meet the data needs of organic stakeholders and provide information that supports the development of new markets, AMS launched the first release of the Organic INTEGRITY database at the end of 2015. Developed with funding from the 2014 Farm Bill, this database is a major upgrade that provides more current information on certified operations, deters fraud, and increases market and supply chain connections.

Commodity Procurement

AMS purchases a variety of domestically produced and processed foods, providing an outlet for surplus products, and supporting American agriculture. Annually, AMS purchases about two billion pounds of domestic foods with funding from Section 32 and the Food and

Nutrition Service (FNS) program funds. These purchases are an important outlet for surplus products and provide the National School Lunch Program with food for 31 million school children daily, in addition to making available 930 million pounds of food for food banks, disaster relief, and soup kitchens.

Of the 2.1 billion pounds of 100-percent domestically-produced and processed foods distributed, 274 million pounds were surplus removal purchases designed to provide market support during times of depressed market conditions. These purchases supported eleven different commodities, helping to bolster processor and producer purchasing power and prices while providing high-quality, nutritious food to program recipients.

USDA food purchases are a coordinated effort between AMS and FNS. AMS develops products and purchase program technical requirements, manages the Web-Based Supply Chain Management System, and conducts the procurements in accordance with federal regulations and USDA policy. FNS manages the food and nutrition assistance programs, including the National School Lunch Program and The Emergency Food Assistance Program, by generating orders from qualified recipients for various USDA Foods and coordinating with AMS on the purchase planning and scheduling.

The Commodity Purchase Program works with FNS to support the dietary initiatives and specific nutritional needs of program recipients. For 2015, AMS helped to better meet the needs of program recipients by expanding purchases of kosher foods and purchasing traditional foods for the Food Distribution Programs on Indian Reservations.

In 2015, AMS conducted significant outreach to small business entities, in particular minority-owned, service-disabled veteran owned, and women-owned small businesses, as well as those operating in historically underutilized business zones, to let them know about opportunities to sell to USDA. AMS approved 20 new vendor applications, and the program attained a small business contracting rate of more than 38 percent, for over \$1 billion in purchases.

To expand participation and provide business opportunities for fruit and vegetable vendors to supply fresh fruits and vegetables for schools, AMS and FNS developed and

implemented the Unprocessed Fruit and Vegetable Pilot Program, as called for in the 2014 Farm Bill. To encourage vendor participation in the program, AMS offered six webinars, plus conference calls and presentations.

During 2016 and 2017, AMS will conduct a joint review with FNS, including all external stakeholders in the supply chain, to evaluate USDA Foods and domestic procurement processes. The goal of the review is to redesign business processes to emulate commercial practices in order to meet the Agencies' missions more efficiently and effectively. AMS will manage a similar process for the Farm Service Agency, Foreign Agricultural Service, and U.S. Agency for International Development as they review and redesign the international food aid programs' business practices.

Finally, USDA consolidated all domestic food procurement activities within AMS in 2015 in order to improve efficiency and reduce operational costs. AMS welcomed 22 commodity procurement staff members from USDA's Farm Service Agency. The consolidation of policies, procedures, and activities will continue in 2016.

FY 2017 BUDGET PROPOSALS

For FY 2017, AMS proposes \$81.933 million for Marketing Services activities and \$1.235 million for Federal-State Marketing Improvement Program grants, for a discretionary appropriation of \$83.168 million. In total, our Marketing Services request reflects an increase of \$0.7 million above the 2016 budget for the proposed pay increase. This funding level will enable us to continue to facilitate effective and efficient markets for agricultural products.

CONCLUSION

Moving agricultural products from farm to table takes coordination throughout the supply chain. In 2015, AMS cultivated partnerships and built stronger and more efficient marketing support programs. By helping agricultural producers, processors, handlers, shippers, and sellers succeed, AMS supports rural communities across the country. We will continue to meet evolving market demands by working with our stakeholders and ensuring that our programs are relevant and valuable to the businesses and customers we serve directly, and to consumers across

the nation. The allocation of resources proposed in the 2017 budget represents effective use of available funding to advance AMS' important mission. Thank you for this opportunity to present our budget proposal.