

Marketing and Regulatory Programs

**Statement of Mr. Edward Avalos, Under Secretary
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies**

Mr. Chairman and distinguished members of this Subcommittee, I am pleased to appear before you to discuss the activities of the Marketing and Regulatory Programs (MRP) mission area of the U.S. Department of Agriculture (USDA) and to present the fiscal year (FY) 2016 budget proposals for the Agricultural Marketing Service (AMS), the Animal and Plant Health Inspection Service (APHIS), and the Grain Inspection, Packers and Stockyards Administration (GIPSA).

With me today are: Mr. Kevin Shea, Administrator of APHIS; Ms. Anne Alonzo, Administrator of AMS; and Mr. Larry Mitchell, Administrator of GIPSA. They have statements for the record and will answer questions regarding specific budget proposals for their respective agencies. Also with me is Mr. Michael Young, USDA's Budget Officer.

Secretary Vilsack said before this Subcommittee that the Administration is strongly committed to strengthening the middle class and helping America's families get ahead. MRP helps accomplish this in a variety of ways. For example, both AMS and GIPSA certify the quality of agricultural commodities and provide industry with a competitive edge earned by the USDA seal of approval for grading and inspection. AMS also facilitates marketing by reporting essential market data, upholding strong organic standards, and supporting the ongoing growth of local and regional food systems. GIPSA works to help ensure that livestock producers have a fair and competitive market environment. APHIS protects the health of plants and animals, enhancing the competitiveness of U.S. producers by keeping production and marketing costs low. All three agencies help resolve international issues to maintain and open markets around the world for U.S. products, thus supporting American families.

Agriculture is an engine of growth and prosperity, directly or indirectly supporting 16 million jobs. As federal agencies tasked with regulating and facilitating this industry, MRP agencies must perform this work at the speed of commerce. We have continued quality operations because we streamlined processes, focused our resources on the highest priorities, and enhanced partnerships. Streamlined processes would not be possible without the dedication of our employees. We challenged them to find ways to do their jobs more efficiently and effectively without sacrificing quality and the employees of AMS, GIPSA, and APHIS met that challenge. Even with the dedication of our employees, there is a need to restrain our spending while meeting the needs of our stakeholders. Accordingly, this requires us to focus our limited resources on the highest priorities. The MRP agencies have also worked hard to enhance partnerships to achieve shared objectives. These partnerships have been with state agencies, industry groups, and universities, among others.

The MRP agencies have achieved significant accomplishments recently, a few of which I would like to highlight.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

In FY 2014, APHIS, in cooperation with other agencies, successfully negotiated and resolved 170 sanitary and phytosanitary trade issues with an estimated value of \$2.5 billion. This includes opening new markets as well as retaining and expanding existing market access for U.S. agricultural products. To illustrate the impact of APHIS' efforts to open markets, I want to highlight one recent example. In January, USDA reached an historic agreement with China to allow all U.S. grown apples into the Chinese market. With this new agreement, the apple industry estimates exports to China will reach 5 million bushels annually, a value of nearly \$100 million. This will be a significant boost for American apple producers. In a similar vein, we have heard the concerns of California apple and stone fruit producers regarding the oversight needed to move their products to key trading partners. I can assure you that we are working diligently to address their concerns.

We appreciate this Committee's support of the Multi-Agency Coordination Group (MAC) for Huanglongbing (HLB), or citrus greening. The MAC has brought unprecedented coordination and cooperation across Federal and State agencies and industry in an effort to fill gaps and speed progress on methods to fight HLB. The tools being developed through the HLB-

MAC provide promise of detecting and even treating HLB. Also in plant health, the success of a collaborative effort was demonstrated this past year with the detection of a single European Grapevine Moth in California. This is a vast improvement from the detections of more than 100,000 moths in FY 2009. While a few more years of surveys will be needed before we can claim victory, the dramatic reduction in detections is a clear demonstration of the success that can come about when State, Federal, and industry partners work together.

In FY 2014, APHIS responded to a disease outbreak impacting the swine industry, Swine Enteric Coronavirus Diseases (SECD), notably Porcine Epidemic Diarrhea virus (PEDv), by transferring emergency funding and implementing emergency actions. Through our efforts, we have noted considerable improvement in our ability to respond to these diseases. After six months of enhanced response, APHIS reported significant advances: far more accurate monitoring of current disease incidence and spread; granting of two conditional licenses for vaccines; improved ability to detect new viruses and changes to existing viruses through viral genetic sequencing; and an improved information technology network with the laboratories that allows federal and state health officials to better understand the spread of the disease in nearly real time.

Also in FY 2014, APHIS initiated the National Feral Swine Damage Management Program with the support of this Committee. These animals cause damage estimated at \$1.5 billion annually and pose risks to agriculture, natural resources, property, animal health, and human health and safety. Together, with our partners in 41 States, APHIS established State-level management control plans that outline management goals and objectives with regard to feral swine situation in each State. Depending on local conditions, these range from total elimination of feral swine to management of individual populations. In FY 2014, APHIS and its cooperators conducted operational activities on approximately 110 million acres. A key part of the national program includes surveillance and disease monitoring to protect the health of our domestic swine. APHIS collected 2,800 feral swine biological samples to assess disease risks. With the progress we have seen to date, I am pleased to announce that we expect to eradicate feral swine from two States in FY 2015, which is three years earlier than we first projected. However, much work remains to be done as the program enhances work in States that have higher populations of feral swine.

To strike the balance between rigorous scientific review and timely entry to the market of

genetically engineered crops, USDA streamlined and improved the process for making determinations on petitions involving biotechnology. Because of the enhancements, we reduced the length of the petition review by more than 600 days when we can use the environmental assessment process. With this improvement, we estimate that the cumulative number of actions taken to deregulate biotechnology products based on a scientific determination will increase from a cumulative total of 87 actions in 2011 to an estimated 119 in 2016.

Finally, APHIS' Animal Welfare unit made two important regulatory changes to protect the health of pets in the United States. First, the final rule that revises the definition of "retail pet store" in the Animal Welfare Act (AWA) regulations became effective. The rule closes a loophole that, in some cases, threatened the health of pets sold sight unseen over the Internet and via phone- and mail-based businesses. Also last year, APHIS amended the AWA regulations to require that dogs imported into the United States for resale are healthy, vaccinated, and are over six months of age, with limited exceptions.

AGRICULTURAL MARKETING SERVICE

This year marks 100 years of AMS' Market News providing agricultural stakeholders with the information they need to evaluate market conditions and trends, make purchasing decisions, and assess movement of products across the nation and the globe. Every year, AMS issues more than 250,000 reports that get more than 53 million views. Agricultural stakeholders around the country rely on USDA Market News as a trusted source for timely, reliable, unbiased data. Market News is constantly evaluating the evolving needs of the agriculture industry to better serve our stakeholders. For example, AMS is increasing reporting on organic commodities and on locally and regionally marketed products in response to market demand. We recently released an innovative, enhanced version of the Market News Portal with simplified navigation, giving users easier access to the wealth of timely and reliable data.

AMS plays a key role in international trade by representing the interests of U.S. producers to develop internationally-recognized standards. USDA standards are accepted as the basis for trade, marketing, arbitration, sourcing of product, and consumer information by private industry. These standards provide a common language of product qualities for buyers and sellers of commodities. In 2014, for example, 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

Institutional Meat Purchase Specifications (IMPS) as the standard meat nomenclature. Meat production in the U.S. and Canada is highly integrated, so using the same terminology reduces the cost of maintaining separate inventories and facilitates efficient trade with our Canadian partners. In addition, AMS quality systems verification programs certify that products meet export requirements and policies of specific countries, enabling billions of trade in dairy, meat, and egg products.

I would like to highlight for you today one verification program, a user-fee funded activity, that was announced in 2013, but is expected to see an increase in its popularity and use. Some consumers have already started to see official USDA tenderness labels when shopping for beef. We expect these labels to become more common as additional consumers become aware of them and the value they provide when they are deciding what beef to purchase for their needs. Another factor that will drive the popularity of these labels will be the benefits seen by meat packers and retailers to market higher quality beef. This and the many other grading, certification, and audit verification services provided by AMS are key to informing consumers and allowing retailers to capture premier markets.

In 2014, AMS' Commodity Purchase Program purchased a total of over \$1.5 billion worth of food from our nation's producers. These purchases support producers in rural America, while helping meet government nutrition goals. Consistent with the 2014 Farm Bill, AMS and the Food and Nutrition Service (FNS) are conducting a pilot project in eight states to provide flexibility for schools to use 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. At this time, AMS has already approved 20 vendors, and we continue to accept applications from eligible vendors who meet established requirements to participate in the program.

AMS grant programs play an important role in facilitating marketing. The Federal-State Marketing Improvement Program (FSMIP) provides matching funds to States to assist in exploring new market opportunities for U.S. food and agricultural products, both locally and internationally. Recent FSMIP projects have supported efforts to bolster local and regional food

systems through farmers markets and community supported agriculture operations, while other projects have focused on building international markets for pine lumber, pork, and more. With the Specialty Crop Block Grant Program, AMS is strengthening markets for specialty crops, such as fruits, vegetables, tree nuts, horticulture and nursery crops. In FY 2014, all 50 States, the District of Columbia, and four U.S. Territories were awarded Specialty Crop Block Grants that will fund a total of 838 projects. These grants address issues ranging from food safety to research needs to increased access to fruits and vegetables, all benefiting specialty crop producers and consumers across the country. With additional funding from the 2014 Farm Bill, we are able to do even more to help specialty crop growers increase profitability and sustainability.

AMS, along with other USDA agencies, is also helping producers tap into growing consumer demand for locally-grown food. Local food sales topped \$6 billion in 2012, and Secretary Vilsack has identified strengthening local and regional food systems as one of the four pillars of USDA's work to help revitalize the rural economy and create jobs. Recently, AMS launched a new set of Local Food Directories to help consumers find Community Supported Agriculture enterprises, food hubs, and on-farm stores, making it easier for consumers to find local food. AMS research and technical assistance contribute to our efforts to provide farmers and ranchers around the country with tools to reach consumers, strengthen ties between urban and rural communities, and help meet the growing demand for locally and regionally produced food.

Demand for certified organic food products also continues to grow. In 2014, AMS partnered with 13 organizations to develop tools that will identify and remove barriers to certification and streamline the certification process. The projects will be completed by September 2015. 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. The 2014 Farm Bill added additional resources to support organic certification, research, and market development. AMS quickly made organic certification cost-share funds available to help producers pay for the cost of certification, and we have already published a proposed rule to expand the organic exemption for producers paying into commodity checkoff programs.

AMS also has a role in promoting organic trade and opening new markets for organic

products. After the Republic of Korea halted organic imports in January 2014, AMS helped 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. 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.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

GIPSA also had many noteworthy accomplishments. GIPSA closed 1,668 investigative files on potential violations of the Packers and Stockyards Act in FY 2014. This is almost three times the number closed in FY 2000, despite having fewer staff. This achievement was brought about by investments in enterprise automation and improved operational efficiency. In addition, GIPSA also provided over 3.31 million inspections on 297.9 million metric tons of grain with a value of over \$45 billion. GIPSA has succeeded in having these inspections be affordable (for export services, the fees are about one penny per bushel) and provide a common language for trade around the country and around the world. Further, the sheer volume of grain that GIPSA inspectors evaluate on a daily basis is astounding. To put it in perspective, when we extrapolate from USDA's most recent crop production data as well as export volume for the first three months of FY 2015, GIPSA inspects on average the equivalent of 381,769 acres of wheat a day.

FY 2016 Request

The 2016 Budget requests total budgetary authority of close to \$2.4 billion for the MRP agencies, of which about \$987 million is from discretionary appropriations, more than \$845 million from Customs receipts and about \$463 million from fees charged to the direct beneficiaries of MRP services. MRP agencies continue to address core mandates and high priority needs while using taxpayer resources as efficiently as possible. With this in mind, I would like to highlight the budget requests for the MRP agencies.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

The President's Budget request proposes discretionary appropriations of about \$859 million for APHIS. In addition, existing user fees of more than \$232 million will support Agricultural Quarantine Inspection activities directly managed by APHIS. The proposal requests increased cost-sharing from cooperators of several pest programs related to specialty crops and tree pests; this allows lesser demand for Federal taxpayer resources, and provides a more balanced allocation of responsibility between the States and localities that directly receive this assistance and taxpayers. In recent years, successful efforts to eradicate pests, like boll weevil, and to minimize the risk of animal diseases, like bovine spongiform encephalopathy, have allowed for savings without negatively impacting producers. These and other carefully considered reductions, together with aggressive streamlining steps, allow us to request a small number of increases for our highest priorities.

As part of a Government-wide initiative to address antimicrobial resistance, USDA is requesting a total of \$77 million, an increase of \$57 million from the 2015 Enacted level. Within that increase, APHIS is requesting \$10 million to increase the depth of data collection, develop monitoring programs, and leverage other data and samples from existing APHIS animal health surveillance systems. With development of new antibiotics being limited and the growth of resistance to existing antibiotics, this increase is essential to stem the tide of antimicrobial resistance. This funding will work in tandem with funding being requested within the Research, Education, and Economics mission area.

Given recent outbreaks of highly pathogenic avian influenza along the West Coast, it is worth highlighting that the Budget maintains the existing funding level for Avian Health activities. Also of note, the Swine Health line item includes a slight increase to maintain our response to the novel swine enteric corona viruses, notably porcine epidemic diarrhea virus that became prominent last year. Both of these diseases can be highly disruptive to their respective industries; and we are committed to working with State, industry, and other stakeholders to minimize the impact of these diseases.

The Budget includes an increase for the Agricultural Quarantine Inspection activities funded by discretionary funding. This increase will be used to provide the necessary staffing, canine teams, and equipment replacement needed to adequately inspect baggage bound for the continental United States from Hawaii and Puerto Rico. Without this modest increase to replace

aging equipment and address the need for more inspectors at peak travel times, APHIS may have difficulty in continuing to prevent pests like exotic fruit flies in Hawaii from reaching the mainland or may be forced to increase the time needed to clear passengers and cargo. The Budget also includes an increase to continue to address the threat of huanglongbing (citrus greening). This work continues the efforts initiated at this Subcommittee's direction to support a multi-agency response to citrus greening, with the goal of finding and delivering effective tools to citrus growers to help them combat this devastating disease.

Finally, the Budget includes an increase to combat illegal logging and protect natural resources on a global scale. According to a study by the U.N. Environmental Program, illegal logging accounts for \$30-\$100 billion annually, and it is linked to a variety of other criminal activities and affects the operations of legitimate businesses. This increase will enable importers to file Lacey Act declarations through an automated system and maximize the number of products reviewed for compliance with the 2008 amendments to the Lacey Act. This increase is consistent with our goal to date of balancing the need to enforce the 2008 amendments to the Lacey Act with the need to facilitate legitimate trade.

AGRICULTURAL MARKETING SERVICE

The President's Budget request for AMS proposes a discretionary appropriation of about \$84 million. This funding level includes the resources needed for ongoing Marketing Services activities and Federal-State Marketing Improvement Program matching grants. Additional funding is requested for the Transportation and Market Development Program to work with Federal and State agencies, land-grant universities, and regional planning commissions to assess local and regional food systems and determine key characteristics such as production capacity, market size, and demographics. This information will help food system developers, investors, and state and local governments better understand the challenges and opportunities for growth in their local food systems. By working with these partners, AMS can encourage efficient and high-impact use of Federal programs that support local and regional foods, as well as inform better planning at the local and regional level. These efforts will support the USDA strategic goal to assist rural economies to create prosperity by strengthening local and regional food systems.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

The budget proposes a discretionary appropriation of slightly more than \$44 million. About \$24 million is requested for the P&SP while approximately \$20 million is for FGIS activities including standardization, compliance, and methods development activities. The budget includes a modest increase in the existing restrictions on user fees expenditures to a maximum of \$55 million for grain inspection and weighing. This represents an increase of \$5 million from FY 2015. The discretionary budget includes a request for additional funding to allow the P&SP to facilitate market protections for buyers and sellers of livestock and poultry through greater compliance, investigative, and enforcement activities in the field. Funds would provide equipment and other support expenses needed for its field staff to effectively conduct regulatory and investigative work. The discretionary budget also includes an increase for FGIS to purchase modern scientific equipment, which will ensure that the results reported on FGIS certificates for all commodities and grain tested are available to customers in a more expeditious manner without sacrificing quality.

CONCLUSION

In closing, the budget request for MRP supports our key role in growing the rural economy and supporting producers and consumers across the Nation. Under this Administration, agricultural exports have had the strongest five-year period of growth in our nation's history, and set a new record in FY 2014 at \$152.5 billion. MRP programs have contributed significantly to this success as well as the development of domestic markets.

This concludes my statement. I look forward to working with the Subcommittee on the FY 2016 Budget and will be glad to answer questions you may have on these budget proposals.