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House Committee on
Appropriations

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) 2017 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. Elanor Starmer, Acting 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.

As you know, this is my last time testifying before you as Under Secretary in this Administration and I want to take this opportunity to thank the Subcommittee for the support you have provided the MRP mission area over the last several years. In the many areas that we have a shared vision, we have been able to provide needed support to farmers, ranchers and many other producers. As you have enabled us to support these hard working Americans, I am grateful. I also want to congratulate Ranking Member Sam Farr on his retirement. We truly appreciate his passion for the welfare of animals and for the farmers of California and our Nation.

Before discussing the request itself, I want to highlight some of our successes in expanding opportunities in rural America. In FY 2015, American agricultural producers achieved \$139.7 billion in exports, the third highest year on record. Agricultural exports climbed

more than 45 percent in value, totaling over \$911 billion, between 2009 and 2015, the best seven year stretch in history. Meeting the global appetite for American-grown products is good for the U.S. economy as a whole as it is estimated that for each dollar of agricultural exports another \$1.29 in business activity is stimulated. The MRP agencies have made strong contributions to achieving these record exports. As this Subcommittee knows well, APHIS is on the forefront of removing and preventing phytosanitary and sanitary trade barriers. Since FY 2009, APHIS has resolved 1,125 sanitary or phytosanitary trade issues with a value of \$15.4 billion. AMS also contributes to the promotion of trade. Through its export verification program, AMS certifies that products meet specific export requirements for countries around the world, including those in the European Union, Asia, and South America. In addition, AMS participates in international standards-setting organizations, ensuring that U.S. agricultural interests are represented when international trade standards are determined. AMS has also expanded export opportunities for U.S. organic businesses by finalizing five organic equivalency arrangements, most recently with Switzerland. GIPSA contributes to the promotion of trade as almost every bushel of grain that is exported from the U.S. is graded and inspected to GIPSA standards. The volume of grain inspected to GIPSA standards is immense. In 2015, the national inspection system provided over 3.45 million inspections on 305.3 million metric tons of grain with a value of over \$100 billion.

In addition to supporting agriculture through trade, the MRP agencies also protect domestic agriculture. The United States faced our largest animal health event last year with the outbreak of highly pathogenic avian influenza (HPAI). While we did identify areas for improvement as our budget requests indicates, the response within our current resource level was impressive. Through its program of detection, depopulation and disposal, cleaning and disinfection, and indemnity payments to producers, at a cost of about \$1 billion in Federal funds, APHIS was able to stamp out the known detections of the disease. Based on conversations with states and industry groups and the lessons APHIS identified from the FY 2015 response, the Agency prepared a comprehensive and updated emergency response plan for a potential return of notifiable avian influenza. In the plan, USDA has committed to depopulating affected birds within 24-hours to minimize disease spread; updated indemnification procedures so we can provide critical resources to producers as soon as possible; and evaluated available equipment, facilities, and personnel to help ensure we are ready to move quickly in the face of an outbreak. APHIS will now provide a flat rate of compensation to the producer for cleaning and

disinfection, based upon the type of facility and number of birds. This will also help to provide resources to producers faster, and reduce the amount of paperwork that producers need to submit to APHIS. We also published an interim rule to allow indemnity to be paid to growers who may not be the owners of the birds. APHIS will continue to work with our producers and State and local governments to continue to improve preparedness and response.

Last year, APHIS responded to an unprecedented number of exotic fruit fly detections with 12 outbreaks resulting in quarantines in California, Texas, Florida, and Puerto Rico. Despite the number of outbreaks, APHIS was able to detect and respond to them using our existing strategies and methods. We completed our responses to five of the outbreaks in the United States during FY 2015 and lifted the quarantine for the Oriental fruit fly outbreak in Florida on February 13, 2016. In addition to the animal and plant health work that APHIS does, the agency aids producers that face losses to predators, such as coyotes, wolves, feral swine, and large raptors. In FY 2015, APHIS responded to 482 reported wolf depredations. During the same year, APHIS successfully eliminated feral swine from four States and maintained operations in 37 other States. In total, APHIS carried out feral swine operations on 130 million acres. Going into FY 2017, funding to address livestock depredation and feral swine work will be maintained.

MRP agencies also provide marketing opportunities. Specifically, AMS facilitates marketing by reporting essential market data, upholding strong organic standards, and assisting the Nation's farmers and ranchers in taking advantage of opportunities, among other activities, to meet new consumer demands. The Administration's efforts over the years have made a lasting impact on markets important to producers of all sizes. For example, through the National Organic Program, AMS has provided the critical support needed to drive double-digit growth in the organic consumer market. In 2014, the retail market for organic products topped \$39 billion according to the Organic Trade Association, and it continues to grow. Today, the industry encompasses 21,666 certified organic businesses in the U.S.

In recent years, AMS has 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. For example, AMS'

Transportation and Market Development Program supports agricultural infrastructure with technical expertise, grants, informational tools, research, and outreach. Further, AMS' Market News provides reports on prices, volume, quality, condition, and other market data about farm products in specific markets and marketing areas. Through this work, Market News produces information that impacts billions of dollars in agricultural trading each year. For organic commodities, Market News provides approximately 250 reports. Information about the value of organic products and food in local and regional food systems helps producers to access risk management programs and other resources. For example, the Risk Management Agency insures approximately 256 million acres of crops valued at \$78 billion using Market News information for price elections and product valuation.

AMS' efforts are complemented by GIPSA's work to help ensure that livestock producers have a fair and competitive market environment and APHIS' work to protect the health of plants and animals. This discretionary funded work of the MRP agencies to enhance the competitiveness of U.S. producers is further amplified by Farm Bill funded activities for the Farmers Market and Local Food Promotion Program, which connects producers to consumers, and the Specialty Crop Block Grants, which aids States in supporting the specialty crops important to them. In total, these activities are key to improving the marketability of American agricultural products, creating opportunities for producers of all sizes whether they are marketing their products down the street or across the globe.

MRP agencies support innovation. USDA has facilitated the adoption of new technologies by streamlining the process for making determinations on petitions involving biotechnology. As this Subcommittee knows, APHIS put a new review process in place in 2012 to consider petitions for deregulation. These improvements provide a more rapid and predictable approach to evaluating biotechnology products, ultimately providing technologies to growers sooner and more choices to consumers. APHIS has received 14 new petitions since the process was put in place. Of those, 11 have been deregulated, and three of the remaining four should be complete by the end of FY 2016. The target timeframes for reaching a determination is 13 months to 15 months; the time is currently down to just over 18 months, but prior to the change in process, it often took three or more years for a determination. In FY 2015 alone, USDA reviews found safe genetically enhanced varieties of potato, corn, soybean, cotton, and alfalfa. USDA estimates that the cumulative number of actions taken to deregulate biotechnology

products based on a scientific determination that they do not pose a plant pest risk will increase from a cumulative total of 82 actions in FY 2009 to an estimated cumulative total of 126 actions in FY 2017.

Other MRP agencies have also taken action to implement innovative ideas to perform more efficiently. In support of the marketing of high quality grain and grain related products, GIPSA's Federal Grain Inspection Service has modernized the information technology infrastructure thereby improving the availability and access to trade documents for grain producers, handlers and marketers. Additionally, GIPSA has made great strides in improving market enhancing technology and services available to its stakeholders through projects such as the development of rice shelling technology and sorghum odor quality project. GIPSA is also evaluating the use of LED lights for use in official inspection labs. There is great interest in converting to LED lights to take advantage of energy cost savings.

FY 2017 Request

The 2017 Budget requests total budgetary authority of just over \$2.4 billion for the MRP agencies, of which about \$1.03 billion is from discretionary appropriations, approximately \$842 million from Customs receipts and about \$455 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 \$904 million for APHIS. In addition, existing user fees of more than \$219 million will support Agricultural Quarantine Inspection activities directly managed by APHIS, with the remainder being transferred to the Department of Homeland Security to support their agriculture-related border inspection activities. The proposal requests increased cost-sharing from cooperators of several programs related to specialty crops and tree and wood pests. These programs benefit the State, locality and the Nation in general. The proposals assume that both APHIS and our State and local partners share the financial responsibility for these programs. This allows a reduced demand on Federal taxpayer resources, and provides a more balanced allocation of responsibility

between the States and localities that directly receive this assistance and taxpayers. Similarly, the budget includes a decrease in the Wildlife Damage Management program by providing some services on a reimbursable basis and accounting for one-time costs. In recent years, successful efforts to reduce populations of pests, like pink bollworm, have allowed for savings without negatively impacting producers. In addition to these reductions, the budget requests a small number of increases for our highest priorities.

The budget includes an increase of about \$30 million to strengthen animal disease preparedness and response capabilities to stem the impacts of significant pests and diseases. Minimizing such impacts allows for an abundant food supply as well as provides trade opportunities for our producers. Over the last few years, USDA has addressed some of the worst animal disease outbreaks in recent history with the emergence of novel swine enteric coronavirus disease in the swine industry and the HPAI outbreak last year that infected 232 flocks and resulted in the depopulation of approximately 50 million birds. This increase will allow APHIS to improve its animal health readiness capacity by hiring additional staff to effectively address large-scale animal health events. In addition, APHIS will further develop activation and response plans and more fully test the readiness of their implementation which improves the depth of trained response personnel. Following the challenges faced in the 2015 HPAI outbreak, APHIS will develop prototypes and scalable plans focused on the depopulation, disposal, and decontamination of infected facilities. The request also funds the development of a protocol which will provide emergency use of National Guard mobile diagnostic laboratories. This increase will also provide the staff level needed to accomplish mission critical activities within the Select Agents program, and will also invest in technology improvements to enable electronic submissions of information to the National Select Agent Registry. This increase will also allow APHIS to fund cost increases associated with maintaining foot-and-mouth disease (FMD) vaccines and modernizing the North American FMD Vaccine Bank.

As part of a government-wide initiative to address antimicrobial resistance, 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 combat the threat of antimicrobial resistance. This funding will work in tandem with funding being requested within the Research, Education, and

Economics mission area.

The Budget also includes an increase for the Agricultural Quarantine Inspection activities funded by discretionary appropriations. We appreciate the increase of \$1 million for this core-mission program in the FY 2016 Appropriations Act. It will allow us to fill longstanding vacancies in the program. However, additional funds are needed so that we can address the continuing need for more inspectors at peak travel times to prevent the spread of damaging pests like exotic fruit flies from Hawaii to the mainland United States while also facilitating travel and trade. These pests would put California citrus and other fruit and vegetable crops at risk.

Finally, the Budget includes an increase of about \$4.5 million to combat illegal logging and protect natural resources on a global scale. According to a study by the U.N. Environmental Program, illegal logging is valued at \$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 of balancing the need to enforce the 2008 amendments to the Lacey Act with the need to facilitate legitimate trade.

AGRICULTURAL MARKETING SERVICE

For 2017, the President's Budget request maintains current AMS activities, including an increase for pay. The budget proposes a discretionary appropriation of about \$83 million for AMS. This funding level includes the resources needed for ongoing Marketing Services activities, which includes: Egg Surveillance and Standardization; Market Protection and Promotion; and Transportation and Market Development Program. Federal-State Marketing Improvement Program matching grants will also be maintained consistent with current activities. While programmatic increases are not being sought, it is worth noting that maintaining these efforts is important to our goal of assisting rural economies to create prosperity by supporting diverse marketing opportunities.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

For 2017, the President's Budget request maintains current GIPSA activities, including an increase for pay. The budget proposes a discretionary appropriation of approximately \$43 million. About \$23 million is requested for the Packers and Stockyards Program while approximately \$20 million is for Federal Grain Inspection Service activities including standardization, compliance, and methods development activities. The budget includes a request to remove the obligation cap imposed on inspection and weighing user fees. GIPSA has observed periods when there are high demands for export grain. During these periods, GIPSA employees need to work around the clock to meet the need for inspection and weighing services. Additionally, GIPSA received notice that as many as five additional bulk grain export facilities will be coming online in the next two years. One elevator in New Orleans runs 24 hours a day all year round. Given these demands for inspection and weighing services, the budget requests the obligation cap on inspection and weighing user fees be removed to provide GIPSA with the flexibility needed to respond to market needs.

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. Agricultural exports have had the best seven-year stretch in our Nation's history. 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 2017 Budget and will be glad to answer questions you may have.