

**Statement of Mr. Edward Avalos,
Under Secretary of Agriculture for Marketing and Regulatory Programs
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) 2014 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).

Secretary Vilsack has stated that the Administration is strongly committed to programs that create jobs and expand markets. MRP helps accomplish this in a variety of ways. For example, 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. GIPSA also 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.

MRP agencies have operated in an environment of tightened budgets. We have accomplished this through proactive management of, if not reductions in, staffing; internal reorganizations; office closures; consolidation of telecommunication services; and reduction of travel and other expenses. Further, we have prioritized our activities and made decisions to

eliminate or reduce programs that are not central to our mission. In addition, APHIS has reduced involvement in combating those pests where good progress could not be made with available means or which are overshadowed by higher priority threats. Successful efforts to eradicate pests, such as boll weevil and screwworm allow savings as well.

Still, the MRP agencies have achieved significant accomplishments that I would like to highlight. In FY 2012, APHIS resolved 207 sanitary and phytosanitary trade issues, including opening new markets and retaining and expanding existing market access for U.S. agricultural products valued at \$2.56 billion. This involved more than 50 countries and plant and animal products such as beef, cherries, dairy products, grapes, live swine and cattle, peas and pulses, potatoes, poultry, stone fruit, and many more. In FY 2012, APHIS personnel stationed overseas successfully secured the release of 324 shipments of agricultural products worth more than \$41 million. APHIS, working with California cooperators, reduced populations of European grapevine moths (EGVM), so that detections numbered only 77 in FY 2012 compared with almost 101,000 in FY 2010. EGVM is a threat not only to producers in California but potentially to those in 30 other States. APHIS has also achieved success in the animal health sector. Subsequent to APHIS promulgating the animal disease traceability rule in December, 2012, the Scientific Commission for the World Organization for Animal Health (OIE) recommended that the U.S. risk classification for bovine spongiform encephalopathy be changed from the second-tier risk rating to the lowest risk rating that OIE provides. Upon finalization, this will aid efforts to promote U.S. cattle and beef products abroad.

AMS achieved notable accomplishments in FY 2012 as well. AMS purchased about \$1.4 billion of food produced by America's farmers and processors for domestic nutrition assistance programs. In response to industry requests to improve procurement processes for canned and

frozen fruit and vegetable products, and to better meet FNS' need to supply these products year-round, AMS redesigned procurement programs in 2012 in a manner that won praise from industry and FNS recipient agencies. AMS established the United States–European Union Organic Equivalency Arrangement in June 2012, which has opened up a \$24 billion market to U.S. organic producers and handlers. AMS also facilitated marketing of U.S. organic products to Argentina, Australia, Brazil, Costa Rica, China, Germany, and Guatemala.

Finally, GIPSA had many noteworthy accomplishments. GIPSA closed 2,545 investigative files on potential violations of the Packers and Stockyards Act in FY 2012, compared with about 2,050 in FY 2011 and less than 580 in FY 2000. In addition, GIPSA also implemented use of new grain moisture meters based on technology it developed in coordination with the Agricultural Research Service and transferred to the private sector for commercial use. Two competing manufacturers' moisture meters were subsequently approved by GIPSA, which reduced significantly the price paid by the grain industry for these instruments.

The 2014 Budget requests total budgetary authority of about \$2.4 billion for the MRP agencies, of which about \$925 million is from discretionary appropriations, more than \$940 million from Customs receipts, and about \$435 million from fees charged to the direct beneficiaries of MRP services. The discretionary appropriations request for the MRP agencies combined is about \$84 million less than the FY 2009 appropriation, a decrease of about 8 percent. Continuing our efforts to address core mandates and high priority needs while using taxpayer resources as efficiently as possible, I would like to highlight the Budget requests for the MRP agencies.

AGRICULTURAL MARKETING SERVICE

The mission of AMS is to facilitate the competitive and efficient marketing of U.S. agricultural products. AMS accomplishes this mission through a wide variety of activities in cooperation with partners to the benefit of U.S. producers, marketers, and consumers. The President's Budget request for AMS proposes a discretionary appropriation of about \$84 million and includes a small number of important initiatives.

With additional funding for the Transportation and Market Development Program, AMS will help producers respond to growing consumer demand for local and regional food and expand their access to markets through product aggregation, processing, and distribution. Such efforts are intended to provide opportunities for smaller producers to scale up, for midsized producers to serve a scale-appropriate market segment such as institutions and grocers, and for producers of all sizes to diversify their sales. Expanding local and regional food systems in a community has been found to increase employment and income in that community.

The Budget also includes funding to assist the organic sector by ensuring the integrity of the USDA organic seal and fostering new organic equivalency agreements while taking actions, such as compliance monitoring, to maintain existing agreements. As organic sales expand and the number of certified operations rises, the National Organic Program must have sufficient resources to accredit, audit, and oversee the work of certifying agents, keep pace with violation investigation and enforcement, and maintain and expand trade opportunities provided by equivalency agreements.

An initiative under the Federal-State Marketing Improvement Program (FSMIP) will assist producers in meeting the requirements of the Food Safety Modernization Act. Under the FSMIP, AMS provides matching funds to State departments of agriculture for projects aimed at

improving marketing efficiency, reducing marketing costs for producers, and lowering food costs for consumers.

The Budget requests funding from Section 32 for USDA's Web-Based Supply Chain Management (WBSCM) system to begin a technical upgrade that must be completed in 2015 to keep the system operating efficiently and cost-effectively. AMS manages the WBSCM system, which has improved the procurement, delivery, and management of more than 200 foods (4.5 million tons) through domestic and foreign feeding programs administered by AMS, FSA, FNS, FAS, and the United States Agency for International Development.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

The Animal and Plant Health Inspection Service has a broad mission that includes protecting and promoting the health of U.S. agriculture and natural resources, administering the Animal Welfare Act, and carrying out wildlife damage management activities. Together with customers and stakeholders, APHIS enhances market access in the global marketplace and helps ensure abundant agricultural products.

The Budget request proposes discretionary appropriations of about \$801 million. In addition, existing user fees of more than \$210 million will support Agricultural Quarantine Inspection activities. The Budget proposes an elimination of funding for programs such as Johne's disease and chronic wasting disease, which can best be managed at a local or regional level. Increased cost-sharing will be requested from beneficiaries of several pest programs related to specialty crops, trees, and wildlife damage management; this allows lesser demand for Federal taxpayer resources. These and other carefully considered reductions, together with

aggressive streamlining steps, allow us to steward taxpayer resources and request a small number of increases for our highest priorities.

Given promulgation of the final animal disease traceability rule, the Budget requests funding to support effective implementation. This includes information technology systems to administer animal identification devices, allocate location identifiers, and manage the animal disease traceability information systems. APHIS will continue to provide the premises identification systems to States and Tribes that wish to use them. Funding for cooperative agreements with State and Tribes to implement the program, provision of low-cost identification tags, and other needs are included in the request.

Notably, the President's Budget requests an increase to address the growing problem of feral swine, which are estimated to cause \$1.5 billion in damages that threaten animal and human health; crops and livestock; rural, suburban, and urban properties; and natural resources and native resources. APHIS will coordinate with other Federal, State, and local entities to create a national program to address the more than five million feral swine currently found in 38 States. With populations of feral swine that have increased 21 percent annually in recent years, prompt and nationally coordinated action is needed.

Additional resources are also requested for a variety of efforts. For example, the Budget includes additional funding to combat the Asian longhorned Beetle in Ohio and Massachusetts, and to eradicate EGVM in California. To implement the APHIS rule to protect pets that are sold over the internet, by phone and by mail and that are currently exempt from USDA oversight, the Budget requests funds to identify such vendors and conduct education and licensing activities.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

GIPSA's mission is to facilitate the marketing of livestock, meat, poultry, grain, and related agricultural products and to promote fair and competitive trade for the benefit of consumers and American agriculture. GIPSA fulfills this mission through the Packers and Stockyards Program (P&SP) and the Federal Grain Inspection Service (FGIS).

The Budget proposes a discretionary appropriation of slightly more than \$40 million. About \$23 million is requested for the P&SP while approximately \$18 million is for FGIS activities including standardization, compliance, and methods development activities. The Budget also includes existing user fees of about \$50 million for grain inspection and weighing. 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. An increase for FGIS will allow it to purchase long-delayed scientific equipment, which will provide advanced assessment of rice characteristics and effective mycotoxin and pesticide residue testing programs for U.S. grain exporters.

CONCLUSION

In closing, the Budget request for MRP supports our key role for the rural economy and for producers and consumers across the Nation. It also reflects the comprehensive efforts we have taken to conserve taxpayer dollars through targeted, common-sense efficiencies. Any further reduction in funding would significantly impair our ability to deliver critical services and

would imperil our efforts to manage an increasingly complex workload with constrained staffing levels.

This concludes my statement. I look forward to working with the Subcommittee on the 2014 Budget and will be glad to answer questions you may have on these Budget proposals.