

**Statement by
Edward Avalos
Under Secretary for Marketing and Regulatory Programs
Before the House Committee on Agriculture
March 18, 2016**

Mr. Chairman and distinguished members of this committee, I am pleased to appear before you to discuss the activities of the U.S. Department of Agriculture (USDA) Marketing and Regulatory Programs (MRP) mission area, including 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, Administrator of AMS; and Mr. Larry Mitchell, Administrator of GIPSA. They will answer questions regarding specific agency activities.

Agriculture is an engine of growth and prosperity, directly or indirectly supporting 16 million jobs. MRP programs have contributed significantly to the success as well as the development of domestic markets 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 also works to help ensure that livestock, meat, and poultry producers have a fair and competitive market environment. APHIS also 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.

As you can see, each of our agencies has unique responsibilities, and today my colleagues and I are here to and discuss the important work our agencies are engaged in and how each contribute to the success of American agriculture.

APHIS

APHIS' primary mission is to safeguard the health and value of U.S. agricultural and other plant and animal resources. The Agency's programs directly protect livestock, poultry, and crops worth an estimated \$193 billion in 2015 (based on data collected by USDA's National Agricultural Statistics Service) and the well-being of 2.5 million animals under the Animal Welfare Act. APHIS employees come to work, every day, across the country and around the world, to serve a diverse array of customers and stakeholders and respond to challenges and threats as they arise – as they have with their response to the outbreak of Highly Pathogenic Avian Influenza (HPAI). The customers APHIS serves include ranchers, farmers, poultry producers, citrus producers, licensed animal dealers, importers and exporters, and ultimately the general public.

Several core beliefs form the foundation of APHIS' mission. First, healthy and profitable agriculture is good for America; it provides food and clothing for countless people worldwide and is a key pillar to a thriving economy. Second, as a Federal agency, APHIS' role is to take actions that no one State or individual entity has the capacity to take on their own. Lastly, APHIS has a special role to carry out in caring for vulnerable animals. APHIS accomplishments over the last year demonstrate our commitment to these principles, our mission, and to our customers. I'm pleased to share a few of the Agency's most notable accomplishments with you now.

Highly Pathogenic Avian Influenza

In FY 2015, 21 states had positive cases of notifiable avian influenza, affecting 232 premises (211 commercial, 21 backyard) and more than 48 million birds. At its largest point, APHIS' response team included 3,200 individuals, including Federal employees, State employees, and contractors. The response team worked diligently to contain and eradicate the disease, safely dispose of infected materials, and ensure the virus was eliminated so affected farms could safely return to production. Throughout the experience, APHIS continuously improved its response capabilities to provide the most effective and efficient services possible. All affected premises from those outbreaks have resumed operation.

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. APHIS also learned that it needs to rebuild response capabilities for large-scale events such as this one, and developed a plan to move in that direction including the development of multiple level coordination groups in APHIS and USDA.

Therefore, when HPAI was detected in Indiana in January 2016, APHIS took immediate action to identify the disease and launch response activities per the Agency's updated HPAI emergency response plan. APHIS depopulated the infected flock as well as other flocks at premises in close contact with the affected flock. It appears that this was an isolated incident where a low pathogenic virus mutated into the highly pathogenic form—a different strain from the one that caused the 2015 outbreak—and it does not necessarily indicate the beginning of a larger outbreak.

All told, USDA has received nearly \$1 billion in Commodity Credit Corporation (CCC) funding to address these outbreaks. This has allowed it to help producers recover from the outbreak, with over \$190 million directly compensating them for the loss of the poultry and related equipment. It has funded the depopulation and disposal of infected poultry, as well as cleaning and disinfection of premises. Funding also has allowed the Agency to increase staffing to address the outbreak, conduct planning activities and to do extensive surveillance so there is early warning of where the virus may strike.

APHIS is prepared for any return of the disease and its preparedness and quick response to the Indiana outbreak likely helped prevent further spread of HPAI in the region. APHIS will continue to work with its state and industry partners to identify and address any additional outbreaks should they occur.

Biotechnology

APHIS continues to make significant progress with its biotechnology petition review process. In recent years, this process was taking more than 3 years, adding to a growing backlog of petitions. To address this situation, APHIS undertook a business process improvement review and for petitions received in 2015, is now meeting its goal of 13 to 15 months to review petitions that do not require an environmental impact statement (EIS). When the process began, APHIS had a backlog of 23 petitions. The Agency has reviewed 22 of those with just one still pending.

Most recently, APHIS announced that it is developing a draft EIS to evaluate a range of alternatives the Agency can take as it works to update its biotechnology regulations. APHIS is considering amending its biotechnology regulations to reflect lessons learned from regulating biotechnology products since 1987, reflect advances in biotechnology and address comments and suggestions raised by stakeholders. This update to the regulations would increase the efficiency and precision of our regulations. As we do so, we will continue to ensure that our business process improvements to the regulatory process will continue as well.

The proposed revisions APHIS is considering could align the range of risks that may be considered under APHIS' biotechnology regulations with both the plant pest and noxious weed authorities of the Plant

Protection Act, to ensure a high level of plant health protection, improve regulatory processes so that they are more transparent to stakeholders and the public, and provide regulatory relief so that unnecessary regulatory burdens are eliminated.

Feral Swine

In FY 2014, APHIS requested and received funding from Congress to initiate the National Feral Swine Damage Management program. 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. APHIS' goal is to reduce damage by suppressing populations in States where feral swine populations are large and widely distributed. In States where feral swine are emerging or populations are low, APHIS will cooperate with Federal, State, Tribal, and local entities to eliminate them. The Agency will also target feral swine emerging in urban areas where they pose a danger to people and property, and the Agency will also conduct research to develop and evaluate new and emerging tools to further reduce damage inflicted by feral swine.

Plant Protection Issues

USDA appreciates Congress' support of the Huanglongbing (HLB) Multi-Agency Coordination group (MAC). The MAC is working diligently with the citrus industry to find near-term practical tools and solutions for the industry to use in combatting HLB. It has brought unprecedented coordination and cooperation across Federal and State agencies and industry in an effort to speed progress on methods to fight this disease. With support from Congress, the HLB MAC has been able to approve \$20 million in more than 30 HLB-related projects to put practical tools to work in the field now while longer term solutions are developed. Some of the tools being developed include delivering thermal therapy to citrus trees (to kill the bacteria that causes HLB) on a grove-size scale, increasing production of biological control agents to manage Asian citrus psyllid populations (which spreads HLB), and training detector dogs to find trees infected with HLB. We would also note significant progress in field trials for the use of antimicrobials that attack the disease and stop its spread. In addition, in FY 2016, with Congress' support, APHIS was able to commit more than \$48.8 million to Citrus Health Response Program activities with an emphasis on HLB and Asian citrus psyllid.

APHIS also has made significant progress in addressing a variety of plant pests, including our very successful work with the State of California and industry to keep the European grapevine moth (EGVM) from establishing a foothold. APHIS detected more than 100,000 of these moths in FY 2009, the first year of the program. In FY 2015, APHIS and its partners did not detect a single moth, and it may be able to remove all EGVM quarantines by the end of this fiscal year.

APHIS has also used the funding provided by the Agricultural Act of 2014 (2014 Farm Bill) to continue to enhance plant health through two important programs, Plant Pest and Disease Management and Disaster Prevention and the National Clean Plant Network (NCPN). Since 2009, APHIS has funded more than 2,600 projects in 50 States and 2 U.S. territories, strengthening the Agency's abilities to protect U.S. agriculture and natural resources from foreign pest threats. Cooperators across the country put innovative ideas into action with Farm Bill funds. APHIS just announced its \$58.25 million FY 2016 funding plan, which will support 412 projects suggested by States, universities and other partners. Projects include \$890,000 for old world bollworm survey and response activities; and \$157,000 for bark beetle and other wood boring beetles that affect important forests in Oregon. Farm Bill funding has also allowed APHIS to commit \$3.4 million to eradicate gypsy moth infestations in Washington and Oregon; over \$2.2 million to support eradication of the giant African snail in Florida; \$1.6 million for coconut rhinoceros beetle in Hawaii and Guam; and over \$1.6 million to address spotted lanternfly in Pennsylvania. In support of the NCPN, which provides reliable sources of pathogen-free planting stock of high-value specialty crops, APHIS and cooperators have also provided funding and other support to 22 clean plant centers and

associated programs in 17 States representing specialty crops including fruit trees, grapes, citrus, berries, sweet potatoes, roses and hops.

Assisting and Expanding Exports

The ability to export is key to the growth, profitability, and continued success of U.S. farmers and ranchers and related agricultural businesses, and is an important contributor to our balance-of-payments. For some crops, 50 percent or more of our production is exported, including 80 percent of U.S. cotton, 70 percent of tree nuts, and 50 percent of wheat and rice. According to USDA's Economic Research Service, the value of U.S. agricultural exports has nearly tripled in value. U.S. agricultural exports totaled about \$140 billion in FY 2015. The strong showing demonstrates continuing world-wide demand for high-quality U.S. grown products.

APHIS plays a significant role in continuing to help U.S. farmers and ranchers access new markets. In January 2015, APHIS reached a historic agreement with China to allow all U.S. grown apples into the Chinese market. These efforts result in high quality, fresh U.S. apples being available for consumers in China and a significant boost in sales for American apple producers. Exports of U.S. apples to China through November 2015 were valued at nearly \$22 million. Last year, APHIS, in cooperation with other agencies, successfully negotiated and resolved 171 sanitary and phytosanitary (SPS) trade-related issues involving U.S. agricultural exports, with an estimated market value of more than \$2.5 billion. This includes continuing our efforts to eliminate all remaining bovine spongiform encephalopathy (BSE)-related restrictions on U.S. cattle and beef. Based on our efforts, 14 countries removed all BSE restrictions on U.S. beef and beef products in FY 2015. Together these markets have a potential value of \$180 million for our exporters. We were able to retain important markets for U.S. poultry like the European Union (worth \$111 million) by providing scientifically sound information on our efforts to contain the outbreak of highly pathogenic avian influenza. APHIS also successfully intervened in 293 situations where U.S. cargo was held up at foreign ports-of-entry, which prevented the rejection of shipments worth more than \$25 million.

Animal Welfare

APHIS' Animal Care program carries out activities designed to ensure the humane care and treatment of animals covered under the Animal Welfare Act (AWA) through inspections, enforcement, and education. The program ensures that proper care is provided for certain animals that are: exhibited to the public; bred for commercial sale; used in medical research; or transported commercially. Facilities using regulated animals for regulated purposes must provide their animals with adequate housing, sanitation, nutrition, water and veterinary care, and must protect their animals from extreme weather and temperatures.

AMS

AMS's 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. AMS also provides the agriculture industry with valuable services to ensure the quality and availability of wholesome food for consumers across the country.

AMS carries out a wide range of programs under the authorization of the Agricultural Marketing Act of 1946, as well as over 50 other statutes. More than half of the funds needed to finance AMS activities (excluding commodity purchase program funds) are derived from voluntary user fees. AMS also provides services for private industry and State/Federal agencies on a reimbursable basis. In addition, AMS conducts several appropriated program activities through cooperative arrangements with State Departments of Agriculture and other agencies.

AMS employees work every day to support the country's diverse agricultural operations. The Agency's workforce includes marketing specialists, commodity graders, economists, market news reporters, scientists, and analysts who support the marketing of American agricultural products and work in industry-specific processing plants, terminal and shipping point markets, production facilities, and office environments. AMS provides services and awards millions of dollars in annual grant investments that create opportunities by supporting economic development in small towns and rural communities across America.

Much of the agency's support for agriculture is provided through commodity-specific efforts, such as its Dairy; Fruit and Vegetable; Livestock, Poultry and Seed; and Cotton and Tobacco Programs. AMS also oversees the National Organic Program; Science and Technology Program; and the Transportation and Marketing Program. Further, AMS provides oversight for over 20 research and promotion programs, also known as checkoffs, which are responsible for well-known advertising campaigns such as "Got Milk" and "Beef: It's what's for dinner." In addition, AMS enforces other Federal regulations such as the Perishable Agricultural Commodities Act (PACA) and the Federal Seed Act.

Within five of the twelve titles of the 2014 Farm Bill, there were nearly 30 provisions related to AMS. The agency has made great strides toward implementation including the timely awarding of grants, providing several reports to Congress, establishing the Unprocessed Fruit and Vegetable Pilot in eight states, and moving to a hearing on a proposed California Federal Milk Marketing Order.

Market News

One of our most widely used programs is Market News. Last year marked the 100 year anniversary of AMS' Market News which provides 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. 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.

Market News is constantly evaluating the evolving needs of the agriculture industry to better serve our stakeholders. For example, AMS has increased the reporting of 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.

Commodity Procurement

Another key AMS activity is commodity procurement. AMS purchases a variety of domestically produced and processed foods, providing an outlet for surplus products, supporting American agriculture, and providing food to Federal nutrition programs administered by the Food and Nutrition Service (FNS). Annually, AMS purchases about two billion pounds of domestic foods with funding from Section 32 and FNS funds appropriated for the Federal nutrition programs, through legislation such as The National School Lunch Act and The Emergency Food Assistance Act of 1983. 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.

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 inform them 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.

Grants

AMS grant programs also 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 helps states strengthen markets for their specialty crops, such as fruits, vegetables, tree nuts, horticulture and nursery crops. In FY 2015, AMS awarded \$63 million to 755 Specialty Crop Block Grant Program projects nation-wide. AMS expects to award approximately \$62 million in FY 2016. 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.

Farmers Market and Local Food Promotion Program grants are available annually to support local and regional food systems through two competitive programs: the Farmers Market Promotion Program (FMPP) and the Local Food Promotion Program (LFPP). FMPP grants fund farmer-to consumer direct marketing projects such as farmers markets, community-supported agriculture programs, roadside stands, and agritourism. LFPP grants fund local and regional food business enterprises that serve as intermediaries to process, distribute, aggregate, and store locally or regionally produced food products. Projects also provide technical assistance and outreach, including planning grants for local food businesses. In Fiscal Year 2015, AMS awarded approximately \$25 million in competitive grants to expand marketing through these two programs. A similar amount will be available in Fiscal Year 2016.

Local

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 tap into growing consumer demand for locally-grown food. 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.

In 2015, AMS created three new online local food directories that provide public listings of food hubs, on-farm markets, and community supported agriculture (CSA) 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.

Organics

AMS’ National Organic Program (NOP) facilitates market access for organic agricultural products and conducts compliance and enforcement activities that protect the integrity of the organic label to ensure consumer confidence. NOP establishes national organic regulations and accredits 79 third-party organic certifying agents worldwide. Those certifiers oversee an organic industry that experienced 11% growth in the U.S. in 2015, with 21,666 certified organic operations (up from 19,474) and 24% growth around the world, with 31,020 operations (up from 25,008).

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 (Canada, European Union, Japan, South Korea, Switzerland) such arrangements that make it easier for U.S. organic businesses to access a \$65 billion global organic market.

Another achievement worth noting is AMS' launch of 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, increases market and supply chain connections, and supports the development of new markets.

GIPSA

The core mission of GIPSA is to facilitate the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products, and promote fair and competitive trading practices for the overall benefit of consumers and American agriculture. GIPSA plays an integral role in ensuring the economic viability of America's farmers and livestock producers, and in turn, of rural America. GIPSA administers two programs that are very important to American agriculture: the Packers and Stockyards Program (P&SP) and the Federal Grain Inspection Service (FGIS).

Packers and Stockyards Program

Under the Packers and Stockyards Act (P&S Act), GIPSA's P&SP regulates businesses that market livestock, poultry, and meat. Congress passed the P&S Act in 1921 to address serious concerns of unfair and deceptive practices in the meatpacking industry. Over the years, Congress has amended and supplemented the P&S Act to keep the Act relevant to the changing livestock, poultry and meat industries. For instance, in 1976, Congress added authority for the Secretary to assess civil penalties for violations. In 1987, Congress added financial protection for poultry producers, and as recently as 2008, Congress added the right of producers growing poultry or swine under contract to decline arbitration clauses in the contracts and established the forum for resolving disputes.

Today, the P&S Act promotes fair and competitive marketing in livestock, poultry, and wholesale meat for the benefit of American agriculture and consumers. By fostering fair competition, the P&SP helps assure that meat and meat products are available to consumers at fair prices. Fair competition, payment protection, and prohibitions against deceptive and fraudulent trade practices in livestock markets assure producers that they will receive competitive prices and timely payment for livestock.

By protecting fair-trade practices, financial integrity, and competitive markets, GIPSA promotes marketplace fairness for livestock producers, buyers, sellers, swine contract growers, and poultry growers for the benefit of all market participants and American consumers.

Federal Grain Inspection Service

FGIS facilitates the marketing of U.S. grain, oilseeds, and related agricultural products by providing official U.S. grading standards, as well as methods to assess product quality; maintaining the integrity of the marketing system by enforcing the United States Grain Standards Act (USGSA) and the Agricultural Marketing Act of 1946 (AMA); and administration and oversight of America's national grain inspection system, a network of third-party Federal, State, and private laboratories that provide impartial, user-fee funded official inspection and weighing services under the USGSA and the AMA. Grain standards established under the USGSA and AMA and maintained by FGIS are used to facilitate the marketing of approximately 309 million metric tons of grain, rice, and pulses, in domestic and export markets. Of the total tonnage volume, approximately 133 million tons were exported by way of ships, trucks, rail, and containers, worth approximately \$41 billion. This amounted to approximately one out of every eight rows of corn raised in the United States, one out of every two rows of soybeans and two out of every five

truckloads of wheat. In 2015, there were more than 3.4 million inspections by the national grain inspection system.

FGIS is recognized worldwide as the gold standard for grain inspection. In FY 2015, FGIS grain inspection accuracy was 96.5 percent based on a review of 5,258 samples covering a total of 8,962 quality factors. Inspection accuracy is determined by a quality assurance review of the original grain inspection and factors that are grain characteristics that have been determined to be important to the commercial value of the grain. During the first 4 months of Fiscal Year 2016, FGIS grain inspection accuracy was 97.1% based on a review of 1,510 samples covering a total of 3,109 factors.

FGIS facilitates foreign trade by assisting countries with the development of standards that are consistent with U.S. grain standards. FGIS personnel frequently meet with delegations visiting from other countries to brief them on the U.S. grain marketing system and the role of FGIS, our national inspection and weighing system, U.S. grain standards, the various services offered to our customers under the USGSA and AMA, explain the importance of using the same inspection methods and procedures at destination, importance of maintaining equipment accuracy, and FGIS quality control programs.

During FY 2015, GIPSA personnel met with 74 teams from 43 nations. Additionally, in FY 2015, FGIS inspectors traveled to China and closely worked with the Chinese government on U.S. grain moving into China, as well as Columbia and Algeria to conduct workshops on U.S. inspection methods for corn, soybeans and wheat. These activities foster better understanding of the entire U.S. grain marketing system and enhance purchasers' confidence in U.S. grain. In 2015, China purchased 1.85 billion bushels of soybeans representing 58.3% of all U.S. soybeans which shows the importance of maintaining these critical relationships with our trading partners.

Conclusion

In closing, MRP strongly supports the Department of Agriculture's key role in growing the rural economy and supporting producers and consumers across the Nation. As federal agencies tasked with regulating and facilitating the agricultural industry, MRP agencies must perform this work at the speed of commerce. To do this, AMS, APHIS, and GIPSA must have strong relationships and partnerships with state agencies, industry groups, universities, and other Federal agencies, among others. Further, we are constantly seeking new opportunities to leverage the capabilities of other USDA mission areas to meet the needs of producers and consumers.

Mr. Chairman and members of this Committee, this concludes my statement. Thank you for the opportunity today and I look forward to continuing to work with you. At this time, my colleagues and I will be glad to answer any questions you may have regarding the MRP mission area.