Statement of Edward Avalos Under Secretary for Marketing and Regulatory Programs U.S. Department of Agriculture

Before the Subcommittee on Livestock, Dairy, and Poultry House Agriculture Committee

July 20, 2010

Mr. Chairman, Ranking Member, and Members of the Subcommittee, thank you for the opportunity to appear here today to discuss the implementation of the livestock title of the Food, Conservation and Energy Act of 2008. This hearing provides us with a chance to review this critical title of the 2008 Farm Bill in advance of the 2012 Farm Bill. I look forward to working with Members of this Committee, and other Members of the House and Senate, as you work to develop future policies, programs, and initiatives.

Let me start by acknowledging the hard work of the Members of this Committee and your staff. Having worked closely with my own staff across the country on a number of livestock programs over the past 10 months since being sworn in as Under Secretary for Marketing and Regulatory Programs (MRP), I appreciate the hard work that went into crafting this important title in the legislation. You are all to be commended for the strong bipartisan effort that produced a number of very important provisions for our producers and others who rely on this Nation's livestock industry.

The three USDA agencies I oversee – the Agricultural Marketing Service (AMS), the Animal and Plant Health Inspection Service (APHIS), and the Grain Inspection, Packers and Stockyards Administration (GIPSA) – are the primary agencies with responsibility for implementing Title XI, the livestock title of the Farm Bill.

Joining me today are AMS Administrator Rayne Pegg, APHIS Administrator Cindy Smith, and GIPSA Administrator Dudley Butler.

I can assure the subcommittee that one of Secretary Vilsack's top priorities is ensuring that the 2008 Farm Bill is implemented as quickly as possible. This Administration is committed to supporting rural America and the thousands of people across the country involved in farming, ranching, and related industries and endeavors.

In MRP, we work towards this goal by providing oversight to protect producers from unfair competition and unfair business practices. We also protect the U.S. livestock sector from animal health threats and ensure the humane care and treatment of certain animals. In addition, we facilitate and expand the domestic and international marketing of U.S. livestock products by providing information and marketing tools.

I am pleased to have the opportunity to describe what MRP has accomplished in implementing livestock provisions of the 2008 Farm Bill and am looking forward to working with you as you work towards its reauthorization in 2012.

Animal and Plant Health Inspection Service

APHIS has worked to implement a number of programs in the Farm Bill that address specific animal disease threats that U.S. producers face, taking into account the evolving animal health landscape. I would like to briefly mention a couple of these accomplishments and then update you on two other key animal health initiatives at USDA.

APHIS has drafted revisions to its 5-year Cattle Fever Tick National Strategic Plan and also developed a business plan for the program to include new and previously proposed initiatives. These include the evaluation of anti-tick vaccines and new tick control technologies, widespread use of efficient and enhanced tick control measures for deer that carry ticks, and the development of surveillance herd plans for any premises currently under quarantine due to the presence or exposure to fever ticks, among other things. While the revisions to the National Strategic Plan are still being finalized, APHIS has moved forward and funded a number of the new initiatives with increased appropriated funding of \$2 million in Fiscal Year (FY) 2009 and another \$3 million in FY 2010, making important and innovative strides in addressing this disease threat.

APHIS moved quickly to publish its final rule establishing a voluntary trichinae certification program for U.S. pork, as outlined in the 2008 Farm Bill. The final rule was published in fall 2008. To help jump start the program, APHIS paid for on-farm audits and waived the program user fee in FY 2009. In FY 2010, APHIS carried out outreach and promotion activities for the new program, and funded farms as they moved from the pilot program into the official program. However, despite Agency and industry efforts, demand for the program has been low because none of our trading partners currently recognize this program to be used for fresh pork export assurances with regard to *Trichinella* at this time. We recognize the importance of this issue, and will be working with industry to address this issue through the World Organization for Animal Health (OIE) once key data is obtained to support such an effort.

I would also like to update you on our progress moving forward with our new, flexible framework for animal disease traceability in the United States—a critical component of quick and successful disease response. APHIS is actively partnering with States, Tribal Nations, and industry, holding State and Tribal forums and public meetings to discuss ways of improving animal disease traceability, sharing the approaches under discussion, and continuing the dialogue with stakeholders.

As you know, last year USDA held 15 listening sessions across the country, and we heard from thousands of interested parties. We then incorporated that feedback to create a flexible framework that embraces the strengths of States, Tribal Nations, and producers, and allows them to find the animal disease traceability approaches that work best for them. In short, the new traceability approach:

• Will give us the ability to respond to animal disease outbreaks without overly burdening producers;

- Will apply only to animals moving interstate; and
- Will complement and intersect with existing disease programs, incorporating identification requirements for those programs, and encouraging the use of lower-cost technology.

The new traceability approach will be led and administered by the States and Tribes, with Federal support focused entirely on disease traceability. This will allow States, producers, and industry to work together to find identification solutions that meet their needs. The new approach will also incorporate strengthening protections against the entry and spread of disease, more strictly enforcing existing disease control regulations, and finding ways to provide more resources to the States to combat diseases when they emerge.

We are moving forward with a very collaborative effort to turning this framework into a flexible, coordinated approach to traceability. Our ultimate goal will be to publish in the Code of Federal Regulations a new animal disease traceability section in straightforward, understandable language, allowing for full transparency and public comment. We anticipate publishing a proposed rule in spring 2011.

It is important that you know our commitment to developing a plan that most effectively protects the health of animals and allows for a rapid response when animal disease events take place. While APHIS has a long history of working effectively with livestock industries, State regulatory agencies, and accredited veterinarians to control and eradicate livestock diseases, the animal health landscape is changing, and as a result, we must adapt to that change. Numerous factors are affecting this change. These include, but are not limited to:

- Evolving needs of animal agriculture industry, in part because of changes in industry structure and the increase in the number of large-scale farm operations;
- Advances in technology such as diagnostics, vaccines, and novel treatment technologies;
- Emerging diseases, including an increasing number of them with zoonotic potential; and,
- Increasing global travel and trade, and the increasingly complex issues presented by U.S. involvement in global agricultural business and trade with regard to imports as well as exports.

I mention just a few examples of the changing animal health landscape, but they all present opportunities for APHIS to take a step back, evaluate our mission, and determine how we must adapt to continue to meet animal health challenges.

To position APHIS to better meet the animal health needs of the 21st century, we have developed a strategic vision for our Veterinary Services program by the year 2015, known as VS 2015. We identified three key changes as essential for the VS organization:

- Greater emphasis on disease prevention, preparedness, detection, and early response activities;
- An expanded veterinary health mission that is responsive not only to issues that impact animal agriculture, but also public health concerns connected to animal populations of any kind; and
- An expanded portfolio of interstate and international certification services that meet the increasing expectations of global customers.

APHIS announced this strategic vision to the states and industry in 2008 and is now developing a strategic plan to achieve this vision. We anticipate that our four working groups will develop a comprehensive, yet focused strategic plan to guide our efforts by the end of calendar year 2010. While the strategic plan is being developed, APHIS has already begun revising several animal health programs to align them with the VS 2015 initiative, including our bovine tuberculosis, brucellosis, and animal traceability programs.

APHIS' ultimate goal with the VS 2015 program is to promote the continuing health of the Nation's animal agriculture and to maximize VS' effectiveness in meeting emerging animal health challenges. As we further develop our strategic plan and identify any needed changes to our authorities, I look forward to having additional dialogue with the Committee as we move forward with these initiatives.

As you know, Secretary Vilsack announced in May that USDA is strengthening its enforcement of the Animal Welfare Act (AWA). The Administration is committed to fully enforcing the AWA and ensuring the humane treatment of regulated animals. This is consistent with several provisions from the 2008 Farm Bill, which APHIS has moved quickly to carry out. For example, APHIS is working closely with our counterparts at the Centers for Disease Control and Prevention, U.S. Customs and Border Protection, and the Department of Commerce to draft regulations to implement the provision on the importation of dogs. We anticipate publication of a proposed rule this fall to prohibit the air transport of dogs under 6 months of age and outline exemptions provided for in the Farm Bill.

I also thank the Committee for its effort to increase the maximum civil penalty for violations of the AWA to \$10,000, providing APHIS with a stronger tool to enforce the Act.

Agricultural Marketing Service

Four sections in Title XI of the 2008 Farm Bill contained provisions that fell under the jurisdiction of the Agricultural Marketing Service.

A number of amendments were made to the Livestock Mandatory Reporting Act, including the requirement that AMS undertake a study on the effects of requiring packers to report information on wholesale pork cuts. AMS entered into a cooperative agreement with a team of university researchers identified by the Livestock Marketing Information Center to complete the study of pork reporting. The final report was transmitted to the House and Senate Agriculture Committees on March 22, 2010.

USDA was also directed to implement an enhanced system of electronic reporting and to carry out a market news education program. AMS has been developing a proof-of-concept "Cattle Dashboard" that will add an improved user interface, including tools for data visualization, to its primary system for disseminating Livestock Mandatory Reporting information through the Web. AMS is pleased to report that the "dashboard" feature will be added to the AMS web site this week.

I would like to provide the subcommittee with a brief demonstration of what the new "dashboard" will look like [presentation attached].

The Farm Bill also required country of origin labeling (COOL) for muscle cuts and ground beef (including veal), pork, lamb, goat, and chicken; wild and farm-raised fish and shellfish; fresh and frozen fruits and vegetables; peanuts, pecans, macadamia nuts, and ginseng sold by designated retailers. The final regulation was published in the January 15, 2009 Federal Register and became effective on March 16, 2009. AMS' education and outreach program assists industry in achieving compliance with the provisions and requirements of the agencies' rules. Approximately 37,000 retail establishments are covered by COOL. USDA trained employees of state agencies who are cooperating with USDA by carrying out compliance activities through conducting in-store retail reviews.

In calendar year 2009, COOL reviews were performed in approximately 5,000 retail stores where approximately 1.16 million item types (for example, US Choice Strip Steak, company branded strip steak, bin of tomatoes, package of carrots, Tilapia fillet, etc.) were evaluated. Out of the 1.16 million item types reviewed at retail from June 2009 through December 2009, greater than 96% were properly labeled. USDA plans to review 12,741 covered retailers by the end of the first full year of enforcement, which ends September 30, 2010.

The Livestock Title also provided for the re-establishment of the National Sheep Industry Improvement Center to promote the strategic development activities and collaborative efforts that strengthen and enhance the production and marketing of sheep or goat products in the United States. The authorization provided \$1 million in mandatory spending for fiscal year 2008 to remain available until expended. AMS is drafting an Interim Rule which it plans to publish very soon.

Also included in this Title is the establishment of an inspection program for domestic and imported catfish as well as the implementation a voluntary fee based grading program for catfish. AMS is responsible for establishing the grading system. AMS has conducted several meetings with representatives of the catfish industry, the National Marine Fisheries Service officials, and Food Safety and Inspection Service (FSIS) officials to discuss grading and inspection services. AMS is in the process of drafting proposed standards for this grading system, to be published in the Federal Register.

Grain Inspection, Packers and Stockyards Administration

Congress took action in the 2008 Farm Bill to address fairness in certain aspects of the livestock and poultry industry, particularly in regards to contracts and enforcement of the Packers and Stockyards (P&S) Act, under the jurisdiction of GIPSA.

On June 22, 2010, GIPSA published a proposed rule in the *Federal Register* that implements Sections 11005 and 11006 of the farm bill, which directs USDA to carry out certain rulemaking to improve fairness in the marketing of livestock and poultry, and addresses concerns raised by increasingly consolidated markets. The proposed rule seeks to provide significant new protections for producers against unfair, fraudulent, discriminatory, and retaliatory practices.

The public comment period closes on August 23, 2010. We are currently receiving feedback from individuals and groups asking that we either maintain the current comment deadline, or extend it. We take all of these views very seriously and USDA plans to make a decision as soon as possible on whether to extend the comment period. GIPSA strongly encourages all interested parties to comment on the proposed rule. All viewpoints are needed to ensure we end up with a strong and workable rule.

On January 4, 2010, in a separate rulemaking action, a GIPSA final rule on poultry contracting became effective. GIPSA published this final rule to address certain standards of fairness in contracting in the poultry industry. The rule sets out the information that live poultry dealers must furnish poultry growers to improve transparency and requires adequate notice of when a contract will be terminated.

To explore competition issues affecting the agriculture and appropriate antitrust and regulatory enforcement, USDA and the Department of Justice (DOJ) are holding joint Workshops on Competition in Agriculture. These first-ever collaborative workshops afford farmers, ranchers, consumers groups, agribusinesses, and the Federal government a forum to openly discuss legal and economic issues associated with competition in the agriculture industry. These workshops are aimed at creating a dialogue on these complex issues and a better understanding of what issues are most important to producers.

The first workshop was held on March 12, 2010, in Ankeny, Iowa, and focused on issues facing row crop and hog farmers. The May 21, 2010, workshop in Normal, Alabama, addressed contracts in the poultry industry, concentration, and buyer power. On June 25, 2010, we held a workshop in Madison, Wisconsin, that looked at concentration, marketplace transparency, and vertical integration in the dairy industry. Subsequent sessions will be held on August 27, 2010, in Fort Collins, Colorado, with a focus on beef, hog and other animal sectors, market concentration, and enforcement of the Packers and Stockyards Act; and, December 8, 2010, in Washington, DC, with a focus on the discrepancies between the prices received by farmers and the prices paid by consumers.

Finally, I want to share information with you on one other important issue we are working on in our part of USDA. As you may know, there has been an escalation in violence along the U.S./Mexico border related to drug cartel activity. Due to the violence in northern Mexico and based on advice from security experts in other parts of the U.S. Government, USDA temporarily

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suspended livestock import activities at two ports along the U.S./Mexico border in late March, and another port in late June. The safety of our employees is paramount. However, we also understand how important the services we provide are to the livestock community. In this regard, we have implemented short-term fixes—opening temporary inspection facilities on the U.S. side of the border and diverting cattle to other ports—and we are working with U.S. producers, affected State officials, and our Mexican counterparts as quickly as possible to identify long-term solutions that will meet the needs of both the United States and Mexico.

In conclusion, thank you for the opportunity to describe our successes and challenges in implementing Title XI of the Farm Bill, as well as some of the related initiatives being undertaken by USDA. I look forward to working with members of this committee and providing assistance as you work towards developing the next Farm Bill. The Administrators and I will be happy to answer any questions that you may have.

Livestock Mandatory Reporting Cattle Dashboard



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Tabs Allow Users to Select 4 Different Views



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Scrolling Ticker Displays the Latest Daily Negotiated Cash Market Information



Users Can Customize Region, Date Range, and Specific Types of Information to Be Displayed



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Table Displays Current Information with Comparisons to Prior Periods



Graphical Display of Current & Prior Period Information – Can Be Toggled to Display in Tabular Format





Charts Display 3 Months of Historical Information – Tabs Allow Users to View Different Comparisons



Users Can Download Charts & Data in Different Formats for Further Analysis, Reports & Presentations



Link to the Cattle Dashboard from the Livestock & Grain Market News Portal at www.marketnews.usda.gov/portal/lg

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