

**Statement by
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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. Anne Alonzo, 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 works to help ensure that livestock 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 the agencies 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 protect U.S. livestock, poultry, and specialty crops worth more than \$191 billion (based on data from the 2012 Census of Agriculture), as well as the well-being of animals covered 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, such as Avian Influenza, as they arise. These customers include ranchers, farmers, poultry producers, citrus producers, licensed animal dealers, importers and exporters, and many others. While APHIS is engaged in this crucial work, the Agency is also doing more with less. APHIS has lost more than \$400 million in appropriations over the last four years. This means there are 225 fewer staff for APHIS' veterinary services program from 2009 levels at a time when it is facing the continuing threat of HPAI.

Several core beliefs form the foundation of this 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. And third, APHIS has a special role to carry out in caring for vulnerable animals.

Biotechnology

One area where APHIS has made significant strides is with its biotechnology petition review process. In recent years, this process was taking more than 3 years for review and preparation of evaluations necessary to make regulatory decisions. Such delays added to a growing backlog of petitions. To address this situation, APHIS undertook a business process improvement review, has developed a process that when fully implemented will take 13 to 15 months for the review of petitions that do not require an environmental impact statement (EIS). The Agency is now nearly through the entire list of backlogged petitions and has reduced petition review times to an average of 18 months without compromising the quality of the analyses. The Agency expects to fully meet the new timeframes for new petitions received in FY 2015. For petitions that do require an environmental impact statement, additional resources are being devoted to these intensive analyses so they can be completed in a timely manner.

HPAI

USDA and APHIS have been confronting the largest animal health emergency in this country's history. APHIS is dealing with an unprecedented outbreak of highly pathogenic avian influenza (HPAI) that is taking a heavy toll on the poultry industry. People have lost their jobs and have seen their livelihoods put in grave danger by this outbreak, and our hearts go out to them. I can assure you, however, that this disease has USDA's fullest attention, and we are committed to standing with our producers, the poultry industry, and the communities they live in and support, to get them back on their feet.

USDA has been and will be there every step of the way with producers, industry, and our state partners. APHIS has worked closely with them to respond quickly and decisively to this outbreak. More than 400 USDA staff and nearly 3,000 USDA-contracted personnel have been working around the clock in every affected state on the response. We've delivered over \$190 million in indemnification payments to producers to control the spread of disease, and to help them recover from it. Should the need arise, we have the authority to request even further funding. All told, USDA has received around \$1 billion in Commodity Credit Corporation (CCC) funding to address this outbreak. We've seen trade cut off by trading partners concerned about the devastating effects of this disease, causing over \$1 billion in poultry products to be directed to other markets at a cost to producers. We understand the devastating impact this outbreak has had upon all, and we are committed to helping those affected. And we will help protect those producers who have not yet been – and we certainly hope, will not be – impacted by this disease.

Despite the difficulties we've faced, we've had some good news. APHIS has not had a single detection of the disease since June 17, and of the 211 commercial premises affected, cleaning and disinfection has been completed on 178, and 133 are eligible to restock. The restocking guidelines that the Agency and the states have put in place provide assurance that the premises

and the local environment are free from the disease, and that enhanced biosecurity measures are in place to reduce the threat of re-contamination.

APHIS HPAI emergency response activities in the spring were largely based on existing emergency response plans the Agency and its partners developed prior to the outbreak. As the Agency began planning for the fall, it spent a lot of time meeting with states and industry to determine what worked and what needed to be improved so that the response for any potential fall outbreaks could be improved.

In addition to weekly planning and information-sharing calls with state and industry partners through the spring and summer, USDA participated in several conferences and workshops to discuss these issues and plan for the fall. Two important workshops were held in Riverdale, Maryland and Des Moines, Iowa. Industry and Animal Health officials discussed worst case scenarios, and preparation efforts going into the fall season.

Based upon those conversations and the lessons APHIS identified, the Agency prepared and presented to the Secretary a comprehensive and updated emergency response plan for the fall outbreak. The plan outlines steps the Agency and its partners will take, including enhancing biosecurity, increasing surveillance efforts, and improving efforts to identify and deploy personnel.

Other actions that APHIS has identified or implemented as a result of our fall planning:

- Conducted a nationwide review of emergency resources to identify state and local resources that could contribute to a response and reduce response time.
- Emphasized the need for stronger biosecurity and worked with states and industry to prepare additional materials to educate producers.
- Prepared to deploy vaccines, including issuing a request for proposals to stockpile vaccines and holding discussions with trading partners about how USDA would use them.
- Increased wild bird surveillance with Federal and state partners to more quickly identify where the virus may strike.
- Initiated the hiring process to bring additional veterinarians and employees to USDA on a term basis to assist with any potential outbreak.
- Worked with state partners to identify disposal options in each state, such as landfills, to allow for more rapid depopulation and disposal of sick birds.
- Set a goal to more rapidly depopulate sick birds, within 24 hours if possible, which will reduce the amount of virus in the environment and help reduce potential lateral spread.
- Started work on developing a new virus elimination process to more rapidly and cost-efficiently provide funding to producers to remove the virus from their barns.

APHIS has encouraged states to update their response plans, and has worked with them to identify depopulation and disposal options available in their states. APHIS has also begun an inventory of necessary depopulation and disposal equipment and will work to stage equipment in strategic areas.

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 is working to remove animals in the 41 States, and with our partners, has established State-level management control plans that outline our management goals and objectives for each State. Depending on local conditions, these range from total elimination of feral swine populations to the management of individual populations.

Plant Protection Issues

We also appreciate 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 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 newly infected with HLB, among other exciting projects. In addition, in FY 2015, with Congress' support, APHIS was able to commit more than \$48.5 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. Last year, on track with expectations, APHIS found a single moth. It meant the Agency could free all of Solano County and portions of Sonoma and Napa counties from Federal quarantine in time for the fall grape harvest. Although we can't claim just yet that we've completely eradicated this pest, this progress is a tremendous win for all of us.

I am also very proud of the work APHIS has done toward eradicating boll weevil from the United States. More than 30 years ago, you could find boll weevils in every cotton-producing state from Virginia to Texas. Through cooperative work with State partners, the cotton industry, and counterparts in Mexico, we have eradicated boll weevils from 99.5 percent of the 16 million acres of the U.S. cotton crop. In fiscal year 2014, the number of boll weevils captured decreased in the Lower Rio Grande Valley by more than 32 percent. This effort helped growers in the Valley have the option to plant 55,000 more acres of cotton than they did the previous 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 1,800 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. 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 20 clean plant centers and associated programs in 16 States representing 5 specialty crops including fruit trees, grapes, citrus, berries, and hops.

Exports

The ability to export is key to the growth, profitability, and continued success of U.S. farmers and ranchers and related agricultural businesses. 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. Agricultural exports surpassed \$152 billion in FY 2014, and have climbed more than 58 percent in value since 2009, totaling \$771.7 billion over the past five years. They have increased in volume as well as monetary value, demonstrating 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. Last year, APHIS, in cooperation with other agencies, successfully negotiated and resolved a total of 170 sanitary and phytosanitary (SPS) trade-related issues involving U.S. agricultural exports, with an estimated market value of \$2.5 billion. This includes continuing efforts to eliminate all remaining bovine spongiform encephalopathy (BSE)-related restrictions on U.S. cattle and beef. In FY 2014, APHIS achieved success with several countries agreeing to remove all BSE restrictions and grant access to U.S. beef and beef products. These include major markets such as Mexico and Hong Kong, among others. APHIS also successfully intervened in 273 situations where U.S. cargo was held up at foreign ports-of-entry, which prevented the rejection of shipments worth more than \$49 million.

Animal Welfare

APHIS' Animal Welfare 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 they must protect their animals from extreme weather and temperatures.

AMS

The mission of AMS is to facilitate the efficient, fair marketing of U.S. agricultural products, including food, fiber, and specialty crops. AMS administers programs that create domestic and international marketing opportunities for U.S. producers. 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.

I would like to provide the committee with a few examples of how AMS activities touch and benefit U.S. agricultural producers and consumers. One of our most widely used programs is Market News. This year marks 100 years 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. 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. The Agency 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.

Another key AMS activity is purchasing non-price supported commodities such as meats, fish, fruits, vegetables, poultry, and egg products in order to stabilize market conditions pursuant to Section 32, and in support of nutrition assistance program needs within USDA. The 2002 and 2008 Farm Bills established minimum levels of specialty crop purchases. All purchased commodities are distributed by FNS to schools or to other domestic nutrition assistance programs. 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.

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 2014, all 50 States, the District of Columbia, and four U.S. Territories were awarded Specialty Crop Block Grants that funded a total of 839 projects, totaling approximately \$66 million. AMS expects to award approximately \$63 million in FY 2015. 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. For Fiscal Year 2015, AMS expects to award over \$27 million in competitive grants to expand marketing through these two programs.

AMS, along with other USDA agencies, is helping producers tap into growing consumer demand for locally-grown food. According an Economic Research Service report, the value of local food sales, defined as the sale of food for human consumption through both direct-to-consumer (e.g., farmers' markets) and intermediated marketing channels (e.g., sales to institutions or regional distributors), topped \$6 billion in 2012. 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.

As demand for certified organic food products continues to grow, AMS plays a key role in setting and enforcing meaningful standards. 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.

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 8 states, and moving to a hearing on a proposed California Federal Milk Marketing Order.

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.

The P&S Act provides specific protections for poultry growers and swine production contract growers including the right to cancel production contracts, the right to be informed of the possibility of additional capital investments, the right to resolve contract disputes in the Federal judicial district in which the principle part of the performance takes place under the contract, and the right to decline to be bound by the arbitration provision in a contract.

The P&S Program investigative work is handled by three regional offices located in Atlanta, Georgia, Des Moines, Iowa, and Aurora, Colorado. The regional offices include a staff of auditors, marketing specialists, resident agents, economists, investigating attorneys, and legal specialists some of whom are assigned to the regional office and others whose duty stations are

their personal residences. These employees conduct investigations and regulatory activities such as business audits, weighing verifications, and day-to-day industry monitoring. The P&SP Washington, DC staff provides litigation support through investigation review, sanction recommendation, hearing preparation, settlement negotiations, and testimony at hearings. The headquarters staff also processes and summarizes industry data and develops policy and information materials and drafts notices and regulations under the P&S Act.

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.

GIPSA maintains a toll-free hotline (800-998-3447) to receive complaints and other communications from livestock producers, poultry growers, and other members of the industry or general public. The hotline allows callers to voice their concerns or file a complaint anonymously. GIPSA responds to all calls received. In 2014, GIPSA initiated 86 investigations or reviews of livestock market operations in response to complaints. Although this was less than 4 percent of all investigations and reviews of market agencies that year, complaints from injured parties or the general public are important sources of information about fairness and financial integrity in the livestock sector.

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 U.S. 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 301 million metric tons of grain, rice, and pulses for export around the world by the way of ships, trucks, rail, and containers worth approximately \$50 billion. In 2014, there were more than 3.3 million inspections. This amounted to approximately one out of every four rows of corn raised in the U.S., one out of every two rows of soybeans and two out of every five truckloads of wheat.

FGIS is recognized worldwide as the gold standard for grain inspection. From October 1, 2014, to July 31, 2015, FGIS grain inspection accuracy was 96.5% based on a review of 3,782 samples covering a total of 7,144 factors. FGIS resolves grain quality and weight discrepancies, by promoting domestic grain and commodity standards and marketing infrastructures in other countries. FGIS also assists importers in developing quality specifications and complements international trade by training foreign inspectors in U.S. inspection methods and procedures. During 2014, GIPSA personnel met with 49 teams from 32 nations. This year FGIS inspectors traveled to China to certify grain shipments, as well as Columbia and Algeria to conduct workshops on U.S. inspection methods for corn, soybean, and wheat. These activities foster a better understanding of the entire U.S. grain marketing system and enhance purchasers' confidence in U.S. grain. Ultimately, these efforts are instrumental in moving our nation's

harvest to end-users around the globe.

Conclusion

In closing, MRP 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.

In addition, I would like to take this opportunity to thank Chairman Conaway, Ranking Member Peterson, and the members of this Committee and their staff for their leadership in the efforts to reauthorize the U.S. Grain Standards Act and the Mandatory Price Reporting Act. We are grateful for the Committee's efforts and look forward to the completion of this important work before September 30, 2015.

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.