

**Statement of Rayne Pegg, Administrator
Agricultural Marketing Service
U.S. Department of Agriculture**

**Before the
Subcommittee on Horticulture and Organic Agriculture
House Agriculture Committee**

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Chairman Cardoza, Ranking Member Schmidt and members of the Subcommittee, thank you for inviting me to appear before you today at this hearing to review the U.S. Department of Agriculture's (USDA) implementation of the Horticulture and Organic Agriculture Title (Title X) of the Food, Conservation, and Energy Act of 2008 (Farm Bill).

USDA's Agricultural Marketing Service (AMS) and the Animal and Plant Health Inspection Agency (APHIS) are the primary agencies with responsibility for implementing Title X. However, there are three sections in this title which are the responsibility of the Farm Service Agency, the Forest Service, and the National Agricultural Statistics Service. APHIS Administrator Cindy Smith is here with me today to answer any APHIS-specific questions that you might have.

I can assure the subcommittee that one of Secretary Vilsack's top priorities is ensuring that the 2008 Farm Bill is implemented as expeditiously as possible following the intent of Congress as enacted in the statute. This Administration is also committed to the importance of fresh, nutritious food and raising the profile of locally grown food, including specialty crops and organic agriculture. President Obama has made a safe, sustainable, and nutritious food supply a central goal for USDA.

USDA has implemented all of the programs authorized by the Farm Bill for which funding was provided. Finally, the provisions of the Farm Bill that relate to quality requirements for Clementines and a marketing order for Hass Avocados, have not been implemented as both provisions require that an industry proposal be submitted to USDA to initiate implementation. To date, no proposals have been submitted.

Subtitle A – Horticulture Marketing and Information

AMS administers the two grant programs covered in subtitle A. The Specialty Crop Block Grant Program provides funding to states and territories to enhance the competitiveness of specialty crops. Sec. 10109 provided the program funding levels from the Commodity Credit Corporation (CCC) for fiscal years 2008 through 2012, added horticulture to the definition of specialty crop, and added Guam, American Samoa, the U.S. Virgin Islands and the Commonwealth of the Northern Mariana Islands to the list of "states" eligible to apply for grants. These changes required AMS to undertake

rulemaking which was completed on March 27, 2009 with the publication of the final rule in the *Federal Register*. In this final rule, AMS, per the language in the Farm Bill's Managers Statement, required state departments of agriculture to describe their outreach efforts to specialty crop producers, including socially disadvantaged and beginning farmers, and describe their efforts to conduct a competitive process to ensure maximum public input and benefit.

Through the funding provided in the Farm Bill for specialty crop block grants, AMS awarded 56 grants totaling \$9.5 million in fiscal year 2008 and approximately \$49 million for 745 projects in fiscal year 2009. Nearly all of the funds were awarded to benefit small- and medium-sized specialty crop farmers. Many of these projects focused on the development of low- and middle-size farmers through agricultural training opportunities, promotional and cost-share assistance, and community network development.

The other AMS grant program covered in Subtitle A is the Farmers Market Promotion Program (FMPP), which works to help improve and expand domestic farmers markets, roadside stands, community-supported agriculture programs, agri-tourism activities, and other direct producer-to-consumer market opportunities. Sec. 10106 of the Farm Bill provided CCC funds for fiscal years 2008 through 2012, specified statutorily the categories of farmer-to-consumer direct marketing activities eligible for funding under the program, and required that not less than 10 percent of the funds used to carry out the program in a fiscal year are to be used to support the use of electronic benefits transfers (EBT) at farmers' markets.

AMS awarded 85 FMPP grants totaling \$3.5 million and covering 43 States in fiscal year 2008. The 85 awards went to 63 nonprofit organizations, 12 local governments, 6 agriculture cooperatives, 2 Tribal governments, 1 economic development corporation, and 1 farmers market authority. Over \$385,000 or 11.2 percent of the funds awarded involved EBT activities, thus meeting the required threshold. For fiscal year 2009, AMS awarded 86 grants totaling more than \$4.5 million covering 37 States. The 86 awards went to 65 nonprofit organizations, 16 local governments, 2 agriculture cooperatives, 2 Tribal governments, and 1 producer network. Thirty of the 86 grants promote the use of new EBT projects.

As with the grant programs, USDA has made great strides in implementing the other provisions in Subtitle A. Sec. 10104 allowed for the development of a program for good agricultural practices and good handling practices under the Mushroom Promotion, Research and Consumer Information Order, as well as reapportioned the membership of the Mushroom Council to reflect shifts in domestic mushroom production. AMS published the final rule implementing these provisions in the *Federal Register* on October 2, 2009.

Sec. 10101 required USDA to arrange for an independent study and evaluation of the purchasing processes principally devoted to perishable agricultural commodities provided in section 32 of the Act of August 24, 1935 (Sec. 32). AMS signed a cooperative

agreement with the University of California - Davis on September 19, 2008. The study will examine the budgetary, statutory, and regulatory authority underlying the processes used by the Department to make purchases under Sec. 32. A preliminary report will be made available in January of 2010.

Sec. 10103 directed USDA to include, beginning in 2008, specialty crops in the census of agriculture. USDA's National Agricultural Statistics Service (NASS) met this requirement when conducting the 2007 Census of Agriculture during calendar year 2008. Also, it should be noted that this December, NASS will begin collecting data for the Census of Horticultural Specialties, conducted once every 10 years, which provides a comprehensive and detailed picture of U.S. floriculture, nursery and specialty crop operations.

Subtitle B – Pest and Disease Management

We appreciate the attention paid in the Farm Bill to addressing the devastating plant pests and diseases that can cause significant damage to our agricultural and natural resources. Invasive threats such as the emerald ash borer, Asian citrus psyllid, sudden oak death disease, and Asian longhorned beetle know no jurisdictional bounds, and it takes a comprehensive, team approach to combat them effectively. In close cooperation with the National Plant Board, Federal, State, academic, and tribal groups, and specialty crop and other industry organizations, our Animal and Plant Health Inspection Service (APHIS) has developed a five-year strategy to implement the plant pest and disease and disaster management provision of the Farm Bill. This strategy focuses on six key areas:

- 1) enhancing plant pest and disease analysis and survey;
- 2) targeting domestic inspection activities at vulnerable points;
- 3) enhancing pest identification tools and technology;
- 4) developing programs to safeguard nursery production;
- 5) enhancing outreach and education to increase public understanding and support of plant pest and disease eradication and control programs; and
- 6) enhancing mitigation capabilities.

APHIS allocated full funding in FY 2009—\$12 million, as called for in the Farm Bill—to carry out this program. Throughout the summer, APHIS conducted webinars, online surveys, and face-to-face meetings with State partners and other stakeholders to gain input in developing the spending plan for FY 2010. The enhanced resources provided through the Farm Bill will position APHIS to develop a more proactive approach to plant health protection, solidify partnerships with stakeholders, and enable meaningful advances in our pest detection infrastructure. The net effect of improving our ability to detect and respond to a plant pest or disease in the early stages of an introduction is significant cost savings for taxpayers and U.S. agriculture, as it avoids the high costs of a long-term management program and helps maintain access to international markets for U.S. producers.

Hand-in-hand with our goal of protecting U.S. agriculture from plant pests and diseases is the need to provide reliable sources of healthy planting stock for specialty crops. APHIS, the Agricultural Research Service, and the National Institute of Food and Agriculture have made significant strides in forming the National Clean Plant Network (NCPN), as directed by the Farm Bill. In March 2009, the three USDA Agencies signed a Memorandum of Understanding laying the foundation for the NCPN at the national level and providing direction and guidance for newly forming NCPN specialty crop networks. Two commodity networks—the Fruit Tree Clean Plant Network and the Grape Clean Plant Network—are currently part of the NCPN, and USDA funded five key clean plant centers in FY 2009. There is increasing interest for other specialty crops to become part of the NCPN, with organizing meetings for citrus, berries (strawberries, blueberries, cranberries and cane fruit), sweet potato, and hops scheduled in the coming months. USDA looks forward to working with these groups as we expand the NCPN.

APHIS has also made significant progress in addressing issues raised in the Farm Bill regarding the Agency's regulation of the products of biotechnology. In October of last year, APHIS proposed a major overhaul of its biotechnology regulations, which incorporate many of the provisions of the Farm Bill, such as implementing risk-based permit categories, requiring improved recordkeeping, and clarifying actions the Agency may take in the event of an unauthorized release of a genetically engineered (GE) organism. We received more than 66,000 comments and held 5 public meetings during the comment period. We are now considering the public input as we decide on the best way to move forward. Our goal is to ensure that now, and in the future, our regulations will always be strong enough to meet the demands of this science.

APHIS is also nearing completion of the pilot phase of the new Biotechnology Quality Management System, which encourages developers to adopt auditable best-management practices for movements and outdoor releases of regulated GE organisms. In addition, we are taking steps to improve, where needed, separation distances between regulated field trials and neighboring fields. To do this, APHIS has undertaken a major review of the scientific literature and standard seed production practices, working in part with the Association of Official Seed Certifying Agencies. These enhancements are just a few examples of the many changes APHIS has implemented to its biotechnology regulatory program to ensure that it remains robust enough to address the evolving nature of biotechnology.

Finally, Sec. 10205 established the Pest and Disease Revolving Loan Fund which would provide loans to local governments to finance purchases of equipment to monitor, remove, dispose of and replace pest and disease infested trees in quarantine areas. Although no funding has been appropriated, the Forest Service is currently in the process of drafting rules and identifying appropriate mechanisms to implement the Fund.

Subtitle C – Organic Agriculture

The three provisions in this subtitle are administered by AMS. The National Organic Certification Cost-Share Program makes funds available to states, plus the District of

Columbia and the Commonwealth of Puerto Rico, interested in providing cost-share assistance to organic producers and handlers certified under the National Organic Program (NOP). Sec. 10301 provided \$22 million in CCC funds for cost share activities to remain available until expended and increased the cost share reimbursement from \$500 to \$750. Also, USDA was directed to submit by each March 1 an annual report to Congress describing: requests by, disbursements to, and expenditures for each state during the current and previous fiscal years, including the number of producers and handlers served. The Managers language encouraged the Secretary to keep accurate and current records of requests by and disbursements to States under the program, and require accurate and consistent recordkeeping from each State and entity that receives program payments.

For fiscal year 2008, \$2.10 million was allocated to the states while in fiscal year 2009 \$1.35 million was allocated to the states. On September 30, 2009, USDA announced the availability of funds for the cost share program for fiscal year 2010. The required report to Congress was delivered on March 20, 2009.

Sec. 10302 directed USDA to collect data on production, pricing, and marketing of organic agricultural products. The data would be included and published in the ongoing baseline of data collection regarding agricultural production and marketing. \$5 million in CCC funds were provided until expended and \$5 million for each FY 2008 through 2012 was authorized. The Managers Statement directed \$3.5 million of the \$5 million to AMS. This section also required a report to Congress within 180 days of enactment on the progress made implementing these activities and identifying additional production and marketing data needs. The required report was delivered to Congress on December 29, 2008.

AMS is proceeding with the expansion of the reporting of organic production and market data. For example, the September 5, 2008 issue of National Fruit and Vegetable Retail Report featured the debut of a new section devoted specifically to the coverage of organically grown produce sold on special at the retail level. In addition, AMS Market News has just issued its first organic market report on dairy products and continues to add a wide range of horticultural items to its daily reports for shipping point for domestic or point of entry for imported organic products. AMS has also added a “Portal community” specific to organic interests to the Market News Portal.

Sec. 10303 authorized funding for the National Organic Program at \$5 million for fiscal year 2008, \$6.5 million for 2009, \$8 million for 2010, \$9.5 million for 2011, and \$11 million for 2012. For fiscal year 2009, Congress appropriated \$3.867 for the NOP and \$6.967 million for fiscal year 2010.

Subtitle D – Miscellaneous

The two honey provisions in this subtitle are administered by AMS. Sec. 10401 made a number of amendments to the Honey Research, Promotion, and Consumer Information Act. First, the Farm Bill directed AMS to consider a national research and promotion

program for honey packers and importers. AMS received a proposal for this packers and importers program and conducted a referendum on that proposal from April 2 – 16, 2008. In the referendum, 78 percent of those voting, representing 92 percent of the volume of those voting in the referendum, approved the program. The program became effective on May 22, 2008, one day after the final rule was published in the *Federal Register*. The first board meeting took place on September 4, 2008. With the approval of this new program, the collection of assessments under the Honey Research, Promotion and Consumer Information Order -- authorized under the Honey Research, Promotion and Consumer Information Act -- was suspended. A termination order for that program was published in the Federal Register on April 17, 2009.

The second major requirement under Sec. 10401 directed USDA to consider establishing a research and promotion program for domestic producers. On July 14, 2009, AMS published a proposed rule and solicited comments through September 14, 2009 for a domestic honey producer program. AMS is currently reviewing those comments. If it is determined that a program is warranted, AMS will publish a rule and hold a referendum. A final rule will be published if the program is approved in the referendum.

The second Farm Bill honey provision, Sec. 10402, provided country of origin labeling requirements for honey that bears any official certificate of quality, grade mark or statement, continuous inspection mark or statement, sampling mark or statement or any combination of the certificates, marks, or statements of USDA. The Interim Final Rule was published in the July 8, 2009 *Federal Register* with comments due by September 8. This rule, which became effective October 6, 2009, would establish a new regulation addressing country of origin labeling for packed honey bearing any official USDA mark or statement and would add a new cause for debarment from inspection and certification service for honey.

Finally, Sec. 10404 directed the Secretary to make payments to producers of the 2007 asparagus crop for market losses resulting from imports during the 2004 through 2007 crop years. USDA was authorized to expend up to \$15 million in direct payments to asparagus producers: up to \$7.5 million for payments for production marketed as fresh and up to \$7.5 million for production marketed as processed. USDA is drafting a regulation to implement this provision.

Other USDA Activities Related to Specialty Crops and Organic Agriculture

On September 15, 2009, USDA announced its “Know Your Farmer, Know Your Food” (KYF²) Initiative. The impetus for this initiative, as the Committee well knows, was the many provisions in the 2008 Farm Bill that focused on local and regional foods. Under the KYF² initiative, agencies are challenged to examine current programs, policies, and regulations and be as innovative as possible to use these resources to encourage more local and regional food systems—to the benefit of producers and consumers. A primary focus of this initiative is to help rural America create wealth and retain that wealth in their local communities.

USDA is also committed to working with our partners to identify strategies to link children with foods that are produced in the same community where they attend school. This strategy benefits children, who receive a diverse, healthy diet, as well as farmers and local economies. USDA directly purchased about \$650 million in specialty crops in 2008 for domestic nutrition assistance programs, including those that serve elderly and American Indian populations. This included an estimated \$124 million in purchases by the National School Lunch Program and about \$215 million for 2008 Farm Bill required purchases, plus emergency bonus purchases under Section 32. In part to support small farmer participation in these purchases, USDA, through its Office of Small and Disadvantaged Business Utilization (OSDBU), provides technical assistance and guidance on how to supply commodities to the domestic feeding programs. OSDBU conducts regular vendor outreach sessions to identify marketing strategies and information on how small farmers can market their capabilities to USDA. These sessions and the OSDBU outreach enable small farmers to establish relationships with USDA procurement officials, leading to increased procurement opportunities.

We also support local farm to school efforts by providing technical assistance resources to our cooperating agencies. In 2000, USDA issued a step-by-step guide on the Small Farms/School Meals Initiative which details how to bring small farms and local schools together. In 2005, USDA issued *Eat Smart—Farm Fresh! A Guide to Buying and Serving Locally-Grown Produce in School Meals*, which provides best practices and strategies for finding locally-grown food and implementing Farm to School initiatives. We will be updating this publication later this year, with new success stories, additional resources from outside organizations, and basic tools for operating a successful program from start to finish.

The organic industry is the fastest growing segment of U.S. agriculture. U.S. sales of organic foods have grown from \$1 billion in 1990, when the Organic Foods Production Act established the NOP, to a projected \$23.6 billion in 2009. The National Organic Program is committed to the integrity of the organic seal. In September, Secretary Vilsack announced that the NOP will become an independent program area within AMS because of the increased visibility and emphasis on organic agriculture throughout the farming community, evolving consumer preferences, and the enhanced need for governmental oversight of this widely expanded program.

Conclusion

Thank you for the opportunity to describe our successes and challenges in implementing Title X of the Farm Bill, as well as some of the related initiatives being undertaken by USDA. I am happy to answer any questions that you may have.