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House Committee
on Appropriations

**Statement of Mr. Edward Avalos
Under Secretary of Agriculture for Marketing and Regulatory Programs
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies
Committee on Appropriations
U.S. House of Representatives**

Mr. Chairman and distinguished members of this Subcommittee, I am pleased to appear before you to discuss the activities of the Marketing and Regulatory Programs (MRP) mission area of the U.S. Department of Agriculture (USDA) and to present the fiscal year (FY) 2015 budget proposals for the Agricultural Marketing Service (AMS), the Animal and Plant Health Inspection Service (APHIS), and the Grain Inspection, Packers and Stockyards Administration (GIPSA).

With me today are: Ms. Anne Alonzo, Administrator of AMS; Mr. Kevin Shea, Administrator of APHIS; and Mr. Larry Mitchell, Administrator of GIPSA. They have statements for the record and will answer questions regarding specific budget proposals for their respective agencies. Also with me is Mr. Michael Young, USDA's Budget Officer.

Secretary Vilsack said before this Subcommittee that the Administration is strongly committed to expanding opportunity for all Americans. MRP helps accomplish this in a variety of ways. For example, AMS and GIPSA certify the quality of agricultural commodities and provide industry with a competitive edge earned by the USDA seal of approval for grading and inspection. GIPSA also works to help ensure that livestock producers have a fair and competitive market

environment. APHIS protects the health of plants and animals, enhancing the competitiveness of U.S. producers by keeping production and marketing costs low. All three agencies help resolve international issues to maintain and open markets around the world for U.S. products.

MRP agencies are operating in an environment of increasing workload and complexity, with constrained resources. We have continued quality operations because we enhanced partnerships, streamlined processes, and focused our resources on the highest priorities. In addition, we are constantly seeking new opportunities to leverage the capabilities of other USDA mission areas to meet the needs of producers.

The MRP agencies have achieved significant accomplishments, a few of which I would like to highlight. In FY 2013, APHIS, in cooperation with other agencies, resolved 200 sanitary and phytosanitary trade issues, which included opening new markets and retaining and expanding existing market access for U.S. agricultural products valued at more than \$2.9 billion. This involved more than 50 countries and plant and animal products such as peaches, apples, grapes, cattle, poultry, and many more. Also in FY 2013, APHIS personnel stationed abroad removed technical barriers that would have otherwise prevented the entry of U.S. agricultural commodities. These employees successfully secured the release of agricultural products worth more than \$34 million. In addition to work abroad, stateside APHIS personnel have also achieved success in addressing significant plant and animal pests. For example, by working with California cooperators, APHIS continued the successful effort to eradicate European grapevine moths (EGVM). EGVM is a threat, not only to California where the pest is known to exist, but also to the overall United States grape and stone fruit export markets. While most people think of wine-making when they think of grape production, it is

worth noting that the table grape and raisin industries are also susceptible to the ravages of EGVM.

APHIS has also achieved success in the animal health sector. In FY 2013, USDA published a final rule that helped ensure that the United States has a strong livestock traceability system. Such a system is essential to respond to animal diseases, preserve animal health, and limit economic loss to owners and communities.

AMS accomplishments in FY 2013 included new Market News reports that increased market transparency for wholesale pork and grass-fed beef. These Market News reports helped farmers and ranchers by providing market clarity and better access to information. AMS grading, certification, and audit verification services certified that products met the requirements for USDA quality grades and specialized food labels. AMS also worked with other agencies to facilitate trade by harmonizing U.S. and Canadian meat cut terminology and by developing export verification programs that open export markets. Another significant accomplishment was the establishment of an organic equivalency agreement between the U.S. and Japan that streamlines access for U.S. organic products. The combined organic sector in the U.S. and Japan is valued at more than \$36 billion and rising. In 2013, AMS' Commodity Purchase Program purchased a total of almost \$1.6 billion worth of food from our nation's producers. AMS efforts to support small businesses with these purchases resulted in more than 45 percent of contract dollars awarded to small businesses.

Finally, GIPSA had many noteworthy accomplishments. GIPSA closed 2,272 investigative files on potential violations of the Packers and Stockyards Act in FY 2013. This is more than four times the number closed in FY 2000, despite having fewer staff. In addition, GIPSA also provided over 2.97 million inspections on 230.3 million metric tons of grain with a value of over \$36 billion. GIPSA's

grading standards help buyers and sellers efficiently identify the quality of grain and grain products. These standards are essential for providing a common language for trade.

The 2015 Budget requests total budgetary authority of about \$2.3 billion for the MRP agencies, of which about \$965 million is from discretionary appropriations, more than \$919 million from Customs receipts, and about \$455 million from fees charged to the direct beneficiaries of MRP services. MRP agencies are continuing our efforts to address core mandates and high priority needs while using taxpayer resources as efficiently as possible. I would like to highlight the budget requests for the MRP agencies.

AGRICULTURAL MARKETING SERVICE

AMS' 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 the benefit of producers, traders, and consumers of U.S. food and fiber products. AMS accomplishes this mission through a wide variety of activities in cooperation with State and agricultural industry partners.

The President's Budget request for AMS proposes a discretionary appropriation of about \$84 million. This funding level includes the resources needed for ongoing Marketing Services activities and Federal-Statement Marketing Improvement matching grants. Additional funding is requested for the Transportation and Market Development Program to work with Federal and State agencies, land-grant universities, and regional planning commissions to assess local and regional food systems and determine key characteristics such as production capacity, market size, and demographics. This information will help food system developers, investors, and state and local governments to better

understand the challenges and opportunities for growth in their local food systems. The assessment will also complement grant programs funded by the 2014 Farm Bill. Also, within the requested current funding level, AMS is planning to expand Market News reporting on local and regional food to make more market data available on agricultural products sold locally. These data will offer new transparency for these markets and will help other USDA agencies provide better services to local and regional producers.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

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

The budget request proposes discretionary appropriations of about \$838 million. In addition, existing user fees of more than \$231 million will support Agricultural Quarantine Inspection activities directly managed by APHIS. Increased cost-sharing will be requested from cooperators of several pest programs related to specialty crops and trees pests; this allows lesser demand for Federal taxpayer resources, and provides a more balanced allocation of responsibility. In recent years, successful efforts to eradicate pests, like boll weevil, and to minimize the risk of animal diseases, like avian influenza, have allowed for savings without negatively impacting producers. These and other carefully considered reductions, together with aggressive streamlining steps, allow us to steward taxpayer resources and request a small number of increases for our highest priorities.

With the publication of the final animal disease traceability rule in 2013, the FY 2015 Budget request enhances implementation of the rule, such as improvements to data access, tag testing, enforcement efforts, and assistance to states and Tribes. Ultimately, the actions supported by the request assists producers to protect their animals and safeguard the U.S. livestock industry worth \$70 billion, as well as help to assure our trading partners of commitment to protect the health of our livestock.

Also worth noting, the President's Budget requests continued funding to address the problem of feral swine, estimated to cause \$1.5 billion in damages a year, with more than half of that as direct damage to agriculture. These destructive beasts threaten animal and human health; crops and livestock; rural, suburban, and urban properties, and natural resources.

Mr. Chairman, thanks to \$20 million in funding this Subcommittee provided, I would like to announce that we are officially kicking off our national feral swine damage management program today. This program will allow us to reduce the damage caused by feral swine and to slow their spread. Our national strategy will provide tools and assistance to states and other partners to confront feral swine. We will be providing over \$9 million for state projects, as well as funds for disease monitoring to protect domestic swine. Our program will also fund important research and operational activities. We thank the Committee for its support of this program, and we look forward to working with our Federal, State, and local partners to reduce the damage caused by feral swine and to stop their further spread.

GRAIN INSPECTION, PACKERS AND STOCKYARDS

ADMINISTRATION

GIPSA's mission is to facilitate the marketing of livestock, meat, poultry, grain, and related agricultural products and to promote fair and competitive trade for the benefit of consumers and American agriculture. GIPSA fulfills this mission through the Packers and Stockyards Program (P&SP) and the Federal Grain Inspection Service (FGIS). To better fulfill GIPSA's mission with regard to the Packers and Stockyards Act, we are reinvigorating our efforts to identify and implement ways to help small and mid-sized livestock and poultry producers thrive.

The budget proposes a discretionary appropriation of slightly more than \$44 million. About \$24 million is requested for the P&SP while approximately \$20 million is for FGIS activities including standardization, compliance, and laboratory equipment. The budget also includes existing user fees of about \$50 million for grain inspection and weighing. The discretionary budget includes a request for additional funding to allow the P&SP to facilitate market protections for buyers and sellers of livestock and poultry through greater compliance, investigative, and enforcement activities in the field. Funds would provide equipment and other support expenses needed for its field staff to effectively conduct regulatory and investigative work. An increase for FGIS will allow it to purchase long-delayed scientific equipment, which will provide advanced assessment of rice characteristics and effective mycotoxin testing programs for U.S. grain exporters.

CONCLUSION

In closing, the budget request for MRP supports our key role for the rural economy and for producers and consumers across the Nation. Under this Administration, agriculture exports have had the strongest five-year period of

growth in our nation's history, and set a new record in calendar year 2013 at \$144.1 billion. MRP programs have contributed significantly to this success as well as the development of domestic markets. The FY 2015 Budget reflects the comprehensive efforts we have taken to conserve taxpayer dollars through targeted, common-sense efficiencies.

This concludes my statement. I look forward to working with the Subcommittee on the FY 2015 Budget and will be glad to answer questions you may have on these budget proposals.