

## AGRICULTURAL MARKETING SERVICE

Statement of Rayne Pegg, Administrator  
before the Subcommittee on Agriculture, Rural Development,  
Food and Drug Administration, and Related Agencies

Mr. Chairman and Members of the Subcommittee, I am pleased to have this opportunity to present the fiscal year 2012 budget request on behalf of the Agricultural Marketing Service (AMS). Through a broad array of programs that help agricultural marketing function effectively, AMS programs primarily support two USDA strategic goals—we assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving; and we help to ensure that all of America's children have access to safe, nutritious, and balanced meals. This budget request is designed to advance these goals. But before I describe our budget proposals, I would like to briefly highlight our mission, partnerships, and some recent accomplishments.

### AMS MISSION

AMS' mission is to facilitate the competitive and efficient marketing of agricultural products. Under the authority of more than 50 statutes, we accomplish this mission through partnerships with state agricultural agencies, local and Tribal governments, other Federal agencies within and outside of USDA, and with agricultural producers and others along the marketing chain.

AMS marketing programs work to improve the movement of agricultural commodities from the producer to the consumer. We analyze marketing methods and transportation situations, provide information to the agricultural industry and policy makers, and administer grants to improve farmers markets and other regional marketing and market facilities, as well as

grants that support the marketing of fruit, vegetables, and other specialty crops. AMS also oversees the activities of agricultural commodity groups that have established legislatively-authorized “self-funded” promotion and research programs to ensure that they stay within Federal guidelines.

Other AMS programs help facilitate fair trading by monitoring and enforcing labeling where buyers depend on accuracy—on country of origin for a large number of commodities, on organically-produced agricultural products, and on seed in interstate commerce. Our Perishable Agricultural Commodity Act Program assists the produce industry with financial recourse. And, at the request of interested parties, our grading and audit verification programs certify and document agricultural commodities by grade, marketing claim, or contractual requirements.

AMS programs that support government-wide efforts to improve food security and children’s nutrition in the U.S. do so by periodically reviewing shell egg handling; generating data on pesticide residues in water and foods, and on microbial levels in produce; and providing quality products through our purchases of foods that are distributed through the Food and Nutrition Service’s (FNS) nutrition assistance programs.

## FY 2010 ACCOMPLISHMENTS

I want to highlight a number of fiscal year 2010 accomplishments, especially in our Market News, Transportation and Market Development, National Organic, Country of Origin Labeling, Pesticide and Microbiological Data, Marketing Agreements and Orders, and Commodity Purchase programs.

Market News – Market News information assists agricultural producers and marketers to make critical daily decisions, enhancing competitiveness and helping to increase the efficiency of agricultural marketing systems. AMS’ Market News program collects, analyzes, and disseminates current market information—including supply, movement, contractual agreements,

inventories, and prices—on cotton, dairy products, eggs, produce, poultry, meat, livestock, and grains. During 2010, we made a number of improvements in information access for our customers.

In January 2010, we launched a new Mobile Report subscription service for customers to receive condensed highlights from some of our most utilized reports via text messaging on their cellular phone or mobile device. We also improved customer access to historical retail market information through the Market News Portal. The addition of retail data to the Portal has been requested by many buyers, sellers, retailers, researchers, and consumers.

In July 2010, we launched a Cattle Dashboard to improve the presentation of livestock market information collected under the Mandatory Price Reporting Act. The Cattle Dashboard is a data visualization tool designed to allow users to see weekly volume and price information on direct slaughter cattle presented in interactive graphs and tables that can be customized for viewing and downloaded for use.

The Mandatory Price Reporting Act of 2010 provided additional direction for our Market News program by reauthorizing livestock mandatory reporting for five years, directing the Secretary to engage in negotiated rulemaking on mandatory wholesale pork reporting, and requiring implementation of an electronic reporting system for mandatory dairy product information reporting.

AMS expanded organic market reporting with funds provided in the 2008 Farm Bill in response to a growing market need for price information. In 2010, we reported daily prices on more than 235 organic products, added an Organic Dairy Report, and published the first *Annual Organic Cotton Market Report*. Additional modifications made to the database and portal in 2010 will allow customers easier access to organic market data by early in 2011.

Transportation and Market Development – AMS works to improve distribution of U.S. agricultural products by conducting studies and providing technical assistance to the industry on transportation issues and marketing improvements, alternatives, and opportunities.

Agriculture is the largest user of freight transportation in the U.S.—AMS serves as the advocate for the agricultural industry on transportation issues. In 2010, AMS completed a comprehensive *Study of Rural Transportation Issues*. This major report on agricultural transportation in the United States, the first ever of this magnitude, was delivered to Congress in April 2010. As required by the 2008 Farm Bill, the study analyzed the movement of agricultural products, domestically produced renewable fuels, and domestically produced resources for the production of electricity for rural areas of the U.S., and economic development in those areas. The report examines major issues facing agricultural transportation, including deregulation of the rail industry, funding for inland waterways and highways, availability of ocean containers and vessel capacity, and infrastructure for biofuel transportation.

Also during 2010, AMS completed separate reports on the importance of the waterway system to agriculture, tools on bioenergy and biofuels, plus a number of reports and projects that support agricultural exports such as the Marine Container Availability Pilot Project. To facilitate discussion of rail, truck, and ocean transportation issues, we held agricultural shipper workshops for U.S. exporters in five cities across the country—Minneapolis, Seattle, Modesto, Boise, and Atlanta.

Our market development activities for fiscal year 2010 included projects and studies on farmers markets and other direct marketing, and on facilities design. The updated *2010 USDA National Farmers Market Directory*, available on the USDA website, now lists more than 6,100 farmers markets operating in the U.S., up 16 percent from 2009, and includes new mapping

features useful to application designers, programmers, researchers, and others to access and use the Directory's rich data set in new ways. As an example, a CNN series on healthy eating that aired in September included a feature segment using the new features and incentives for visiting farmers markets via the geo-locating mobile application Foursquare. To make it easier for market managers to include their markets in the Directory, we established a new electronic submission system. We also conducted and published other farmers market and direct marketing studies such as *Low and Mixed-Income Farmers Markets*, and *Impacts of Consumer Demographics on Target Marketing Effectiveness at Farmers Market*. To support small and mid-sized farmers, we conducted a *National Study of Small-Scale Direct Distribution Models* which will result in a "best practices and lessons learned" resource guide.

AMS provided technical assistance on facilities design projects in Santa Fe, New Mexico; Chester and Charleston, South Carolina; Selma, Alabama; and Dallas, Texas; as well as projects of nationwide interest. To capitalize on these efforts, we conduct numerous outreach and educational exchanges with constituents and project partners on program resources, technical assistance, and research findings. In addition, we lead activities on regional food hubs that can support USDA's Know Your Farmer, Know Your Food activities.

Our Transportation and Market Development Program administers the Farm Bill-funded Farmers Market Promotion Program (FMPP), which provides grants to eligible entities to establish, improve and expand farmers markets and other direct producer to consumer market strategies. In fiscal year 2010, FMPP funded 81 projects in 35 States, including 27 new electronic benefits transfer projects. AMS program personnel provided technical assistance and engaged with constituents at grant-writing workshops and conferences across the country.

National Organic Program (NOP) - AMS' National Organic Program develops, implements, and enforces national standards governing the production, handling and labeling of agricultural products sold as organic. NOP accredits certifying agents--private businesses, organizations, and state agencies--who are then authorized to certify producers and handlers of agricultural products according to NOP regulations. NOP also evaluates and establishes agreements with foreign governments, and works with the National Organic Standards Board.

NOP published the long-awaited access to pasture rule in February, 2010. This rule establishes enforceable pasture practice standards to satisfy consumer expectations by clarifying feed and living conditions for livestock production that qualifies their milk and meat for USDA organic certification.

In March 2010, USDA's Office of Inspector General published an audit report on NOP which recommended that the program improve oversight of certifying agents and operations and streamline enforcement procedures. In response to the audit, USDA has reached agreement on all recommendations and has taken action on all but one of the fourteen recommendations. NOP streamlined internal programs and procedures and strengthened Federal oversight and enforcement. To align the program's accreditation program with international requirements outlined in ISO 17011, NOP developed a quality management system and a Quality Manual, and initiated a peer review process to have NOP's accreditation program assessed by the National Institute of Standards and Technology for compliance with that international standard.

NOP developed guidance documents and training to improve consistency and uniformity in the application of NOP standards. NOP published a Program Handbook in September, 2010, that provides guidance to organic producers, managers, and certifiers in complying with the National Organic Program (NOP) regulations. The Handbook includes interpretations of NOP

statutory or regulatory requirements; instructions for certifying agents and certified operations about best practices for conducting business related to certification, accreditation, international activities, and compliance and enforcement; and formal communication to public audiences on existing NOP policy regarding a specific regulatory requirement. The program intends to expand the Handbook over time by issuing draft guidance on additional topics, soliciting public comment, and finalizing new guidance for inclusion in the Handbook. In October, 2010, NOP issued draft guidance documents that address recommendations issued by the OIG, including compost and vermicompost in organic crop production, wild crop harvesting, outdoor access for organic poultry, commingling and contamination prevention in organic production and handling, and use of chlorine materials in organic production and handling. NOP developed new training seminars on liquid fertilizers, access to pasture, adverse action procedures, labeling, certification, complaint handling, wine labeling, and enforcement procedures, and provided training in five states and two countries. A new complaint database will improve tracking and handling of complaints to ensure they are addressed in an effective and timely manner. These activities should help to assure consumers that organic products consistently meet Federal standards and regulations.

Recognition agreements allow foreign governments to accredit agents in their country to certify organic products to the NOP standards, reducing the NOP resources needed to ensure compliance of products from these countries. During 2010, the program conducted on-site reviews of recognition agreements currently in place with the governments of Denmark and Israel.

NOP equivalence agreements and export arrangements facilitate exports of organic products. NOP has an equivalence agreement with Canada so that products produced and

certified to either country's organic standards may be sold as organic in both countries (provided specific requirements are met), and export arrangements with Japan and Taiwan.

Country of Origin Labeling (COOL) – Labeling on all commodities covered by the Country of Origin Labeling Act became mandatory for retailers on September 30, 2008, and the final rule took effect in March 2009. AMS is responsible for the regulations, training, formal complaint actions, retail reviews, supply chain audits, and developing educational materials for COOL requirements. In-store retail surveillance reviews are conducted by approximately 500 certified state employees under cooperative agreements with AMS. During FY 2010, we conducted 8,363 retail reviews and audited 200 products through the chain of commerce.

To facilitate the collection and analysis of all the information collected during reviews and audits, we initiated development of an automated database system for use by State and Federal employees. The database is scheduled for completion by the end of 2011.

Pesticide and Microbiological Data Collection - AMS collaborates with the Environmental Protection Agency (EPA) and the Food and Drug Administration (FDA) to gather accurate data on pesticide residue in foods and microbial levels in produce. The Pesticide Data Program (PDP) generates, reports, and maintains a national database on pesticide residues in the food supply, with an emphasis on foods highly consumed by infants and children. Cooperating State agencies (and other Federal agencies) collect and test samples of fresh and processed fruits and vegetables, grains, nuts, meat, poultry, fish, dairy products, honey, and water.

In 2010, the program added four new commodities—cabbage, cilantro, eggs, and mangoes—and reintroduced previously tested commodities to determine if there were measurable changes in the residue profile. In total, the program tested about 12,800 samples

from 27 different commodities and water—including fruit and vegetable crops, catfish, and eggs—for more than 400 pesticides and their metabolic products.

The Microbiological Data Program (MDP) tests samples of domestic and imported fresh fruits and vegetables to monitor for microbial contamination and foodborne pathogens frequently associated with foodborne illness (e.g., *Salmonella* and *E. coli*). MDP's continuous produce monitoring helps to identify trends which inform USDA, FDA, and CDC efforts. MDP consults with FDA and CDC to identify the commodities and pathogens to test, and shares the data with those agencies on a regular basis. During 2010, MDP notified FDA/CDC of *Salmonella* positive detections in fresh produce samples that resulted in FDA action (trace-back, compliance, or recall) on at least seven occasions. MDP has been working to tighten microbiological sampling and testing requirements/protocols so that the information collected can be used to help address food safety concerns. New procedures are designed to improve communication among responsible Federal and State agencies and shorten response time. MDP data is loaded into CDC's PulseNet database for use in outbreak investigations and cooperating MDP laboratories are members of FDA's Food Emergency Response Network (FERN). Prompt action by MDP helps to reduce the scope of outbreaks and limits the economic impact on growers.

National Marketing Agreement for Leafy Greens - In 2010, AMS reviewed more than 5,000 pages of evidence conveyed in a series of hearings held in seven cities during 2009 on a proposed national marketing agreement for leafy green vegetables. AMS provides regulatory oversight for Federally-authorized self-help programs that are proposed, conducted, and funded by agricultural producer groups to address a range of marketing issues. The marketing agreement proposal was submitted in June 2009 by a nationwide coalition of U.S. produce industry representatives as a voluntary response to recent foodborne illness outbreaks. The

marketing agreement is intended to help minimize the risk of food-borne contamination in cabbage, lettuce, spinach, and other vegetables defined as “leafy greens.” If warranted, USDA will issue a proposed marketing agreement which will be subject to an additional period of public comment.

Commodity Purchase Management System – AMS purchases food commodities that are distributed through FNS’ nutrition assistance programs. In December 2010, USDA completed development of the Web-Based Supply Chain Management System (WebSCM) and began transferring operations into the new system which is vital to mission delivery. Five Federal agencies (AMS, FSA, FNS, FAS, and USAID) use this system to track procurement, delivery, and management of 4.5 million tons of food—more than 200 commodities—purchased by USDA and distributed through FNS’ child nutrition and other USDA food assistance programs. Deployment of the new system began in June 2010 and will continue during 2011 in a phased-in implementation to minimize the risk inherent in system conversion. The final phase of functionality will be deployed April 1, 2011.

#### FY 2012 BUDGET PROPOSALS

Our fiscal year 2012 budget trims program costs where feasible and focuses resources where they are needed to support USDA priorities. For fiscal year 2012, AMS requests a total of \$95.6 million for Marketing Services, which includes cost savings in our Market News and Country of Origin Labeling programs. We are also requesting a total of \$2.6 million in matching grant funds for the Federal-State Marketing Improvement Program (FSMIP).

The budget request includes \$33.5 million for Market News, a net decrease of \$700 thousand, which will be accomplished by implementing efficiencies in fiscal year 2012 such as field office and report consolidations. This funding level, added to the remaining 2008 Farm Bill funds, will enable the program to continue expanded reporting of organic production

and distribution markets through fiscal year 2012. In addition, the program will continue negotiated rulemaking to expand mandatory price reporting to include wholesale pork cuts and developing the capability to implement electronic dairy mandatory reporting based on the livestock reporting system.

The Country of Origin Labeling program budget of \$9.6 million will continue to support Federal program activities and retail reviews by State cooperators. The budget savings of \$1.1 million in the COOL program reflects a decreased information technology investment due to expected completion during fiscal year 2011 of the automated data management system.

The Marketing Services budget request includes additional resources to support regional economies through the National Organic Program and the Transportation and Market Development Program.

Increasing the National Organic Program budget by \$2.9 million, to \$9.9 million, will accelerate the review and development of NOP regulations and increase enforcement to improve compliance with labeling regulations to better meet industry and consumer expectations. This resource level will also enable the program to respond to requests for international equivalency agreements, supporting domestic producers and facilitating exports of agricultural products.

The requested budget level will enable NOP to address rulemaking recommended by the National Organic Standards Board for at least six new areas of organic production, the remaining regulatory concerns identified in the 2010 OIG audit report, and petitions from organic farmers and handlers for inclusion of materials on (or removal from) the National List of Allowed and Prohibited Substances, which require technical reviews. NOP will be able to investigate and address complaints of noncompliance (which have increased with production volume) within a reasonable amount of time by reducing the backlog of complaints by 20 percent per year,

develop a centralized and uniform electronic reporting database that will provide more timely information on certification activity in the organic industry, and conduct the detailed program comparisons required before equivalency agreement negotiations can begin with the seven governments that have expressed interest.

For AMS' Transportation and Market Development Program, we request a funding level of \$7.7 million, a \$1.9 million increase. This is an ideal time for agricultural producers to capitalize on an increasing demand by consumers for access to locally-grown products. Sales to consumers, restaurants, schools, and other institutional outlets through direct marketing channels such as farmers markets and community supported agriculture (CSA) operations offer a substantial improvement in farm income. Additional resources will enable AMS to develop new program activities that specifically focus on outlets for local and regional products such as regional food hubs, new types of CSAs and buying clubs, and existing markets as aggregation/distribution points for food deliveries to local institutions. These initiatives, added to ongoing program efforts, will help to create jobs and meet increased demand for access to locally grown produce by strengthening the critical connection between farmers and consumers. To address related transportation issues, AMS will work with academic research institutions to conduct case studies on regional transportation options to assist producers with accessing local food markets by providing a better understanding of regional transportation pricing and service options.

The Federal-State Marketing Improvement Program (FSMIP) will also help to accomplish local and regional market initiatives. The Payments to States and Possessions request for \$2.6 million, a \$1.3 million increase, will allow AMS to focus FSMIP grant funds on local and regional food marketing initiatives that are of practical use to the agricultural industry.

FSMIP offers competitive matching grants to State Departments of Agriculture or similar State agencies that encourage research and innovation; improve agricultural marketing efficiency; and develop more efficient post-harvest and packaging methods, electronic marketing, and product diversification. FSMIP puts resources directly into rural communities nationwide, which stimulates rural economies. These projects often serve as catalysts for new initiatives that improve farm income and consumer welfare.

To help to ensure that America's children have access to safe, nutritious, and balanced meals, the Marketing Services budget request includes \$16.6 million for the Pesticide Data Program, a \$1.2 million increase, and \$5 million for the Microbiological Data Program, a \$250 thousand increase. At this resource level the Pesticide Data Program will be able to fund continued participation by current cooperating States (California, Colorado, Florida, Maryland, Michigan, Minnesota, Montana, New York, North Carolina, Ohio, Texas, Washington, and Wisconsin) and maintain effective levels of food and drinking water testing. As State cooperator costs have increased over the past five years, both the program and its cooperating agencies have significantly streamlined operations. Despite cost reduction efforts, the program has had to reduce sampling and testing targets and/or delay replacement and upgrades to laboratory equipment essential to continued successful program delivery. The Pesticide Data program generates comprehensive, statistically reliable information on pesticide residues in foods to improve the Government's ability to protect human health from pesticide risk. It is crucial that the program meet its sampling and testing goals, especially since PDP concentrates its efforts in providing better pesticide residue data on foods most consumed by children.

The Microbiological Data Program request includes an increase of \$250 thousand to cover the cost of sampling eight produce commodities by the State of Arizona. Sampling in

Arizona allows the program to capture a larger number of imports through Mexico, which rise in the winter months. By expanding the range of sampling sources and number of produce items sampled, we can increase the chance of early identification of foodborne pathogens.

AMS Section 32 activities support both rural economic and children's nutrition goals. The Section 32 administrative budget proposal includes an increase of \$882 thousand in Commodity Purchase Service administrative authority from Section 32 resources to fund AMS participation in the Food and Nutrition Service's Farm to School Team. FNS identified AMS as a partner in its efforts to link local and regionally-grown foods to school food assistance programs because AMS can bring its marketing expertise to farm to school activities. FNS has connections to the schools; AMS to agricultural producers. The team will bring together stakeholders and agency partners to explore possible purchases, share best practices, and provide technical advice and assistance.

## CONCLUSION

By facilitating a competitive and efficient market for agricultural products, our programs play a significant role in the ability of agricultural producers, processors, handlers, shippers, and sellers to conduct business efficiently and effectively. Thank you for this opportunity to present our budget proposal.