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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

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) 2012 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 Rayne Pegg, Administrator of AMS; Cindy Smith, Administrator of APHIS; and J. Dudley Butler, Administrator of GIPSA. These Administrators have statements for the record and will answer questions regarding specific budget proposals.

As the President said in his State of the Union address, "We measure progress by the success of our people. By the jobs they can find and the quality of life those jobs offer." The MRP agencies provide a range of services that contribute to the success of our citizens as they compete in a global environment. The MRP mission area contributes to all four of USDA's strategic goals: assisting rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving; ensuring our national forests and private working lands are conserved, restored, and made more

resilient to climate change while enhancing our water resources; helping America promote agricultural production and biotechnology exports as America works to increase food security; and ensuring that all of America's children have access to safe, nutritious, and balanced meals.

MRP facilitates and expands the domestic and international marketing of U.S. agricultural products, helps protect the agricultural sector from plant and animal health threats, and helps ensure humane care and treatment of certain animals. MRP assists agricultural producers in their management and marketing by providing information and marketing tools. This includes developing and overseeing national standards for the production and handling of agricultural products labeled as organic under the National Organic Program, among other items. By enhancing protection of the Nation's agriculture from pests and diseases, MRP also increases the efficiency of production and domestic and international marketing of U.S. commodities. MRP provides oversight to protect producers from unfair competition and unfair business practices.

Efforts by MRP staff have yielded results. For example, last fiscal year, APHIS helped resolve more than 100 sanitary and phytosanitary trade issues, including opening new markets and retaining and expanding existing market access for U.S. agricultural products valued at \$2.4 billion. Domestically, APHIS has nearly eradicated the boll weevil, having cleared it from 98 percent of the 16 million acres of U.S. cotton. GIPSA maintained compliance of the Packers and Stockyards Act at 80 percent, despite the significant financial downturn that affected all market segments. To help develop and support market opportunities and outlets for farmers and rural America, AMS purchased almost \$1 billion in food produced by America's farmers and

processors; and supported farmers markets through an expanded searchable database, thus providing jobs and prosperity in rural America. The number of farmers markets has more than doubled since 2000. America's producers have experienced a substantial improvement in farm income as a result of AMS process verified and inspection programs and direct sales to consumers, restaurants, schools, and other institutional outlets. AMS strives to assist the agriculture community to meet this consumer demand.

### FUNDING SOURCES

The 2012 budget requests total budgetary authority of about \$2.6 billion for the MRP agencies, of which almost \$980 million is from discretionary appropriations, almost \$1.1 billion from Customs receipts, about \$400 million from fees charged to the direct beneficiaries of MRP services, and \$120 million from mandatory Farm Bill funding. For discretionary appropriations, the President's budget request for AMS is almost \$100 million, \$837 million for APHIS, and \$44 million for GIPSA. The 2012 budget funds the most important priorities while exercising fiscal discipline that is necessary to reduce the Federal deficit. As the Secretary said before this Subcommittee, the budget demonstrates the fiscal sacrifices we need to make, as I will discuss later. I would like to highlight the major activities and the budget requests for the MRP agencies.

## AGRICULTURAL MARKETING SERVICE

The mission of AMS is to facilitate the competitive and efficient marketing of agricultural products. AMS programs benefit producers, traders, and consumers of U.S. food and fiber products. The Agency accomplishes this mission through a wide variety of activities that help improve the marketing of U.S. food and fiber products.

### THE 2012 BUDGET REQUEST FOR AMS

For 2012, the President's budget request for AMS proposes a program level of about \$1.4 billion, of which \$98 million are discretionary appropriations; close to \$1.1 billion are from Section 32 funds; \$162 million are user fees; and \$65 million are mandatory Farm Bill funding. I would like to highlight aspects of the budget request:

A total of about \$33.5 million for Market News. The request includes an increase of \$300,000 to maintain one-time, Farm-Bill funded reporting of organic commodities. This is more than offset by program efficiencies, to be achieved by report modifications, staff reductions, and closing or co-locating field offices. This request includes an overall program decrease of \$700,000.

A total of about \$10 million for the National Organic Program. This request includes a program increase of \$3 million for regulatory review, enforcement, and development of equivalency agreements. These efforts will better ensure the integrity of the organic label.

A total of about \$7.7 million for the Transportation and Market Development Program. By combining the Transportation Services and the Wholesale, Farmers, and

Alternative Market Development Program into the Transportation and Market Development Program, the agency will have more flexibility to support USDA priorities. The total includes a program increase of about \$2 million to improve access to local and regionally produced foods. This increase will allow additional projects to be undertaken, such as exploring the potential for using farmers market facilities as product aggregation/distribution points for local food deliveries to restaurants, retail, and institutional clients, and assistance to beginning farmer markets.

A total of about \$5 million for the Microbiological Data Program (MDP). This includes a program increase of about \$250,000 to enhance product sampling. Specifically, this will allow the program to capture a larger number of imports during winter months. I note that when the MDP shared results of positive *Salmonella* detections with the Food and Drug Administration (FDA) last year, FDA performed follow-up investigations that resulted in several limited, voluntary recalls of affected lots of fresh produce, thereby reducing public exposure as well as minimizing economic loss for producers.

A total of about \$16.6 million for the Pesticide Data Program (PDP). To provide the Environmental Protection Agency the data it needs for pesticide risk assessments, the PDP must adequately reimburse the 12 cooperating States for their services. The budget includes a program increase of about \$1.2 million for their sample collection and testing of foods and drinking water needed by the Federal program. This request will help maintain sampling and testing levels.

A total of almost \$3 million for the FSMIP. Under the FSMIP, AMS provides matching funds to State Departments of Agriculture for projects aimed at improving

marketing efficiency, reducing marketing costs for producers, and lowering food costs for consumers. The 2012 budget requests an increase of \$1.3 million for the matching grant program. The new funding would be targeted to grants that focus on local and regional food marketing opportunities.

A total of about \$13 million for Commodity Purchase Services. This includes an increase of \$882,000 in Section 32 funds to enable AMS to work with the Food and Nutrition Service's Farm to School Team to better link local and regionally grown foods to school feeding programs.

A total of almost \$9.6 million for the Country of Origin Labeling (COOL) Program. Given the expected completion of a data management system during FY 2011, a decrease of \$1.1 million is included in the budget.

#### ANIMAL AND PLANT HEALTH INSPECTION SERVICE

The Animal and Plant Health Inspection Service has a broad mission that includes protecting and promoting U.S. agricultural health, including regulating genetically engineered organisms; administering the Animal Welfare Act; and carrying out wildlife damage management activities. Together with customers and stakeholders, APHIS helps protect the health of animal and plant resources which enhances market access in the global marketplace and ensures abundant agricultural products and services for U.S. customers.

## THE 2012 BUDGET REQUEST FOR APHIS

The budget request proposes discretionary appropriations of about \$837 million. In addition, existing user fees of about \$192 million will support Agricultural Quarantine and Inspection activities. Further, the Farm Bill provides \$55 million for the National Clean Plant Network and the Plant Pest and Disease Management Program in 2012. The budget proposes a change from many, pest-specific lines, to a smaller number of commodity-based lines (such as cattle, swine, field crops, and specialty crops) to improve the agency's ability to address new threats quickly and focus resources to achieve results. A brief description of key efforts supported by the budget request follows.

The budget for APHIS includes a net decrease of about \$76 million compared to the annualized 2011 continuing resolution. In general, the budget proposes a reallocation of resources from programs that have achieved success (e.g., cotton pests and screwworm) and for those which progress in eradication is not deemed feasible (e.g., emerald ash borer), to those efforts where success in eradication may be feasible (e.g., Asian longhorned beetle, European grapevine moth, and the light brown apple moth). The budget also places greater responsibility on cooperators, and proposes the elimination of about \$27 million in earmarks. Difficult choices like these allow for the following strategic investments in FY 2012.

A total of about \$758 million for Safeguarding and Emergency Preparedness/Response. This new activity would encompass many individual items in the current APHIS budget presentation that deal with pest and disease exclusion, plant

and animal health monitoring, and pest and disease management. For *animal health*, a notable increase is \$8.9 million for animal disease traceability efforts. Capitalizing on previous animal identification and disease eradication program investments, as well as extensive outreach including a State, Tribal, and Federal Traceability Regulation Working Group, we are developing an approach that empowers States and Tribal Nations to find and use the most effective means to identify animals moving interstate. This line also includes a requested increase of \$3.8 million to adequately fund veterinary diagnostics work at the National Centers for Animal Health.

Increases related to *plant health* would amount to \$24.5 million, of which \$10 million would help control the light brown apple moth, and \$2.5 million would help eradicate the European grapevine moth. An increase of almost \$12 million is needed to eradicate the Asian longhorned beetle in Massachusetts, New Jersey, and New York. The Massachusetts outbreak is the closest the pest has come to New England's hardwood forests.

For *Wildlife Services*, an increase of \$1.4 million is requested related to recommendations by an external, safety experts' review for APHIS to implement a more formal nationwide safety program for staff.

For *Regulatory Services*, the budget includes an increase of \$12 million for biotechnology regulatory activities. As the number and complexity of proposed biotechnology products increase, additional efforts are needed to provide sufficient and timely review, as well as increase compliance oversight and deal with related trade issues. An additional \$3.3 million would help enforce the Animal Welfare Act, as

APHIS, in response to an audit by the Office of Inspector General (OIG), seeks to increase compliance by problematic dog dealers. With greater efforts by inspectors, a greater number of referrals is expected to be received by the Regulatory Enforcement Program.

A total of almost \$35 million for Safe Trade and International Technical Assistance. An additional \$1.5 million is requested to establish a dedicated program to continue implementing the 2008 Farm Bill amendments to the Lacey Act, which are intended to prevent the importation of products derived from illegally harvested timber in other countries. The increase will allow APHIS to more effectively and efficiently implement the amended Act. An additional \$600,000 will be used to address the growing number of requests by developing countries to help strengthen their regulatory capacity to detect and address pests and disease, thus reducing the risk of transboundary spread via trade.

An increase of \$7 million for Animal Welfare efforts. A \$6.6 million increase is requested to enhance inspection activities related to dog dealers who are repeat and serious violators of the Animal Welfare Act. Increased inspections are expected to reveal a greater number of violations, which in turn would be referred to the Regulatory Enforcement Program. An increase of almost \$400,000 would help APHIS respond to findings by the OIG and enhance oversight at horse shows as part of its mandate to enforce the Horse Protection Act.

The budget also includes several user fees proposals. One would cover the costs of licensing and registration services for entities regulated under the Animal

Welfare Act. Another would cover the cost of services related to regulation of organisms and products derived through biotechnology. A third would be for license applications related to veterinary biological products. This latter fee would allow the program to provide more timely services to license applicants.

#### GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

GIPSA's mission is to facilitate the marketing of livestock, meat, poultry, cereals, oilseeds, 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.

#### THE 2012 BUDGET REQUEST FOR GIPSA

The budget proposes a program level of about \$94 million, of which approximately \$50 million is from existing inspection and weighing user fees. Of the discretionary appropriations request of about \$44 million, about \$18 million is devoted to the grain inspection service activities including standardization, compliance, and methods development activities and approximately \$26 million to the P&SP. The budget includes a request for an additional \$2.2 million to allow the P&SP to further bolster market protections for buyers and sellers of livestock and poultry through greater compliance, investigative, and enforcement activities in the field. Increased funding would enable GIPSA to perform approximately 500 additional inspection and compliance reviews per year and increase detection of Packers and Stockyards Act violations. This increased oversight is expected to prevent violations and protect about 8,400 additional livestock sellers and poultry growers.

The budget also includes proposals to collect fees to cover the costs for the development of grain standards and the costs of the Packers and Stockyards Program.

### CONCLUSION

In closing, the budget request for MRP supports the President's vision for a strong rural America through MRP's contribution to the achievement of all four of USDA's strategic goals. It does this while conserving taxpayer dollars—the 2012 MRP discretionary appropriations request is about 7 percent, or almost \$70 million, below 2010 discretionary appropriations. The budget request includes funding for the highest budget priorities for the MRP mission area.

This concludes my statement. I look forward to working with the Subcommittee on the 2012 budget and will be glad to answer questions you may have on these budget proposals.