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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) 2013 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 Dr. Gregory Parham, Administrator of APHIS; Mr. Alan Christian, Acting Administrator of GIPSA; and Mr. Robert Keeney, Acting Administrator of AMS. These Administrators have statements for the record and will answer questions regarding specific budget proposals for their agencies.

As the Secretary said in his statement before this Subcommittee, “At USDA, we have been working to fulfill President’s Obama’s vision for a nation where everyone gets a fair shot, and for an economy that makes, creates and innovates.” The MRP mission area supports this vision through 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. We take pride in our ability to achieve results and to use our expertise to assist our customers and stakeholders. To make the most of taxpayer dollars, we have taken a strategic approach to focus our efforts on the core mission of our Agencies and those projects and programs where we can deliver optimal results. The President's Budget proposal allows us to do that, while at the same time finding ways to be more efficient and scale back on activities in lower priority areas.

MRP helps keep American agriculture strong and competitive at home and abroad. For example, AMS and GIPSA certify the quality of agricultural commodities and offer industry a competitive edge with the USDA seal of approval for grading and inspection. GIPSA works to help ensure that livestock producers have a fair and competitive market environment. APHIS protects the health of commercial plants and animals, thereby keeping production and marketing costs low to the benefit of both producers and consumers. All three agencies help resolve international issues to maintain and open markets around the world for U.S. products.

I would like to highlight some recent accomplishments of the MRP agencies. For example, in FY 2011, APHIS helped to resolve 115 sanitary and phytosanitary trade issues, including opening new markets and retaining and expanding existing market access for U.S. agricultural products valued at \$2.8 billion. Domestically, APHIS announced eradication of the Mexican fruit fly, a threat to U.S. citrus production, and reduced the number of European grapevine moths detected in California by more than 99 percent between FY 2010 and FY 2011. In FY 2011, GIPSA closed more than 2,100 investigative files on potential violations of the Packers and Stockyards Act, compared with less than 580 in 2000, and increased the number of cases brought before an administrative law judge or settled to a total of 114, compared with 13 in 2000. AMS purchased about \$1.4 billion of food produced by America's farmers and processors

for domestic nutrition assistance programs, and has worked to increase the nutritional value of those foods, including linking school food assistance programs directly with local and regional food producers. In February of this year, USDA and the European Union (E.U.) announced that beginning June 1, organic products certified in Europe and in the United States may be sold as organic in either region. U.S. organic sales to the E.U. are estimated by industry at \$70 million currently, and are expected to grow rapidly under this arrangement. With these and other recent accomplishments, MRP will continue to provide a high level of service to American producers and consumers in the context of making significant contributions to reduce the deficit for American taxpayers.

To paraphrase the Secretary, within the MRP agencies, we recognize that we cannot continue to operate as we did in the past and that we must innovate, modernize, and be better stewards of the taxpayers' dollars. We are pursuing administrative efficiencies such as consolidating information technology customer service support, switching telecommunications technology, various process improvements, and other steps that will generate savings in FY 2013. However, to focus on our highest priorities within tight budget constraints, we also had to make the difficult choices to reduce and eliminate some programs as discussed below.

FUNDING SOURCES

The 2013 Budget requests total budgetary authority of about \$2.4 billion for the MRP agencies, of which almost \$885 million is from discretionary appropriations, almost \$1.1 billion from Customs receipts, and about \$440 million from fees charged to the direct beneficiaries of MRP services. The request for the MRP agencies is about \$57 million less than the FY 2012

appropriation, or a decrease of about six percent. This follows a reduction of about five percent between FY 2011 and FY 2012. The 2013 Budget funds the most important priorities while making the difficult decisions necessary to reduce the Federal deficit. I would like to highlight the Budget requests for the MRP agencies.

AGRICULTURAL MARKETING SERVICE

The mission of AMS is to facilitate the competitive and efficient marketing of U.S. agricultural products. AMS accomplishes this mission through a wide variety of activities in cooperation with partners to the benefit of U.S. producers, marketers, and consumers.

The President's Budget request for AMS proposes a discretionary appropriation of about \$78 million, a net decrease of about \$5 million from 2012. The Budget also includes about \$161 million of user fees, essentially unchanged from last year, and close to \$1.1 billion from Section 32 funds.

The President's Budget includes two increases for AMS. With an additional \$1 million for the Transportation and Market Development Program, AMS will help strengthen regional supply chains to capitalize on consumer demand for local and regionally grown products and thus support regional economies. This will include conducting research and providing technical assistance for local and regional food hubs as aggregation and distribution points for food to reach more local institutions and markets. The second increase is an additional \$133,000 for the Federal-State Marketing Improvement Program (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

new funding will emphasize value-added projects that spotlight local and regional food marketing initiatives.

The Budget also includes a reduction of about \$6 million by terminating the Microbiological Data Program (MDP) and the Pesticide Recordkeeping Program (PRP). After careful evaluation, AMS will discontinue the MDP and PRP in 2013 to focus on its core mission. As the Secretary discussed before this Subcommittee, while we recognize that food safety is an important factor in successful marketing of produce, we feel that other Federal or State agencies might more appropriately fund this activity.

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, administering the Animal Welfare Act, and carrying out wildlife damage management activities, including limiting the spread of the brown tree snake. Together with customers and stakeholders, APHIS enhances market access in the global marketplace and ensures abundant agricultural products and services for U.S. customers.

The Budget request proposes discretionary appropriations of about \$765 million, a net decrease of about \$54 million compared to the FY 2012 appropriation. In addition, existing user fees of about \$216 million, essentially unchanged from FY 2012, will support Agricultural Quarantine and Inspection activities. The Budget for APHIS proposes an elimination of funding for programs such as Johne's disease and chronic wasting disease, which are endemic and can best be managed at a local or regional level. Increased cost-sharing will be requested from beneficiaries of several specialty crop and tree and wood pest programs and wildlife damage

management; this allows lesser demands for Federal taxpayer resources. 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. The Budget requests an additional \$5.6 million for State cooperative agreements and additional ear tags to support our animal disease traceability efforts.

The Budget also requests an additional \$1 million for zoonotic disease management, to support increased investigations and emergency preparedness for the next successor to H1N1, avian influenza, or similar zoonoses. The Budget includes an increase of more than \$700,000 to enhance enforcement of the Lacey Act and help prevent the harvests of illegal logging to be imported into the United States. An increase of a little more than \$400,000 is requested to help protect the Pacific Northwest fisheries from infectious salmon anemia. With an additional \$1 million to partially restore its contingency fund to the 2011 level, APHIS will be better able to promptly address pest and disease detections, decreasing the likelihood of their spread and the need for greater resources to control them.

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).

The Budget proposes a discretionary appropriation of about \$40 million, compared with approximately \$38 million in FY 2012. About \$18 million is devoted to the grain inspection

service activities including standardization, compliance, and methods development activities, and approximately \$22 million to the P&SP. The Budget also includes existing user fees of about \$50 million for grain inspection and weighing. The discretionary Budget includes a request for an additional \$1.1 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 will enable existing GIPSA staff to perform additional investigations, inspections, and compliance reviews. An additional \$1.2 million will allow FGIS to purchase necessary scientific equipment. This will provide effective mycotoxin and pesticide residue testing programs for U.S. grain exporters, advanced assessment of wheat functionality and protein quality for wheat producers and marketers, as well as replacement of aging instrumentation used to ensure consistent moisture and oil measurements across the market.

CONCLUSION

In closing, the Budget request for MRP plays a key role in building an economy that makes, creates, and innovates on a level playing field. It does this while conserving taxpayer dollars. At the FY 2013 request level, AMS and APHIS will operate at their lowest funding level in a decade or more. To manage these reductions we have had to take a close look at the way we do business with fewer resources, a smaller staff, and more complex programs. Like families and businesses across the country, USDA is finding new ways to innovate while making investments that help drive economic growth in the long term. The FY 2013 Budget will allow us to keep our commitment to the customers we serve each day: farmers, ranchers, small businesses, and the families that live, work, and make their homes in rural America.

This concludes my statement. I look forward to working with the Subcommittee on the 2013 Budget and will be glad to answer questions you may have on these Budget proposals.