

AGRICULTURAL MARKETING SERVICE

**Statement of Robert C. Keeney, Acting 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 2013 budget request on behalf of the Agricultural Marketing Service (AMS). Through a broad array of programs that help agricultural markets function effectively, AMS programs directly support two USDA strategic goals—to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving; and to help ensure that all of America’s children have access to safe, nutritious, and balanced meals. In addition, some of our programs indirectly support USDA’s international trade objectives for U.S. agriculture.

This budget request is designed to advance these agricultural and food goals while making some difficult choices to further reduce appropriations. Our Marketing Services budget request for 2013 is 6 percent below the amount appropriated in 2012. But before I describe our budget proposals, I would like to briefly highlight our mission and some of our 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 conduct our programs 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 and transportation methods, provide market data to the agricultural industry and policy makers, and administer grants that support local and

regional marketing. AMS also oversees mandated and industry funded research and promotion and marketing order programs to ensure that they operate within Federal guidelines.

Other AMS programs help facilitate fair trading by monitoring and enforcing labeling requirements on organically-produced agricultural products, country of origin labeling for certain covered commodities, and seed in interstate commerce. Our licensee-funded Perishable Agricultural Commodity Act Program assists the produce industry with financial recourse. And, at the request of interested parties, our fee-funded grading and audit verification programs certify and document agricultural commodities by grade, marketing claim, or contractual requirements such as export specifications, Good Agricultural Practices, or Good Handling Practices.

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 facilities, generating data on pesticide residues in water and foods, and purchasing healthy and nutritious food products that are distributed across the U.S. through the Food and Nutrition Service's (FNS) nutrition assistance programs.

FY 2011 ACCOMPLISHMENTS

I want to highlight a few of our fiscal year 2011 accomplishments, especially in our Transportation and Market Development, Market News, National Organic, Country of Origin Labeling, and Commodity Purchase programs.

Transportation and Market Development – AMS works to improve the distribution of U.S. agricultural products by conducting analyses 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. and AMS serves as the advocate for the agricultural industry on transportation issues. In 2011, we made Grain Transportation Report data more accessible to users through online access, published weekly

aggregated data on ocean shipping containers, and sponsored six agricultural shipper workshops to facilitate discussion for U.S. exporters.

Our Market Development Program offers technical support on agricultural markets. As part of this work, AMS provides program and technical assistance to efforts aimed at growing local and regional markets for farmers, ranchers, consumers and rural communities. More than 1,000 new farmers' markets were recorded across the country in 2011, according to the National Farmers' Market Directory, which reported 7,175 markets at the end of last year -- a 17 percent increase over the prior year.

Our Transportation and Market Development Program also administers the Federal-State Marketing Improvement Program, or FSMIP, matching grants, and the Farmers' Market Promotion Program, or FMPP.

Last year, we awarded \$1.3 million in competitive FSMIP grant funds for 25 projects in 18 states and Puerto Rico. FSMIP grants provide our state partners with matching funds for applied research projects that explore new and innovative approaches to marketing U.S. food and agricultural products efficiently and effectively. These projects address barriers, challenges, and opportunities in marketing, transporting, and distributing U.S. food and agricultural products domestically and internationally. Project examples range from assisting small to medium-sized producers and processors become export-ready in Connecticut, to meeting increased demand for locally-grown produce in Georgia, to increasing the variety of local products in Wyoming public schools.

In 2011, competitive FMPP grants were awarded for 149 projects that develop producer-to-consumer market outlets, including farmers markets, community supported agriculture (CSA), and road-side stands., These projects contribute to the economic strength of growers and rural communities while addressing food deserts and supporting consumer needs. The 2011 FMPP

grants in 42 States and the District of Columbia included 17 new electronic benefits transfer (EBT) projects. I am pleased to report that we saw a 51 percent increase in the number of farmers' markets and farm stands that accept EBT between 2010 and 2011, and nearly 2,500 markets and farm stands nationwide now accept EBT. Market News – AMS Market News provides information that assists agricultural producers and marketers to make critical daily decisions, enhancing competitiveness and helping to increase the efficiency of agricultural marketing systems. The 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. For 2012, we reduced Market News personnel costs through targeted buyout and early retirement offers, realigned duty stations, and streamlined Market News reports.

To accomplish the new requirements of the Mandatory Price Reporting Act of 2010, we conducted negotiated rulemaking activities on mandatory wholesale pork reporting in 2011 and began development of an electronic reporting system for mandatory dairy product information reporting. The work of the pork reporting committee represents an extensive and successful collaboration with stakeholders across the marketing chain. To implement the provisions of the Act for dairy reporting, AMS issued a final rule last month that amended the Dairy Product Mandatory Reporting Program and established data collection responsibilities for AMS. To establish electronic dairy product reporting capability, we are leveraging our resources using the existing livestock mandatory reporting system and we expect to begin reporting in April 2012.

Reporting on organic products continues to be an important component of the Market News Program, which includes daily price reports on 230 organic products and additional organic market information tools available through the Market News Portal. Funds provided by the 2008 Farm Bill in response to a growing market need for this price information allowed AMS to expand organic

market reporting to current levels and the 2012 budget provided \$300,000 to supplement the remaining Farm Bill funding for organic market reporting.

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—these are private businesses, organizations, and state agencies—that are then authorized to certify producers and handlers of organic agricultural products according to program regulations. NOP also evaluates and establishes agreements with foreign governments, and works with the National Organic Standards Board.

In 2011, the program launched its first complete list of organic certified operators online and available to the public. NOP published a final rule on access to pasture requirements for ruminant slaughter stock; a proposed rule implementing periodic pesticide residue testing by certifying agents; and a number of rules on the National List of Allowed and Prohibited Substances. After working with the FDA to clarify which vitamins and minerals are allowed in USDA organic products, NOP published a proposed rule on January 12, 2012, that would provide a clear list of allowed vitamin and mineral additives in organic products. The proposed rule includes a two-year implementation period to allow companies to change their formulations to comply with the new requirements. NOP also implemented a new procedure by issuing online alerts to the organic community when a fraudulent certificate is identified. Three such notices were posted, each involving an international operator's misrepresentation of organic certification.

NOP equivalence agreements and export arrangements facilitate exports of organic products. As of January 27, 2012, U.S. organic dairy, beef, sheep, goat, and bison producers exporting products to Canada can benefit from more streamlined trade, after Canada agreed to consider U.S. pasture requirements as equivalent to its standards for ruminants. On February 15, the European Union (EU) and the U.S. announced that beginning June 1, 2012, organic products certified in

Europe or in the U.S. may be sold as organic in either region. This partnership between the two largest organic markets in the world will establish a strong foundation from which to promote organic agriculture, benefiting the growing organic industry and supporting jobs and businesses on a global scale. Under this agreement, industry estimates indicate that the market for U.S. organic sales to the EU could grow more than 300 percent within the first few years.

Country of Origin Labeling (COOL) – AMS is responsible for administration and enforcement of COOL, the law that requires retailers such as full-line grocery stores, supermarkets, and club warehouse stores, to notify their customers with information regarding the source of foods covered by the Act. A USDA OIG audit of the program conducted in 2011 included recommendations that AMS select only PACA-licensed retailers for retailer reviews and that AMS develop and implement a retailer compliance rating system and appropriate follow-up procedures for retailers identified as noncompliant and promptly issue noncompliance letters. To operate the program more efficiently, AMS designed and developed an automated database to capture compliance information from retail reviews and audits. The database, which is scheduled to be put into use this year, will allow AMS to reduce the number of reviews and program costs by targeting audits in facilities that have the most instances of violations. Once the database is fully operational, we expect the compliance rate to hold at the 96 percent level. Between completion of the database and streamlined retail reviews, the budget for this program in 2012 has been reduced to half of the 2010 level.

Commodity Purchases – AMS Section 32 Commodity Purchases support USDA's rural economic and children's nutrition goals. The food commodities we buy are distributed through FNS' nutrition assistance programs. In 2011, we purchased non-price supported food commodities worth \$633 million with Section 32 funds and contracted with the Department of Defense to buy another \$50 million of fresh fruits and vegetables on our behalf for the National School Lunch

Program (NSLP). These commodities were purchased either to fulfill the NSLP commodity subsidy entitlement or to assist agricultural producers through removal of market surpluses. Under agreement, AMS purchased another \$733 million in food commodities on behalf of FNS, with funds appropriated to FNS for nutrition assistance programs.

We have been working to increase the nutritional value of the food purchased for nutrition assistance programs by improving the nutritional profiles of existing food products, eliminating less healthy foods products, and adding new items to the menu. For example, since 2008 we've reduced the fat in cooked meats by up to 23 percent; reduced the salt in meat products and canned vegetables between 25 percent and 50 percent; reduced the sugar in canned and frozen fruit between 22 percent and 50 percent; and began offering oven roasted chicken and potatoes. Recently, we have begun purchasing some fresh products for use in schools such as sliced apples and baby carrots.

We are also contributing our commodity and marketing expertise as a member of USDA's Farm to School Team, where we work with FNS to link school food assistance programs with local and regionally-grown food producers. The Farm to School Team provides resources, information, and technical assistance to help school foodservice personnel and supplying producers overcome obstacles and develop new marketing relationships. In 2011, over 2,300 schools ran farm to school programs, up from only two schools 15 years ago. These programs offer important marketing opportunities for our farmers and ranchers while helping students learn about and better appreciate our agricultural sector through direct contact with producers. This year, the Farm to School Team is developing multi-lingual promotional materials; participating in state, regional, and national farm to school meetings and conferences on request; and holding regional workshops for growers, school staff and other stakeholders.

Specialty Crop Support – As part of the Commodity Purchase Program, AMS purchases more than \$400 million in specialty crops each year with Section 32 funds. AMS also administers Specialty Crop Block Grants, funded through 2012 by the 2008 Farm Bill. Specialty crop grants help sustain the livelihood of the American farm while strengthening the economy. In 2011, we invested in 55 specialty crop block grants that funded 740 initiatives across the country including the District of Columbia, and U.S. territories. These initiatives enhance the competitiveness of specialty crops, which are defined as fruits, vegetables, tree nuts, dried fruits, horticulture, and nursery crops (including floriculture). AMS encourages projects that increase nutritional knowledge and specialty crop consumption, create organic and sustainable production practices, establish local and regional fresh food systems, and expand food access in underserved and food desert communities. Funding for 2013 funding is subject to reauthorization in the next Farm Bill.

FY 2013 BUDGET PROPOSALS

For fiscal year 2013, AMS proposes a discretionary appropriation of \$78.3 million, including \$77 million for Marketing Services and \$1.3 million for FSMIP. This is a net decrease of \$5 million, or 6 percent, in annual discretionary appropriations below the 2012 appropriation. The budget also includes about \$1.1 billion from Section 32 funds and \$161 million from user fees.

The request includes additional resources in two programs to support USDA goals to strengthen regional economies—an additional \$1 million to enhance community capacity to improve local food access through our Transportation and Marketing program, and an increase of \$133,000 to meet demand for FSMIP matching grants.

The request for a \$1 million increase in Marketing Services to support regional economies through the Transportation and Market Development Program will bring funding for that program to \$6.7 million. This is an ideal time for agricultural producers to capitalize on an increasing demand by consumers for access to locally-grown products. Regional sales to consumers,

restaurants, schools, and other institutional outlets offer a substantial improvement in farm income, according to Economic Research Service data. 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 wholesale markets as aggregation/distribution points for food deliveries to local institutions. These initiatives, added to ongoing program efforts, will create new marketing opportunities and help meet increased demand for access to locally grown produce by strengthening regional supply chains.

In Payments to States and Possessions, we are requesting a total of \$1.3 million in FSMIP matching grant funds, an increase of \$133,000, to meet demand for marketing projects that are of practical use to the agricultural industry. This program puts resources directly into rural communities nationwide, which stimulates local economies. FSMIP projects often serve as catalysts for new initiatives that improve farm income and consumer welfare.

After careful evaluation, we propose to terminate our Microbiological Data (MDP) and Pesticide Recordkeeping programs to support budget reduction efforts and focus on our core mission. This has been a very difficult decision as food safety is very important in successfully marketing produce. However, we feel that the Federal or State agencies responsible for food safety might more appropriately fund this activity because MDP data supports Federal and State regulatory and health determinations. Private applicators of federally restricted-use pesticides will still be required to maintain their records, but we will no longer conduct compliance inspections and educational activities for non-commercial applicators.

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.