AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR 2013

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

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AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR 2013

TUESDAY, MARCH 6, 2012.

UNITED STATES DEPARTMENT OF AGRICULTURE

WITNESSES

EDWARD AVALOS, UNDER SECRETARY OF AGRICULTURE FOR MARKETING AND REGULATORY PROGRAMS, DEPARTMENT OF AGRICULTURE

GREGORY L. PARHAM, ADMINISTRATOR, ANIMAL AND PLANT HEALTH INSPECTION SERVICE, DEPARTMENT OF AGRICULTURE

ALAN CHRISTIAN, ACTING ADMINISTRATOR, GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION, DEPARTMENT OF AGRICULTURE

ROBERT KEENEY, ACTING ADMINISTRATOR, AGRICULTURAL MARKETING SERVICE, DEPARTMENT OF AGRICULTURE

MICHAEL L. YOUNG, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

REP. DONALD PAYNE

Mr. KINGSTON. The committee will come to order.

And the first order of business is a bit of sadness. We have lost our colleague, Donald Payne, and we will have a moment of silence. But first I would like to yield the floor to Mr. Farr. He might want to say a word or two about our colleague and friend.

Mr. FARR. Well, thank you very much, Mr. Chairman; and thank you for doing this.

We all serve here, and we are all the same. We all get elected by districts of the same population. We all get paid the same amount of money. We all have the same budget to run our offices. And so it becomes a team effort.

And Donald Payne, I traveled with him a lot. He was one of our experts on Africa, probably the expert on eastern Africa. Just a really dedicated guy, and he cared a lot about the health and welfare of his country. He is a great loss.

Because everybody here develops over time expertise in some categories, many categories. But I can't think of anybody who knew more about the problems in Somalia, Ethiopia, and probably spent more time in Africa than any other Member of Congress, and his foreign policy knowledge was extensive. And what a loss. He had colon cancer. I mean, most of us didn't even know until a week ago that he was ill, and he died in hospice last night.

Thank you, Mr. Chairman.

Mr. KINGSTON. Thank you.

And indeed this committee handles, as we know, the Public Law 480 program, which is very important to a lot of African countries. And whenever I have gone over there it is amazing to me the number of heads of state in Africa who personally knew Donald Payne because of his work there.

So if I could ask everybody, let's just have a moment of silence in his memory.

INTRODUCTION OF WITNESSES

Okay. I welcome everyone today to our sixth of eleven budget hearings for fiscal year 2013. Today, we will review the USDA's Marketing and Regulatory Programs mission area, which is extremely important to a wide variety of issues, particularly animal and plant disease prevention, to livestock and commodity price reporting, and to grain inspection.

And I welcome our friend Ed Avalos, USDA's Under Secretary for Marketing and Regulatory Programs; and Dr. Greg Parham, Administrator of Animal and Plant Health Inspection Service; and Mr. Alan Christian, Acting Administrator, Grain Inspection, Packers and Stockyards Administration; and Mr. Robert Keeney, Acting Administrator for the Agricultural Marketing Service; and Mr. Mike Young, the USDA's Budget Director.

OPENING STATEMENTS

The Marketing and Regulatory Programs mission area seeks a budget of $2.42 billion, of which $884 million is in discretionary programs. This budget requests a reduction of $57 million, or 6 percent, less than fiscal year 2012; and we will be asking questions about that area.

And I also note that you are proposing closing 15 APHIS offices in 11 States and five APHIS offices in five countries, and I commend you and the USDA for the reorganization efforts. And we will be asking questions about that as we deal with our tight budget constraints and the realities that all of us have.

We will go on the 5-minute rule today for members, and we will have as many rounds as it takes.

And, Mr. Secretary, we do have a copy of your testimony, so you are welcome to read it or summarize it or talk about it, whatever you want. And the floor is yours.

Or excuse me, Mr. Farr. Do you have any opening statements?

Mr. FARR. Well, I will submit them for the record.

But I just want to point out that this is a very important panel we have, not only the under secretary but all the administrators; and I just want to thank you all for your job here and every day. I mean, you are on the ground where commerce works and you play leading roles in facilitating the movement of agricultural products and opening up marketing opportunities and safeguarding crops against invasive pests and bridging the gap between economics and animal welfare. It is a very, very important role; and I appreciate you being here.

And I want to thank you and also let all your staff know, because you represent a lot of people sitting at that dais. And both the chairman and I and all the members of this committee appreciate the work you all do.

Thank you.

[The information follows:]

Appropriations Agriculture Subcommittee
Department of Agriculture – Under Secretary for Marketing and Regulatory Programs
Congressman and Ranking Member Sam Farr
March 6, 2012

Opening Statement -

Thank you Chairman Kingston.

I want to thank:

- Mr. Ed Avalos, Under Secretary, Marketing and Regulatory Programs, Department of Agriculture
- Dr. Gregory L. Parham, Administrator, Animal and Plant Health Inspection Service, Department of Agriculture
- Mr. Alan Christian, Acting Administrator, Grain Inspection Packers and Stockyards Administration, Department of Agriculture
- Mr. Robert Keeney, Acting Administrator, Agricultural Marketing Service, Department of Agriculture
- Mr. Michael Young, Budget Officer, Department of Agriculture.

Thank you for being here today, and for the work you and your staff do day in and day out for the American people.

As our national economy continues up the path of recovery, it is critical that we support the programs and resources that generate economic activity and job creation.

The departments you head are playing leading roles in facilitating the movement of agriculture products, opening market opportunities, safeguarding crops against invasive pest, and bridging the gap between economics and animal welfare.

Your work is helping to assure our agriculture industry not only stays competitive, but that it is ready to meet unexpected challenges that pose a threat to millions of acres of crops.

As any farmer will tell you: Time lost, is product lost. And product lost, means income and jobs lost.

In these uncertain economic times, our local economies and workforce cannot afford to lose neither.

But we cannot deny that we have an obligation to get our fiscal house in order. It is simply not a question of if we do it, but how we do it.

How we decide to tackle our fiscal problems can have dire consequences on our economy.

And in this case, on the livelihood of farmers and our agriculture industry.

Many will have you believe that, conventional wisdom tells us that cutting programs is the only path forward to fiscal solvency.

But what if the budgets we cut curtail resources to combat pest like the European Grapevine Moth that has the potential to severely damage the wine industry in California and elsewhere.

What if the budgets we cut slows down inspections on exports from everything from grains to cattle.

And what if the budgets we cut hinder the ability of our farmers to reach new markets and sell their products abroad.

In all of these cases, conventional wisdom will also tell you that this will all lead to a decrease in economic activity.

It will lead to a loss of jobs, loss of revenue, and a loss of the productivity that fuels our economy.

This is the responsibility that has been placed on these departments. And therefore our responsibility is to ensure they have the resources to fulfill their missions.

But with a limited amount of resources available, our responsibility is also to ensure that that these departments are efficient and effective.

This is the other side of the coin. Without dragging politics into this room, I hope we can have an honest debate about how to best serve our nation's farmers and support our economy.

To those ends, I look forward to your testimony.

Thank you for being here.

OPENING STATEMENT

Mr. AVALOS. Thank you, Mr. Chairman and, ranking member.

Mr. Chairman and distinguished members of this subcommittee, I am pleased to appear before you to discuss activities of the Marketing and Regulatory Programs—MRP—mission area and to present our fiscal year 2013 budget proposals for the Agricultural Marketing Service, Animal and Plant Health Inspection Service, and the Grain Inspection, Packers and Stockyards Administration.

I am not going to introduce my co-workers at the table, because you already did, Mr. Chairman. So I will just go on to save a little bit of time.

As the Secretary said in his statement before this subcommittee, at USDA, we have been working to fulfill President Obama's vision of the Nation where everyone gets a fair shot, and for an economy that makes, creates and innovates. I am proud of what we have done at MRP to further this vision, while at the same time acting as careful stewards of the taxpayer dollar. I would like to highlight some recent accomplishments which are helping American agriculture continue to build on record farm income and record exports.

Our GIPSA Packers and Stockyards Program, which focuses on promoting a fair and transparent livestock and poultry marketplace, continues to make strides to better examine and resolve potential violations. In 2011, GIPSA closed more than 2,100 investigative files, compared to 484 in 2006.

Secretary Vilsack and the Obama administration are committed to giving American farmers a fair shot in international markets.

In 2011, APHIS helped to resolve 115 sanitary and phytosanitary trade issues, including opening new markets and retaining expanding existing markets for U.S. agricultural products valued at $2.8 billion. And just last month USDA and the European Union announced that, beginning June 1st, organic products certified in Europe and the United States may be sold as organic in either area. U.S. organic sales to the EU are estimated by industry at $70 million currently and are expected to grow rapidly under this arrangement.

Today, agriculture is a bright spot in the American economy. At USDA, we work with farmers, ranchers, and growers across the country to continue the success. Our Agricultural Marketing Service works directly with farmers and businesses to market and support U.S. agriculture. These programs range from working with the States to support specialty crops, to expanding market opportunities for producers' and processors' specific commodities and local products.

AMS also supports agriculture by purchasing $1.4 billion of food produced by America's farmers and processors for domestic nutrition assistance programs and has worked to link schools directly with local food processors and producers.

MRP also underpins U.S. agriculture in some less apparent, but still very important ways. Buyers and sellers throughout the U.S., even internationally, look to AMS and GIPSA Federal Grain Inspection Service for standards, grades, and certificates to facilitate trade.

APHIS' work on the prevention, eradication, and control of animal and plant disease similarly has significant ramifications for agriculture.

I am proud that MRP continues to provide this high level of service to the American producers and to consumers and even more so in the context of the contributions we have made and continue to make to reduce the deficit for the American taxpayer. Since fiscal year 2010, discretionary budget authority for MRP agencies has fallen by more than $100 million, or 10 percent.

As guided by Secretary Vilsack, MRP agencies recognize that we cannot continue to operate as we did in the past. We must be innovative, we must modernize, and be better stewards of the taxpayer's dollar. We are pursuing administrative efficiencies and other steps that will generate savings in 2013. However, our focus will continue to be on core missions within our budget constraints.

We also had to make some difficult choices to reduce and eliminate some programs. In the 2013 budget for MRP agencies, an aggregate request of discretionary appropriations of almost $885 million—or 6 percent less—or $57 million less than 2012.

USDA's written statements for this hearing have the details and the specific proposals, and I am sure we will discuss many of them as well. I appreciate the chance to highlight some of our accomplishments and the tough choices that we had to make and will continue to make. I look forward to working with the subcommittee on the 2013 budget; and, Mr. Chairman, members of the Committee, I will be happy to answer any questions.

[The information follows:]

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.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Statement of Dr. Gregory L. Parham, Administrator
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies

Mr. Chairman and distinguished members of this Subcommittee, I appreciate the opportunity to appear before you on behalf of the dedicated and hard-working men and women of our Agency to discuss the United States Department of Agriculture's (USDA) priorities for the Animal and Plant Health Inspection Service (APHIS) and to provide you with an overview of our Fiscal Year (FY) 2013 budget request.

APHIS is committed to working with States, Tribal Nations, farmers, ranchers, and all stakeholders to address the animal and plant pest and disease challenges that affect agriculture, including our natural resources, and our nation's ability to feed, clothe, and provide fuel for people in the United States and around the world. Our programs continue to support all of the Secretary's 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.

With the continuing need to address the national debt, we recognize that APHIS needs to do its part in reducing Federal spending while efficiently and effectively carrying out our core mission of protecting U.S. agriculture. APHIS takes great pride in its ability to achieve results; we seek new challenges and ways to improve assistance to our customers and stakeholders within available resources. To make the most of taxpayer dollars, we have taken a strategic approach to focus our efforts on the highest priority areas 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 increasing operating efficiencies and reducing activities in lower priority areas.

I want to first acknowledge the level of dedication and effort that APHIS employees give to their jobs every day and would like to report on our key accomplishments of the past year. APHIS is making progress in implementing the new approach to animal disease traceability, which takes into account State and industry concerns and priorities. Using this approach, we will be better positioned to prevent disease from spreading and to eradicate diseases where they exist by more quickly tracing infected and exposed animals. Based on the extensive input the Department received from States, Tribes, and other regulated entities, the Secretary established four basic tenets for animal disease traceability. The approach: (1) directs more responsibility to States and Tribal Nations for its administration; (2) applies only to livestock moved interstate; (3) encourages the use of low-cost technologies; and, (4) is transparent. The new framework closes gaps in our ability to trace potentially sick animals and builds on prior investments. For example, we will use and make available to States and Tribes the information technology infrastructure that we developed to support our traceability efforts to date. Due largely to the focus on animals moving interstate that present a higher risk of disease spread and the use of

low-cost tags for identifying animals, we expect that the new system will involve fewer costs for producers than the previous National Animal Identification System. We also recognize that a one-size-fits-all approach might be unrealistic for our nation's diverse animal agriculture community, and we are accommodating the management practices of various sectors. In August 2011, USDA published a proposed rule on traceability for livestock moving interstate with a comment period that ended on December 9, 2011. We will evaluate all comments on the proposed rule before publishing a final rule, which we anticipate doing by the end of 2012. APHIS is committed to working with States and stakeholders to implement a program that will be effective and practical.

APHIS is also developing innovative approaches for our traditional animal disease programs to reduce some of the requirements on producers where possible, while continuing to address the disease risk and assuring our trading partners of the United State's disease-free status. One of our first efforts is the transition to a risk-based disease management concept for our brucellosis program. In conjunction with the Greater Yellowstone Area States (Montana, Wyoming, and Idaho), whose cattle producers face a continual risk of brucellosis transmission from wildlife, we are developing designated surveillance areas when the disease is detected in a domestic cattle herd rather than having to downgrade the entire State's status. To make this change (which will reduce testing requirements and movement restrictions on producers outside the affected area), we are also focusing surveillance sampling for the disease in cattle at slaughter to demonstrate our national status and keep export markets open to U.S. cattle and products. APHIS published an interim rule in FY 2011 that provides for a national brucellosis surveillance plan and includes

implementation of a risk-based disease management and surveillance area concept. Based on the comments received, APHIS is crafting a final rule.

To protect specialty crop production in the United States and ensure the availability of fresh fruits and vegetables, we have continued progress toward eliminating the European grapevine moth (EGVM) from California. This program protects more than 11,000 grape farms in the State (more than 40 percent of which are in the immediately affected area) as well as those in 30 other States with climates suitable for EGVM. This pest, detected in October 2009, can cause losses of 80 to 100 percent in affected vineyards, but APHIS, the California Department of Food and Agriculture, industry partners, and a host of other partners have worked together on an intensive effort that reduced the number of moths detected by more than 99 percent between FY 2010 and FY 2011. Additionally, because trading partners have confidence in survey, quarantine, and control programs implemented by APHIS and the State, international markets have remained open to U.S. grapes, stone fruits, berries, and other host commodities. Continued activities will be needed for the next several years to ensure that the pest is eradicated and to protect grape production, worth $3.9 billion in California alone.

On January 3, 2012, APHIS announced the eradication of the citrus-destroying Mexican fruit fly from the United States. After a long, cooperative effort with the citrus industry in the Lower Rio Grande Valley area of Texas, the Texas Department of Agriculture, and our counterparts in Mexico, the United States is free of this pest for the first time since 1927. Because this pest is still present on the Mexican side of the border, the threat of reinfestation will continue until Mexfly is eradicated from seven municipalities across the border. APHIS will continue

preventive releases of sterile Mexflies in the United States along the border to guard against the re-encroachment of the pest and continue cooperation with Mexico on this and many other programs.

Recognizing the importance of trade to the national economy, we also support our farmers and producers' ability to export their products, an important source of income for our farmers. Last fiscal year, APHIS helped resolve 115 sanitary (animal) and phytosanitary (plant) issues involving U.S. agricultural exports, including opening new markets and expanding and retaining existing market access for U.S. agricultural products valued at $2.8 billion. These export accomplishments include opening new markets for a variety of U.S. products, such as feeder cattle to Egypt (worth $45 million) and genetically modified organism virus resistant papaya to Japan (worth $5 million). We also retained key markets around the world for products such as milk and dairy products to Mexico (worth $10 million), peas and pulses to India (worth $100 million), and alfalfa hay to China (worth $2 million), and collaborated with other USDA agencies to lift Russia's avian influenza ban on U.S. poultry (worth $40 million). In addition, to expand the existing market access, we helped negotiate an updated health certificate for the export of breeding cattle to Turkey (worth $145 million). APHIS attachés successfully obtained the release of more than 300 individual shipments of U.S. agricultural products worth more than $60 million. Examples of these shipments include cattle to Turkey worth $10 million, poultry products to Argentina worth $1.9 million, and wheat to Taiwan worth $314,000, among others.

Our Animal Welfare program carries out activities designed to ensure the humane care and treatment of animals covered under the Animal Welfare Act (AWA) through inspections,

enforcement, education, and collaboration with others. During 2011, APHIS re-evaluated its methodology for calculating the frequency of inspections at facilities with more egregious violations. This change in approach, along with strengthening our regulations with regard to commercial dog breeders and dealers and continuing outreach and training related to AWA compliance, will allow the program to make better use of its resources and ultimately increase overall compliance.

BUDGET REQUEST

During the last year, APHIS reviewed a number of programs and overall operations to identify ways to use our resources more efficiently. Our FY 2013 Budget reflects the results of these efficiencies, as well as additional, programmatic reductions. Our total FY 2013 Budget request is $765.6 million, a net decrease of $54.1 million or 6.6 percent from the FY 2012 appropriation. It includes $1.7 million which was offset from existing programs to fund a 0.5 percent pay increase for APHIS employees.

As part of the Secretary's Blueprint for Stronger Service, we are pursuing Agency-wide administrative efficiencies that will save us $5.3 million in FY 2013. These include consolidating information technology (IT) customer service support and switching telecommunications technology, as well as eliminating development funding for some lower priority IT investments.

We also identified process improvements and changes in methodology for specific programs and activities that allow us to reduce our budget request by $16.5 million. After conducting Lean Six Sigma process reviews for a variety of programs, we are implementing business process

improvements that will result in a notable savings of nearly $3 million, while at the same time enabling us to better and more quickly serve our stakeholders and customers. These process improvements are taking place in areas such as licensing of veterinary biologics, import and export reviews, regulatory investigations and enforcement, and reviews of petitions to determine the regulatory status of genetically engineered crops. We have also identified areas where a shift in methodology can save us money while we still achieve our goals. For example, APHIS has developed several statistical and epidemiological methods to increase the efficiency of surveillance for several animal diseases—without sacrificing industry and trading partners' confidence in our surveillance system. These changes will allow us to save approximately $9 million in our Cattle Health and Swine Health programs. Other changes, such as streamlining scrapie eradication activities and reducing activities overseas related to highly pathogenic avian influenza (which we are able to do, based on successful emergency preparation and surveillance efforts), allow us to propose an additional $4.5 million in reductions.

We had to make difficult reduction and elimination choices that will impact multiple programs. The President's budget reflects our proposal to reduce activities in areas where success is not likely—the pest or disease is simply too widespread--or where a smaller Federal role is appropriate. We have taken a decisive and strategic approach to recommend reductions in a way that will allow us to continue to focus on the highest priorities and areas that post the greatest risk to American agriculture, while maximizing our resources. In this regard, we are proposing to eliminate Federal contributions for the Johne's disease and chronic wasting disease efforts. Both diseases are endemic (Johne's in the nation's cattle, especially dairy, and chronic wasting disease in wildlife), and they can best be managed by educated producers and at the local or regional

level. We will also continue to ask for greater contributions from our partners – for instance in several specialty crop and tree and wood pest programs and wildlife damage management -- than we have in the past. We are also proposing to reduce operational spending in programs such as Animal Welfare and Horse Protection. We will remain focused on the most egregious violators while continuing to seek ways to operate more efficiently in FY 2013.

We are grateful to the Committee for its support of the Agency's new budget structure, which moved from individual plant and animal pest and disease line items to commodity-specific line items and significantly reduced the number of line items in the APHIS budget. This new structure will help APHIS maximize resources by allowing us to respond to changes in the pest or disease complex that may affect or threaten a particular commodity or resource group.

While we are proposing an overall reduction, our FY 2013 budget request reflects several judicious increases. In our systematic review of APHIS' programs, we identified several targeted investments critical to our long-term safeguarding strategies. The ability to rapidly identify and contain an animal disease outbreak is crucial to our emergency preparedness efforts, with the potential for significant savings in eradication and control costs as well as ensuring continued trade. Therefore, the refocused animal disease traceability program remains one of our highest priorities. Accordingly, we are requesting an increase of $5.623 million for the animal disease traceability program, which will provide approximately $14 million for the effort in FY 2013. The new approach, while advancing traceability for disease response, will also help the U.S. animal and animal product exports to remain competitive in the global market place as trade requirements increasingly require such a system to allow access to markets. APHIS will

use the requested funding for cooperative agreements with State departments of agriculture and purchase ear tags, directly supporting our cooperators' ability to implement the program. The proposed funding level more accurately reflects how much the program needs to carry out essential activities and retain the advances made to date.

As a world leader in the arena of animal health, APHIS is involved in the "One Health" initiative, a multi-disciplinary, multi-level (local, State, national, and international) collaborative approach to promoting healthy animals, people, plants ecosystems, and socio-economic well-being. To support increased investigations and emergency preparedness at the human-animal-ecosystem interface, APHIS is requesting an increase of $1.447 million for the Zoonotic Disease Management program.

In an effort to show leadership in the world community and help prevent illegal logging on an international scale, Congress amended the Lacey Act through the 2008 Farm Bill to make it illegal to import plants taken or traded in violation of domestic or international laws. We are requesting an increase of $725,000 (for a total of $1.5 million) to enhance our ability to implement these new provisions of the Lacey Act. This funding will support dedicated staff and the development of a web-based solution to collect required import declarations.

To support the Secretary's goal of ensuring that all of America's children have access to safe, nutritious, and balanced meals, we are requesting an increase of $422,000 for Aquatic Animal Health activities, specifically for conducting targeted surveillance for infectious salmon anemia

in the Pacific Northwest, to help aquaculture producers and salmon hatcheries understand and address the risk posed by this disease.

Finally, to ensure that APHIS can promptly address small-scale pest and disease outbreaks and decrease the likelihood of pest spread, APHIS requests an increase of $984,000 for its contingency fund. The existence of this fund allows APHIS to respond quickly when a pest or disease outbreak is detected. In the case of small outbreaks, the contingency fund may allow APHIS to eliminate the problem entirely, or to initiate efforts if a larger outbreak is detected while determining what funding options are available to continue the response.

APHIS' mission of safeguarding United States agriculture is becoming ever more critical. Healthy plants and livestock provide abundant and affordable food for all Americans, and increase our export market potential, thereby contributing to a healthy U.S. economy. On behalf of APHIS, I appreciate all of your support and look forward to a continued, productive working relationship. I would be glad to answer any questions you may have.

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.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Statement of Alan Christian, Acting Administrator
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies

Introduction

Mr. Chairman and Members of the Subcommittee, I am pleased to share with you the accomplishments of the Grain Inspection, Packers and Stockyards Administration (GIPSA), and to discuss the Agency's fiscal year (FY) 2013 budget proposal.

GIPSA plays an integral role in ensuring the economic viability of America's farmers, and, in turn, of rural America. GIPSA's programs directly and significantly impact three key sectors of American agriculture – the livestock, poultry, and grain markets. Our work ensures fair-trade practices and financial integrity for competitive markets, and promotes equitable and efficient marketing across the nation and around the world.

Our two programs are the Packers and Stockyards Program (P&SP) and the Federal Grain Inspection Service (FGIS). P&SP protects fair trade practices, financial integrity, and competitive markets for livestock, meat, and poultry. FGIS facilitates the marketing of U.S. grains, oilseeds, and related agricultural products by providing the market with terms and methods for quality assessments, maintaining the integrity of the grain marketing system, and providing for the national grain inspection and weighing system.

Currently, GIPSA comprises 715 staff years. P&SP includes a headquarters unit in Washington, D.C.; three regional offices in Atlanta, Georgia; Denver, Colorado; and Des

Moines, Iowa; and a cadre of 55 resident agents that are our eyes, ears, and compliance and regulatory presence on the ground. FGIS, or the grain inspection program, has a headquarters unit in Washington, DC; the National Grain Center in Kansas City, Missouri; and 7 field offices and 1 Federal/State office across the country. These field offices are located in Grand Forks, North Dakota; Kansas City, Missouri; League City, Texas; New Orleans, Louisiana; Portland, Oregon; Stuttgart, Arkansas; and Toledo, Ohio; and the Federal/State office is located in Olympia, Washington. FGIS delivers official inspection and weighing services via the national inspection system, a unique public-private partnership comprised of Federal, State, and private inspection personnel. Our partners include 55 State and private agencies authorized by GIPSA to provide official inspection and weighing services on our behalf.

Packers and Stockyards Program

GIPSA's P&SP regulates businesses that market livestock, poultry, and meat under the Packers and Stockyards (P&S) Act. The P&S Act was promulgated in 1921 to promote fair and competitive marketing in livestock, meat, and poultry for the benefit of consumers and American agriculture. Under the P&S Act, P&SP fosters fair competition, provides payment protection, and guards against deceptive and fraudulent trade practices in the livestock, meat, and poultry markets. By protecting fair-trade practices, financial integrity, and competitive markets, GIPSA promotes marketplace fairness for swine contractors, livestock producers, sellers, and poultry growers for the benefit of all market participants

GIPSA's P&SP has seen significant improvements in its performance over the last 10 years. A significant component to that improvement has been a business process re-engineering effort initiated in 2006 and subsequent management follow-up and refinement which continues today. The business process re-engineering effort was program-wide and involved developing

workflow descriptions for all 12 major program processes and 22 sub-processes. All regional offices and headquarters divisions participated. Conducted in four phases, the final phase involved implementing the updated core processes in an automated information management system. The Packers & Stockyard Automated System (PAS) provides a paperless (electronic) inspection and investigation case file environment hosted through USDA's internet services. The PAS allows for P&SP agent workflow case documentation, tracking, and reporting from case inception to completion. The enterprise automation allowed the program to operate more efficiently and strengthened P&SP's ability to manage case milestones and significantly reduced costs involved with performing investigations.

For example, in 2002 P&SP had 162 full time employees who worked to close a total of 579 investigations, which resulted in a total of 13 formal complaints filed by the agency through the administrative law judge. By comparison in 2011, P&SP had 162 full time employees who closed 2,131 cases, an increase of 3.7 times the 2000 number. PS&P in 2011 also increased the number of formal complaints and stipulations to 114 compared to 94 in 2010. Overall, the improved efficiencies and management capabilities resulting from the 2006 business process re-engineering initiatives have contributed to significant improvements in performance. With continued management application of the data captured in the system, P&SP expects to achieve greater efficiencies with its allocated resources.

In carrying out our mission, GIPSA works cooperatively with our sister agencies within USDA, and particularly with the Economic Research Service, Office of the Chief Economist, National Agricultural Statistics Service, Agricultural Marketing Service, and the Food Safety and Inspection Service. We also regularly collaborate with the Department of Justice, the

Commodity Futures Trading Commission, and other State and local law enforcement agencies with their investigations.

GIPSA maintains a toll-free hotline (1-800-998-3447) to receive anonymous complaints and other communications from livestock producers, poultry growers, and other members of the industry or general public. GIPSA responds to all received calls.

Federal Grain Inspection Service

GIPSA's grain inspection program facilitates the marketing of U.S. grain, oilseeds, and related agricultural products by providing the market with the official U.S. grading standards, as well as methods to assess product quality; maintaining the integrity of the marketing system by enforcing the U.S. Grain Standards Act (USGSA) and the Agricultural Marketing Act of 1946 (AMA); and providing for America's national inspection system, a network of third-party Federal, State, and private laboratories that provide impartial, user-fee funded official inspection and weighing services under the authority of the USGSA and the AMA. In 2011, the national inspection system provided close to 3.4 million inspections on over 310 million metric tons of grain. A testament to GIPSA's commitment to providing outstanding service to all segments of the grain industry is the grain market's usage of our terms, methods, and services to export over $48 billion of grains and related products annually.

GIPSA's grading standards help buyers and sellers efficiently identify the quality of grain and grain products and provide a common language for trade. To ensure that they remain germane, GIPSA regularly reviews the standards and seeks public input on their relevance. In 2013, GIPSA will continue its review of the U.S. standards for wheat standards and testing methods to enhance the marketability of U.S. wheat by accurately differentiating the ability of wheat to meet specific end-use needs. GIPSA, in collaboration with the wheat industry, is

pursuing two major avenues to address the need for improved wheat functionality measurements. GIPSA is working to standardize Farinograph testing, the most popular method for measuring how flour dough will behave during processing, and provide a rapid test of gluten viscoelastic properties to predict how wheat will function as flour in baking or other final processing.

In 2013, GIPSA will also continue with a review of the barley standards. GIPSA initiated the barley standards review in 2011 by publishing an Advance Notice of Proposed Rulemaking in the *Federal Register* for U.S. Standards for Barley, inviting stakeholders to comment on whether the barley standards and grading procedures need to be revised. Comments are currently being reviewed to determine if there is a market need to amend the standard. If comments result in the need for rulemaking, GIPSA anticipates publication in the *Federal Register* of a Notice of Proposed Rulemaking for U.S. Standards for Barley.

To better serve the dynamic grain marketing system, GIPSA remains attuned to changes in movement of U.S. grain and related products. The shipping of U.S. grain exports in containers has increased significantly over the last few years and, as a result, official inspections of containerized grain increased from 0.7 percent of total grain officially inspected at export locations in 2005 to 3.6 percent in 2011. In order to accommodate the containerized grain trade, GIPSA has remained flexible with regard to sampling containerized lots and certifications procedures. To ensure that GIPSA regulations and service operations effectively address current and evolving market conditions, in 2011 GIPSA initiated a comprehensive review of the policies and procedures governing official inspection and weighing services for grain exported in containers, and proposed regulatory changes. GIPSA is developing outreach material for current and potential buyers of U.S. grain to enhance understanding of the sampling, inspection, and certification processes for grain exported in containers.

GIPSA also continues to work with exporters, importers, and other end-users of U.S. grain around the globe to facilitate the marketing of U.S. grain in global markets. GIPSA helps resolve grain quality and weight discrepancies, helps other countries develop domestic grain and commodity standards and marketing infrastructures, assists importers in developing quality specifications, and, to harmonize international trade, trains foreign inspectors in U.S. inspection methods and procedures. During 2011, GIPSA personnel met with 25 teams from 19 countries. Also of note, since 2002, GIPSA has stationed employees in Asia for 1- to 3-months to work with Asian customers and their governments. These activities foster a better understanding of the entire U.S. grain marketing system and serve to enhance purchasers' confidence in U.S. grain. Ultimately, these efforts help move our nation's harvest to end-users around the globe. GIPSA has been able to address immediate and long-term issues in Asia, promote a better understanding and adoption of U.S. sampling and inspection methods to minimize differences in results, and develop face-to-face relationships with customers, USDA cooperators, and government officials. In September 2011, GIPSA placed one representative in China on a 2-week temporary duty assignment. The representative met with Chinese inspectors at several port laboratories to give presentations on U.S. grain standards and GIPSA's export inspection procedures and to observe their inspection procedures.

In addition, GIPSA works with global partners to develop scientifically sound methods for identifying biotechnology-derived grains. GIPSA's Biotechnology Proficiency Program, initiated in 2002, enables organizations to improve their accuracy in identifying genetically engineered events for grain and oilseeds. Today, 160 organizations—over 80 percent of which are located outside the United States—participate in the program.

Our continued success in fulfilling our mission of facilitating the marketing of U.S. grain is directly attributable to our exceptionally skilled, experienced, and dedicated workforce. GIPSA's FGIS is having success using intern programs' individuals to maintain the quality of our current and future workforce. Eighteen individuals were selected in our first intern program that began in January 2011. Our interns were recruited from colleges and universities across the nation and reflect a cross section of the United States. Individuals selected for the 2-year internships work rotating assignments and participate in the full range of inspection work acquiring on-the-job experience to give them the necessary experience base. In 2012, FGIS anticipates continuing our success with the intern program utilizing the new OPM Pathways recent graduates program to welcome the next intern cohort. Each intern supplements on-the-job training by attending classroom training and individual development assignments throughout the country. After successful completion of the program, interns will become Agricultural Commodity Graders responsible for a wide variety of grain inspection services.

2013 Budget Request

To fund important initiatives and address the Agency's responsibilities, GIPSA's budget request for FY 2013 is $40.3 million for salaries and expenses and $50 million in spending authority for our Inspection and Weighing Services which would allow GIPSA to fully utilize user fees collected for Inspection and Weighing Services. The budget requests additional funding of $2,511,000 above 2012 for pay costs, expanded enforcement of the Packers and Stockyards Act, and for purchases of necessary grain testing equipment. In addition, we will submit a legislative proposal for user fees to recover about $27 million for the costs of grain standardization and P&SP activities.

We are requesting additional funding of $117,000 to fund pay costs. This increase will enable GIPSA to maintain staff, which is critical to achieving the agency's objective of facilitating the marketing of livestock, poultry, meat, cereals, oilseeds and related agricultural products and promote fair and competitive trading practices for the overall benefit of consumers and American agriculture. Approximately 75 percent of GIPSA's budget is in support of personnel compensation.

We are requesting additional funding of $1,146,000 to strengthen direct enforcement of the P&S Act and promote greater voluntary compliance with the P&S Act by offsetting past year staff attrition The funds will supplement GIPSA enforcement staff with equipment, supplies, and other support expenses needed to complete their jobs. P&SP relies on 55 resident agents and auditors, with assigned duty stations in their homes across the United States to conduct a large percentage of its front line regulatory inspections and investigations. These agents must travel at times long distances to conduct regulatory and investigative field work. Travel is an essential component of allowing GIPSA's resident agents to successfully perform their job function. Funding is also needed to provide all P&SP staff with the necessary equipment and supplies, such as computers and high speed scanners, to conduct their jobs. Providing staff with resources for travel and the tools needed to successfully conduct their work, will enable GIPSA to conduct 154 additional investigations and 134 inspections and compliance reviews and to allow timelier processing of producer complaints. The increased investigations and inspection will cover regulated entities that have an estimated customer base of 81,000 livestock and poultry sellers. To protect the livelihoods of livestock producers and others involved it the livestock markets, we need to be vigilant in our enforcement of the P&S act. Given the difficult economic conditions

many of the regulated entities face and the state of the industry, the requested increase is especially needed.

We are also requesting additional funding of $1,248,000 to purchase necessary scientific equipment for FGIS. To maintain the Agency's worldwide reputation as a leader in grain quality assessment, GIPSA is seeking an increase for equipment needed to provide wheat producers and marketers with advanced assessments of wheat functionality and protein quality. GIPSA is also striving to refine and expand effective mycotoxin and pesticide residue testing programs for U.S. grain exporters. These programs are essential for demonstrating that U.S. grain is wholesome and safe for consumption, thereby confirming the high value of U.S. grain commodities. Additional funding will also allow GIPSA to replace aging instrumentation used to establish and maintain moisture and oil reference methods. GIPSA's ability to provide accurate reference methods is essential to ensure that moisture and oil testing equipment used by private entities operating under GIPSA's supervision are providing consistent measurements.

Conclusion

Mr. Chairman, Members of the Subcommittee, thank you for the opportunity to share some of the accomplishments of our dedicated staff and to highlight our future plans to facilitate the marketing of U.S. agricultural products and to promote fair and competitive trading practices for the overall benefit of consumers and American agriculture.

I would be pleased to address any issues or answer any questions that you may have.

2013 BUDGET REDUCTIONS

Mr. KINGSTON. Thank you, Mr. Secretary.

I wanted to start off with sanitary and phytosanitary barriers. Well, let me just say, you said that 115 of them you helped resolve last year, is that correct?

Mr. AVALOS. That is correct.

Mr. KINGSTON. And that is about $2.8 billion in trade value, I think. Now, that budget is still being decreased a little bit, is that correct, in that section?

Mr. AVALOS. That is correct, Mr. Chairman.

Mr. KINGSTON. How are you going to be able to keep that kind of operation tempo with a decreased budget?

Mr. AVALOS. Well, Mr. Chairman, members of the Committee, I just want to stress that at MRP and USDA we are doing our part to reduce spending and to help reduce the deficit. We continuously look for ways to do a better job with less money, and we look for ways to have the least impact on our programs and on our stakeholders.

As I mentioned, Mr. Chairman, in 2013, we are proposing a 6.6 percent cut over 2012 for APHIS, which is $54 million. We made cuts across the board. We made tough choices to reduce programs that were not having success, such as Emerald Ash Border—EAB. And through process improvements and through increased efficiencies we are allowing programs w we can have success to eradicate or have success to prevent the spread of diseases or pests such as the European grapevine moth and Asian longhorned beetle.

Mr. Chairman, we did close offices where we had already experienced success, we had accomplished our mission, such as the Karnal Bunt program. We closed offices where we were not accomplishing our mission, such as the EAB program, simply because at this time we don't have the tools to accomplish our mission. But I just want to stress, Mr. Chairman and members of the Committee, that we are very committed to our core mission. We are committed to protect this country from plant and animal pests and diseases.

PEST CONTROL MANAGEMENT

Mr. KINGSTON. Well, how were you successful on the Mexican fruit fly? And if you could compare that, and I know Mr. Farr will ask you about the light brown apple moth. But we also had the stink bug issue, the marmorated stink bug. And what did you learn from the Mexican fruit fly experience that you can apply to them?

Mr. AVALOS. Mr. Chairman, I am going to ask the APHIS administrator, Dr. Parham, to help me answer that question.

Dr. PARHAM. Thank you for the question, Mr. Chairman.

With regard to the Mexican fruit fly, one of the things that we were successful with in terms of the eradication of that particular pest, even though we recently understand that we may have had reintroduction along the border area, and we are going to address that. But the thing that we were able to do there is with our surveillance techniques, with the surveys that we constantly do to protect American agriculture, and we also used a sterile insect tech-

nique whereby we are able to control populations in the areas that are infested.

And your reference to the LBAM, we tried that with the light brown apple moth in the early days using biological control mechanisms; and the light brown apple moth has turned out to be a little bit different than we anticipated when we first began. And so even though we are still committed to the work with the light brown apple moth in California—and, Representative Farr,I know you have questions for us on that—we continue to see that.

As far as the stink bug is concerned, one of the things that is happening there, too, is that we are working with our research partners in the Agricultural Research Service—ARS—to see what kind of biological control mechanisms can be used there. There is some promise in terms of introducing another pest, a parasitic wasp that is able to attack the stink bug.

So these are some of the things that we continue to investigate as we work to protect American agriculture.

Mr. KINGSTON. How do you sterilize these bugs? Because I know you do release some of the bugs and do genetic modification, which I find fascinating. And I think people need to understand the good work that you guys do in terms of this, because what you are trying to accomplish is a biological solution that is environmentally sensitive and specific to that insect.

Dr. PARHAM. Right. The way they do that is an irradiation technique. This is something that was modeled some years ago by ARS, Dr. Knipling, the father of the current ARS administrator, was very instrumental in getting this technique used extensively throughout not just in this country but also throughout Central and South America and other countries as well.

Mr. KINGSTON. Well, I am out of time, but I think that is something that is just an unsung song USDA is doing. It is very interesting, and most people have no idea.

Mr. Farr.

Dr. PARHAM. Thank you, Mr. Chairman.

Mr. FARR. Thank you, Mr. Chairman.

LIGHT BROWN APPLE MOTH

I want to pursue that discussion of the light brown apple moth. Because I don't think we necessarily eradicate all these bugs, but we get to a point where you can control them. And that is what the fruit fly—I mean, the one you just talked about, we were able to contain in California.

But what happened is that we had this light brown apple moth, which essentially originates in I think Australia and New Zealand. And when it was there USDA just put out this warning to everybody that this was a really bad pest and do not allow any product to ever come into the United States that has been grown in a spot where this moth is without incredible review of all the products, examination and everything, and certify that it does not have any bugs.

Well, guess what? The bug broke out in my district, and we spent about $200 million trying to eradicate this in a failed effort. And so now the Department wants to deregulate it. But you haven't

changed the message to the world that this is a bad bug, a pest, a moth.

And so my growers are all in this—I mean, they are okay with deregulation, but lift—get our other countries—I mean, California's largest exports are to Canada and Mexico, and neither one of those countries will allow anything to come in. And every other State that does not have it is going to ban products. And a lot of the products that are grown are only grown in the microclimate that is in the Monterey Bay area because of that.

So there is a real fear among the growers that we are caught between a rock and a hard place. You told us how bad this was and we had to get rid of it. We did everything you told us to do, but you could not get all the permission to spray by helicopters and so on. It became big politics, Mr. Chairman, and the State of California actually moved funding because of community unrest and community protest about having aerial eradication.

But I want to know what are you doing with our trading partners, both foreign and domestic, to remove the barriers to trade so that we can sell our products?

Mr. AVALOS. Congressman Farr, I am going to attempt to answer your question; and then I will defer to Dr. Parham.

You are exactly right. The moth is very widespread. We are not in a position to eradicate this pest. However, by having the program in place, we are able to monitor, to survey, determine where the pest is, and allow pest-free areas to continue to export to domestic and international—

Mr. FARR. Well, that is fine for pest-free areas. The point is you have still got it as a bad pest. So what about those people that are in the area where it is?

Mr. AVALOS. I am going ask Dr. Parham to help me with this answer.

Dr. PARHAM. There are a couple of issues here, Mr. Farr.

First, let me just talk about what we are currently doing with our trading partners, particularly Mexico and Canada. Rebecca Bech, who is with us here today, is our Deputy Administrator for Plant Protection and Quarantine. Just last week she was in Mexico at the NAPPO conference, the North American Plant Protection Organization; and this was one of the topics that was being discussed. Because we do fully recognize that we need to work with our trading partners to help them understand the impact and importance of——

Mr. FARR. Have you ever had success in doing that before, whatever you are doing to allow products from infested areas to get into countries? Have we ever gone through a pest like this where we have sort of delisted it or downsized the eradication effort and then got our trading partners to accept?

Dr. PARHAM. We are constantly doing these kinds of things. Some of the things that were talked about before in terms of having some of our shipments accepted in trade were things that we know that we have, but we take the mitigation factors into account whenever we ship those things.

DELISTING LIGHT BROWN APPLE MOTH

Mr. FARR. Who is going to pay for all the inspection costs that are required?

Dr. PARHAM. It is a shared responsibility between the State, the counties, and the Federal Government as well. As you will notice, we continue to support this effort. Both this year and next year there is very little change in the amount of money that we are—

Mr. FARR. Not the inspection for the moth but the inspection of the plants in order to get certified that they are bug free. They have to go through—after harvesting, before they are shipped, have to go through inspection.

Dr. PARHAM. Right, right. And that is one of the things that we feel that we have a responsibility for and partnership——

Mr. FARR. Are you going to continue to pay for that?

Dr. PARHAM. We are going to continue to work with our partners to see that we continue to protect American agriculture.

Mr. FARR. I need a better answer than that, and my time is out. But, I mean, I don't know why it is a State or local responsibility. You are the one that listed it.

Dr. PARHAM. We are indeed. And to continue to protect trade, both with Mexico and Canada, which still list it as an actionable pest, and also the remaining States in the U.S. who do not have the pest and do not want the pest, so we are going to continue to work with California to make sure that the pest does not——

Mr. FARR. How long does it take to become a nonactionable pest?

Dr. PARHAM. That varies. It depends on how we are able to control and manage this particular pest. There is no timeframe that we can put on something like that.

Mr. FARR. I will revisit this again, Mr. Chairman. Thank you.

Mr. KINGSTON. Mr. Latham.

Mr. LATHAM. Thank you, Mr. Chairman, and welcome, everyone.

I just wanted to add my condolences to Donald Payne's family. He was one of the really good guys around here and will be greatly missed. That is for sure.

SWINE SURVEILLANCE

I have some questions I guess on the swine surveillance. You got a reduction in funding of $2.5 million. It is a fact that sometimes swine diseases can be a jump-off point from animals to humans. It seems to me that, because of that, you would want to invest more as far as surveillance. Is there any kind of cost-benefit analysis as far as what it would cost on the potential market loss with an outbreak?

One question I think needs to be answered is you are going to use statistics rather than surveillance, apparently, and does that meet international standards set by the World Organization for Animal Health? And they are also talking I guess in a proposal about ramping up surveillance efforts after an outbreak occurs. I mean, the horse is already out of the barn, and then you are going to ramp up surveillance. So you are cutting it now and then letting the disease go out and then you are going to ramp up afterwards, is that right?

Do you have any comments?

Mr. AVALOS. Congressman, first, I want to emphasize that we are doing our part to cut spending. We are making some tough choices but necessary choices. And at APHIS we had cuts straight across the board. But, nonetheless, we are still focused on our core mission, which is to protect the animal and plant health in this Nation; and we feel that with the cuts that were made to the program that we can continue to provide the service that is necessary for the swine industry.

Mr. LATHAM. Okay. Using the statistics, is that going to meet the requirements in the international standards?

Mr. AVALOS. Congressman, I am going to ask Dr. Parham to help me with the answer.

Dr. PARHAM. Again, thank you for that question.

And, yes, one of the things that we are doing is improving both our statistical and our epidemiological methods. And in doing so we are seeing that there are ways that we can have the same result, particularly where you have situations where a disease has been eliminated or is at a very low prevalence.

So one of the things we are doing in addition to that, though, is in terms of what we do surveillance for. For example, many times we used to take samples and we would only look for a single disease. Well, now we are able to look for multiple diseases with a single sample. So that is going to allow us to do part of the reduction. Also in terms of the target populations that we look at. So we are being much more focused in terms of the animals that are most at risk.

So by doing these kinds of things, as opposed to just general statistical and general epidemiological methods, we are able to be more precise. And, yes, what we are doing now still exceeds the measures that the World Health Organization or the OIE or the World Animal Board looks at in terms of the kinds of things we need to do internationally.

Mr. LATHAM. But your plan is to let a disease occur and then go after—then ramp up after the fact, right?

Dr. PARHAM. No.

Mr. LATHAM. That is what you are saying.

Dr. PARHAM. It is not that we plan to let the disease occur. We plan to prevent it in any way possible. But in the event that we do indeed have an outbreak we have the methods to go in and make sure that we can limit that.

So, for example, one of the things that has happened in the past is when a particular outbreak happens it might lead to a quarantine of an entire State. Well, one of the things that we are looking at is being able to really identify the population that is at risk and potentially have a much more restricted quarantine, rather than doing it State by State.

Mr. LATHAM. If it is already out, you are going to have a much broader quarantine than what you are referring to. I do not understand your priorities. I mean, this is about human health, it is about animal health and huge economic consequences.

ANIMAL TRACEABILITY PARTNERSHIPS

If I can—and I am going to have to leave here—but a question on animal traceability. Does APHIS, have they partnered at all

with any private firms? I would like to know what technology that APHIS has implemented successfully that has gained any kind of wide usage.

Mr. AVALOS. Congressman, is your question specifically on our proposed rule and traceability, or is this on traceability as it exists today?

Mr. LATHAM. Well, Secretary Vilsack announced a blueprint for a stronger service, supposedly streamlining operations, and stated USDA would make the use of taxpayer resources. It has to do with animal traceability, right.

Mr. AVALOS. Okay.

Mr. LATHAM. Have you partnered with anybody in the private sector or do you have any plan of your own that has actually worked and gained acceptance?

Mr. AVALOS. To my knowledge, Congressman, we have not partnered with someone from the private sector, but our partnership and our cooperation is with the States and the Tribes.

Dr. Parham has more to add, so I am going to pass the mic over to Dr. Parham.

Dr. PARHAM. There are some private entities who are interested, of course, in some of the infrastructure that is in place for traceability and will continue to be in place. And we are working with those that want to provide, for example, some of the tagging kinds of mechanisms. There are those that will be able to participate in that particular vein. But as part of our program, our emphasis is on the low-cost tags. And so as we progress our expectation is to be able to provide that as part of the traceability program.

Mr. LATHAM. I see my time is up. Thank you, Mr. Chairman.

Mr. KINGSTON. Mr. Bishop.

Mr. BISHOP. Thank you, Mr. Chairman.

Let me welcome all of you to the committee.

Let me say that I appreciate very much the service that you render our country; and, Dr. Parham, I am especially impressed with the fastidious way in which you have grasped the issues and that you are proactively working with APHIS to do the things that have to be done with limited budget authority.

GIPSA RULE

I would like to direct my attention to GIPSA, at the moment, Mr. Christian. We appreciate very much your efforts to comply with the restriction that Congress imposed with respect to the GIPSA rules last June. But I am told that the final rule does still include elements that you were not supposed to act on, that it specifies criteria that are not binding on the agency, that it extends beyond GIPSA's statutory authority amidst the requirement to show adverse effects on competition before challenging conduct as being unfair.

Not only does this appear to circumvent the congressional mandate in existing law, but it creates vague and ambiguous requirements that leave the regulated industry guessing as to what will be considered unfair under the Packers and Stockyard Act. How are you going to address these deficiencies and how are you going to clear up the ambiguities and the confusion that has occurred?

And in addition to that, I believe—and tell me if it is not true—that the final rule purports to apply to contracts not involving birds for slaughter, such as pullets, laying hens, and breeders, whereas the Packers and Stockyards Act provides GIPSA authority only over birds that are raised for slaughter. Are you aware that this point was made and the comments that were submitted during the notice comment rule making period but that the agency did not respond to those comments?

Mr. AVALOS. Congressman Bishop, I am going to make a few comments, and I am going to ask Mr. Christian to expand on my answer.

First, I want to emphasize that it has been and will continue to be a priority at USDA to maintain transparency and fairness in the marketplace. I see we published a final rule in December, and it went into effect February 7th. And the final rule that we did publish is well within the authority of the Packers and Stockyards Act.

And I just want to emphasize that our efforts since the final rule was passed have focused on outreach to our stakeholders. We have had several sessions, Mr. Christian has had several sessions throughout the country to explain the provisions of the final rule.

And, having said that, I am going to go ahead and ask Mr. Christian to expand and try to answer some of your other questions.

CRITERIA IN THE GIPSA RULE

Mr. CHRISTIAN. Thank you, Congressman Bishop.

I think working in the regulatory field for most of my career I, too, would have preferred bright-line prohibitions in the rules that were published. But in the 2008 Farm Bill, Congress directed us to develop criteria that the Secretary would consider when a violation had occurred, and so the final rule that went into effect on February 7th did in fact include criteria that the Secretary will consider when determining if a violation has occurred.

Because those are not bright-line prohibitions, we have in fact started working with industry to discuss the implementation of those rules and to oversee, if you will, the attempts by industry to comply and then work to ensure that we are on the same page with stakeholders that are involved.

Mr. BISHOP. Does it not place the regulated interest in a very, very difficult position, not knowing what conduct will be proscribed, because the criteria are so vague, included but not limited to, which means that you can include things that are not—and, of course, industry invests heavily into the production of their products; and not knowing that the investment is going to be considered unfair or in violation of the rule ahead of time seems to me to put them in a very, very disadvantageous position, almost like not having notice if the proscribed conduct is so vague that you can't reasonably anticipate it.

Is there anything that you can do to try to create some more focus? I know you may not have a bright red line, but can you not create some focus?

Mr. CHRISTIAN. I think——

Mr. BISHOP. Clarity.

Mr. CHRISTIAN. Yes, sir. Looking at the over 60,000 comments that we received. It was really impossible to come up with an ex-

clusive set of criteria that would be considered in every case, and so that is why the final rule says "may consider" the criteria that are published in that rule.

We are working closely with stakeholders to explain what is in the final rule and also to work with them to ensure that they have a better understanding of what our expectations are. All of these provisions would result in violations of an unfair practice. And so these guidelines or these rules that came out identifying the criteria do provide more guidelines or more counsel to the industry than the original provision that is in the statute, which is an unfair practice. So it does narrow the interpretation, but I do understand your concern that, as criteria and not being exclusive criteria, it certainly will take some time for the industry to understand fully our interpretation of these provisions.

Mr. BISHOP. May I have 30 seconds, Mr. Chairman?

Mr. KINGSTON. You have had 30 seconds. But realizing that this is a big bipartisan concern I will ask unanimous consent for 30 more seconds for the gentleman.

Mr. LATHAM. Reserving the right to object.

Mr. KINGSTON. Do you want a trade-off for some swine time?

Mr. LATHAM. Please.

Mr. KINGSTON. Mr. Bishop, you have 30 seconds.

Mr. BISHOP. Thank you.

I mean, it almost borders on the violation of due process. And you are ultimately going to end up requiring the stakeholders to engage in litigation. It is going to distract from the purpose. And I mean we have a smaller budget here. We do not need to be spending a lot of money wasting time on litigating stuff when if you get the rules right in the beginning and people know what is proscribed that they can act on it.

Thank you, Mr. Chairman.

Mr. KINGSTON. And if the gentleman will yield to me, it would appear to me that——

Mr. BISHOP. I will yield such time as I have.

Mr. KINGSTON [continuing]. With another Farm Bill round coming up that it might be better to stick with some very basic bright-line criteria right now and then let the Farm Bill address whatever other jurisdiction you might need, or authority.

Mr. Nunnelee.

POULTRY DEALERS' 90-DAY CRITERIA

Mr. NUNNELEE. Well, it sounds like a good place to just take up where we left off. You may not want to fall out of your chair with this statement, but I think I am in agreement with Mr. Bishop. So we will just keep going.

Two weeks ago, the pitchers and catchers reported in the Grapefruit and the Cactus League, and one thing that they all agree on is we got to know where the strike zone is. It is important for both the pitchers and the catchers. It is also important for the hitters. You cannot throw the pitch and then let the umpire decide later, well, we will figure out where the strike zone is going to be. That creates all kinds of problems.

And I think I have the same concern that Mr. Bishop has, that the GIPSA rule has created about as many problems as it has an-

swered. So I will take a few moments and talk about some of my questions.

I understand that there is a provision in the rule that says that the poultry dealers have to provide 90-days' notice to growers before they suspend delivery of a flock. Am I understanding that right?

Mr. CHRISTIAN. That is one of the criteria, Congressman.

Mr. NUNNELEE. So the poultry dealers that I talk to tell me that is about two flocks worth of growth in advance they have got to make predictions. So how do you justify what may be unreasonable expectations in disruptions in the market when they are having to forecast the broader industry two crop cycles in advance?

Mr. CHRISTIAN. Well, based on the comments that we received on the proposed rule, the production cycle in the poultry industry starts with the eggs, and there is time to modify that cycle going forward. And the comments indicated that a 90-day notice would be appropriate.

Mr. NUNNELEE. So do you think this is going to have a negative impact on meeting consumer demand for affordable poultry products when the companies are having to predict 90 days in advance?

Mr. CHRISTIAN. I think right now we have talked to a number in the industry and we have looked at some of the individual regulated entities' attempts to comply and I think we can come to an agreement in terms of an appropriate methodology to comply with that criteria that would work for the industry and provide some protection and some insight for the growers that might be affected by the expended layout.

COMPETITIVE INJURY

Mr. NUNNELEE. All right. Now, I also understand that the proposed rule does not have a requirement to show adverse effects on competition before challenging any conduct as being unfair. Does that seem to create vague and ambiguous requirements leaving the regulated industry guessing as to where the strike zone is?

Mr. CHRISTIAN. Well, I think, with regard to competitive injury, the Department has continually felt that you do not always need to show competitive injury to prove a violation of the Packers and Stockyards Act.

Mr. NUNNELEE. So are we just taking a learn-as-you-enforce mentality as we go through that aspect of the regulation?

Mr. CHRISTIAN. We are not. With the new regulations, as the Under Secretary mentioned, we are performing considerable outreach with the stakeholders that are affected, both the live poultry dealers, the swine contractors, the packers, and also the swine growers and the poultry growers and working with the regulated parties to obtain voluntary compliance.

Mr. NUNNELEE. As you are conducting the outreach, are you listening to suggestions and taking those suggestions into consideration?

Mr. CHRISTIAN. Absolutely.

Mr. NUNNELEE. All right. Mr. Chair, this is probably a good point to cut off, and we will pick back up when I get back to the next round.

Mr. KINGSTON. Thank you, Mr. Nunnelee.

Ms. DeLauro.

Ms. DELAURO. Thank you very much Mr. Chairman.

DONALD PAYNE

And if I might just take a second, I know that all of my colleagues have been really so gracious in their comments about our colleague, Donald Payne. Donald was a quiet man but quite extraordinary; and just personally I didn't find out until just really, you know, maybe a year or two years ago the kind of work and effort that he did internationally. He was known by most of Africa's presidents. The work he did on hunger around the globe was really extraordinary. And he was always there, always picked up and went to places to find out what the situation was on the ground. And he displayed a humanity in causes that left countries that we have relationships with a good feeling about the United States and its interest in what their concerns and problems are.

He will be deeply missed by all of us; and I was proud to serve with him, as I know all of us were.

Thank you very much, Mr. Chairman.

Mr. KINGSTON. Thank you.

Ms. DELAURO. I guess, Mr. Keeney, let me talk to you, if I can.

MICROBIOLOGICAL DATA PROGRAM

In 2012, the administration requested a $250,000 increase for the Microbiological Data Program, totaling about $5 million. The additional funding was intended to add another State, Arizona, to the States that participate in the program. Because by expanding the range of sampling of sources this was—this is a quote—in the number of produce items sampled we can increase the chance of early identification of food-borne pathogens, end quote.

The 2013 budget request zeros out that very same program. The budget justification states that, quote, although the need for produce pathogen data has not diminished, MDP is not closely aligned with the core mission of AMS, which is to facilitate competitive and efficient marketing of U.S. agricultural products.

I have a comment about that in a second.

A few weeks ago, Secretary Vilsack spoke with us and also said that USDA does not think the program is consistent with the mission of the Agricultural Marketing Service, while in your testimony you state that, quote, food safety is very important in successfully marketing produce. Last year, the agency told the subcommittee that the program helps carry out AMS's mission, and I have the hearing logs from fiscal year 2012.

After the Listeria outbreak in cantaloupe, I am sure that the marketing efforts or the producers would want testing of produce to reassure the American consumers that the fruits and vegetables for sale are safe. You go on to state in your testimony that because there is a food safety component to that program that, quote, 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, end quote.

Can you tell me, do you believe that this program is a helpful component of our country's food safety and food-borne pathogen

surveillance system? If so, it seems to be a critical component of produce marketing, part of AMS's mission. And has something changed in the last year to make this program no longer support AMS's mission? And, if so, what are those changes?

Mr. KEENEY. Well, thank you for those comments.

The program is very important. I think we all agree on that. The mission, however, of the Agricultural Marketing Service is to assist marketers of produce and other commodities. In this case, as we look at our mission, our core mission, as we look at the budget, and we have had to take—over the last several years, since 2010, Agricultural Marketing Service is down 15 percent from that period. We have had to take a look at a number of programs, and this is one that we have taken a look at this year.

The original intent of the program back in 2001, I believe, when it first came into place was to develop data, was to take a look at what is out there as far as pathogens in produce and other commodities. And it did that very well, and it provided that data to the industry and to consumers as to what the issues were.

Over time, that program has actually changed. Especially in the last few years it has changed to become more of a compliance and enforcement type of program. In fact, every year our staff works closely with the Food and Drug Administration and CDC to determine what types of commodities and pathogens need to be checked. And those ongoing negotiations take place every year.

Ms. DELAURO. Let me just ask you this question. Wasn't this program instrumental in identifying the Listeria outbreak in cantaloupe? That is pretty recent, isn't it?

Mr. KEENEY. Well, as I say, this program is very important, no question. Because this is one of the few programs, if not the only program right now, at least at the nationwide level, that is doing this type of work. However, the——

Ms. DELAURO. I do not understand how this does not fit into AMS's mission, quite frankly.

But it also gets to another point. I have always maintained that we should have a single food safety agency in this country. And I believe that USDA's mission is blurred, because you have to sell a product, which is essentially what you are saying to me here, that you have to deal with effective marketing and the issue of food safety is ancillary to that or it is a byproduct.

And in this instance with a program that is proven to be so effective over and over and over again, a $5 million program, we are going to jettison because the issue of food safety is in fact not the mission of the USDA. It is about effective marketing.

And if this is going to cloud what people's view is of the safety of our products, not unlike what is being done with the national animal identification program, which I am looking at where it is $14 million plus $5 million, and God knows how long we are going to get there, so we are going to put in jeopardy cattle and other industries and how safe they are.

So this is an agency that in fact does not deal with the safety of the product that it promotes, either domestically or internationally. That is the conclusion that I can draw from this.

It seems to me that within this budget—let's take money from the National Animal Identification System—NAIS. You are never

going to get to some sort of an identification system in this Nation. Let's take part of that new $5 million and take it and do something that is a worthwhile program that is identifying pathogens that have killed people. They did it most recently with Listeria in cantaloupe.

My time is up, and I thank you, Mr. Chairman. But there is no sufficient answer here; and I hope you will, as we come around, address this issue in how we find $5 million to maintain this program if you continue to want to say you are in the food safety business as well as in the food promotion business.

Mr. KINGSTON. I thank the gentlewoman.

GIPSA RULE

And while we are talking about this, let me ask you this, Mr. Secretary, two questions about your core mission. Because as you are moving money around there are also two areas which I do not believe you are chartered to be in. One is laying hens and breeders. You do have jurisdiction over poultry for slaughter, but the Farm Bill I think addressed that—it was proposed that you had jurisdiction over layers and breeders, but it was rejected in the 2008 Farm Bill. And so I am not sure where your authority comes from in terms of the GIPSA rule to get involved in that. Mr. Christian, I don't know if you want to answer that?

LACEY ACT

And then my other question has to do with the Lacey Act for which you are proposing an increase in funding of $725,000. But the Lacey Act was designed to address illegal logging in other countries, and it is not your core mission.

So those are two of my questions.

GIPSA RULE

Mr. AVALOS. Okay. Mr. Chairman, I defer to Mr. Christian to answer your GIPSA question, and I will go back to the Lacey Act.

Mr. CHRISTIAN. Mr. Chairman, the Packers and Stockyards Act has a broad definition of poultry that includes the raising and caring of poultry for slaughter. And GIPSA realized that including breeding and pullets in that definition had not historically—the Act had not been historically interpreted that way by GIPSA. So in the proposed rule that came out, that was one of the changes that was proposed, and based on the comments we received on the proposed rule that went forward as a final rule on December 9th.

Mr. KINGSTON. But, Mr. Christian, that was rejected by the U.S. Congress. And so when you say you got input on it—if people petition bureaucracies to change laws, that is not constitutional. Their grievance should be addressed by the U.S. Congress. And as much as the U.S. Congress in that light rejected that proposal, I don't see how by popular demand that the USDA decides to get into it.

Mr. CHRISTIAN. Well, I am not familiar with the exact discussion that took place, but I thought it included laying hens, which this final rule made specifically clear that the P&S Act would not cover either breeders or pullets that were raised for the egg industry.

This would only cover breeders and pullets that were for slaughter or for broiler production.

Mr. KINGSTON. Well, they do eventually get slaughtered, but the meat is tough so they dice it. So there is a different procedure in terms of the use of it. But the primary use is for laying or breeding.

And, in 2008, the Ag authorizing committee rejected giving GIPSA that authority. So I think that is something we need to further discuss, and maybe we can swap notes on it in a more deliberate fashion later on.

LACEY ACT

Mr. Secretary, what about the Lacey Act? Because that does not appear to be—and, again, getting back to Ms. DeLauro's questions in terms of core missions, when you have $725,000 for Lacey Act authority, you are cutting pest detection and disease surveillance to go to illegal logging.

Mr. AVALOS. Mr. Chairman, we are mandated by the Lacey Act to review and accept all declarations, and we get tens of thousands of declarations every—is it every month, Dr. Parham?

Dr. PARHAM. Ten thousand a week.

Mr. AVALOS. Ten thousand a week. This is very time consuming. It is expensive. We are converting to total electronic, but at this time we still receive a lot of paper declarations. So this funding is needed for us to do our job and to store these declarations as required by statute.

Mr. KINGSTON. Well, do you believe that that is in your core mission, though? Enforcement of illegal logging in foreign countries?

Mr. AVALOS. Mr. Chairman, if we are mandated by statute to do that, it is part of our core mission.

Mr. KINGSTON. And you are mandated by statute?

Mr. AVALOS. It is my understanding that we are. Maybe I should ask Dr. Parham to clarify just to make sure that we are giving you accurate information.

Dr. PARHAM. Mr. Chairman, there is an interagency group that works on this particular subject. It includes the Department of the Interior and some others as well that have an interest in this particular area. But as it is right now we do have the major responsibility for both educating the importers as to the provisions of the Act and also for the secure storage and the analysis, if you will, of some of the declarations that come in.

And as Under Secretary Avalos was speaking he was talking about the fact that we do indeed get 10,000 of these per week, and only about 10 percent of those come in paper-based. And it just requires staff, dedicated staff to really take care of that and then to rent the storage facility, the secure storage facility that we need to maintain these. So hence the request.

Mr. KINGSTON. My time is up, but who is the lead agency and who is in the working group?

Dr. PARHAM. We can get you that information specifically, because there are about half a dozen agencies that are part of that working group.

Mr. KINGSTON. Okay. Thank you.

[The information follows:]

USDA is the lead department for the Working Group and the Secretary designated APHIS as the lead agency. The group also includes representatives from the U.S. Forest Service, U.S. Department of Homeland Security's Customs and Border Protection, U.S. Trade Representative, U.S. Department of Justice, U.S. Department of State, U.S. Fish and Wildlife Service, the Council on Environmental Quality, and the U.S. Department of Commerce.

Mr. KINGSTON. Mr. Farr.

Mr. FARR. Thank you, Mr. Chairman.

LIGHT BROWN APPLE MOTH

I am going to come back to Dr. Parham about pests. So it is your responsibility to list the actionable pests, right?

Dr. PARHAM. That is correct.

Mr. FARR. And you listed light brown apple moth as an actionable pest?

Dr. PARHAM. Correct.

Mr. FARR. And now you are trying to delist it?

Dr. PARHAM. It remains an actionable pest because there are at least two countries, Canada and Mexico, that have it as an actionable pest.

Mr. FARR. So are you going to answer my question? Are you trying to delist it? You are working with them to bring down the listing of it, right?

Dr. PARHAM. Well, we are working with them to make sure that they understand what our situation is and what our condition is in terms of making sure that we do not do things that will jeopardize their industries. And so in terms of being able to export to those particular countries it is necessary to do that. So it is a protection for the growers in California that do not have it.

Mr. FARR. And then the burden is put on essentially the producer community. I mean, we grow 85 crops in one county; and one of those crops is $1 billion in berries, strawberries and all other berries, Driscoll berries. They are one of the crops that is affected by it. So they have to be, according to your protocols created, they have to have every truckload inspected before it is hauled out of there. It is a cost, because that inspection has to be borne—essentially, it is borne by the industry. They pay the local ag commissioner. And I think we have some Federal money. And the point is then those berries cost more money than the competitive berries because they have to go through this extra process. How long is it going to have to do this, for the rest of—ever?

Dr. PARHAM. Well, as long as the pest remains actionable.

Mr. FARR. That is my point.

Dr. PARHAM. I understand your point.

Mr. FARR. Are you trying to get it unactionable?

Dr. PARHAM. We are working with partners in your State and the counties as well as working with our trading partners.

Mr. FARR. And the other States?

Dr. PARHAM. And the other States, exactly.

Mr. FARR. And how long will this take?

Dr. PARHAM. Sir, I don't have a timeframe for you.

Mr. FARR. How much money is it going to cost to do your Federal share, and shouldn't you be bearing all of it?

Dr. PARHAM. Well, we continue to—

Mr. FARR. Why should the industry have to bear it when you are the ones that listed it and then now wanting to sort of delist it or bring it down to make it not actionable?

I mean, see, it seems to me it is okay for you from the Federal Government from 30,000 feet to say, oh, well, as long as we can contain it and it is in these areas in these counties in California and as long as we can get our partners to accept produce—product out of those areas, as long as we do all the certification that there is no bugs on it, which is a very—it is a certification process that requires a lot of manual inspection, it is very costly. And people want to know how long they are going to have to live in that uncompetitive environment. Or do we just, you know, we just say these are the counties with plague and do not buy anything from them or beware of them or anything? Where is the Federal responsibility to make sure that you are doing all you can to get our trading partners to make it a nonactionable pest and, two, pay for the cost in the interim?

Dr. PARHAM. Again, Representative Farr, we continue to work with our trading partners to have them understand what the situation is with the light brown apple moth.

Mr. FARR. Well, can you give me an example of another pest that you have been able to make an unactionable pest with our same trading partners?

Dr. PARHAM. I don't have one that comes to mind.

[The information follows:]

APHIS plans to maintain LBAM as a regulated pest to ensure that foreign and domestic trade of California agricultural commodities continues without interruption. Due to its extensive host range and potential to establish, LBAM continues to be a significant concern to foreign trading partners and to non-infested States. APHIS is working closely with key trading partners to, when applicable, harmonize regulatory activities, and import requirements to minimize the impacts on American producers.

Occasionally, APHIS reclassifies a pest based on the biology of the organism and the potential success of using a regulatory approach. When the United States faced the introduction of soybean rust in 2004, for example, APHIS worked with trading partners and States to standardize research efforts, reporting mechanisms, and import requirements. Soybean rust, unlike LBAM, spreads long distances through the air and regulatory and control methods would have been inadequate to prevent its spread. Our closest trading partners, Canada and Mexico, were as likely as the United States was to face an introduction of soybean rust, and they benefitted from harmonized requirements.

Mr. FARR. Well, I can assure you that that answer you gave me is not going to go out in California, not knowing how long it is going to take. I mean, could you give us a whole process, write out what it takes and what you are doing to make it.

Dr. PARHAM. The whole situation with dealing with pests is one that is so dependent on a number of different factors. If you look at the history of eradication of different animal or plant diseases in this country, a few of them take just a couple of years; many of them take decades. And while I am not suggesting that it is going to be decades for the light brown apple moth, I mean, I just can't sit here and tell you that on a certain day that these particular pests will no longer be an issue. But I can tell you that we will continue to work with the State of California, with your counties, with your growers, and with our trading partners to manage and control and to support trade, continuing for those areas that

are pest free, if you will, and to make sure that we have mitigated the risk for any produce coming from areas where the pest is present.

Mr. FARR. All right. Well, I am going to keep banging you because these are billion dollar industries, very labor-intensive. We are talking about jobs. We are talking about fresh fruits and vegetables. We are talking about all the things that we are supposed to be doing in here. You have growers that are doing everything with incredible inspections that they have launched on their own. And I find myself in this dilemma where it was the USDA that listed this pest in the first place. And now because of costs, essentially saying, well, maybe we don't have to go after this as much as we thought we had to, and now essentially trying to delist it and not knowing how long it is going to take to do that. Anyway, we need more specifics on that process and cost.

[The information submitted by USDA follows:]

The process of reclassifying a pest involves working with all States and trading partners to harmonize regulations and import requirements to ensure that the presence of the pest does not affect domestic movement of the affected commodity or export markets. While there is little cost beyond staff time and possibly travel, the process can take time to work out, especially with international partners. Additionally, trading partners need to see a benefit for themselves and their producers and partners would have to agree with our assessment of the risks and feel reasonably confident that they would not be at increased risk from the importation of our products.

Mr. KINGSTON. Mrs. Lummis.

DISEASE INDEMNIFICATION

Mrs. LUMMIS. Thank you, Mr. Chairman.

My first question, sir, about brucellosis, which is a disease that causes undulant fever in humans and is a livestock disease and a wildlife disease, and it is prevalent in the Greater Yellowstone Area. So that is going to be the focus of my questions at least initially. Under previous APHIS regulations, there was pressure on the owner of the infected herd to destroy the herd, you know depopulate rather than test out. And APHIS then would pay them. Now admittedly cattle prices are up, the highest in my lifetime. So if you have got some positives in a herd, it would be more expensive to require depopulation now. And Wyoming livestock producers welcome moving away from, you know, destroying entire herds. But in some cases, testing out is just not a viable alternative for all producers.

So my question is this: Does APHIS have proposed funds to indemnify herds if producers choose to depopulate instead of test out?

Mr. AVALOS. Congresswoman, I appreciate your question. I can relate very much to what you are saying because when you depopulate a herd, it is not just the value of the animal at market. Many times you are depopulating your genetics.

Mrs. LUMMIS. Absolutely.

Mr. AVALOS. I understand that very, very well. I am going to ask Dr. Parham to answer your question. I don't have an answer for you.

Dr. PARHAM. Thank you for the question, Congresswoman. One of the things we do with that particular program is that while it is not just the choice of the producer, okay, we do still maintain

the ability to pay indemnity for animals. But again, as you well know, one of the things we are doing is we have eliminated brucellosis through most of the country. As a matter of fact, it is only in the Greater Yellowstone Area, principally in the wildlife, the bison and the elk. We do get some spillover periodically into our domestic cattle herd.

So the real idea here is to try to keep them separate, okay. But in the event when it does happen that when they do spill over, while it is not just the producer that makes the decision as to depopulate or test and remove, one of the things that we are able to do when we look at those situations on a case-by-case basis, there may indeed be some instances when we would depopulate as opposed to test and remove. But there is no hard and fast rule that the producer alone will have the ability to make that decision. We would look at several different factors.

Mrs. LUMMIS. Okay. If you, working with a producer, decide that depopulating is the way to go, do you have money set aside to indemnify the producer?

Dr. PARHAM. We do have some level of indemnity. But again because, as you know, the cattle prices are up—

Mrs. LUMMIS. Oh, man. Yes. It is great for us producers but it creates a conundrum for you.

Dr. PARHAM. Exactly. And that is the issue. We would not have the capability of indemnifying for every animal that were to come down with brucellosis.

Mrs. LUMMIS. Okay. That is very helpful. I know that this is a unique problem for the Greater Yellowstone Area. But for Wyoming, Montana and Idaho, it is a whopper of a problem. So I appreciate your indulgence there, Mr. Chairman. And thank you, Dr. Parham. And I may visit with you about this further because it is such a regionally unique issue.

ANIMAL DISEASE TRACEABILITY

The next question is on animal traceability. With regard to animal traceability, APHIS has asserted that the new approach will be owned, led, and administered by States and tribal nations. And I love that of course. But then the traceability rules seem to be counterintuitive to that notion. So my question is this: Has the agency considered releasing voluntary guidance instead of prescriptive rules so States can use them as a best practice guide to develop their own traceability systems?

Mr. AVALOS. Congresswoman, thank you for bringing up the question on animal disease traceability. This is very, very important to us at USDA. First, I want to state that it is our responsibility at USDA, at APHIS, to protect all States from animal disease. And if there is an outbreak, it is our responsibility to find the source and put into place safeguards and to contain the spread of that disease. Now with the proposed rule, we did receive quite a few comments on the rule. And I want to take this time, Congresswoman and Mr. Chairman, to thank all these people that took the time and the effort and the expense to submit those comments. Those comments are very, very important to us and they are going to guide how we come up with a final rule.

But I just wanted to emphasize that the industry—this is the States, the Tribes, the livestock industry—had direct input in framing the proposed rule that we put out. And this is extremely, extremely important because we listened to what the industry needed, to what the specific States and Tribes needed, and that is what went into the rule.

Mrs. LUMMIS. Thank you, Mr. Chairman. And if there is a round two, I will look forward to asking more questions. But I do want to compliment you on the fact that when you answer questions, you start it with your goal. You say, This is what we want to accomplish; and then you answer the question. So that, to me, is a wonderful way to respond to questions.

So my compliments. Thank you, Mr. Chairman. I yield back.

Mr. KINGSTON. Thank you. Ms. DeLauro.

MICROBIOLOGICAL DATA PROGRAM

Ms. DELAURO. Thank you very much, Mr. Chairman. And just a couple of quick points on the microbiological data program. If the goal here and core mission is to facilitate competitive and efficient marketing of U.S. agricultural products, I think you diminish that core mission by the elimination of this program, and you put at risk the products, in fact, that we examine in order to give assurance as to the safety of our product.

NATIONAL ANIMAL IDENTIFICATION SYSTEM

Further, I think the reliance on States with a number of different capabilities in terms of these laboratories—we find that with regard to traceability and other areas that there is a real divergence of competency or capability, better said, of various laboratories. Some are excellent, some are medium, and some are very poor, in which case then we are putting all of this at risk. Again, and I think fundamentally, it is a core mission. But I would like to ask about the National Animal Identification System. As far as I understand it, since 2004, when we began to look at this project, we have spent somewhere over $150 million in terms of—I see you are shaking your head, Dr. Parham. So that is accurate. We are now looking for a total of another $14 million to deal with this program. I would just, for the gentlelady from Wyoming's information, if you could take a look at the Department of Agriculture, the proposed rule, it says, Overview of the proposal. We are proposing to establish minimum national official identification and documentation requirements for the traceability of livestock moving interstate. So we are looking at a basic minimum of what we ask people to do in order to be able to have traceability. The other piece that you mentioned here is that we are particularly concerned with current inadequacies in disease tracing capabilities in the cattle industry. So you have got a big gap and a big deficiency. You have taken $150 million since 2004 to try to do anything about this. You have what appears to be the most complicated system that is around, again relying on States, localities, et cetera, to come up with some sort of a program and what is tested.

Can you just answer me a couple of questions, if you would. How are you going to determine the capabilities of these agencies that are going to—and monitor what is being done with regard to identi-

fication? Secondly, when is the system going to be operational? And what do you think it is going to ultimately cost us to do something about this?

Mr. AVALOS. Congresswoman, thank you for your comments and your concerns on disease traceability because it is very important to the security——

Ms. DELAURO. And how long will traceability—it was supposed to be a 48-hour determination. What is your sense of that determination with regard to this current system?

Mr. AVALOS. Congresswoman, first I want to say that this approach that we took, it is a new approach. We had direct input from the States and the Tribes, from the industry. And there is flexibility in the proposed rule in that the States and the Tribes—they have the opportunity to comply with the safeguards that they are——

Ms. DELAURO. It is voluntary. They don't have to do it if they don't want to.

Mr. AVALOS. It is mandatory for interstate commerce.

Ms. DELAURO. It is for interstate commerce. I understand that.

Mr. AVALOS. Interstate commerce. It is mandatory. They have the flexibility to meet those standards in interstate commerce in a way that works best for their State.

Ms. DELAURO. I understand it. I can give you a chapter or a verse of Argentina, Australia, the European Union, Japan, South Korea, Uruguay, these are all mandatory systems which dealt with animal identification. It has been done, and they have moved on to figuring out how they deal with traceability. We have been unable to get to this because we moved from a system that we thought was going to be mandatory. Then it became voluntary. We only have 38 percent of our livestock which is identifiable. I want to know, how much more money? What is this system going to take? How are you going to monitor what is in the best interest of the State and whether or not it is going to work?

Mr. AVALOS. Those are all good questions and good concerns, Congresswoman.

Ms. DELAURO. Thank you. But I need answers to those good questions, if you don't mind. I would like answers to those questions.

ANIMAL TRACEABILITY SYSTEM COSTS

Mr. AVALOS. Total cost, $14 million. The money will be used for cooperative agreements with the States and the Tribes so that they can run traceability systems and also will be used for tags. I understand that there are some very sophisticated tags out there, and we are going to low-cost tags. But our concern initially is to get acceptance of the program, to get compliance.

Ms. DELAURO. No. Your responsibility and your core mission is to make sure that we have a safe—that the supply is safe. That was the goal on identification and traceability. And now you are telling me it is just going to be $14 million more annually. For how long? We now have spent $150 million. Oftentimes my colleagues are concerned about the money that we spent and whether or not it is waste, fraud, and abuse. $150 million or over that has been spent to date; and quite frankly, we are nowhere. So how much

more? How much time? And what kind of implementation strategy do you have to monitor all of this?

Mr. AVALOS. Congresswoman, again, to kick off this program, to implement the program once we have a final rule in place, we are asking for $14 million. And we feel confident in the way that the proposed rule is, the way we are structuring traceability, that we can implement a program that will be functional.

Ms. DELAURO. When?

Mr. AVALOS. Very soon.

Ms. DELAURO. No. No. Mr. Chairman, I am sorry. And I know my time is well over. What are the answers? How long will it take you to implement this system?

Mr. AVALOS. Okay. As you know, Congresswoman, we did publish a proposed rule in August. The comment period ended December 9.

Ms. DELAURO. I read it. I read it.

Mr. AVALOS. And right now we are reviewing comments, and we are very, very close to coming out with a final rule. We have reviewed these comments. Very good comments. We feel very confident that we can come up with a rule soon.

Ms. DELAURO. You haven't answered my questions. I don't know if you can do it for the record. I can't keep asking the same questions over again. As I pointed out in the beginning of my remarks, you are putting in jeopardy the fruits and the vegetables, et cetera, that you are dealing with on the one hand with the Microbiological Data Program. And I will just tell you that the industry groups are concerned that without some national identification disease traceability system that our domestic industries are going to be at a competitive disadvantage in international trade. So at both ends of the spectrum, you are putting in jeopardy not only the public health but our ability to sell the product overseas. If your core mission is that, then you have succeeded; but you have failed overall in providing either the opportunity to promote an effective product and to promote the public safety.

Mr. KINGSTON. Mr. Secretary, I think that it would be good for us to have that for the record as we are moving forward with the legislation and your budget, and so forth. So I think if we could get that soon reduced to a specific or more specific, that would be very helpful.

Mr. AVALOS. Congresswoman DeLauro, Mr. Chairman, I can't tell you exactly when because I don't know. But I do know that we have reviewed comments. We are very close. So to reduce it and just saying soon or just saying this year, I feel confident that we can move forward with a final rule and traceability within the next 2 months.

Mr. KINGSTON. Okay. Thank you.

Mr. Nunnelee.

GIPSA RULE

Mr. NUNNELEE. Thank you, Mr. Chairman. Mr. Christian, back to GIPSA. I understand that part of the rules require similarly situated growers to be asked to make the same capital improvements. Do I understand correctly there?

Mr. CHRISTIAN. Congressman Nunnelee, that is one of the criteria that would be considered in assessing whether it was a fair practice.

Mr. NUNNELEE. Tell me where I am wrong. It seems to me that that is going to prevent dealers from experimenting with new technologies to meet specific customer demands. Am I wrong?

Mr. CHRISTIAN. Well, I think in looking at these criteria and applying the criteria to individual situations, it is really fact-based on that situation. So there are a number of criteria that would be taken into account, including the business justification of the live poultry dealer, if you will, in assessing whether a violation had occurred or not. At this point, I mean, our focus is to encourage a high rate of voluntary compliance by providing outreach in terms of what the criteria are and how we believe they will be interpreted and enforced and then working with the regulated entities to try to get them into compliance.

Mr. NUNNELEE. It just seems to me that that is going to restrict a dealer's ability to ensure that the poultry is raised in the most modern technologies. So if you will keep that in mind as you attempt to implement these rules.

I also understand that there is a requirement that says that a dealer has to be in business 12 months before requesting capital improvement from a grower. Is that right?

Mr. CHRISTIAN. Could you rephrase that?

Mr. NUNNELEE. That there is a requirement that a dealer has to be in business 12 months before requesting capital improvements from a grower.

Mr. CHRISTIAN. I guess I would have to look into that and get back to you on that, that particular provision.

Mr. NUNNELEE. Let's look at that. We would ask you to submit something for the record there.

[The information submitted by USDA follows:]

There is no prohibition in the recent final rule on requesting additional capital investments within the first year of a new contract. As directed by Congress in the 2008 Farm Bill, the provisions of the final rule related to additional capital investments are a group of criteria that will be considered along with other relevant factors. This makes the time between required additional capital investments just one of several factors that may or may not be applicable depending on the facts of the specific case. The only criteria that specifically references a 12 month period related to requiring additional capital investments by growers is when a poultry dealer ended or substantially reduced operations. This criteria also took into account whether the closure or reduced operations was due to a natural catastrophe or other emergency such as an unforeseen bankruptcy. Following this response are the additional capital investment criteria that were part of the final rule. Provisions that provided brighter line prohibitions were part of the original proposal, but were not included in the final due to an assessment of the comments we received, including many from poultry dealers, and an appropriations funding prohibition. GIPSA is conducting significant formal and informal outreach and consultations with both poultry growers and poultry dealers to answer questions and seek voluntary compliance with the final rule.

The regulatory language contained in the final rule follows.

§ 201.216 Additional capital investments criteria.

The Secretary may consider various criteria in determining whether a requirement that a poultry grower or swine production contract grower make additional capital investments over the life of a production contract or growing arrangement constitutes a violation of the Act. These criteria include, but are not limited to:

(a) Whether a packer, swine contractor or live poultry dealer failed to give a poultry grower or swine production contract grower discretion to decide against the additional capital investment requirement;

(b) Whether the additional capital investment is the result of coercion, retaliation or threats of coercion or retaliation by the packer, swine contractor or live poultry dealer;

(c) Whether the packer, swine contractor or live poultry dealer intends or does substantially reduce or end operations at the slaughter plant or processing facility or intends or does substantially reduce or end production operations within 12 months of requiring the

additional capital investment, absent the occurrence of a catastrophic or natural disaster, or other emergency, such as unforeseen bankruptcy;

(d) Whether the packer, swine contractor, or live poultry dealer required some poultry growers or swine production contract growers to make additional capital investments, but did not require other similarly situated poultry growers or swine production contract growers to make the same additional capital investments;

(e) The age and number of recent upgrades to, or capital investments in, the poultry grower's or swine production contract grower's operations;

(f) Whether the cost of the required additional capital investments can reasonably be expected to be recouped by the poultry grower or swine production contract grower;

(g) Whether a reasonable time period to implement the required additional capital investments is provided to the poultry grower or swine production contract grower; and

(h) Whether equipment changes are required with respect to equipment previously approved and accepted by the packer, swine contractor, or live poultry dealer, if existing equipment is functioning as it was intended to function unless the packer, swine contractor, or live poultry dealer provides adequate compensation incentives to the poultry grower or swine production contract grower.

BOLL WEEVIL ERADICATION

Mr. NUNNELEE. Let's leave GIPSA and move to boll weevils. I understand that we have moved a long way toward eradicating the boll weevil and the pink bollworm. You have requested $9 million to do the final eradication that is going to be primarily in the Rio Grande Valley in Texas. Will this $9 million complete the job? And will we be rid of boll weevils?

Mr. AVALOS. Congressman, I just want to state for the record that really the boll weevil program and the pink bollworm program have been very successful programs.

[The information follows:]

At this funding level, APHIS provides national coordination, operational oversight, technology development (such as sterile moths for pink bollworm eradication), and a portion of the funding for the effort. The agency will continue to increasingly rely on program partners (States and industry) who have provided more than two-thirds of the funding for the boll weevil eradication effort and much of the operational funds for pink bollworm eradication. Additionally, regardless of the funding level, APHIS will continue to deal with the high winds and security issues in the Lower Rio Grande Valley, which may prolong eradication for several more years.

Mrs. LUMMIS. Mr. Chairman, may I interrupt?

Mr. KINGSTON. Mr. Nunnelee has the time.

Mrs. LUMMIS. May I just interrupt to make a joke?

Mr. NUNNELEE. Let's let him answer and then you can make your joke; how about that?

Mr. KINGSTON. Did we lose the spontaneity?

Mrs. LUMMIS. Yes. I thought he said paintball worm. Paintball worm. And I had never heard of a paintball worm. Now it is pink.

Mr. NUNNELEE. Well, I am from Mississippi, and you are from Wyoming. We may both speak English. It just isn't the same.

Mrs. LUMMIS. I made my joke. Thank you, Mr. Chairman. I yield back.

Mr. AVALOS. Anyway, Mr. Chairman and Congressman, we have made really great progress with this program. There is that small area along the Texas-Mexico border where we still have a problem. A lot has to do with weather. A lot has to do with the drug cartel activity along the border. But either way we are not going to abandon this program. It is a very important program, and we are committed to eradication of these two pests.

Mr. NUNNELEE. Thank you. Boll weevils have plagued the Mississippi cotton crop since the early 1800s. And if we can be successful there, if you are successful, then what? Do you just monitor it?

Mr. AVALOS. Right. And we would go to a monitoring and survey program.

Mr. NUNNELEE. I look forward to coming back at this time next year and hearing a success story. Thank you, Mr. Chairman. Thanks for the paintball worms.

Mr. KINGSTON. Thank you. We will now begin round three.

And Mr. Secretary, it kind of caught my interest. You are unable to eradicate a boll weevil in a specific part of Texas because of immigration pressures or because of drug cartel pressures?

Mr. AVALOS. Two reasons primarily, Mr. Chairman. One is, in that part of the country, the weather creates problems for our spraying program. So many times, because of the high winds, we

can't spray. But also, other times because of the drug activity, we are not able to do our work.

Mr. FARR. Border Patrol?

Mr. AVALOS. No. I am sorry. Mr. Chairman——

Mr. KINGSTON. No. It is okay. Round three we just start getting very——

Mr. AVALOS. It is drug activity, where it poses a danger to our people in the field, where many times we have to pull people away from their job just to protect them from the danger.

Mr. KINGSTON. What area is this specifically?

Mr. AVALOS. I am going to ask Dr. Parham to answer because I want him to tell you exactly where the situation is.

Dr. PARHAM. It is known as the Lower Rio Grande Valley, a particular area there where the high wind pattern is one of the factors that is inhibiting our ability to eliminate it immediately and then in addition with the security issues that Mr. Avalos was talking about.

Mr. KINGSTON. For the record, I would like to know the breakdown of which is the biggest problem, the wind or the drug activities. This is just, to me, interesting. And I certainly would not recommend sending USDA people in harm's way at all. But I think it is something that is of general interest.

[The information submitted by USDA follows:]

While both affect the boll weevil program, drug activity is posing a bigger problem than weather (i.e. wind) in terms of reaching complete eradication of boll weevils. Drug activity has a direct influence on operations in Mexico, limiting hours of operation in specific areas, affecting detections and timely treatment of infested fields. On the U.S. side, trappers have a serious concern of drug traffickers crossing the river and accosting them.

GENETICALLY MODIFIED CROPS

Mr. KINGSTON. Let me ask you this, Mr. Secretary: Dr. Hamburg at the FDA—we had the discussion about genetically modified or engineered food, which holds great promise in terms of higher food production, particularly being able to feed the rest of the world with a smaller footprint. And she says that biotech foods are "substantially equivalent" to conventionally produced foods, and there is no material difference between the foods and no unique labeling necessary. Since APHIS biotech regulatory service programs have an equal or greater role in the area of biotech development and use, what do you have to say about that? About her statement? Are you in agreement with it? Or would you change it?

Mr. AVALOS. Mr. Chairman, my response would be that, at USDA, that we will support all types of agriculture.

Mr. KINGSTON. And do you feel your science team is as strong as the FDA science team when it comes to this?

Mr. AVALOS. I feel that the science team that we have at APHIS is top notch and is as good as anyone else in government.

BIOTECHNOLOGY PETITIONS

Mr. KINGSTON. It is something that would reduce the use of resources and increase the food supply, and I think it does have some promise. Now in terms of the biotech law, APHIS was supposed to review biotech traits within a 6-month period of time. And some of

those reports have not been completed yet, going on 5 years. Is there anything that we can do to help in terms of reducing the review time for deregulation of the petitions? What is the glitch here that we can help you with?

Mr. AVALOS. Mr. Chairman, from the direction of Dr. Parham, the APHIS people have really implemented some process improvements, created some efficiencies, and they have worked to address the backlog in the turnaround time. And with the efficiencies that they have implemented, they feel they can reduce the time that it takes from, you know, 3 to 5 years to now to just a little over 1 year. I think they have made tremendous progress. This has just taken place in the last few months. We are going to see results down the road. But nonetheless, I just want to emphasize that they have worked very hard to shorten this turnaround time.

Mr. KINGSTON. I think it would be good for us to know—and if you know, for the record, how many products are awaiting the approval in accordance with the Plant Protection Act.

GENETICALLY MODIFIED ORGANISMS

And another thing, I want to get back to the general picture, just to capture the fact—and I have read some articles with specific crops where they say, if you use genetically modified, here is what you would produce per acre and here is what you could do. Do you know of any of those type stats or stories or illustrations off the top of your head?

Dr. PARHAM. Not off the top of my head on those specifically. But certainly when you look at what happened in production agriculture in this country across the board, with soybeans, with cotton, with corn, when you see the percentage of crops that are using Genetically Modified Organisms—GMO, it is really phenomenal. And that has really been within the last quarter of a century that that has occurred. And as we talk about feeding the future and all those kinds of things, we are going to need all aspects of agriculture to support that going forward.

[The information follows:]

While APHIS does not have specific figures on crop yields, biotechnology does provide farmers with tools that can make production cheaper and more manageable and, in some cases, increase yields. For example, herbicide-tolerant crops provide farmers with a broad variety of options for effective weed control and also enable the use of reduced-risk herbicides that breakdown more quickly in the environment, are less toxic to wildlife and humans, and are compatible with reduced tillage agriculture systems that help preserve topsoil from erosion. USDA survey data reports that herbicide-tolerant soybeans, for example, have increased in acreage from 17 percent in 1997 to 94 percent in 2011. Additionally, biotechnology can help protect crops from devastating diseases. The papaya ringspot virus threatened the Hawaiian papaya industry until papayas resistant to the disease were developed through genetic engineering.

BIOTECHNOLOGY PETITIONS

Dr. PARHAM. With regard to your question about the number of petitions that we currently have, we have 22 in our inventory as of today. And of those, we are undergoing a review. And I believe that Mr. Gregoire, who is our Deputy Administrator for Biotechnology Regulatory Services, is with us here in the audience today as well, and he and his team have worked very diligently.

I believe that more than half of those—12, I believe, is the number—will be going through the new process; whereby we won't get it down to the 6 months, but certainly we do not believe it is going to take the 3 to 5 years that it normally has taken us. So we are working diligently to make sure we can continue to shorten those numbers.

Of that 22, six of them will remain on the path they are on now, just because they are so far down that particular path. So I do know the numbers for those. And a couple of them have other characteristics; either they are Environmental Impact Statements—EIS, I believe, for two of them; and then another two are extensions, where they are asking for additional review on some things that those particular plants will do.

So in terms of going forward, we do believe that this will have an impact down the road in terms of the turnaround. Again, those EISs and the Environmental Assessments—EAs—do take some time but we do fully expect to be able to truncate that time for those particularly that are just coming into the system.

Mr. KINGSTON. Thank you. Mr. Farr.

Mr. FARR. Thank you, Mr. Chairman. I thought when you were talking about the lower Rio Grande you might have suggested that if the Department announced that the boll weevil did attack drug crops, that you might just have boll weevil eliminated by some in-kind assistance.

Mr. KINGSTON. The apple moth would go in there, too.

Mr. FARR. Yeah. We will put the apple moth in there. People would start eating them.

NATIONAL ORGANIC PROGRAM

Last June, the National Organic Program issued draft guidance on seeds, seedlings and organic planting stock. As I understand, many of my raspberry and strawberry producers are affected by this draft guidance because of the distinction it draws between annual and perennial plants. Are you aware of that problem with the raspberry plants, strawberry plants? And when do you expect to finalize these guidance, the draft guidance?

Mr. AVALOS. Congressman, I am not aware of that, and I am going to ask Mr. Keeney to help me. Before I do that, I just wanted to emphasize the National Organic Program. It is a priority at the USDA. It is very important to USDA and to the organic industry in this country. The organic industry has continued to grow by leaps and bounds.

Mr. FARR. It was born in my district.

Mr. AVALOS. Congratulations, Congressman. I just wanted to take this time to also talk about the equivalency agreement that we just signed with the European Union.

Mr. FARR. Yes. When Kathleen Merrigan was here, we lauded that signing.

Mr. AVALOS. I just wanted to emphasize that the organic industry is growing. It is very important in this country, and we will continue to support it.

To answer your question specifically, I am going to ask Mr. Keeney to help me.

Mr. KEENEY. Well, thank you. Actually the answer on that is that we are going to be publishing the final guidance very soon. We anticipate this year.

Mr. FARR. Will it address these issues that the industry has drawn between the annual and perennial plants?

Mr. KEENEY. There have been a number of comments and we will address those.

ASIAN CITRUS PSYLLID

Mr. FARR. Thank you. I want to switch to the Asian citrus psyllid that is famous for curing the Huanglongbing disease, also known as the greening citrus, the citrus greening. Have the budget cuts reduced your commitment to the program in the field, in eradication in the field or containment?

Mr. AVALOS. The budget cuts have not impacted on our commitment.

Mr. FARR. Because the growers are putting $15 million into partnership with USDA, and they certainly want to make sure if they are putting their money up that you are going to be there as a partner.

So the answer is, you will be there? The budget cuts are not going to affect that program?

Mr. AVALOS. Congressman, we are committed to support the program, to support the citrus industry in California.

Mr. FARR. At a continuing level?

Mr. AVALOS. I can't tell you it will be at the continuing level.

Mr. FARR. Well, that was the question.

Mr. AVALOS. But I can't tell you——

Mr. FARR. Have the budget cuts reduced the commitment to the program in the field?

Mr. AVALOS. Well, we can continue it at the level that we are proposing now.

ORGANIC MARKET DATA

Mr. FARR. Okay. Lastly, how does the agency plan to continue the price data collection and dissemination in support of the growing organic sector on the organic data initiatives?

Mr. AVALOS. Congressman, I am going to ask Mr. Keeney to help me.

Mr. FARR. We had to add that as an amendment. I think I got the chairman's support on that. We did get strong bipartisan support to fund the data collection and price reporting for the AMS. And I am wondering, are you going to continue to do it? And how are you going to disseminate it?

Mr. KEENEY. Thank you for the question. The 2008 Farm Bill did provide $3.5 million to the Agricultural Marketing Service to increase our organic reporting, and we have done that over the years. Last year, as you know, an additional $300,000 was provided. During that period of time, we have been able to increase the number of organic commodities to 230 commodities. We hope to maintain that. We believe we can. We would like to expand that, if at all possible. The dissemination will continue, as we are doing today, which is reports that we issue in addition to our online type of reporting that is available for anybody to use.

One popular report that we have is a retail report. That report on fruits and vegetables does contain not only organic products but also local products. We are reporting those as well.

Mr. FARR. And you will continue to do so? Cuts are not going to affect that?

Mr. KEENEY. We will continue to do so, yes.

Mr. FARR. Thank you. Thank you, Mr. Chairman.

Mr. KINGSTON. Mrs. Lummis.

Mrs. LUMMIS. Mr. Chairman, since I so rudely interrupted Mr. Nunnelee to make a joke about his "paintball worm," I think it appropriate that I yield to him if he wishes to——

Mr. KINGSTON. He might have a good joke.

Mrs. LUMMIS. Well, feel free to pile it on, Mr. Nunnelee. You deserve the opportunity.

GRASSHOPPER CONTROL

Dr. Parham, I am returning to APHIS. First, I wanted to compliment you about the assistance the last couple of years in Wyoming and other Western States for the development and implementation of the Federal grasshopper control program. As you know in the western States that are predominated by Federal lands, we are really dependent on the Federal Government and the private sector and State lands working together to control these pests that cross these borders. And Wyoming has had a very successful grasshopper program the last 2 years.

Now we are anticipating several hotspots going into this summer. So I am curious about, will the State PPQ, plant protection quarantine, officials be made aware of funding available for their programs? When do you anticipate that will happen?

Dr. PARHAM. I am not certain of when the actual notification will go. But I know that in years past there have been surveys done according to what the weather patterns are and when certain conditions are conducive to the growth of the Mormon cricket and the grasshoppers. So that continues to be a concern. And know that we do have the folks on the ground, okay, who are monitoring that. I am not certain as to when the actual date is, but we can certainly get that for you.

Mrs. LUMMIS. That would be great. And as soon as you know, if you put me on your mailing list about when it is coming out because I do get questions. For planning purposes, it is really helpful for the State and the private folks, our weed and pest control districts to know that.

Dr. PARHAM. We will be sure to do that.

[The information follows:]

The individual amount that Western states will receive for grasshopper survey and technical assistance support is being finalized and should be completed by the last week in March. The survey results (surveys are conducted in April and May) will help determine where treatments will be needed, and we will allocate additional funds to those states where treatments are needed.

Mrs. LUMMIS. Thank you very much.

NOXIOUS WEEDS FUNDING

Now with regard to noxious weeds, you administer a noxious weeds control program, and it has been a line item. And because

you know you have to cut the budgets, I know you have deleted the budget line item. So it is incorporated or absorbed into other budget line items. The same thing has happened at the Forest Service for their noxious weed program. So because it just sort of got absorbed into other line items, it is sporadically prioritized. We don't see that same prioritization. So I am a little bit concerned that the same thing might happen over at APHIS. And we need a consistent approach to the management of weeds for the same reason I just explained about the grasshoppers, the relationship and the interconnection between Federal land, State land, and private land. Where do you see the noxious weed in prioritizing APHIS funding? And how can you ensure that consistent prioritization when funding now is a little bit mixed up?

Dr. PARHAM. Thank you for the question. What we did with the budget line items was, the number that we had—which I believe was 43, as I recall, we have reduced that to 29 and then split one back out, so we now have 30 of them. But the idea there was to give us more flexibility. So as we put like programs together—you know, things fluctuate year to year. So that we have the ability now that as hotspots, if you will, develop, we are able to address those directly without having to reprogram funds and those kinds of things. So we are hopeful that having this additional flexibility will actually allow us to do a better job of meeting the needs as they arise. So noxious weeds continue to be a part of that program and will be a priority for us.

Mrs. LUMMIS. Well, you can see by the scope of my questions that APHIS is an agency that has a heavy footprint and an important footprint in my State. So I will be in touch and appreciate your help there.

NATIONAL VETERINARY STOCKPILE

One more quick question, Mr. Chairman, this about protection of food and agriculture duplication. I always ask a duplication question, for future reference. The GAO's second study on duplicative programs looked into the Homeland Security Presidential Directive 9 that established a national policy in 1994 to defend food and ag systems against terrorist attacks, disasters, and other emergencies. More than nine Federal agencies are assigned various responsibilities under Directive 9.

So my question here, what steps has APHIS taken to coordinate the national veterinary stockpile with the strategic national stockpile? And have you identified duplicative efforts?

Dr. PARHAM. I am not immediately aware that we have identified duplicative efforts. I do know that the two stockpiles do have conversations with each other. But I am not certain. And we can get a reply in the Questions for the Record—QFRs for that.

[The information follows:]

The Centers for Disease Control and Prevention's (CDC) Strategic National Stockpile (SNS) and APHIS's National Veterinary Stockpile (NVS) have collaborated since NVS commenced operations in 2006. The NVS program began establishing policies and procedures, analyzing and acquiring logistical capabilities, and leveraging CDC's lessons learned through our collaboration with the SNS.

The SNS is a valued member of the National Veterinary Stockpile's Strategic Steering Committee. The NVS and SNS meet twice annually to share information and ideas as well as discuss current and future activities. The most recent gathering held on December 14, 2011, focused on whether there are opportunities for the NVS to leverage the SNS in responding to potential terrorist attacks and natural disasters affecting food and agriculture. At the meeting, the SNS shared information with the NVS on current capabilities as well as challenges/lessons learned with its new inventory management system that is underdevelopment. Once operational, the system may be of use to States for managing SNS and NVS inventories during an emergency response. SNS has offered to provide NVS access to this system once developed.

In an effort to further ensure collaboration, the NVS has a full time State-Federal liaison officer who serves as the focal point for communications between APHIS, State and local agencies, and the SNS on policies related to distribution of veterinary material and response and recovery activities. These collaborative efforts prevent any duplication, and help to better prepare all levels of government for dealing with potential emergencies.

APHIS and CDC continue to explore opportunities for which the NVS may leverage SNS mechanisms or infrastructure as directed in the Homeland Security Presidential Directive-9. The NVS and SNS leadership are in agreement that the ongoing relationship, which has dated from the inception of the NVS, has been strong and that they will continue to explore opportunities to effectively utilize resources and ensure that duplicative efforts are not undertaken.

Mrs. LUMMIS. That would be great. Thank you so much. Mr. Chairman, I yield back.

Mr. KINGSTON. Mr. Nunnelee.

APHIS FLEET MANAGEMENT

Mr. NUNNELEE. Thank you, Mr. Chairman. I think it was last week we had Secretary Vilsack and we talked a lot about the USDA's Blueprint for Stronger Service. I know that every department within the agency is making some tough choices. And I commend you for that. But I do have some questions about APHIS. My numbers tell me that you have got 5,700 permanent employees and 5,300 vehicles. Is that right?

Dr. PARHAM. That is correct. But that is 5,700 permanent employees. We have an additional 2,700 term or intermittent employees that do work for us; you know a lot of field work. So the vehicles are also used by those employees as well.

Mr. NUNNELEE. Roughly one and a half employees for every vehicle? Does that sound right?

Dr. PARHAM. That is right. But again, the vehicles that we have are used by our State cooperators as well. So it is not exactly that all those vehicles are used exclusively by our employees.

APHIS AIRCRAFT INVENTORY

Mr. NUNNELEE. All right. And then I see you have got 71 aircraft assigned to the wildlife services program but about a third of those, 22, are nonoperational. What are your plans? Are you going to fix them? Are you going to sell them?

Dr. PARHAM. Actually those are used for parts for the ones that do work, essentially is what has happened there. It was Customs and Border Protection, I believe, who we got about 30 aircraft from in the last couple of years. Some of those are operational, and then we have mechanics and all that keep those running. So they are actually using some remainder of those that are nonoperational for parts.

Mr. KINGSTON. Will the gentleman yield?

Mr. NUNNELEE. Sure.

Mr. KINGSTON. Have you looked at getting rid of that inventory? Because that is a lot of capacity. And it also is a long way from what your main core missions are. And it would appear to me that if you liquidated that, you could free up cash, space, and budget. These parts are readily accessible elsewhere, so it is not like you have to own them.

Dr. PARHAM. As part of our wildlife services program, one of the things that we do in terms of managing the wildlife-human and wildlife-domestic herd interface is sometimes that we do use these aircraft both for surveillance and also for the control of predator animals. I don't recall the exact number that are actually operational. We do do some contract work as well. So I do hear what you are saying, Mr. Chairman. And that is something we can certainly consider. But the entire air force that we have is not completely operational, as I stated before.

Mr. KINGSTON. I yield back.

FOOD DESERTS

Mr. NUNNELEE. Okay. Thank you. The final question, I presume to Secretary Avalos, the concept of food deserts. Oxford, Mississippi, has been labeled as a food desert. It is a wonderful town. It is the home of Old Miss. I love to go there. But if you have ever been there, it is not a food desert. And I am curious—I will be submitting a question for the record because you may not be able to know off the top of your head—what are the criteria that yields the result that Oxford, Mississippi, is labeled a food desert?

Mr. AVALOS. Congressman Nunnelee, I was listening to the hearing when this came up with Secretary Vilsack. And I think the response is like that all over the country. We have a great community. Why are you calling us a food desert? But the fact is that all over the country we have millions of citizens who do not have access to healthy, affordable food, and if you are in an urban area, if you are in a low income, underserved area and you are further than one mile from a major supermarket, then you are in a food desert. If you are in a rural setting, if you are more than 10 miles from a grocery store or supermarket, you are in a food desert. But I just wanted to emphasize that this applies to areas that are underserved, areas where there is a low income community within a community. And I think this exists all over the country.

Mr. NUNNELEE. What I would like to do is just have my staff follow up with the appropriate person at USDA. Let's look at the specifics on Oxford, Mississippi, because my concern is that if the same yardstick is being applied elsewhere in the Nation, then we are inappropriately labeling regions as food deserts, and the result is we are spending money that we could be saving. And when you are borrowing 42 cents out of every dollar, I have got to ask those questions.

Mr. AVALOS. Well, Congressman, we would very much like to reach out to your staff and visit with them about food deserts.

Mr. NUNNELEE. All right. Thank you.

Mr. KINGSTON. Mr. Farr.

INTERDEPARTMENTAL COORDINATION ON INVASIVE SPECIES

Mr. FARR. Thank you very much, Mr. Chairman. I was just thinking about the duplicative efforts that our colleague was talking about. And noxious weeds is a huge problem. But it seems to me that—and I wondered if you do coordinate. I have dealt with Federal and State highway issues because all of the highway maintenance people, oftentimes that is where noxious weeds get started, come out of a vehicle. We have pampas grass all along the Big Sur coast we are trying to wipe out. Is there coordination between your other Federal departments? I mean, the Department of Transportation certainly has some issues there; Forest Service, issues there, that is federally owned land; the Department of the Interior, BLM, some interest. Obviously APHIS has interest. I really want so much of an answer. Is there an effort to coordinate with all these different Federal departments, a common problem that they all have?

Dr. PARHAM. Representative Farr, indeed there is an effort to do that. There is an Invasive Species Council that is an interagency

group. We have representation from the Forest Service, from the Department of the Interior, from APHIS and other Federal agencies that work on this year-round.

Mr. FARR. Good. I didn't know we had that. We need to know more about that.

[The information submitted by USDA follows:]

The National Invasive Species Council (NISC) was created in 1999 by Executive Order 13112. The goal of the executive order was to implement a process or system ". . . to prevent the introduction of invasive species and provide for their control and to minimize the economic, ecological, and human health impacts that invasive species cause." NISC provides high-level interdepartmental coordination of federal invasive species actions and works with other federal and non-federal groups to address invasive species issues at the national level. NISC is co-chaired by the Secretaries of the Agriculture, Interior, and Commerce. Committee members include the Secretaries of State, Defense, Homeland Security, Treasury, Transportation, Health and Human Services, the U.S. Trade Representative, as well as the Administrators of the U.S. Environmental Protection Agency, National Aeronautics and Space Administration, and U.S. Agency for International Development.

NATIONAL ORGANIC CERTIFICATION COST SHARE PROGRAM

My time is limited here. I want to ask about your strategic plan in making the number of certified organic farmers grow from 16,564 to—your plan is to have 20,655 in the next number of years. And I understand that a lot of the starting farmers, some in my district and around the country,—count on the use of the National Organic Certification Cost Share Program. And that is so they can stay certified.

I am concerned because these funds expire at the end of 2012 and there is a risk of a significant number of small producers dropping out of the National Organic Program. The question is, do you see the demand for this program growing or shrinking? What role does this program play in increasing the number of certified organic farmers in this country? And what other activities is AMS undertaking to help meet that goal for growth of the organic sector?

Mr. AVALOS. Congressman Farr, this is a very important program. It is very important to keeping especially beginning organic farmers in operation. And just to get into more detail, I am going to ask Mr. Keeney to expand on my answer.

Mr. KEENEY. Well, the Program will expire at the end of this period of time. And we know it is very important to all of the organic growers out there and organic growers-to-be. So we are anxious to take a look and——

Mr. FARR. It expires because of the Farm Bill expiration?

Mr. KEENEY. Because of the Farm Bill expiration.

Mr. FARR. But if we don't have a Farm Bill, you are still going to operate your department.

Mr. KEENEY. The operation will continue on, but we will not have funding at that point to carry on this program.

FARM BILL REAUTHORIZATION

Mr. FARR. Unless we give it to you. Obviously we are going to give it to other programs that aren't going to be authorized—I mean, I don't see that we can get a Farm Bill. That is my own personal opinion. But——

Mr. KEENEY. Well, we are hopeful of that, that there will be a Farm Bill and a number of these programs will be reauthorized and funded as a result of that.

Mr. FARR. So I mean it is part of your goal to increase it by getting these startup farmers, helping them cost share, becoming certified.

Mr. KEENEY. It is our goal to do that. Among other goals that we have for the program itself, we do a lot of outreach, as you know, to the organic community and to others in the industry to work with them to ensure that they are certified and they know what they need to do to be certified as well. So we do a lot of that work already. And that will continue on. The cost share program, however, would be one that would not be able to continue.

Mr. FARR. Well, maybe we need a larger discussion on that, Mr. Chairman, because if indeed these authorizations all sunset—we are the appropriating committee. We can still put money into the Department. And as long as the law isn't changed, you can carry them out. I mean that is what happens. No Child Left Behind sunsetted years ago. We are still running that program in schools all over America. So you don't just drop dead, the law doesn't drop dead. So why would you not continue it if the money is there?

Mr. KEENEY. If the money is there, we certainly will continue. There are two programs, as you probably also know. There is the Agricultural Management Assistance to certain States program at $1.5 million. That would continue on. But this program that we are talking about right now would sunset at this point.

Mr. FARR. All right. But you are going to ask for it? I mean you think it is a worthwhile program?

Mr. KEENEY. Well, those discussions will take place as the Farm Bill discussions take place. It is a worthwhile program as far as we are concerned. In the past it has been very worthwhile.

Mr. FARR. So you are going to advocate for it in the Department?

Mr. KEENEY. We have no position right now on that.

Mr. FARR. Do you have a position on anything in the Farm Bill?

Mr. KEENEY. We have not taken a position on most every issue—we have not taken positions on the Farm Bill at this point.

Mr. FARR. That is real leadership. When will you take positions on the Farm Bill? Or do you?

Mr. KEENEY. As these negotiations continue on, I am sure we will be called in to express our point of view on particular provisions of the Farm Bill.

Mr. FARR. Well, the Senate has already written the Farm Bill. How about the version you have seen in the Senate that has been drafted, Debbie Stabenow, Senator Stabenow has done? Are you supportive of that?

Mr. KEENEY. We have not taken a position.

Mr. FARR. Mr. Secretary, I expect you to be a little more politically active up here on the Hill on these issues. There are some important cutting edge issues that you are responsible for and you have to be an advocate for them. Don't let OMB be your voice.

Thank you.

Mr. KINGSTON. Thank you, Mr. Farr.

EGG PRODUCTION

And Mr. Christian, I think this is in your jurisdiction in terms of the agreement between the Humane Society and the egg producers. It is APHIS, I guess, then. All questions lead to APHIS.

There is legislation that would codify that agreement in terms of how the hens are kept and so forth. And as you know, the United Egg Producers has voted to support that legislation and accept the agreement. But one of the themes we see in Washington is it is always kind of the bigger industry members, whether it is in banking or contracting or whatever it is, they are the ones who say, yeah, we will agree with that because they can afford to take the hit. The smaller producers can't. But it is in society's interest and every industry to have small producers because they keep the prices in line and compete and keep the big ones from having monopolies.

And I was wondering what your views are on protecting the smaller producers, should this legislation move forward and it be codified.

Dr. PARHAM. Okay. We are aware of what the HSUS and the UEP have done. But the USDA at this time does not have a position on where that would reside because that would influence how funding would be managed and that kind of thing. So at this point, there has been no decision as to where that would be within USDA.

Mr. KINGSTON. We just want to make sure that the little guy is not left high and dry who can't adapt the cages as quickly or whatever. Do you have any idea what it does to the price to the end users yet? Or this is codified? It is probably a bigger question.

FERAL HOGS

Mr. Secretary, in your home state you have an issue with feral hogs that actually touches on the brucellosis question that Mrs. Lummis mentioned in terms of if this gets out of hand and diseases of feral hogs spread to domestic cattle or other livestock. Yet we have cut that budget. You are probably catching grief from a lot of your friends back home.

Mr. AVALOS. The feral hog situation has become an issue nationwide. And I just wanted to emphasize that at USDA, APHIS Wildlife Services is probably the only agency that provides any kind of management support on feral hogs. I just want to mention that Commissioner Staples in Texas, he did come up with another plan where he had a competition to eradicate feral hogs, 2.6 million. I think they got a little over 12,000. Nonetheless, I just wanted to emphasize that Wildlife Services, we do provide management of feral hogs, but we do not have any appropriated money dedicated for that program.

Mr. KINGSTON. Do you recommend that kind of bounty system in Texas?

Mr. AVALOS. We don't recommend a bounty system.

Mr. KINGSTON. Mr. Farr and I are going to try to get you guys to commit on policy here.

Well, just for the record then because I know it is an enormous amount of time, how many times a year can a hog reproduce? Because I think it is like maybe two or three, and they can have up to 20 babies at once. Is that approximately right? Where are your

scientists in the background? I know somebody knows exactly the answer to that.

Mr. AVALOS. I don't have anyone who is an expert on feral hogs back here.

Mr. KINGSTON. I bet APHIS knows it.

Mr. AVALOS. Dr. Parham is also a veterinarian. So maybe he can help us.

Mr. KINGSTON. I think it is just incredible. People don't realize how hogs can reproduce so much.

Dr. PARHAM. Right. And this common thing that eight are born and 10 are weaned is the way it goes because you know the numbers are just tremendous. You are roughly accurate. It can be up to 20 in a litter. But usually it is not quite that large. One of the things that we are doing in terms of research, our National Wildlife Research Center does have a program where they are actually trying to develop a toxicant that could be targeted towards these hogs, sodium nitrite, which is a commonly used chemical that we believe could be developed as a toxicant. So they are working on the delivery systems as a means of doing it.

[The information follows:]

A hog typically gives birth to 8 to 12 pigs at a time, and can have up to 2 litters each year.

But as Secretary Avalos mentioned, we don't actually have funding currently to manage that issue that is now in 39 different States, okay. We actually have programs where we are working with feral hogs—well, folks who are interested in feral hogging in 25 of those States. It is mostly an educational program but, yes, they are increasing a problem as we move forward.

Again, when we talk about feral swine, we are really talking about domestic swine that are running free. So it is not like they are the kinds you see in National Geographic that are running around Africa.

Mr. KINGSTON. But the expression, root hog or die. The domestic hog immediately, when it gets outside the cage, starts rooting and surviving.

Dr. PARHAM. That is correct.

Mr. KINGSTON. It is a very nimble animal.

Mr. Farr, I really had just two quick questions and that is it.

U.S. AGRICULTURAL TRADE

But on the sanitary and the international trade, are you involved with India and chicken trade? Because there has been some issue with Indians saying that American poultry has some phytosanitary problems.

Dr. PARHAM. Yes, Mr. Chairman. We are involved in those discussions.

Mr. KINGSTON. Is that moving forward? Is that with the USTR right now? I mean, is that with the U.S. Trade Representative?

Dr. PARHAM. Yes, it is.

Mr. KINGSTON. And is it moving along? Because isn't the science in favor of domestic poultry right now, American poultry?

Dr. PARHAM. It is our understanding that that is moving along at USTR. I know there have been conversations in the last couple of weeks about the situation with India and avian influenza.

Mr. KINGSTON. And also, we had a ban on Argentine beef for a while because of Hoof-and-Mouth Disease. But that ban has been lifted; is that correct?

Mr. AVALOS. Are you talking about a ban on cooked meat or fresh and frozen meats?

Mr. KINGSTON. I am not certain.

Mr. AVALOS. At this time, Argentina is not allowed to export fresh or frozen meat into this country.

Mr. KINGSTON. I was down there. And Mr. Farr is the South American kind of expert. But as I remember from a visit down there, the Ambassador told me that they had gotten rid of Hoof-and-Mouth and that ban should not be there anymore. Do you have any knowledge of that offhand, Sam?

Mr. FARR. No. Just because I speak Spanish doesn't mean I am an expert on Latin America. But I did live in Colombia.

But no, I don't know. I haven't heard this. But I am sure my cattle operators will know.

Dr. PARHAM. Part of it is that in parts of Argentina they still vaccinate for FMD. So that is part of the situation. So there are some areas—again going to the regionalization idea, there are some areas that have been declared free, but there are still other areas that vaccinate. So that is the distinction there.

Mr. KINGSTON. Okay. Well, that was my last question as well.

FEDERAL AND STATE COORDINATION

Mr. FARR. Again, I would just like to have a last statement, if I can, Mr. Chairman. I am always fascinated by what all of you do in your agency. I mean, USDA is a fascinating agency because you know it was established by President Lincoln as essentially a home ec department for the westward expansion. Let's teach people how to live in the wilderness and survive. And it kind of instructed us how to grow as a nation. And those programs are still there.

But I see us in a dilemma here, all of us, that are dealing with the Federal Government and Washington and that of my colleagues who are in the State governments. California government is a big government, State government. We are going to be in a new era of where we are going to have to solve problems at the local level. I mean that is where problems evolve. But we are not going to have the wherewithal—I mean, all of these discussions have been about money and how much more money we are going to take.

I don't see the Federal Government growing in the next decade. I think we are going to be stuck on budget deficit reduction and fighting over whether we have enough revenue through tax increases or not. States, California is in the same position. Problems aren't going to go away, whether it is feral pigs or invasive species or getting organic farmers, or whatever it is going to be. And all of those things are at the local level. I think we are going to have a decade of new paradigms of sort of regional local government.

And I am just wondering—this is sort of a suggestion. I don't need an answer, but California has a program where we have an ag commissioner in every one of our 58 counties. And they are real-

ly the authority on all of the APHIS issues and marketing issues. And they put out crop reports. I don't even think any other State requires counties to have an ag commissioner. But in places where you have that, it seems to me we ought to be looking at ways we can transfer some responsibility because we are not going to have the funds to do it here in Washington or in our regional offices. And I say that as a former State legislator, too. I think that the next decade is going to be about problem solving at the local level. And what we are going to have to do is that all of these silos of the Federal Government are going to have to get together and know what each other does. They have to do that at the State level and the local level and really come up with a better idea of a one-stop for any government. It doesn't matter what government you are in. And I know you come from the grassroots of all this, and hopefully your leadership will be able to bring some ideas about how we can begin doing a better collaborative, maybe transferring more authority. I am surprised that California doesn't do for poultry and meat inspection, that we don't have our own inspectors get certified by the Federal Government like other States have done.

I think these kinds of ideas and suggestions are going to be needed, and that is going to be the leadership paradigm that we are going to be looking for, is how do we solve problems without having to grow more government? How do we get better utilization out of what we have? It is a huge challenge, but I think we don't have the option of not addressing it. So I look forward to your ideas of how we can do this better as we work together.

Thank you very much.

Mr. KINGSTON. Thank you, Mr. Farr. And with that, this committee hearing is over and we meet again tomorrow at 10:00. Thank you, Mr. Secretary.

UNITED STATES DEPARTMENT OF AGRICULTURE
MARKETING AND REGULATORY PROGRAMS
QUESTIONS FOR THE RECORD
MARCH 6, 2012

QUESTIONS SUBMITTED BY CHAIRMAN JACK KINGSTON

AGRICULTURAL MARKETING SERVICE

Microbiological Data Program and
Pesticide Recordkeeping Program Elimination

Mr. Kingston: The President's fiscal year 2013 budget proposed to eliminate funding for the Microbiological Data Program as well as the Pesticide Recording Keeping Program. Please confirm the planned spending amounts for both of these programs in fiscal year 2012 and the proposed savings in fiscal year 2013.

Response: Fiscal year 2012 planned spending for the Pesticide Recordkeeping Program (PRP) is $1.8 million and $4.3 million for the Microbiological Data Program (MDP). The combined net savings for these programs in the 2013 budget proposal is $6.1 million.

Mr. Kingston: Provide an explanation of how these functions will be supported, if necessary, in other parts of the federal and/or state governments or in the private sector.

Response: We do not expect that other Federal or State agencies will conduct baseline monitoring of microbiological data on produce. The Centers for Disease Control and Prevention (CDC), Food and Drug Administration (FDA), and/or the State departments of health and agriculture currently conduct emergency crisis investigations. In order for the Federal Government to collect any data needed for investigations of microbiological pathogens in produce, those agencies will need to collect such data under their purview.

For Pesticide Recordkeeping (PRP) activities, the 23 States that operate records review activities under comparable State regulations will continue their programs. However, because ten of those States were receiving PRP support, they are expected to conduct fewer inspections and/or reduced educational outreach. All Federal monitoring and advisory services will be discontinued in the remaining States and Territories that do not operate a State program, as will the production and distribution of informational materials on the regulations. More than 100,000 pesticide recordkeeping manuals, brochures and other outreach materials have been distributed each year by the program to producers. The law does not mandate that State agencies establish a pesticide recordkeeping monitoring program. However, applicators of restricted use pesticides in those States and Territories operating under Federal regulations are still required to retain their records and provide access upon request to Federal and State agency representatives.

No other Federal agency monitors compliance with recordkeeping regulations. However, the National Agricultural Statistics Service (NASS)

conducts surveys under their Agricultural Chemical Use Program of on-farm and post-harvest fertilizer and pesticide use and pest management practices.

Mr. Kingston: Please update the table that appears in last year's hearing record showing states in the Pesticide Recordkeeping Program, federal funds, and state funds for fiscal year 2011 and estimated fiscal year 2012.

Response: The information is submitted for the record.
[The information follows:]

Pesticide Recordkeeping Program				
	FY 2011 Funding		FY 2012 Funding	
State	Federal	State	Federal	State
Alabama	$48,000	$2,400	$40,000	$2,000
Alaska	18,107	953	-	-
Arkansas	83,468	4,393	60,000	3,298
Colorado	49,422	2,601	-	-
Delaware	13,283	3,934	-	-
Florida	16,225	850	-	-
Georgia	62,550	3,410	47,482	3,309
Idaho	40,907	2,046	-	-
Illinois	36,276	1,909	36,318	1,913
Indiana	7,500	378	-	-
Iowa	57,315	3,016	49,879	2,625
Kansas	-	-	33,000	2,000
Kentucky	74,386	3,824	40,000	3,250
Louisiana	64,168	3,377	-	-
Maine	11,008	871	-	-
Massachusetts	12,000	1,000	-	-
Michigan	43,005	2,091	40,000	2,860
Minnesota	64,750	15,684	58,718	5,085
Mississippi	28,369	4,050	26,969	4,050
Montana	66,614	3,331	38,000	3,070
Nevada	12,716	1,258	-	-
New Mexico	60,393	3,177	40,000	3,127
North Carolina	76,200	4,406	46,400	3,492
Ohio	21,352	1,113	-	-
Oklahoma	65,000	3,250	50,000	3,250
Oregon	54,076	2,689	-	-
South Carolina	59,404	3,127	30,918	3,101
South Dakota	39,882	2,099	30,500	2,047
Tennessee	33,322	2,427	32,168	2,427
Utah	30,000	1,280	30,000	1,579
Virginia	31,894	1,679	26,252	1,382
West Virginia	25,625	1,755	25,779	1,766
Wisconsin	32,030	1,688	-	-
Wyoming	18,649	2,000	12,680	2,000
Subtotal, State	1,357,896	92,066	795,063	57,631
Cooperative Educational Funding	46,618	-	-	-
Subtotal, Direct	1,404,514	92,066	795,063	57,631
Federal Administration	1,351,486	-	1,035,937	-
Total	2,756,000	92,066	1,831,000	57,631

Note: State funding represents only those States that have agreements with the Federal program.

Transportation and Marketing Programs

Mr. Kingston: The fiscal year 2013 budget proposes an increase of $1.0 million and 4 staff years for the Transportation and Marketing Programs to enhance community capacity to improve local food access. Please provide the Subcommittee with a list of all programs and initiatives, mandatory and discretionary, which provide related support for the marketing of locally produced food.

Response: AMS requested $1,000,000 for Transportation and Marketing Programs in the 2013 budget request to enhance community capacity to improve local food access. Although considerable work has been completed and a diverse group of projects are currently underway, there remain numerous opportunities for AMS to help small and mid-sized food producers capture a greater percentage of consumer expenditures by: a) identifying and analyzing the benefits and cost-effectiveness of emerging innovative distribution and marketing practices, and b) providing technical guidance to direct-to-consumer market planners, managers and vendors on how best to meet the needs and preferences of their local consumer population. In addition, USDA has a number of programs that support marketing of locally produced food and the Transportation and Marketing Program initiative complements ongoing programs. The Department is taking a coordinated approach to local food access, including connecting food producers to new market opportunities. These programs provide producers with financing and technical assistance to expand their operations, to improve their marketing opportunities through regional food hubs and farmers markets, and to develop innovative techniques unique to their needs.

The programs below support local food production, marketing and access opportunities. For many of them, local food is a small part of their overall portfolio.

USDA programs where some projects may support local food production, marketing and access opportunities	
USDA Agency	Programs
Agricultural Marketing Service	✓ Farmers Market Promotion Program Grants ✓ Specialty Crop Block Grants ✓ Federal-State Marketing Improvement Program Grants
Food and Nutrition Service	WIC and Senior Farmers' Market Nutrition Programs
National Institute of Food and Agriculture	✓ Community Food Projects ✓ Beginning Farmer and Rancher Development Programs ✓ Sustainable Agriculture Research and Education Program ✓ Small Business Innovation Research Program
Rural Development	✓ Business and Industry Guaranteed Loans ✓ Value-Added Producer Grants ✓ Rural Energy for America Program
Natural Resources Conservation Service	Environmental Quality Incentives Program (EQIP) - High Tunnel Practice
Forest Service	Urban and Community Forestry Program

Mr. Kingston: Did AMS create either of the two programs proposed last fiscal year to support farmers markets: (1) "Technical Assistance to Regional Food Hubs to Support Agriculture of the Middle" and (2) "Technical Assistance to Beginning and Transitioning Farmers Markets"? If so, what is the estimated level of funding provided for these programs in fiscal years 2012 and 2013?

Response: No, AMS did not create the two programs proposed last year. Funding for these programs is not available in 2012, but was included in the 2013 budget request.

AMS requested $1,000,000 and 4 staff years for Transportation and Marketing Programs in the 2013 budget request to enhance community capacity to improve local food access. While there continues to be an increasing demand by consumers to access locally-grown products as evidenced by the enormous growth of 114 percent in farmers markets since 2000, along with dramatic increases in the number of community supported agriculture operations and other direct farm marketing channels, research shows that small and medium-sized producers have experienced a substantial improvement in farm income as a result of these direct sales to consumers, restaurants, schools and other institutional outlets. AMS strives to assist the agriculture community to meet this demand and continues to explore opportunities to identify additional innovative and cost-effective options that help producers compete effectively in this growing consumer-driven market segment. Although considerable work has been completed and a diverse group of projects are currently underway, there remain numerous opportunities for AMS to help small and mid-sized food producers capture a greater percentage of consumer expenditures by: a) identifying and analyzing the benefits and cost-effectiveness of emerging innovative distribution and marketing practices, and b) providing technical guidance to direct-to-consumer market planners, managers and vendors on how best to meet the needs and preferences of their local consumer population.

This initiative will capitalize on AMS marketing systems expertise to stimulate the development of regional food hubs and marketing outlets for locally and regionally grown food where gaps are present in food availability and food access. It will also allow AMS to conduct a number of activities that support USDA's mission to create new economic opportunities by better connecting consumers with local producers.

Within FY 2012 resources, AMS is taking strides towards the food hub initiative by providing leadership for the Know Your Farmer, Know Your Food regional food hub subcommittee, chairing both the full task force and the smaller core tactical team, and overseeing the completion of the subcommittee's primary short term programmatic deliverables, the first of which is a resource guide on food hub development.

Mr. Kingston: The narrative in support of this proposed increase makes reference to "research" which shows that "small and medium-sized producers have experienced a substantial improvement in farm income as a result of these direct sales to consumers, restaurants, schools and other institutional outlets." Please provide the Subcommittee with a list of citations of research in support of this statement as well as research citations that argue against this model.

Response: The local food sector is growing but still relatively new, and there is limited data available on its scope and scale. Evidence is emerging that direct-to-consumer food marketing and intermediated (producer-to-intermediary-to-consumer) local food marketing channels offer higher incomes and more control in negotiating prices due to consumer willingness to pay higher prices for locally sourced foods and increasing demand in food service.

Selected examples of citations that support the statement that "small and medium-sized producers have experienced a substantial improvement in farm income as a result of these direct sales to consumers, restaurants, schools and other institutional outlets" include:

- Economic Research Report no. (ERR-99) , p. 57, June 2010. This research document looks at producers selling several products locally (direct to consumers or direct to intermediaries to consumers): spring salad mix, blueberries, milk, beef and apples. It then compares the performance of these marketing efforts to that of mainstream supply chains, where producers sell to wholesalers whose products are not necessarily then sold locally. The study finds that compared to their mainstream counterparts, revenue per unit for producers selling locally ranges from 50 percent greater for apples to 649 percent greater for salad mix. The study also finds that "[i]n all five cases, essentially all of the wage and proprietor income earned in the [local] market chains is retained in the local economy." Link: http://www.ers.usda.gov/Publications/ERR99/ERR99.pdf
- Buying locally or directly from farmers can dramatically increase a farmer's income. The Maine Organic Farmers and Gardener's Association published a study that demonstrates what would happen if consumers shifted 1 percent of their purchasing power to buy locally grown products: farmers would see a gain of 5 percent in their income." Sustainable Table, "Why buy local?" Link: http://www.sustainabletable.org/issues/whybuylocal/
- "Many farmers and ranchers have benefited from the trend in local foods, finding ways to sell direct-to retail and capture a higher profit margin." The Emergence of Retail Agriculture Link: http://www.fb.org/index.php?action=newsroom.focus&year=2012&file=fo0402.html
- Economic Research Report No. (ERR-128) 38 pp, November 2011. This research documents that "sales through intermediated marketing channels, such as farmers' sales to local grocers and restaurants, account for a large portion of all local food sales." Link: http://www.ers.usda.gov/Publications/ERR128/ERR128.pdf

While we are unaware of research or studies that counter the statement, the following opinion pieces and articles express a counter position:

- Buying local could be questionable. An article from Spoon and Trowel states that, "The "green-ness" of local food is questionable, since large scale commercial farms are much more efficient than small farms." Link: http://spoonandtrowel.com/articles/the-argument-against-local-food
- The Local Beet states that, "Local food is expensive." Link: http://www.thelocalbeet.com/2008/09/21/the-case-against-local-food/

- If you need to know more about the food you purchase, The Opinion Pages article states that, "The "local" label also says little or nothing about a product's actual environmental friendliness." Link: http://conniff.blogs.nytimes.com/2007/06/13/dont-buy-local/

Shell Egg Surveillance Program

Mr. Kingston: Please explain how AMS's Shell Egg Surveillance Program provides the Food and Drug Administration and/or the Food Safety and Inspection Service with support for the respective agency's food safety activities.

Response: AMS has established Memorandums of Understanding with the Food and Drug Administration (FDA) and the Food Safety and Inspection Service (FSIS) that provide guidelines for cooperation between the agencies. AMS employees assigned to work in shell egg plants have been trained to identify specific operational and production issues that may be in violation of the applicable FDA food safety regulations. Alleged violations are reported through an electronic system developed by FDA. Additionally, any violations of FSIS regulations noted by AMS Shell Egg Surveillance inspectors during the performance of their duties are reported to FSIS officials by memorandum.

Web-Based Supply Chain Management System

Mr. Kingston: Provide the Subcommittee with a status of the Web-Based Supply Chain Management System implementation as well as the operating costs for fiscal years 2012 and 2013.

Response: On April 1, 2011, the Web-based Supply Chain Management System (WBSCM) team completed the last phase of implementation and WBSCM became fully functional. The WBSCM investment has been successful, with over 9,000 registered users, and purchases of 4.5 billion pounds of commodity product for domestic and international programs valued at $2.3 billion.

With the last phase of implementation complete, the WBSCM team has been working with customers and business partners to ensure continuous process improvement and capability. Concerted efforts are underway to enhance system operations, especially for stakeholders participating in the international programs. The team has identified areas of improvement and is addressing each with a targeted effort. These efforts include the resolution of concerns regarding data integrity and performance, international activities, and normal defect resolution. The team is providing technical assistance and support to improve customers' experience with the system.

Web-based Supply Chain Management Funding
Operations and Maintenance
(Dollars in Millions)

Fiscal Year	AMS Mandatory (Section 32)	FNS Mandatory/ Discretionary	Total
2012 Estimate	$15	$8	$23
2013 Estimate	15	8	23

Mr. Kingston: Has AMS addressed the concerns of the Office of Management and Budget (OMB) from last year when OMB rated the system with a score of 2.5 out of 10?

Response: AMS addressed the deficiencies listed in OMB's rating of the Web-based Supply Chain Management (WBSCM) System. On May 31, 2012, WBSCM scored 5 out of a possible 5 during the latest annual rating period, based on details provided below.

Specifically:

1. AMS developed performance measurements for fiscal year 2011, 2012 and 2013, which reflect the system's steady state status.
2. A performance-based Post Implementation Review was completed in February 2012, with the following findings:
   - Total WBSCM development cost of $99.8 million was within the 2003 business case estimate.
   - The major goals of ordering food, delivering food, and approving invoices for payments were realized.
   - AMS, FAS, FSA, FNS, and USAID are all using the same WBSCM system.
   - WBSCM provides a single authoritative, timely, and easy-to-access source of data, which gives users automated standard and non-standard reports.
   - Commercial and government best practices were leveraged by using Systems, Applications and Products (SAP) Custom-Off-the Shelf (COTS) technology, which is also being utilized by the USDA's Financial Management Modernization Initiative (FMMI) and Modernize and Innovate the Delivery of Agricultural Systems (MIDAS).
   - All processes were streamlined in one integrated, efficient system.
   - The status of orders and tracking of deliveries, entitlements, and agreements are now performed in real time.
   - Automatic inventory replenishment was included to ensure that food is available to food aid recipients.
   - Standardized access was provided to all bid invitations and bid responses.
   - Electronic notification for purchase awards, as well as the ability to download purchase documents, is now available.
   - The ordering process was streamlined using standard shopping cart functionality.
   - Online electronic submission of invoices, quality, or inspection certificates, and proof of delivery were available, eliminating the previous paperwork burden.
   - USDA recognizes the issues with WBSCM and is working with stakeholders and customers to address those issues.
3. Certification and Accreditation was completed June 29, 2010, as defined in NIST SP 800-37, "Guide for the Security Certification and Accreditation of Federal Information Systems."
4. AMS developed a strategy for a shared USDA SAP environment in aligning to the 25 Point Implementation Plan to Reform Federal Information Technology Management.

Pesticide Data Program

Mr. Kingston: Provide a table for the record showing the funding for the Pesticide Data Program since fiscal year 2008 to include estimates for fiscal years 2012 and 2013. Please include both direct and reprogrammed appropriations, if applicable.

Response: The information is submitted for the record. No appropriated funds have been reprogrammed into the Pesticide Data Program.

[The information follows:]

Pesticide Data Program (Dollars in Thousands)	
Fiscal Year	Funding
2008 [1/]	$15,348
2009	15,527
2010	15,360
2011 [1/]	15,330
2012 Estimate	15,330
2013 Estimate	15,330

[1/] Net of Rescission

Mr. Kingston: Please provide a complete list of the states that are participating in the Pesticide Data Program and the amount of federal funds spent in each state for fiscal years 2007 through estimated fiscal years 2012 and 2013. If the Department spent additional funds for the testing of water, please include a list of those states and the amount spent per state for this same period.

Response: There are thirteen States participating in the Pesticide Data Program.

[The information follows:]

Pesticide Data Program

Obligations in Participating States
(Dollars in Thousands)

State	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012 Estimate	FY 2013 Estimate
California	$2,540	$2,490	$2,600	$2,600	$2,624	$2,583	$2,650
Colorado	70	69	440	390	292	70	70
Florida	1,240	1,350	1,195	1,421	1,345	1,300	1,320
Maryland	92	85	93	85	80	85	85
Michigan	1,245	1,245	1,270	1,260	1,245	1,405	1,290
New York	1,575	1,655	1,625	2,075	1,976	1,885	1,890
North Carolina[1/]	-	-	-	26	20	20	25
Ohio	1,105	995	995	1,193	1,040	1,297	1,270
Texas	1,000	1,200	1,160	1,160	1,260	1,253	1,250
Washington	1,080	1,060	1,080	1,000	1,300	1,300	1,200
Wisconsin	90	90	98	98	92	80	85
Other, foods[2/]	92	101	224	86	50	276	83
Subtotal, Foods	10,129	10,340	10,780	11,394	11,324	11,554	11,218
Colorado	345	321	-	-	-	-	-
Minnesota	430	395	320	345	335	335	335
Montana	314	399	360	365	335	335	335
New York	195	195	200	200	-	-	-
Other, water[3/]	157	75	78	82	-	-	-
Subtotal, Water	1,441	1,385	958	992	670	670	670
Federal Expenditures[4/]	3,563	3,623	3,789	3,522	3,373	3,106	3,442
Total	15,133	15,348	15,527	15,908	15,367	15,330	15,330

[1/] North Carolina joined PDP in late fiscal year 2010 as a sampling partner.

[2/] Fiscal years 2007 through 2012 include expenditures for contractual services with the private sector for laboratory chemical supplies and quality assurance services. Expenditures also include the purchase of laboratory equipment for State laboratories in the amount of $164,569 in Fiscal year 2009. No equipment was purchased in fiscal years 2007, 2008, 2010 and 2011. In fiscal year 2012, PDP allocated $180,000 to collect data on apples, peaches and pears grown in the mid-Atlantic region of the U.S. The States of Delaware, Maryland, New York, New Jersey, North Carolina, Pennsylvania, Virginia and West Virginia have requested USDA's assistance to collect data needed to support a Section 18 Emergency Exemption to use the pesticide Bifenthrin to control the "brown marmorated stink bug", a pest that causes severe damage to these crops. The data will be used by EPA to justify granting permission to use this pesticide. In fiscal year 2013, PDP plans to complete the stink bug project and expand testing of pesticides used overseas, with emphasis on pesticides used in countries that supply a significant amount of imports.

[3/] Fiscal years 2007 through 2010 include contracts with Great Lakes Environmental Center (GLEC) and Ultra to manage water field sampling operations and for quality assurance services respectively. As of fiscal year 2011, Minnesota

Department of Agriculture took over the work done by GLEC in addition to the water testing services they provide.

[4/] Federal expenditures for fiscal year 2007 include $515,000 to GIPSA; $30,000 to NASS; and $550,000 to the AMS Laboratory. Fiscal year 2008 includes $415,000 to GIPSA, $30,000 to NASS, and $525,000 to the AMS Laboratory. Fiscal year 2009 includes $30,000 to NASS, $21,000 to FSIS, $500,000 to GIPSA and $400,000 to the AMS Laboratory. Fiscal year 2010 includes $40,000 for NASS, $288,000 for GIPSA and $100,000 for the AMS Laboratory. Fiscal year 2011 includes $226,500 for GIPSA, $40,000 for NASS and $345,000 for the AMS Laboratory. In fiscal year 2012, no funds were provided for GIPSA or the AMS Laboratory; $30,000 was provided to NASS. In fiscal year 2013, approximately $200,000 will be provided to GIPSA for wheat testing, 200,000 to the AMS Laboratory for testing of infant formula and $30,000 to NASS.

Mr. Kingston: Were any agricultural use pesticides reregistered using data gathered by the Pesticide Data Program in fiscal year 2011? Which ones?

Response: The Environmental Protection Agency (EPA) makes pesticide reregistration decisions. PDP is the major data provider for dietary risk assessments, which play a significant role in EPA reregistration decisions. PDP monitoring data reflects actual pesticide usage and are also used to determine whether reregistration decisions need revisiting. PDP coordinates testing plans with EPA to ensure that PDP residue data supports upcoming EPA assessments.

In fiscal year 2011, AMS provided data to support EPA's ongoing reregistration activities including a cumulative risk assessment for pyrethroids. PDP data also supported 192 chemical decisions made by EPA's Health Effects Division. Included among these were reregistration decisions for selected uses of abamectin and tebuconazole, two important crop protectants for numerous fruits and vegetables (abamectin), grapes and pome/stone fruits (tebuconazole.

Mr. Kingston: Do AMS, FSIS, EPA, and FDA exchange pesticide data on a regular basis? If so, what data and for what purpose?

Response: Yes, AMS data are provided on a regular basis to Environmental Protection Agency's Health Effects Division, Environmental Fate and Effects Division, and their Office of Water. The Pesticide Data Program (PDP) data on presumptive tolerance violations are also provided to FDA, which uses the information to plan future surveillance/monitoring programs. PDP also exchanges information with FSIS on testing methodologies for meat and fish products and provides data on meat samples on a semi-annual basis, or more frequently when requested. USDA does not receive pesticide data from FDA but does upload PDP data to the Electronic Laboratory Exchange Network (e-LEXNET), a database created by FDA to receive data from various government sources.

Mr. Kingston: Please provide a table that shows spending, by agency, for pesticide use and data collection and analysis to include fiscal year 2011 actuals and fiscal years 2012 and 2013 estimates.

Response: AMS' Pesticide Data Program (PDP) conducts pesticide data collection and analysis through agreements with State, USDA, and other partners. The details on spending are provided for the record.

[The information follows:]

Pesticide Data Program Obligations (Dollars in Thousands)			
Partners	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
States [1/]	$11,944	$11,948	$11,805
AMS [2/]	3,106	3,076	3,212
NASS [3/]	40	35	35
GIPSA [4/]	227	-	200
Other [5/]	50	276	83
Total	15,367	15,330	15,330

[1/] Includes 13 cooperating States in fiscal years 2011, 2012, and 2013: California, Colorado, Florida, Maryland, Michigan, Minnesota, Montana, New York, North Carolina, Ohio, Texas, Washington, and Wisconsin.

[2/] AMS expenditures in fiscal year 2011 include $345,000 provided to AMS National Science Laboratory (NSL) in Gastonia, NC for egg testing. In fiscal year 2012, no funds were provided to NSL. In fiscal year 2013, approximately $200,000 is proposed to provide to NSL for testing of infant formula.

[3/] Statistical and sampling support.

[4/] Testing of soybeans in fiscal year 2011 and wheat in fiscal year 2013.

[5/] Includes funding allocated to commercial vendors for quality assurance services, State laboratory equipment and scientific supplies for State laboratories. In fiscal year 2012, AMS plans to cover costs to support a rapid-response project to contain the "brown marmorated stink bug" affecting 7 States in the mid-Atlantic region of the U.S. This project will be completed in fiscal year 2013.

The National Agricultural Statistics Services (NASS) conducts agricultural chemical use surveys. The fruit chemical use surveys were performed in 2011 and the vegetable chemical use surveys will occur in 2013; continuing the first and third year rotating in a 5-year cycle for the fruit and vegetables. The chemical use survey is also coordinated in conjunction with the Agricultural Resource Management Survey (ARMS) for row crops and others.

National Agricultural Statistics Service (NASS) (Dollars in Thousands)			
Chemical Use Surveys	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
Fruits	$534	$1,184	$0
Post-harvest	0	0	0
Vegetable	1,911	0	2,701
Row Crops & Other	3,240	4,501	2,984
Total	5,685	5,685	5,685

National Organic Program

Mr. Kingston: The Cornucopia Institute has requested that the USDA's Office of Inspector General investigate the National Organic Program to determine if USDA is knowingly allowing banned ingredients in some organic foods. Please provide the Subcommittee with a summary of this issue and AMS' position on the claims by the Institute.

Response: Certified organic producers and handlers are governed by the National List of Allowed and Prohibited Substances (National List), a section of the organic regulations which identifies substances that may or may not be used in organic crop and livestock production. The National Organic Standards Board (NOSB), a Federal Advisory Committee with 15 members appointed by the Secretary to represent diverse perspectives from across the organic community, is authorized by law to advise USDA on which substances should be allowed or prohibited on the National List.

The Cornucopia Institute's January 23, 2012 letter to USDA's Office of Inspector General requested an investigation into the process undertaken at the NOSB's November 29 - December 2, 2011 meeting that resulted in the Board's vote to add two fatty acids, docosahexanoic acid (DHA) algal oil and arachidonic acid (ARA) fungal oil, to the National List as allowed substances.

Vitamins, minerals, and some nutrients - including DHA/ARA - are currently allowed in USDA organic products. However, the allowance of certain nutrients, including these substances, resulted from a previous misinterpretation of FDA's Food Fortification Policy by the National Organic Program (NOP) in 2006. Rulemaking in progress will correct this reference to FDA's policy ending the allowance for these substances. The comment period for the proposed rule on this topic closed on March 12, 2012; the final rule is currently being prepared. When final, this rule (called Sunset 2012: Nutrient Vitamins and Minerals) will prohibit the use of non-essential nutrients from being used in organic agriculture unless the nutrients are separately added to the National List. DHA and ARA are not considered essential nutrients by FDA.

Given this anticipated change, these substances were petitioned by members of the organic trade to specifically be added to the National List. After evaluating the petition against a well-defined and published set of evaluation criteria, the NOSB voted 10-4 to approve including DHA and ARA on the List, with the provisions that the products are not extracted with hexane and contain only organic agricultural ingredients. This vote resulted in the NOSB's recommendation to the NOP to engage in rulemaking to add these substances to the National List with these provisions.

As a citizen advisory board, the NOSB and its processes are designed to invite input from a variety of interested sources in the organic community on a range of highly technical and sometimes controversial subjects. The NOSB makes recommendations to the USDA based on that input, but does not set policy. NOSB recommendations are taken under advisement by USDA, and the USDA will carefully evaluate the recommendations before engaging in rulemaking to include DHA algal oil and ARA fungal oil on the list of approved materials. Additionally, all proposed rules are subject to a period of public comment before they are finalized and implemented. This public comment period ensures that a range of perspectives are considered in any rulemaking, and that the rulemaking process is transparent and open, much like the NOSB meetings themselves.

Mr. Kingston: How many certifying agents have been accredited in the organic program to date? What is the estimated percentage of the organic industry with accreditation? Of the total number accredited, how many have been evaluated on-site?

Response: To date, there are 93 certifying agents accredited under the National Organic Program (NOP). All certifying agents must be accredited in order to certify that organic producers and handlers are operating in accordance with the NOP regulations. On-site evaluations have been conducted on all 93 accredited certifying agents.

There are almost 30,000 organic producers and handlers certified under the NOP regulations around the globe with over 17,000 within the U.S. Organic producers and handlers that annually sell less than $5,000 worth of organic products are not required to be certified. However, many of these producers chose to voluntarily obtain organic certification for marketing purposes.

Mr. Kingston: Please update the table that appears in last year's hearing record showing how much has been spent by year for the Organic Certification Program, along with a brief description of the purpose.

Response: This formation is submitted for the record.

[The information follows:]

Organic Certification Program Activity	Year	Funding (Dollars in Millions)
Developed a charter for the National Organic Standards Board (NOSB), and initiated a process to receive nominations in the event Federal Advisory Committee funds became available.	1991	0.00
The Department allocated $120,000 for NOSB activities which included three NOSB meetings and eleven NOSB subcommittee meetings following Federal Advisory Committee Act (FACA), procedures. AMS continued to provide communication to the organic community and encouraged them to work together with the NOSB to assist the program.	1992	$0.12
The Department allocated $45,646 for NOSB activities which included three NOSB meetings. AMS continued to serve as liaison with other agencies and the organic community.	1993	0.05
AMS received $500,000 in Marketing Services for the National Organic Program (NOP) to arrange meetings, prepare public notices of the meetings, prepare minutes, copy documents, cover handling expenses, negotiate with the European Union, and help the private certifiers develop and submit technical dossiers. We arranged and conducted four livestock hearings across the country, issued contracts to technical advisers to coordinate the materials review process, participated in international standards development at Codex, and coordinated with other agencies and Departments on program activities related to their missions. The Department also allocated $57,571 for NOSB activities from the Department's advisory committee account for two Board meetings.	1994	0.50
AMS drafted regulations, communicated with the organic community on issues and concerns, provided mailings on USDA recommendations, and participated in development of international guidelines development under Codex. Coordinated and implemented the required Technical Advisory Panel reviews of substances under consideration for the National List of Allowed and Prohibited Substances (National List). The Department allocated $40,000 for NOSB activities from the Department's advisory committee account for two Board meetings.	1995	0.54
AMS' NOP drafted regulations subsequent to NOSB recommendations for the program. Participated in a Codex meeting to develop international guidelines for organic production and processing, continued to provide support for the NOSB, and discussed the proposed organic rule with other agencies that may be affected, such as the Environmental Protection Agency and the Food and Drug Administration. The Department allocated $33,000 for NOSB activities from the Department's advisory committee account for one Board meeting.	1996	0.53
NOP continued drafting the proposed rule for publication and public comment. No additional funds were available from the Department's advisory committee account.	1997	0.50
The proposed rule was published December 16, 1997. The public comment period was extended to April 30, 1998. NOP	1998	0.50

Organic Certification Program Activity	Year	Funding (Dollars in Millions)
supported a meeting of the NOSB in March of 1998 to review the proposed rule.		
Over 275,000 public comments were received on the initial publication of the proposed rule, mostly in opposition. A second public comment period was opened for 45 days to receive input on three issue papers concerning animal confinement, animal medications, and termination of certification. NOP again participated in the Codex Committee on Food Labeling and provided support for two NOSB meetings.	1999	0.92
A re-proposed rule was published on March 7, 2000, with a 90 days public comment period. There were 40,774 public comments received during that period. In addition, NOP held three public meetings on organic seafood production. The program participated in one industry-only meeting sponsored by Alaska governor Tony Knowles and Senator Ted Stevens. NOP participated in the Codex Committee on Food Labeling, Organic Food Working Group in Ottawa, Canada and supported three NOSB meetings.	2000	1.00
A final rule was published on December 21, 2000, became effective on April 21, 2001, and was fully implemented on October 21, 2002. Again NOP participated in the Codex Committee on Food Labeling. With additional funding approved, one full-time employee was hired to assist NOP staff with the accreditation of certifying agents. Initial accreditation began of domestic and foreign certifying agents and policy directives were developed and compiled into program manuals. In addition, there were three NOSB meetings this year.	2001	1.56
AMS continued the implementation process and announced the first group of accredited certifiers on April 21, 2002. Once these State and private certifying agents were certified they began inspecting participating producers and handlers to certify compliance with the National Organic Standards. NOP continued to provide staff support for the NOSB which held two meetings this year. NOP staff assisted these Board meetings through the review of substances for addition to the National List and publication of proposals to amend the National List.	2002	1.60

Organic Certification Program Activity	Year	Funding (Dollars in Millions)
AMS continued the implementation of the organic regulations including, as a part of the accreditation process, onsite evaluations of accredited certifying agents to examine their operations and verify compliance with the National Organic Standards. Accredited additional applicants; worked on developing organic standards equivalency agreements with foreign governments; enforcement of the National Organic Standards; completion of guidance documents to clarify existing standards; consultations with industries on additional production and handling standards; identifying issues and developing curricula for regional training for accredited certifying agents; and the development of consumer information. NOP continued to provide staff support for the NOSB which held two meetings. Support included assistance to the NOSB in its review of substances for addition to the National List and publication of proposals to amend the National List.	2003 [1/]	1.52
AMS continued the accreditation process, including onsite evaluations of certifying agents accredited during 2003 to examine their operations and to verify compliance with the National Organic Standards. Fiscal year 2004 activities also include the accreditation of additional applicants; development of organic standards equivalency agreements with foreign governments; enforcement of the National Organic Standards; development of guidance documents and rulemaking to clarify existing standards; continued development of production and handling standards; continued regional training for accredited certifying agents; and staff support for the NOSB which held two meetings. Support included assistance to the NOSB in its review of substances for addition to the National List and publication of proposals to amend the National List. AMS used funding increase to hire additional staff, increase support activities for the NOSB and finance peer reviews and Technical Advisory Panel reviews of petitioned materials.	2004 [1/]	1.97

Organic Certification Program Activity	Year	Funding (Dollars in Millions)
AMS administration of NOP including, as a part of the accreditation process, onsite evaluations of accredited certifying agents to examine their operations and to verify their compliance with the National Organic Standards. Additional activities included: accreditation of additional applicants; development of organic standards equivalency agreements with foreign governments; enforcement of the National Organic Standards; development of guidance documents to clarify existing standards; establishing task forces for the development of production and handling standards for aquatic species and pet food; and conducting regional training sessions for accredited certifying agents. NOP continued to provide staff support for the NOSB which held 3 meetings during fiscal year 2005. Support included assistance to the NOSB in its review of substances for addition to the National List and publication of proposals to amend the National List.	2005 [17]	1.98
Fiscal year 2006 activities included the accreditation of additional applicants; continued development of organic standards equivalency/recognition agreements with foreign governments; enforcement of the National Organic Standards; development of guidance documents and possible rulemaking to clarify existing standards; continued cooperation in the development of production and handling standards for aquatic species; regional training for accredited certifying agents; and development of consumer information. The National Organic Program continued to provide staff support for the NOSB which held two meetings. Support included assistance to the NOSB in its review of substances for addition to the National List and publication of proposals to amend the National List.	2006 [17]	1.99
Fiscal year 2007 activities included the accreditation of additional applicants upon completion of accreditation requirements; continued development of organic standards; development of additional recognition agreements with foreign governments; enforcement of the National Organic Standards; development of guidance documents and rulemaking to clarify existing standards; continued cooperation in the development of production and handling standards for aquatic species and pet food; regional training for accredited certifying agents; and development of consumer information. The NOP continued to provide staff support for the NOSB which held two meetings. Support included assistance to the NOSB in its review of substances for addition to the National List and publication of proposals to amend the National List.	2007 [17]	2.00

Organic Certification Program Activity	Year	Funding (Dollars in Millions)
AMS continued NOP administration. As a part of the accreditation process, AMS conducted an ongoing series of onsite evaluations of accredited certifying agents to examine their operations and verify their compliance with the National Organic Standards. Additional activities included: accreditation of additional applicants upon completion of accreditation requirements; continued development of organic standards; development of additional recognition agreements with foreign governments; enforcement of the National Organic Standards; development of guidance documents and rulemaking to clarify existing standards; continued cooperation in the development of production and handling standards for aquatic species and pet food; regional training for accredited certifying agents; and development of consumer information. The NOP provided staff support for the NOSB which held one meeting along with an aquaculture symposium in November 2007 and conducted another board meeting in May 2008. Support included assistance to the NOSB in its review of substances for addition to the National List and publication of proposals to amend the National List.	2008 [1/]	3.13
AMS conducted a series of onsite evaluations of accredited certifying agents to examine their operations and to verify their compliance with the National Organic Standards. Additional activities included: Accreditation of additional applicants upon completion of accreditation requirements; continued development of organic standards; development of additional recognition agreements with foreign governments; enforcement of the National Organic Standards; development of guidance documents and rulemaking to clarify existing standards; continued cooperation in the development of production and handling standards for aquatic species and pet food; regional training for accredited certifying agents; and development of consumer information. The NOP provided staff support for the NOSB which held two meetings. Support included assistance to the NOSB in its review of substances for addition to the National List and publication of proposals to amend the National List.	2009 [1/]	3.88

Organic Certification Program Activity	Year	Funding (Dollars in Millions)
In fiscal year 2010, AMS received a $3.1 million increase for the NOP which was used, in part, to hire 14 new staff to carry out the enforcement and administration needs of the program. NOP issued new operating procedures designed to increase the effectiveness of enforcing organic Standards. Activities also included the increased use of civil penalty authority in cases where willful violations occur. NOP issued eight civil penalties (more than all of the civil penalties issued during the first seven years of the program). Closed 123 complaint cases. Conducted compliance assessments in Canada, Egypt, Israel, Denmark, Ghana, and China. AMS auditors also conducted organic audits in Argentina, Italy, Germany, Bolivia and Mexico. The NOP published its Program Handbook, which provides those who own, manage, or certify organic operations with guidance and instructions that can assist them in complying with the NOP regulations. An Office of Inspector General (OIG) audit was conducted on the program, the program has taken corrective action to satisfactorily address thirteen of the fourteen recommendations.	2010 [1/]	6.97
In fiscal year 2011, the NOP continued accreditation, standards development, and compliance and enforcement activities. This included new rulemaking related to the National List, nine new draft guidance documents and four new final guidance documents for the second edition of the NOP Program Handbook, ongoing accreditation activities, assessments related to international agreements, support for two NOSB meetings, and compliance and enforcement activities. The NOP received and began investigative activities on 181 complaints, representing a 15 percent increase from 2010. The NOP completed 128 complaint investigations, issued ten civil penalties for willful violations of the NOP regulations, and launched a new way to notify the organic community when fraudulent organic certificates are found in the marketplace. The NOP also improved outreach, communication, and provided an on-line list of nearly 30,000 organic operations. The NOP Appeals team implemented process improvements that led to a reduced average appeal decision time from 709 to 416 days.	2011 [1/]	6.91
In fiscal year 2012, the NOP is continuing its standards development activities, accreditation program, and compliance and enforcement activities. In the first months of the fiscal year, NOP has released a number of new proposed rules and guidance documents; supported the launch of the U.S.-European organic equivalency agreement; continued its oversight of accredited certifying agents; closed 122 compliance and enforcement cases; and supported one National Organic Standards Board meeting.	2012 [1/] Estimate	6.91

[1/] Includes funds from the Market Development and Assistance line item that was merged into the "Organic Standards" line item for budget presentation purposes.

Mr. Kingston: How much do you plan to spend in the current year on organic certification implementation and for what purpose?

Response: In fiscal year 2012, $6.9 million has been allotted for the National Organic Program. This funding will be utilized to support three primary functions: 1) organic certification, standards development, accreditation, 2) international activities, 3) compliance, and enforcement. All are necessary to ensure that certifying agents and certified operations are implementing the organic standards with high levels of quality and integrity.

Mr. Kingston: Provide a table showing the resources, both dollars and staff, which have been expended on the Organic Certification Program since its inception, including fiscal year 2011 estimates.

Response: The information is submitted for the record.

[The information follows:]

Organic Regulatory and Certification Activities
(Dollars in Millions)

Fiscal Year	Staff Years	Funding
1992	2	$0.12
1993	2	0.05
1994	5	0.50
1995	7	0.54
1996	7	0.53
1997	7	0.50
1998	14	0.50
1999	15	0.92
2000	11	1.00
2001	15	1.56
2002	11	1.60
2003 1/	13	1.52
2004 1/	13	1.97
2005 1/	11	1.98
2006 1/	13	1.99
2007 1/	13	2.00
2008 1/	14	3.13
2009 1/	19	3.88
2010 1/	28	6.97
2011 1/	35	6.91
2012 1/	34	6.91

1/ Includes funds from the Market Development and Assistance line item that was merged into the "Organic Standards" line item for budget presentation purposes.

Country of Origin Labeling

Mr. Kingston: What activity is AMS conducting related to surveillance and enforcement of Country-of Origin Labeling? What is the total cost and what enforcement actions has the Agency been involved in during fiscal year 2011 and fiscal year 2012 to date?

Response: There are over 37,000 retail facilities subject to the Country of Origin Labeling (COOL) regulations in the United States. Since the final rule went into effect, we have established a robust compliance and enforcement program and overseen the review of more than 18,000 retail stores. Retail store reviews have been conducted in all 50 states, the District of Columbia, and the Commonwealth of Puerto Rico. The total cost of the program in FY 2011 was $7,678,000 and the program's budget for 2012 is $5,000,000. In 2012, The COOL program will launch a new automated data management system --COOL FACTS-- that will improve reporting timeliness and accuracy, and make compliance information available on a real-time basis to strengthen and focus compliance reviews. The COOL FACTS system will provide cost savings to the program while maintaining service to customers.

In 2011, the program conducted 4,005 initial retail reviews and 1,190 follow up retail reviews. Findings of non-compliance are specifically identified in a letter to the retailer when the reviewer finds a covered commodity not labeled for country of origin, a commodity is incorrectly labeled, or if records to verify a COOL claim are not adequately maintained. The retailer is allowed 30 days to respond with corrective and preventative measures to these findings. Follow-up reviews are conducted at those retail facilities with high levels of non-compliances to ensure corrective measures are effective. In 2012, approximately 3,700 reviews will be assigned to state cooperators upon completion of training in June.

The COOL program also requires suppliers to accurately convey origin information to retailers. To verify supplier compliance, covered commodities are randomly selected for audits. In FY 2011, the records for 307 commodity items were randomly selected for audit. The audit process identified 633 suppliers in the retail supply chains for the 307 items under review, and 21 of those suppliers were cited for findings of non-compliance with the COOL regulation. The number of supplier trace back audits conducted year to date in 2012 is 250 on items stemming from the 2011 retail reviews.

Marketing News Service

Mr. Kingston: Under Market News Services, how much did AMS spend for mandatory price reporting in FY 2010 and 2011 and how much does the Agency plan to spend in FY 2012 and FY 2013? How much of that amount does AMS plan to spend on Livestock Price Reporting in FY 2012? How much in FY 2013?

Response: The information is submitted for the record.

[The information follows:]

Agricultural Marketing Service Market News Mandatory Reporting (Dollars in Thousands)			
Fiscal Year	Livestock Mandatory [1/]	Dairy Mandatory [2/]	Total Mandatory Market News
2010	$6,683	-	$6,683
2011	6,459	$558	7,017
2012 Estimate	6,355	583	6,938
2013 Estimate	6,355	567	6,922

[1/] In 2001, the total Market News budget was increased to include funding for Livestock Mandatory Reporting. Funding for LMR continues to be included in Market News. Funding levels in fiscal years 2011 and 2012 reflect overall Market News Program budget reductions. Expenditures include dedicated reporting activities and reporting system costs.

[2/] No funds were specifically appropriated for Dairy Mandatory reporting; funding to support electronic reporting has been carved out of existing AMS Market News resources. Dairy Market News reporting costs and other related activities are not included in these numbers. The fiscal year 2011 cost represents the initial software development of the Dairy Mandatory Reporting electronic system, which leverages the Livestock Mandatory Reporting System. The fiscal year 2012 and 2013 costs represent ongoing operating costs for the electronic reporting system.

Mr. Kingston: Did AMS eliminate or consolidate any market news reports in fiscal year 2010 or 2011, or does the agency plan to do so in fiscal year 2012 or fiscal year 2013?

Response: AMS adds, modifies, and/or eliminates reports to support customers' needs, changes in marketing practices, and to consolidate the information into easier to find formats on an on-going basis. In 2011, the AMS Market News Program made enhancements to the Market News Information System and the Market News Web Portal to improve data entry and expand public access to historical retail reporting for several of the commodity groups. In 2011, AMS streamlined Market News reporting by consolidating several poultry, livestock, and grain reports after consultation with affected industry users. AMS also eliminated six livestock and grain reports no longer needed by the industry. Similarly, changes were made and additional commodities were added to the system for organic reporting. These changes provide greater flexibility and access to information, as well as increased efficiency in the ability to capture and present commodities, varieties, package sizes, and seasonal items. These efforts improved the overall value of the market reports and expanded the amount and type of information available for agricultural commodities. Additionally, Market News is adding

more historical reports and information; both to the Market News Portal and in cooperation with Data.gov to improve public access to the data.

In 2012, AMS is undertaking a program assessment of organizational structure, geographic locations, and market covering in order to ensure that the Agency continues to deliver this program in the most efficient and effective way possible. Based upon the results of the assessment, Market News is developing an action or implementation plans for several areas to provide either increase efficiencies or improve the effectiveness of program delivery. One area of focus will be a detailed review of office locations and staffing to identify opportunities for consolidations and collocations to minimize costs and utilize staff more fully. These changes will largely be implemented within FY 2013.

Also in fiscal year 2012, AMS conducted a Market News Customer Satisfaction Survey. The survey was held to update information collected in a similar effort in 2008, with the primary interest being the improvement in market information coverage from the customers' perspective. The survey showed that the public perception of the value of Market News reports and information remained strong, with most ratings remaining the same or improving. The survey results did indicate some areas of opportunities to improve service to the public, with the additional of mobile applications being one example. These enhancements will be developed and made available to the public in the first half of FY 2013.

Section 32

Mr. Kingston: Please provide a ten-year table, including fiscal year 2011, showing Section 32 end-of-year unobligated balances.

Response: The information is submitted for the record.

[The information follows:]

Section 32 Commodity Purchases End-of-Year Unobligated Balances (Dollars in Thousands)	
Fiscal Year	Unobligated Balances
2002	$192,156
2003	134,322
2004	408,051
2005	286,160
2006	146,760
2007	500,000
2008 [1/]	293,530
2009 [2/]	375,374
2010	0
2011	0

[1/] The 2008 Farm Bill (P.L. 110-246, Section 4222) required that all unobligated balances be transferred to the Food and Nutrition Service (FNS), effective FY 2009.
[2/] The FY 2010 Appropriations Bill (P.L. 111-80) required a portion of this balance be transferred to FNS and the remaining amount was to be rescinded (Section 721).

Mr. Kingston: Please provide a ten-year table, including projected fiscal year 2012 and 2013, that shows total obligations for Section 32 purchases, and obligations that were incurred in September of each fiscal year for those ten years.

Response: The information is submitted for the record.

[The information follows:]

Section 32 Obligations (Dollars in Thousands)		
Fiscal Year	Total Purchases	
	Annual Obligations	September Obligations
2004	$626,475	$324,287
2005	548,817	76,744
2006	630,802	144,273
2007	721,752	53,271
2008	699,369	95,549
2009	906,812	90,823
2010	939,658	201,323
2011	679,396	326,256
2012 Estimate 1/	867,713	153,444
2013 Estimate 1/	1,031,637	173,479

1/ Section 32 September purchases are estimated for FY 2012 and FY 2013 based on a five year average since purchasing decisions are dependent on market conditions which we are unable to predict. The annual purchase estimates do not include funds set aside for the removal of defective commodities, State Option Contracts, or disaster assistance. Note also that National School Lunch Program purchases support the operational schedule of the Nation's public school system.

Mr. Kingston: How much did AMS spend in fiscal year 2008 through 2011 on removal of defective commodities? How much does AMS plan to spend on this effort in FY 2012 and 2013? Have any of these funds been obligated to date? Please include the definition of defective commodity and explain what AMS does with those commodities after they are removed.

Response: A defective commodity is defined as any commodity purchased for distribution under the various domestic nutrition assistance programs that the Secretary determines poses a health or safety risk. After a commodity has been removed for health or safety reasons, it is disposed of according to the type of commodity involved.

AMS is responsible for the removal of all defective commodities delivered through USDA domestic nutrition assistance programs. At the beginning of each year, the Secretary authorizes $2,500,000 for the removal of defective commodities, which is reserved in the event AMS has to respond quickly to a public health risk. Through February 24, 2012, $1,425 of the $2,500,000 has been allocated for the storage costs related to dried fruit

mix that was placed on hold on December 2 due to a potential food safety concern. The investigation and testing results indicated there was no health hazard, and the product was released December 22, 2011. Below is a table reflecting the resource level for this activity since 2008.

[The information follows:]

Section 32 Defective Commodities (Dollars in Thousands)	
Fiscal Year	Amount
2008	$49,914
2009	29
2010	-
2011	-
2012 Estimate	2,500
2013 Estimate	2,500

Mr. Kingston: What plans does AMS have to spend funds on the Section 32 direct payment program in fiscal year 2012? Have any of these funds been obligated to date? What commodities qualify for the direct payment program? How does AMS evaluate what commodities are approved for this program?

Response: For fiscal year (FY) 2012, there are no plans to spend Section 32 funds on any direct payment programs, as general provision 726(15) in the FY 2012 Appropriations Bill prohibits direct payments under clause 3 of Section 32.

The purpose of this program is to support domestic producers for losses incurred, reestablishing their purchasing power. The Department's evaluation process determines whether a particular industry segment or commodity is facing a long-term chronic oversupply, if market prices are well below normal, or if a particular situation cannot be corrected by more conventional means.

Mr. Kingston: How much did AMS spend in fiscal year 2008 through 2012 to date on directed purchases, emergency surplus removal, direct payment program, and diversion payment program? Please provide a breakout of these obligations by each of these categories and by commodity. How much does the Department expect to spend in all of these categories by the end of fiscal year 2012?

Response: AMS did not have any directed purchases or diversion payment programs in fiscal years 2008, 2009, 2010, 2011, or 2012 to date.

Emergency surplus removal activity is often seasonal in nature due to crops and environmental impacts. It is difficult to predict the need that will arise in a current year, however, as a result of the favorable economic environment for domestic agriculture this year, we anticipate an industry need for emergency support in fiscal year 2012 similar to that in 2011. See the tables below for specific emergency surplus removal purchases and direct payments to producers to restore purchasing power.

[The information follows:]

Emergency Surplus Removal
(Dollars in Millions)

Commodity	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012 to Mar. 6
Apple Products	-	$13.9	$49.7	-	-
Apricots	$5.2	-	-	-	-
Beans	-	24.9	-	-	-
Beef	-	-	37.4	-	-
Blueberries	-	11.0	7.0	-	-
Catfish	-	5.0	8.3	-	-
Cherries	11.2	-	33.1	-	-
Chicken	-	46.4	13.6	$39.9	-
Cranberries	-	-	17.9	-	-
Dates	-	-	2.7	-	-
Figs	-	-	5.0	-	-
Grapefruit Juice	11.0	-	-	-	-
Lamb	0.6	-	1.9	-	-
Orange Juice	-	29.50	-	-	-
Peaches & Mixed Fruits	-	-	30.9	11.3	-
Pears	3.8	-	7.8	-	$2.2
Plums	-	-	10.8	4.9	-
Pork	17.9	96.5	36.7	-	-
Potatoes (incl. sweet)	-	-	25.3	-	-
Strawberries	-	3.3	7.0	-	-
Tomatoes	3.9	2.7	5.8	-	-
Turkey	-	58.6	-	-	-
Walnuts	-	27.7	-	-	-
Total	53.6	319.5	300.9	56.1	2.2

Direct Payment Program* (Dollars in Thousands)					
Description	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Producers in North Dakota as a result of flooding that ravaged the region	-	$750	-	-	-
Support to South Dakota's Cheyenne River and Standing Rock Sioux Tribes as a result of severe winter weather conditions	-	-	$3,375	-	-
Poultry producers in Arkansas who suffered losses in December 2008	-	-	60,000	-	-
Farm-raised aquaculture producers in Arkansas during calendar year 2009	-	-	20,000	-	-
Support to producers of upland cotton, rice, soybeans, and sweet potatoes who suffered losses during the 2009 crop year	-	-	-	$268,000	-

* No direct payments were made in FY 2008 and none will be made in FY 2012.

Mr. Kingston: Please provide a table showing the amounts expended for Emergency Surplus Removal and Disaster Relief for fiscal years 2006 through 2011. Add a similar table showing the amounts expended from Section 32 to restore producer purchasing power.

Response: The information is submitted for the record.

[The information follows:]

Selected Section 32 Activities (Dollars in Thousands)						
Description	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Emergency Surplus Removal	$81,010	$56,891	$53,654	$319,513	$300,888	$56,115
Disaster Relief	1,901	11,317	1,722	-	282	4,321
Restore Producer Purchasing Power	700,000	101,650	-	750	83,375	268,000

Mr. Kingston: The Secretary has the authority to use section 32 funds to remove surplus commodities from the market and bolster producer prices. Provide a list of each time the Secretary used this authority and the amount used for fiscal years 2008 through 2012, and to date in fiscal year 2012. Please describe the procedure by which USDA determines that a surplus exists in the marketplace.

Response: The information is submitted for the record.

[The information follows:]

Emergency Surplus Removal Activity
(Dollars in Millions)

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012 Est.	Total
Apple Products		$13.9	$49.7			$63.6
Apricot	$5.2					5.2
Beans		24.9				24.9
Blueberries		11.0	7.0			18.0
Cherries	11.2		33.1			44.3
Cranberry Products			17.9			17.9
Dates			2.7			2.7
Figs			5.0			5.0
Grapefruit Products	11.0					11.0
Mixed Fruit			8.2			8.2
Orange Juice		29.5				29.5
Peaches			22.7	$11.3		34.0
Pears	3.8		7.8		$2.2	13.8
Plum Products (incl. prunes)			10.8	4.9		15.7
Potato (incl. sweet)			25.3			25.3
Strawberries			7.0		6.6	13.6
Tomatoes	3.9	2.7	5.8			12.4
Walnuts		27.7				27.7
Subtotal, Specialty Crops	35.1	109.7	203.0	16.2	8.8	372.8
Beef			37.4			37.4
Catfish		5.0	8.3			13.3
Lamb	0.6	3.3	1.9		2.0	7.8
Pork	17.9	96.5	36.7			151.1
Subtotal, Livestock & Seed	18.5	104.8	84.3	0.0	2.0	209.6
Chicken		46.4	13.6	39.9		99.9
Turkey		58.6				58.6
Subtotal, Poultry Products	0.0	105.0	13.6	39.9	0.0	158.5
Total, Surplus Removal	$53.6	$319.5	$300.9	$56.1	$10.8	$740.9

DETERMINATION OF AGRICULTURAL COMMODITY SURPLUS

USDA constantly evaluates individual commodity markets for cyclic downturns in prices and negative returns to producers that jeopardize the long-term viability of the Nation's production capacity. Agricultural production varies from year to year. Weather, growing conditions, and cyclical production patterns contribute to variations in supply. USDA conducts emergency surplus removal of commodities, also known as bonus commodity purchases, to help stabilize prices in agricultural commodity markets.

Decisions on whether or not to support a particular market through Section 32 purchases are based on an objective analysis of market factors. To determine the need for a specific surplus commodity purchase, AMS conducts an economic assessment of commodity market conditions. Demand factors such as domestic consumption and exports are examined in relationship to supply factors such as domestic production, imports, and inventories. Prices paid to producers relative to the cost of production also play an important role in determining whether the industry is in a state of excess supply. Recommendations for a surplus commodity purchase generally address current market conditions that can be improved in the short term by that purchase.

Mr. Kingston: Were any export purchases made in fiscal year 2011 or 2012? If so, please list the commodities and which countries received the purchases.

Response: AMS did not make any export purchases in fiscal year 2011 or 2012 to date. The export program has not been active since fiscal year 1996, when AMS purchased $23.9 million of sunflower seed oil and cottonseed oil to facilitate additional sales of such oils in world markets.

Mr. Kingston: Provide a table showing the details of the administrative expenses account to include fiscal years 2009, 2010, 2011 and estimated 2012.

Response: The information is submitted for the record.

[The information follows:]

Section 32 Administrative Obligations
(Dollars in Thousands)

Activity	FY 2009	FY 2010	FY 2011	FY 2012 Estimate
Commodity Purchase Services	$31,092	$22,276	$33,538	$27,731
Marketing Agreements and Orders	17,124	19,802	19,279	20,056
Total	48,216	42,078	52,817	47,787

Research and Promotion Programs

Mr. Kingston: In March 2012, USDA's Office of Inspector General (OIG) released a report entitled "Oversight of Federally Authorized Research & Promotion Board Activities (01099-0032-HY)." The OIG found a few particular shortcomings in AMS' oversight of the promotion boards. The following excerpt is one of several sections that create concern for the Subcommittee: *"Specifically, AMS' oversight policies were unclear regarding the agency's roles and responsibilities and the specific oversight procedures AMS staff must perform. In addition, staff did not always enforce the agency's guidelines. As a result, AMS' staff misinterpreted and inconsistently applied those policies when overseeing the activities and operations of the various boards. This condition increases the risk that funds could be misused by boards."* Please provide the Subcommittee with a summary of the Agency's plans to address the OIG's findings and steps to prevent a lack of controls in the future.

Response: After reviewing current procedures, the Office of Inspector General (OIG) made two recommendations that AMS will implement:

(1) AMS will strengthen internal controls related to its oversight of board activities and develop Standard Operating Procedures; and
(2) AMS will develop guidance to conduct periodic internal reviews of its progress in strengthening oversight.

In advance of the final OIG report, AMS began taking several decisive actions on expected recommendations to strengthen oversight. AMS finalized its Standard Operating Procedures to ensure consistency in staff responsibilities in January 2012. Beginning in June 2012, AMS will conduct periodic internal reviews of Research and Promotion Programs in order to evaluate and ensure consistency in the application of policies and responsibilities.

Mr. Kingston: Provide a list of all research and promotion programs that receive funding from FAS, including how much each receives, for fiscal year 2010 and estimates for fiscal year 2011 and 2012.

Response: In 2010, 2011, and 2012 three Research and Promotion Programs, chartered under authority of the Agricultural Marketing Service, participated in the Foreign Agricultural Service's (FAS) Market Access Program (MAP). Initial 2012 MAP allocations are included but could change by the end of the fiscal year. Funding levels are as follows:

Research & Promotion
FAS Funding - Market Access Program
(Dollars in Thousands)

Commodity Board	FY 2010	FY 2011	FY 2012 As of 3/6/12
National Watermelon Board	$242	$260	$266
Popcorn Board	352	327	344
National Potato Promotion Board	5,150	4,970	4,770

Only the National Potato Promotion Board received funding under the Quality Samples Program (QSP), the Emerging Markets Program (EMP), and the Technical Assistance for Specialty Crops Program (TASC) in 2010, 2011, or 2012. Additional funding allocations for all three programs will be made during 2012. Funding levels for the programs are as follows:

Research & Promotion
FAS Funding - Other
National Potato Board
(Dollars in Thousands)

FAS Programs	FY 2010	FY 2011	FY 2012 As of 3/6/12
Quality Samples Program (QSP)	$455	$360	$460
Emerging Markets Program (EMP)	229	90	335
Technical Assistance for Specialty Crops Program (TASC)	-	360	TBD

Mr. Kingston: Were any new research and promotion programs added in fiscal year 2010 and 2011? Does the Agency expect to add any in fiscal year 2012 or 2013?

Response: AMS did not implement any new research and promotion programs in FY 2010 or 2011. The Processed Raspberry Promotion, Research and Information Order took effect in May 2012. Also in early FY 2012, the Softwood Lumber Research, Promotion, Consumer Education and Industry Information Order was implemented. In addition, industry proposals for Christmas Trees, Hardwood Lumber, and Paper and Paper-Based Packaging may be initiated in fiscal years 2012 and 2013.

Mr. Kingston: Provide a table that displays research cooperative agreements for fiscal year 2008 through 2011.

Response: AMS enters into cooperative agreements that support applied research on marketing issues, rather than basic scientific research. Below is a listing of the agreements for fiscal years 2008 through 2011.

[The information follows:]

AMS Transportation and Market Development				
Fiscal Year	Agreement Number	Cooperator	Projects	Amount
2008	A-4831, Amendment 1&2	Upper Great Plains Transportation Institute International	Agriculture Transportation Information Center for Research Policy	$49,674
2008	A-4849	Agriculture Transportation Research Institute	Agriculture Shippers Workshop and Summary Report	39,200
2008	A-4904	Foundation Luiz de Queiroz/University of Sao Paulo, Brazil	Brazil Soybean Transportation Report - 2008	26,000
2008	A-4962	Washington State University	Study of Rural Transportation Issues	100,000
2008	A-5017	Texas AgriLIFE Research	Impact of Transportation Infrastructure on the Cotton Industry	30,000
			FY 2008 Total	244,874
2009	A-5068	Upper Great Plains Transportation Institute	Agriculture Transportation Information Center for Research Policy	34,470
2009	A-5069	Agricultural Transportation Research Institute	Agricultural Shippers Workshop and Summary Report	8,900
2009	A-5082	Foundation Luiz de Queiroz/University of Sao Paulo, Brazil	Agricultural Shippers Workshop and Summary Report	26,000
2009	A-5194	Upper Great Plains Transportation Institute	Agriculture Transportation Information Center for Research Policy	55,660
2009	A-5197	Agricultural Transportation Research Institute	Agricultural Shippers Workshop and Summary Report	33,000
			FY 2009 Total	158,030
2010	A-5222	Winrock International	Value Chain Research Phase I	11,000
2010	A-5254	University of Sao Paulo, Brazil	Brazil Soybean Report	26,000
2010	A-5263	Michigan State University	National Survey of U.S. Farmers Market Managers Phase II	56,000
2010	A-5268	Agricultural Transportation Research Institute	Agricultural Shippers Workshop and Summary Report	39,000
2010	A-5269	Winrock International	Value Chain Research Phase II	16,000
2010	A-5277	Upper Great Plains Transportation	Agricultural Transportation	57,860

AMS Transportation and Market Development				
Fiscal Year	Agreement Number	Cooperator	Projects	Amount
		Institute	Information Center for Research and Policy	
2010	A-5355	Texas AgriLife Research	Impacts of Improvements in Brazil's Transportation Infrastructure on the U.S. Cotton Industry	15,500
			FY 2010 Total	221,360
2011	A-5355, Amendment 1	Texas AgriLife Research	Impacts of Improvements in Brazil's Transportation Infrastructure on the U.S. Cotton Industry	31,000
2011	A-5388	Winrock International Wallace Center	Collaborate on research to understand the scope and scale of food hub operations	37,400
2011	A-5478	Fundacao de Estudos Agrarios Luiz de Queiroz, University of Sao Paulo, Brazil	Brazil Soybean Transportation Report 2011	20,000
2011	A-5480	Upper Great Plains Transportation Institute	Agricultural Transportation Center for Research and Policy	47,800
2011	A-5481	Winrock International Wallace Center	Collaborate in the development of the regional food hub resource guide	30,000
2011	A-5555	Texas Agrilife Research	U.S. Grain and Soybean Exports to Mexico by Final Destination	25,000
2011	A-5567	Upper Great Plains Transportation Institute	Grain and Oilseed Export Profile	15,000
2011	A-5568	Cornell University	Assessing the economic impact of food hubs	17,000
			FY 2011 Total	223,200

Plant Variety Protection Act

Mr. Kingston: Provide a table for the Plant Variety Protection Act that shows the number of applications received, the number of applications pending action, the number of applications approved, the number of certificates issued, and the number that expired to include fiscal year 2011 and estimates for 2012. Also include the average time it takes AMS to approve of an application - from the time of receipt to final approval.

Response: The information is submitted for the record.

[The information follows:]

Plant Variety Protection Program
Status of Application

	FY 2011	FY 2012 Estimate
Applications Received	530	450
Applications Pending Action	1,208	1,108
Applications Approved [1/]	376	380
Certificates Issued	365	350
Applications that are abandoned, denied, ineligible, or withdrawn [2/]	48	50
Expired Certificates [3/]	272	208

[1/] The totals include certificates that were actually issued plus those that were recommended for issuance by the examiner but the final certificate of protection had not yet been issued.

[2/] Applications abandoned, etc. are dependent on the quality of the PVP applications, PVP applicants' willingness to provide required information, and value of the applicant's variety.

[3/] Certificates expired are dependent on what PVP applications were issued 18 to 20 years ago.

In fiscal year 2011, 365 certificates were issued with an average processing time of 1.9 years. The Plant Variety Protection Office (PVPO) has begun instituting process improvements to help reduce the average time for application approval based on an analysis conducted in 2011. However, no official targets have been established due to several factors that affect the number of applications approved from year to year, including:

- number of applications received, which fluctuate based on:
  - economics of seed developers
  - value of the developed varieties
- number of applications pending action
- number of staff available within the PVPO to complete the analysis, and
- quality of the applications submitted.

Transfers of Funds

Mr. Kingston: Did your agency transfer any funds to OCIO or CCE in fiscal year 2010 and 2011? On what date(s) were the transfers made, and for what amount and purposes? Does AMS plan any fund transfers to OCIO or CCE in fiscal years 2012 or 2013? If so, how much and for what purpose?

Response: AMS does not transfer funds to OCIO, but pays OCIO for support to AMS for network maintenance, information technologies, technical and operational assistance, telecommunications support nationwide, and mainframe computer operations and development support. See the table below for the annual cost breakout. AMS has not transferred funds or provided funds for services rendered to the CCE during this time period.

[The information follows:]

OCIO Annual Cost Breakout (Dollars in Thousands)				
OCIO Activities	FY 2010	FY 2011	FY 2012 Estimate	FY 2013 Estimate
e-Gov Initiatives	$1,176	$818	$833	$848
Network Services	1,886	1,210	1,232	1,254
Telecom Services	566	608	619	630
Enterprise Data Center Costs Management(NITC)	5,858	6,679	8,470	8,623
Total	9,480	9,315	11,154	11,355

Standardization Program Costs

Mr. Kingston: Please provide a table showing standardization program costs by commodity for fiscal years 2011, 2012, and 2013.

Response: The information is submitted for the record.

[The information follows:]

Standardization Program Costs (Dollars in Thousands)			
Programs	FY 2011	FY 2012 Estimate	FY 2013 Estimate
Cotton and Tobacco	$1,415	$1,432	$1,432
Dairy Products	720	713	713
Fruits and Vegetables [1/]	1,419	1,417	1,417
Meat	890	936	936
Poultry	333	343	343
Science	103	103	103
Total	4,880	4,944	4,944

[1/] Fruits and Vegetables include both fresh and processed commodities.

Commodity Procurement Activities

Mr. Kingston: What steps are being taken to correct and improve management controls, accountability for contaminated products, corrective actions, and sampling procedures concerning AMS' oversight of the commodity purchases? Please address each issue separately.

Response: AMS continually reviews management controls, accountability for contaminated products, corrective actions, and sampling procedures concerning AMS' oversight of the commodity purchases. Products that have been found to be non-compliant with purchase requirements are diverted from USDA purchase programs and must be accounted for through traceability reporting as to the disposition of the product. AMS has various programs in place to ensure any corrective actions identified through internal or external audit are documented and found be effective through on-going verification and monitoring audits performed by AMS.

Mr. Kingston: Please provide the Subcommittee with information on USDA's purchase of lean finely textured beef, including dollars spent and amounts purchased in fiscal years 2010, 2011, and 2012, as part of the National School Lunch Program. What are the contractual obligations on USDA's part for the purchase of this product in fiscal year 2012? If USDA has decided not to renew any contracts involving the purchase of this product in the upcoming school year, please provide the reasons for such a decision and comment on whether or not food safety was an issue for AMS or other parts of USDA.

Response: Lean finely textured beef is not directly purchased by USDA. Since we do not contract to purchase this specific product, we do not have records on actual costs and quantities. However, it is an allowable source material that may be included as a component in certain purchased foods at a rate of not more than 10 or 15 percent, depending on the item being procured. Based on allowed percentages, it was estimated that approximately 6 percent

of the 117 million pounds of ground beef products purchased last year by USDA contained this source material. Although it is a safe and nutritious source of beef, USDA offered recipients the option to order items that do not contain lean finely textured beef starting with deliveries in July 2012. This decision was to respond to concerns by a number of customers, and was not related to food safety.

Farmers' Market Promotion Program

Mr. Kingston: Please update the Committee on the costs and activities of the Farmers' Market Promotion Program.

Response: In fiscal year 2011, 149 grants were announced on October 13, 2011. However, on October 14, 2011, the Jersey City Redevelopment Agency rescinded their award offer by submitting a letter stating that they were unable to accept the award due to unanticipated changes in the agency's resources, thereby leaving 148 grant awards. These awards totaled $9,146,498.

[The information follows]:

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
Alabama	To Empowerment and Enrichment Resources, Inc. of Birmingham, AL, to establish a farmer co-op market and purchase refrigerated equipment for enhancing community access to fresh foods in East Lake, AL.	$67,109
	To the Hampstead Institute, Inc., Montgomery, AL, to purchase a greenhouse, walk-in cooler, pop-up tents, and other marketing materials to increase accessibility to healthy food and enhance and promote its farm and farmers market which serves as an alternative market outlet for local farmers.	52,000
Arizona	To Tohono O'odham Community Action, Sells, AZ, to: foster production of food traditionally farmed by the Tohono O'odham Nation, start a farm equipment and tool lending program, and organize and implement a series of "fresh sales" where growers and wild harvesters sell their products directly to the public.	83,192
	To the University of Arizona, Yuma County Cooperative Extension, Yuma, AZ, to increase the number of small farmers who grow for direct sales. This will lead to the sustainability of a locally grown farmers market in Yuma County.	47,329

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
Arkansas	To Meadow Creek, Inc., Fox, AR, to: increase access to fresh, healthy, heritage foods in Arkansas' rural food deserts by developing nine new retail locations for direct and online producer-to-consumer marketing outlets, train local growers to become year-round producers and market their value-added products, and educate SNAP recipients on value of eating healthy foods.	95,180
	To Main Street Helena, Helena, AR, to: 1) increase the consumption and availability of affordable and quality fresh produce among Phillips County residents, with a focus on low-income residents, 2) increase the positive economic impact of local farmers and gardeners on Phillips County, and 3) increase the viability of downtown Helena and its businesses through a marketing and education campaign and improving the overall market infrastructure and customer experience.	39,215
California	To the Round Valley Indian Health Center, Inc., Covelo, CA, to develop the Round Valley Raised CSA, a sustainable, direct market program to provide healthy, locally raised products and a connection to local agriculture for school children as part of a farm-to-school program.	96,200
	To Neighborhood House of Calexico, Inc., Calexico, CA, to establish a permanent farmers market facility with scheduled monthly events where local growers can effectively and cost-efficiently market agricultural products, promoting self-sufficiency, the expansion of healthy food choices, and the protection of household income for local residents.	93,400
	To the Pacific Coast Farmers Market Association, Concord, CA to start new and promote existing EBT projects at two new farmers markets in East San Jose, CA, that will serve as hubs for a variety of programs that address food access, food affordability, and nutrition education.	85,592

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
	To the Ecological Farming Association, Soquel, CA, to: 1) organize and facilitate 10 direct marketing workshops at the 2012 EcoFarm Conference, to include starting CSA's, pricing and budgeting for financial success, and marketing to low-income families; 2) provide 50 scholarships for beginning and socially disadvantaged farmers to participate in the conference; and 3) conduct outreach and consumer training to school groups on farming, nutrition, and healthy eating.	77,415
	To the Thai Community Development Center, Los Angeles, CA, to establish the East Hollywood Farmers Market which will promote healthy diets, create jobs, financially sustain growers, and expand access to fruits and vegetables for low-income individuals.	67,623
	To the Resource Conservation District of Santa Cruz County, Capitola, CA, to establish the Capitola Farmers Market which would provide 1) access to markets for small to medium, and socially disadvantaged growers, 2) access to fresh, healthy and affordable food choices for community members in the Capitola food desert, 3) employment opportunities in Santa Cruz County, and 4) increase grower and public knowledge, capacity and participation in voluntary conservation programs.	65,940
	To Sustainable Economics Enterprises of Los Angeles, CA, to: promote an existing EBT project to increase the participation and purchasing power of SNAP/EBT enrollees; improve producers' economic viability at those markets; and start up and operate a new farmers market serving the low-income community of Glassell Park.	65,700
	To Kitchen Food Ventures, Long Beach, CA, to purchase additional commercial equipment for a shared use, value-added food processing center for farmers wanting to add value to their products, produce, and fruit through processing.	65,437
	To the Visalia Farmers Market Association, Visalia, CA, to begin a new EBT project to promote the sale of agricultural products at its farmers markets through: 1) encouraging the use of EBT and WIC benefits; 2) informing the public how to receive, use, and redeem benefits at farmers markets; 3) providing nutrition education at farmers markets; 4) collaborating with social service and educational programs; and 5) creating, using, and distributing a variety of promotional and informational print medias.	64,010

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
	To Colusa County Resource Conservation District, Colusa, CA, to: develop a comprehensive plan to create a *Colusa County Grown* brand recognition; design and implement a marketing and advertising strategy, including logos, signage, website, recipe cards, and local food directory; and promote the brand through local media and public events.	56,003
	To the Kern Valley Growers Association, Weldon, CA, to: 1) increase the use of fresh, locally grown food in meals prepared by local residents, and 2) increase the size of the farmers market in Wofford Heights, CA, to include more farmers and offer more choices to customers.	53,903
	To Madera County Children and Families Commission, Madera, CA, to: hire a Market Coordinator, conduct a bilingual marketing campaign to promote the use of EBT at the Madera County Farmers Market, recruit new vendors to increase the variety of food products offered at the market, and educate vendors and consumers on the "buy fresh/buy local" concept.	51,230
	To the Rural Human Services (Crescent City Farmers Market), Crescent City, CA, to: develop and operate a weekly mobile commercial food kitchen for preparation and demonstration of local fresh produce; facilitate a food demonstration classroom to promote consumption of nutritious foods to SNAP recipients; and advertise and promote the project through newspaper, radio, and blogs.	50,941
	To Everyone's Harvest, Marina, CA, to: help farmers at the Monterey County farmers markets expand their business, develop promotional materials, conduct nutritional and recycling workshops, and develop a farm stand at California State University at Monterey Bay/Fort Ord.	46,076
	To the California Small Farm Conference, Davis, CA, to develop and implement a statewide conference for farmers and farmers market managers to promote greater success by building customer service skills and developing innovative non-farmers markets direct marketing strategies. Scholarships to the conference for market managers and small farmers will also be funded.	31,240

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
	To Alliance for a Post Petroleum Local Economy (APPLE), Nevada City, CA to enhance and expand an existing EBT program for the Nevada City Farmers Market and increase awareness and subsequent purchasing of fresh fruits and vegetables by EBT cardholders and low-income populations in western Nevada County.	25,080
	To the Orange County Great Park Corporation, Irvine, CA, to install and promote a new EBT system at the Great Park Farmers Market.	22,500
	To the Discover the Delta Foundation, Isleton, CA, to: 1) develop an affordable, nutritious, and healthy food direct-marketing outlet for residents and visitors to the California Delta region, 2) increase the number of local farmers participating in the Delta Farmers Market, and 3) educate people, especially children, about how food is produced and the importance of Delta agriculture.	36,700
	To the Boys Republic, Chino Hills, CA, to: 1) help urban consumers and low-income families gain access to healthy food by accepting EBT benefits, 2) train youth, 3) create new farmer/vendor jobs, and 4) promote consumption of locally grown fruit and vegetables at Chino Hills Farmers Market and Farm School Roadside Stand through direct producer-to-consumer marketing activities.	81,635
Colorado	To the Be Local Northern Colorado, Ft. Collins, CO, to expand food access for consumers through development of year-round farmers market by: 1) providing curriculum and technical assistance to producers to change production plans; 2) assess value-added product lines and season extension strategies; and 3) initiate micro-grants to facilitate more professional marketing and display materials.	50,000
District of Columbia	To Dreaming Out Loud, Inc., Washington, DC, to begin a new EBT project to offer fresh, local produce and prepared foods directly to low-income residents through healthy food retail outlets in "food deserts." Additionally, they will host a wide range of family education and nutritional programs and youth activities.	88,068

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
	To the Columbia Heights Community Marketplace, Washington, DC, to improve outreach and access for low-income individuals and families in finding and purchasing fresh, nutritious food, thereby increasing direct producer-to-consumer sales and improving the overall economic vitality of the market.	65,200
	To the Ward 8 Farmers Market Cooperative, Inc., Washington, DC, to enhance its existing EBT program to: 1) expand and promote an economically vibrant farmers market in a low-income community, and 2) increase the number of SNAP participants who shop at the Ward 8 Farmers Market through a targeted marketing and educational campaign.	22,728
Florida	To Human Services Coalition of Dade County, Inc., Miami, FL, to enhance and expand its existing EBT program to implement a culturally appropriate outreach and education program incorporating common language and branding to increase sales at four new and four established farmers markets.	86,656
	To Florida Certified Organic Growers and Consumers, Inc., Gainesville, FL, to expand and enhance its existing EBT program to: 1) support EBT technology at two farmers markets; 2) educate underserved consumers on SNAP benefits; and 3) increase knowledge and accessibility of fruits and vegetables.	81,571
	To Roots in the City, Inc., Miami, FL, to expand and enhance its existing EBT program to: 1) plant an urban garden that will supplement product supply at the Overtown Farmers Market; 2) allow the market to extend its hours; 3) expand the growing capacity; 4) purchase growing supplies and materials; and 5) add a part-time horticulturist and additional staff.	70,087
Georgia	To the Federation of Southern Cooperatives, Newton, GA, to begin a new EBT project to create a regional food system in southwest Georgia that will increase access to healthy food for low-income communities and food deserts, substantially expand direct marketing of locally grown fresh produce and products prepared in the community food kitchen and food incubator, and strengthen management and evaluation practices to ensure maximum market effectiveness.	59,024
Hawaii	To the Kohala Center, Kamuela, HI, to begin a new EBT project to provide EBT access to six farmers markets, train market managers and vendors, and promote these markets to SNAP recipients on Hawaii Island.	90,460

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
	To the Heritage Ranch, Inc., Honaunau, HI, to start a new farmers market, establish a hub for farmers to drop off products to sell at the farmers market, expand an existing CSA operation, purchase a solar-powered cooler and freezer to store products for CSA and farmers market, introduce a weekly Food Share program, and host summer camp and field trips for students.	74,010
	To the Wai'anae Coast Comprehensive Health Center, Wai'anae, HI, to: expand the Wai'anae Farmers Market to a new location, develop recipes and mini-cook books for traditional Hawaiian foods, implement monthly nutritional education classes, assess the feasibility of developing a commercial kitchen for value-added products, and provide monthly educational demonstrations of healthy and sustainable environmental practices.	70,364
Idaho	To the Idaho Center for Sustainable Agriculture, Boise, ID, to: enhance and expand its existing EBT program to continue to grow the EBT program at the Capital City Public Market in Boise, ID, through education and outreach, to increase healthy food access for low-income communities, and to increase sales for Idaho farmers.	42,220
Illinois	To Food Works of Carbondale, IL, to expand consumer access to local fresh foods and increase the number of roadside stands, farm markets, CSAs and other direct marketing venues by conducting a comprehensive training and mentoring program for 60 new farmers and ranchers in Southern Illinois.	89,648
	To the Board of Trustees of Southern Illinois University, Carbondale, IL, to help meet the needs of farmers, farmers markets, and communities for viable and healthy farmers markets by establishing an Illinois Farmers Market Association.	81,058
	To Faith in Place, Chicago, IL, to help grow the 15 Chicago area winter farmers markets and to support the development of a new, congregational-supported CSA in Champaign, IL.	39,270
	To Growing Home, Inc., Chicago, IL, to: 1) increase sales of vegetables to local Engleside residents from Growing Home's own urban farm through a new farm stand and other local retail outlets; 2) purchase refrigeration equipment and other marketing and promotional supplies; and 3) conduct educational programs.	79,300

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
Indiana	To Main Street Greensburg, of Greensburg, IN, to start a new EBT project to increase interest and participation in the markets and related events, and create a model EBT program for other small rural farmers markets using innovative technology.	55,364
Iowa	To the Henry County Agricultural Extension, Mount Pleasant, IA, to establish a new EBT system at the Mount Pleasant, IA, Farmers Market.	11,553
Kentucky	To the Grasshoppers Distribution, LLC, Louisville, KY, to: increase the year-round availability of local food; improve the long-term viability of a growing CSA; enhance product value and sales; and secure equipment for an onsite, commercial kitchen.	71,163
Louisiana	To Twin Parish Port District, Delcambre, LA, to: develop a business plan, secure permanent management, purchase supplies and equipment, and implement an effective advertising and promotional program to operate a new seafood direct-marketing facility for local fishermen.	82,023
	To the Renaissance Project, New Orleans, LA, to begin a new EBT project to establish three new fresh mobile market sites in low-income areas of New Orleans where EBT use and SNAP enrollment will be available.	77,300
	To the American Muslim Mission of Baton Rouge, Inc., Baton Rouge, LA, to develop a year-round farmers market for local produce, to purchase market supplies and refrigeration equipment, and to conduct outreach and educational training on sustainable gardening and marketing practices.	73,575
	To the Big River Economic & Agricultural Development Alliance, Baton Rouge, LA, to enhance and expand its existing EBT program to increase EBT transactions at all three Red Stick Farmers Markets in Baton Rouge through a marketing and educational campaign.	48,637
	To the Town of Oberlin, LA to improve the sustainability the Oberlin Farmers Market by purchasing needed equipment and making the market manager a permanent position.	47,010

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
	To the Institute of Community Development, New Orleans, LA, to begin a new EBT project to support a farmers market in a neighborhood affected by Hurricane Katrina by performing outreach to residents, securing a paid market manager and interns, developing a website, obtaining branded materials, offering EBT services and tokens, and advertising through media.	46,948
	To the City of Hammond, LA, to upgrade and expand the Hammond Market by conducting an assessment of operations and requirements; developing and implementing a publicity campaign to include a new market brand identity; and purchasing equipment and supplies for market operations.	43,252
	To the City of DeRidder, LA, to promote and equip a farmers market that gives local farmers a venue to sell their products to the public, educate consumers on availability of local foods, and provide the community with a central location to purchase fresh products directly from farmers.	21,321
Maine	To Maine Farmland Trust, Belfast, ME, to establish a new EBT project at the Unity Farmers' Market (UFM), and a multi-farm community supported agriculture (CSA) program for the development of a network of farmers and consumers to address issues of food access in identified food deserts and for research to continue this work.	71,852
	To the Kennebec Valley Council of Governments, Fairfield, ME, to establish the Maine Federation of Farmers Markets to help meet the organizational needs of Maine farmers markets, respond to marketing and regulatory questions raised by Maine vendors and encourage Maine communities to patronize such markets and establish new markets where needed.	70,701
	To the Western Mountains Alliance of Farmington, ME, to: provide hands-on training sessions to assist small farms to sell collaboratively through online farmers markets, develop systems and logistics for distribution sites, and list products through online buying clubs.	19,963
Maryland	To Civic Works, Inc., Baltimore, MD, to expand and enhance an existing EBT program by developing a mobile farmers market to improve the health of Clifton Park residents and improve the economic viability of local agriculture.	83,856

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
	To Future Harvest, Fairplay, MD, to establish a new EBT project and enhance an existing one for the development of new EBT programs and support of existing ones to increase farmers' revenues and encourage healthy eating habits in underserved communities.	74,056
Massachusetts	To the International Institute of New England, Boston, MA, for the establishment of a new EBT project to promote domestic consumption of agricultural commodities in low- and moderate-income communities in Manchester, NH, and for increasing the economic viability of beginning farmers.	86,875
	To Community Involved in Sustaining Agriculture, Inc. (CISA), South Deerfield, MA, to increase direct market sales of agricultural products from the western Massachusetts farms of Hampden County by intensifying CISA's "Be a Local Hero, Buy Locally Grown" ® (or Local Hero) campaign in Hampden County; increase consumer awareness of local agriculture products; and increase farmers' and farmers market managers' ability to successfully market to consumers.	70,215
	To Community Teamwork Inc., Lowell, MA, to expand and enhance its existing EBT program to increase revenue and sales at the Lowell Farmers Market and the World PEAS Community Supported Agriculture and Cape Ann Fresh Catch Community Supported Fishery through the development of price systems that will take advantage of SNAP, WIC, and FMNP vouchers.	65,989
	To the Springfield Partners for Community Action, Inc. Springfield, MA, to expand and enhance its existing EBT program to increase awareness of the Mason Square Farmers Market among low-income consumers and to encourage more farmers in the greater Springfield area to sell their products at the market.	53,451
Michigan	To Food System Economic Partnership, Ann Arbor, MI, in collaboration with Ann Arbor Township and Michigan State University's Student Organic Farm, to develop a New Farmer Incubator Center to grow new farmers, provide jobs in job-poor southeast Michigan and increase the supply of local produce.	91,840
	To Wayne Metropolitan Community Action Agency, Wyandotte, MI, to start the Inkster Farmers Market which will sell local nutritious food to residents, provide a sales outlet for local producers, and act as a business and training incubator for residents.	63,316

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
	To the City of Manistique, MI, to develop the Manistique Farmers Market to increase availability of healthy, locally grown foods to a rural area with 19.3 percent poverty rate.	62,671
	To the Village of Edmore, MI, to meet the needs of local consumers and the region's Amish and other small farmers for an outlet for locally produced food by promoting, developing, and expanding the village's Edmore Marketplace and Farmers Market.	59,994
	To the Joy-Southfield Community Development Corporation, Detroit, MI, to expand the West Side Market by attracting new vendors; improving vendor accommodations and the market's visual appeal; advertising and promoting the market; and preparing a business plan for a permanent, year-round farmers market in this food desert.	53,114
	To the City of Marquette, MI, Downtown Development Authority to enhance and expand its existing EBT program to increase consumer awareness, nutrition, sales, and farmer participation in the Downtown Marquette Farmers Market through market development.	46,002
	To the Ottowa County Health Department, Holland, MI, to begin a new EBT project by collaborating with the City of Holland to implement and coordinate an EBT system at the Holland Farmers Market.	43,376
	To Main Street Calumet, Calumet, MI, to meet the needs of local consumers for locally produced nutritious food and to develop a well-managed viable sales outlet for the area's small farmers by promoting, developing and expanding the town's Main Street Calumet Farmers & Artisans Market.	29,089
	To the City of Clare, MI, to expand the Clare Main Street Farm and Arts Market by training a market manager, developing and purchasing materials for an advertising campaign, and training consumers to prepare and preserve fresh food, ensuring a supply of healthy food to low-income residents.	21,800
Minnesota	To the Duluth Market Gardeners and Berry Association, Inc., Duluth, MN, to market and promote two satellite locations in food-desert, low-income, areas; equipping a demonstration kitchen; and training limited-resource residents in food resource management.	86,869

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
	To the Minneapolis Heart Institute Foundation, Minneapolis, MN, to increase access to fresh, locally grown produce at the New Ulm Farmers Market by conducting a marketing campaign to advertise the market, training farmers to meet increased demand, and extending the market season in a food desert area.	78,934
	To the Sustainable Farming Association of Minnesota, Princeton, MN, to increase access to local meat in food desert areas by training farmers in meat inspection rules and educating consumers in buying directly from farmers and in preparing fresh meat.	60,349
Mississippi	To the Jefferson County Board of Supervisors, Fayette, MS, to develop a local farmers market, initiate a mobile farmers market to provide fresh produce in underserved communities, create a marketing and advertisement program to promote local agricultural products, and develop educational and training programs for small farmers to expand marketing opportunities and increase profitability.	71,674
	To Oxford Park Commission, Oxford, MS, to: start a new farmers market; develop a marketing strategy and purchase required supplies and equipment; conduct consumer education for adults and children; and facilitate training sessions and demonstrations for farmers and market vendors.	61,258
	To the City of Vicksburg, MS, to expand and stabilize the Vicksburg Farmers Market by securing permanent market management, conducting training and certification for farmers/vendors, developing a regional advertising and promotional program, and purchasing essential equipment and supplies for market operations.	47,823
	To Copiah County, Hazlehurst, MS, to develop a new farmers market; conduct consumer nutritional classes and vendor training to become a supplemental nutrition assistance program (SNAP) retailer; and develop manuals, advertising, and marketing materials to promote the market.	45,930
Missouri	To the Missouri River Communities Network, Columbia, MO, to develop an urban farm and an on-site farmers market and other local sales outlets which will serve as an economic, educational, and cultural centerpiece for a mid- to low-income community.	64,600

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
	To the Columbia Farmers Market, LLC, Columbia, MO, to expand and enhance its existing EBT program to ensure and increase access of locally produced fresh fruits and vegetables to residents of an urban food desert by providing transportation to the market and by advertising.	41,791
	To the Community Arts and Media Project, St. Louis, MO, to expand the Cherokee Street Farmers Market beyond its pilot project 2010 Season into a full-scale market by developing promotional and marketing materials, providing marketing and product development training for farmers, and expanding the market to 8-10 farmers/vendors.	28,692
	To the Catholic Charities of St. Louis, MO, to expand and enhance its existing EBT project for the development of satellite markets throughout the city of St. Louis and supporting the cultivation of urban agricultural vendors.	19,259
	To the Housing Authority of the City of Macon, MO, to purchase marketing supplies, equipment and promotional materials to improve and enhance the Southside Farmers' Market.	4,242
	To Get Healthy DeSoto, DeSoto, MO, to: 1) develop a comprehensive advertising and promotional campaign to attract new produce vendors and expand market sales through increased customer awareness and traffic at the local farmers market; and 2) educate customers and vendors on the nutritional benefits of locally grown produce and on good farming and business practices.	91,082
Montana	To the Bigfork Farmers Market Cooperative, Bigfork, MT, to support of new and existing EBT projects, purchase a small mobile office trailer to provide a place to conduct market business, and to make available a facility for cooperative members and vendors to exchange and receive information that promotes sales.	41,374

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
	To Western Sustainability Exchange, Livingston, MT, to: (1) conduct training programs to increase business capacity of producers, market managers, and youth entrepreneurs in the region, 2) conduct new advertising campaigns, (3) conduct community outreach and leverage state programs to increase market attendance by seniors and WIC participants, and (4) increase the vitality of the Livingston Farmers Market as both an economic hub for producers and a source of healthy local foods for consumers in South Central Montana.	49,122
Nebraska	To Stones Thoreau - Farm to Market, Inc., Davenport, NE, to develop two retail food outlets and initiate development of a year-round indoor farmers market to serve this rural food desert.	59,685
	To the City of South Sioux City, NE, to develop and market a new farmers market and establish a community garden for recent Somali immigrants.	52,893
Nevada	To the Healthy Communities Coalition of Lyon and Storey Counties, Dayton, NV, to start and promote four farmers markets in rural food desert counties of Nevada.	75,405
New Hampshire	To the Women's Rural Entrepreneurial Network, Bethlehem, NH, to train farmers in management and entrepreneurship and to market and promote a farmers market that services a food desert in Berlin.	62,357
	To the Southern New Hampshire Services, Inc., Manchester, NH, to increase the self-sufficiency of immigrant farmers by expanding direct marketing opportunities through training, technical assistance, and marketing resources.	55,709
New Jersey	To City Green, Inc., Ringwood, NJ, to enhance and expand an existing EBT program to expand the current City Green Farm Stands into two full-fledged, economically vibrant farmers markets and promote the City Green CSA for seniors in a low-income food desert community.	78,800
	To the Foodshed Alliance, Blairstown, NJ, to establish a Farm-to-Family Buying Club distribution system so food producers and buyers can partner to increase the production and consumption of local foods to bolster the economy in northwest New Jersey.	36,780

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
New Mexico	To the Center of Southwest Culture of Albuquerque to conduct food safety training, develop a marketing plan, and purchase a catering truck to serve as a mobile farmers market, roadside stand, and retail outlet to a scattered, low-income population in the Truchas, NM community.	99,497
	To the Socorro County Chamber of Commerce, Socorro, NM, to expand the Socorro Farmers Market Community Kitchen by purchasing needed equipment and by training users in food processing and safety techniques.	41,740
	To the Pueblo of Pojoaque, Santa Fe, NM, to expand the Pojoaque Farmers Market to: open a second day, increase its patronage with advertising, and hire an experienced market manager.	35,526
	To the New Mexico Farmers Marketing Association, Santa Fe, NM, to increase sales of locally grown produce and awareness of farmers markets among health-compromised, low-income residents, and promote long-term relationships between farmers markets and health clinics.	14,814
New York	To the Northeast Organic Farming Association of New York, Inc., Rochester, NY, to introduce CSA direct-marketing to western New York food insecure and food desert urban communities, share strategies with local farmers on how to effectively market in low-income urban food desert communities, and improve nutrition by educating CSA shareholders in these communities on how to cook with fresh fruit and vegetables.	89,222
	To EcoStation: NY, Inc., Brooklyn, NY, to purchase, operate, and staff a solar and biodiesel-powered, refrigerated mobile market-the Bushwick Farmers Market Green Machine 'pop-up' market. The Green Machine will hold 60 mobile market sessions throughout the season, providing fresh product sales in food deserts and consumer education on health, while promoting farmers and static farmer-market sites.	87,998
	To Council on the Environment, Inc., New York, NY, to increase access to fresh, nutritious foods in low-income neighborhoods and support mid-size family farms by sourcing wholesale Greenmarket produce to supply 24 stores through the Fresh Bodega program, which will impact health and nutrition in urban neighborhoods and connect farmers with small business owners.	83,045

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
	To Cornell Cooperative Extension of Chenango County, Norwich, NY, to: 1) increase farm revenue and profitability of Chenango County growers by developing a county-wide CSA program targeting an underserved population, food stamp consumers; and 2) provide access to fresh, healthy, and nutritious locally grown foods for underserved consumers.	72,980
	To Cornell University, Ithaca, NY, to increase profitability and sustainability of underserved farmers market vendors in the Capital District by providing farmer training and on-site market support in addition to increasing low-income consumer buying confidence through targeted education and outreach for consumers, market managers, and producers.	63,514
	To Oneida County, Utica, NY, to develop a producer and consumer base to develop and sustain a year-round market located in the historic and centrally located (but under-utilized) Union Station in downtown Utica, NY, through outreach and promotions, and to purchase of freezer capacity for year-round sales.	58,641
North Carolina	To North Carolina State University, Raleigh, NC, to increase the access to healthy local food of residents of two North Carolina food desert areas, increase sales of local food by farmers in two other areas, and develop a model of local food distribution that could be applied around the nation.	95,052
	To Watauga County Farmers Market, Inc., Boone, NC, to enhance the capacity of the Watauga County Farmers Market to meet the increasing demand for locally grown produce by implementing a comprehensive marketing and infrastructure improvement plan.	81,605
	To Sandhills Farm to Table Cooperative, Whispering Pines, NC, to expand its sales, membership, infrastructure, and service area, allowing local residents better access to nutritious local food and local farmers an improved livelihood.	75,900
	To the Appalachian Sustainable Development Project, Asheville, NC, to increase opportunities of small farmers in the Southern Appalachians to grow and market locally produced nutritious food through an expanded network of CSA programs.	74,641

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
	To the North Carolina Public Health Foundation, Raleigh, NC, to increase the access to healthy local food of residents of five North Carolina counties who reside in identified food deserts, through the use of mobile farmers markets.	66,462
Ohio	To the City of Ravenna, OH, to increase access to healthy local food and the income of local farmers by purchasing equipment and supplies to operate a new farmers market; develop a website, market signage and advertising and promotional program; and conduct consumer educational sessions on proper food handling and preparation for Ravenna residents.	85,950
	To Common Wealth, Inc., Youngstown, OH, to establish two year-round farmers markets (one in Youngstown and one in Warren) and to implement a marketing, aggregation, and distribution system for the Lake-to-River Food Cooperative to efficiently expand sales to schools, hospitals, and retail sites such as gas stations and corner stores.	75,845
	To the SID Public Services Association, Columbus, OH, to expand its existing EBT project to increase the use of EBT at the Pearl Farmers Market by food desert residents of Columbus, OH, through targeted promotion programs.	28,118
Oregon	To June's Local Market Producer Network, Lostine, OR, to acquire cold storage at the marketplace, including a refrigerated transport vehicle and provide better marketing and set-up inventory packing equipment, and proper oversight to increase capacity to deliver nutritious food to the community of Lostine.	67,425
	To The Rogue Initiative for a Vital Economy (THRIVE), Ashland, OR, to expand the capacity of two existing EBT projects by increasing the availability of fresh, nutritious food to low income communities in food deserts of Southern Oregon and Northern California by expanding a CSA program.	62,064
	To Hillsboro Farmers Markets, Inc., Hillsboro, OR, to undertake a promotional campaign and market analysis of the food needs and preferences of a culturally diverse area to better serve customers with specialty crops sold at four outdoor markets.	51,779

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
	To the Oregon Cheese Guild, Central Point, OR, to produce 24 video vignettes of farmer-cheese makers, cheese experts, cheese pairings, and Oregon cheese history for use in social media marketing for consumer engagement; create an "Oregon Cheese Trail" through a comprehensive agri-tourism and media outreach initiative; develop a sustainable business plan to ensure longevity of the program; and conduct four 1-day technical seminars to teach food safety and best practices to cheese makers.	50,400
	To the Illinois Valley 2010 Community Response Team, Cave Junction, OR, to establish a consolidated market operation for local farmers and vendors; develop a new web-based virtual farmers marketplace; conduct coordinated marketing and vendor business training and consumer education; and to purchase refrigeration equipment, signage, print advertisement, marketing graphics, and other supplies and materials to promote the market.	42,498
	To the Ten Rivers Food Web, Corvallis, OR, to develop local food and farm educational outreach materials; initiate a winter farmers market that will include local fishermen; and promote the winter market through advertisement and website.	31,626
	To the Gorge Grown Food Network, Hood River, OR, to increase food access and food literacy in rural Gorge communities and enhancing the business viability of vendors and the leadership and organizational capacity of farmers market managers and volunteers through integrated education and marketing strategies, facilitated business practices, and direct sales training for market vendors, market managers, volunteers and community members served by the Gorge Grown Mobile Market project.	31,126
	To the Coastal Communities Cultural Center (CCCC), of Lincoln City, OR, to purchase lighted signage for the Lincoln City Farmers Market to attract more vendors and customers.	24,954
	To the Dayville Economic Growth Association, Dayville, OR, to start a farmers market that will support increased consumption of and access to affordable and healthy food; develop a brochure, pamphlets, and purchase other advertising materials to promote the market; and conduct outreach and educational sessions with community residents.	23,145

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
Pennsylvania	To the Fay-Penn Economic Development Council, Uniontown, PA, to increase the profitability of farmers and educate the public in underserved, food desert communities with investments in market staff, equipment, and promotions on how to access locally grown food and about food available from Fayette County farmers/providers.	91,900
	To Pennsylvania State University - Pennsylvania Women's Agricultural Network, University Park, PA, to: 1) develop a marketing campaign and a long-term management strategy for markets in Lewistown, PA; 2) collaborate on educational on-farm workshops; and 3) help deliver nutrition education to underserved customers including WIC recipients, senior citizens, and youth.	87,349
	To the Southern Alleghenies Conservancy, Bedford, PA, to: 1) start two new farmers markets; 2) encourage consumers to shop at the new farmers markets; 3) help organize a farmers' network; and 4) help famers improve their operations and businesses.	62,931
	To the SHARE Food Program, Inc., Philadelphia, PA, to enhance and expand an existing EBT program; and to establish a farm stand with EBT access on SHARE property in a low-income area of Philadelphia, PA.	40,040
	To People For People, Philadelphia, PA, to: 1) establish a new urban, seasonal, open air farmers market in a low-income community; 2) support financial gains of new farmers through direct producer-to-consumer activities; 3) implement a campaign promoting the new market; and 4) educate low-income consumers on healthy eating and nutrition while promoting farmers market produce.	48,900
	To the Greensgrow Farm, Philadelphia, PA, to: 1) increase access to fresh, healthy and affordable food in the food deserts and low-income areas of Camden City, NJ; 2) increase financial gains for regional farmers through expansion of its market with four new mobile market venues; 3) create a food hub in Camden City, NJ, with refrigeration and processing equipment; and 4) launch a multi-faceted promotional campaign.	88,022

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
South Carolina	To the Hub City Farmers Market of Spartanburg, SC, to increase access to healthy, local food among food desert residents in Spartanburg by increasing the production and marketing capabilities of local farmers through business planning and targeted training programs and by increasing the number of marketing venues, including a mobile market.	43,944
Tennessee	To The Works, Inc., Memphis, TN, to expand the functional capacity, availability, and outreach of the South Memphis Farmers Market through the purchase and installation of refrigeration equipment, increased capacity in market management, and development of a market plan.	100,000
	To the Upper Cumberland Broadcast Council, Cookeville, TN, to engage Tennessee communities, using television, print, website, and social media marketing to: drive widespread awareness and promotion of agriculture commodities from farmers to consumers, throughout the State of Tennessee.	94,354
	To Middle Tennessee State University, Murfreesboro, TN, to develop a new EBT project to establish an EBT payment system at the Rutherford County Farmers Market (RCFM) and heavily promote this new initiative among SNAP recipients in Rutherford County and contribute to the health and well-being of the local community and the economic well-being of local farmers by increasing sales of healthy, locally produced foods at the RCFM.	85,120
	To Community Food Advocates, Nashville, TN, to begin a new EBT project and expand an existing EBT one to increase SNAP usage at two Nashville farmers markets and establish EBT programs at two other markets.	84,425
Texas	To the Sustainable Food Center, Austin, TX, to enhance and expand its existing EBT program to establish a second mid-week farmers market with EBT access in East Austin, TX, which will provide a necessary sales outlet for area farmers and introduce greater access to fresh fruit and vegetables to low-income residents.	95,299
	To Centro del Obrero Fronterizo, Inc. of El Paso, TX, to expand and promote a farmers market and three new mobile markets in El Paso County, TX, and Dona Ana County, NM, and educate the low-income community about the benefits of eating fresh produce in a traditional Hispanic diet.	74,370

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
	To the City of Winnsboro, TX, to promote and stabilize The Winnsboro Farmers Market by hiring and training a market manager, promoting the market via advertisements and signage, and training vendors in business practices.	65,000
	To the City of Killeen, TX, to expand and promote the Green Avenue Farmers Market to a low-income food desert community through extensive advertising and new signage, and for the purchase of refrigeration and market equipment.	24,600
Vermont	To Vermont Farm-to-School, Inc., Newport, VT, to launch a new mobile farmers market that will provide fresh fruit and vegetables to low-income and senior housing and community centers in a food desert area, while providing educational consumer programming.	97,029
	To the Northeast Organic Farming Association of Vermont (NOFA-VT), Richmond, VT, to begin a new EBT project and expand an existing EBT one to identify and address barriers that threaten the long-term sustainability of established direct producer-to-consumer EBT sales and to help new farmers markets, CSAs, and farm stands develop new EBT programs.	68,526
Virginia	To Lulus Local Food, Richmond, VA, to establish four new virtual (online) farmers markets that will create opportunities for more than 400 small-scale farmers to connect directly with their consumers.	93,000
	To the George Washington Regional Commission, Fredericksburg, VA, to enhance and expand an existing EBT program to encourage SNAP recipients and credit card users to shop at three farmers markets in the Fredericksburg area through educational programs that encourage the consumption of locally grown foods.	88,400
	To Sustain Floyd, Floyd, VA, to increase the availability of fresh, nutritious food to a food desert community in Floyd County through purchase of refrigeration, implementation of a marketing campaign, implementation of a mobile market stand pilot, and farmer education.	87,227
	To the Appalachian Sustainable Development, Abingdon, VA, to make healthy, locally grown foods available to all citizens of southern Appalachia by strengthening and promoting regional farmers markets through education and technical support, and increasing income opportunities for over 250 mostly limited-resource farmers through market expansion and education.	77,937

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
	To Virginia State University, Petersburg, VA, to establish a statewide Farmers Market Managers Association to support the educational needs of Virginia farmers market managers, develop a manager's guidebook and centralized website, and expand EBT/SNAP opportunities at farmers markets.	70,290
	To the City of Galax, VA, to re-energize its farmers market by integrating new market opportunities for farmers, initiating an aggressive marketing and promotional campaign, and securing adequate market management.	34,130
Washington	To the City of Stanwood, WA, to begin and operate the Port Susan Farmers Market Association, which will serve farmers in the Stanwood/Camano Island area of Washington, strengthen and support local farmers, bring people together in a community activity, support local entrepreneurs and small businesses, and stimulate the City of Stanwood's downtown.	77,732
	To Sustainable Connections, Bellingham WA, to increase, through market promotions and advertising, farmer and vendor support and income for food and farm vendors and farmers offering CSA shares by improving business-to-business direct market activities and removing barriers to participation in the market or in workplace CSAs.	53,390
West Virginia	To the Charleston West Side Main Street, Charleston, WV, to establish a farmers market on the west side of Charleston to make fresh produce more accessible to a community with limited transportation to commercial markets, and to engage local youth in financial and leadership skills building.	33,750
Wisconsin	To Browse and Grass Growers, Downing, WI, to: increase processing, marketing, and distribution capacity and ultimately profit by: 1) educating, training, and supporting producers transitioning to 100 percent grass fed meat and/or value added production on the requirements, opportunities and logistics of direct marketing; and 2) applying this training through experiential learning and the expansion of a farm-to-school program with two culturally and economically diverse specialty schools.	66,100

FY 2011 FARMERS MARKET PROMOTION PROGRAM GRANTS

State	Recipient and Purpose	Award
	To Home Grown Cow, Evansville, WI, to: 1) increase the producer network to a level where collective marketing power will sustain the business; and 2) build consumer brand-awareness and credibility to generate a sustainable sales level for the producer network through marketing, business development, and technology.	90,938
Wyoming	To Community Action of Laramie County, Inc., Cheyenne, WY, to increase market promotion through traditional media, billboards, and bus signs, and measure its impact, and to increase access to healthy foods, including fruits, vegetables, whole grains, and lean meats.	34,980
Total, FY 2011 FMPP Grants		$9,146,498

Payments to States

Mr. Kingston: Provide for the record a state-by-state funding table for the Payments to States program to include fiscal years 2011, 2012, and estimates for 2013.

Response: The FY 2011 and 2012 amounts for the Payments to States program is $1,331,332 and $1,198,000, respectively. The request for FY 2013 is $1,331,332. Funding levels by State for fiscal years 2012 and 2013 will not be available until projects have been selected during the fiscal year in which the funding is received.

[The information follows:]

FSMIP FY 2011 Grants (Dollars in Thousands)	
Arkansas	$61
Connecticut	89
Georgia	55
Idaho	67
Illinois	55
Kansas	145
Kentucky	49
Louisiana	87
Maine	64
Massachusetts	24
Michigan	150
Minnesota	60
Missouri	61
Nebraska	80
New York	74
Puerto Rico	21
Texas	78
Virginia	75
Wyoming	36
Total	$1,331

Mr. Kingston: Please provide for the record a list of the projects that were approved for the Payments to States and Possessions program during fiscal year 2011. Also, provide a brief description of each project. Lastly, include a brief description of how AMS evaluates the merits of a proposal.

Response: In fiscal year 2011, AMS awarded $1,331,332 in matching grants for this program. The State breakout follows.

[The information follows:]

Federal-State Marketing Improvement Program Fiscal Year 2011 Grants		
State	Purpose	Award
Arkansas	Investigate environmental benefits associated with rice varieties that emit lower levels of greenhouse gas during production.	$60,660
Connecticut	Assist small and medium sized producers and processors of specialty food and wine, produce, shellfish, forest products, and fiber products in becoming export ready.	39,000
Connecticut	Improve the interactive features of buyCTgrown.com website to benefit both producers and processors of specialty food and wine, produce, shellfish, forest products, and fiber products to become export ready, and to develop a coordinated export market strategy for specialty agricultural products.	50,320
Georgia	Implement new marketing and distribution strategies to increase available supplies of locally grown produce to meet growing demand.	55,373
Idaho	Expand the use of barley as an ingredient in food products designed to appeal to consumers in selected Asian and Latin American markets and to school children in the United States.	67,220
Illinois	Conduct a comprehensive grape-census and economic-impact study, explore and host training sessions for chefs, restaurateurs, and retailers in urban environments to explore untapped markets for Illinois wine.	55,000
Kansas	Develop certification guideline of pre-harvest beef cattle certified production and health management protocols to enhance post-harvest meet food safety and ensure animal welfare.	113,700
Kansas	Improve the accuracy of pre-slaughter grade determinations through an analysis of beef carcass data from 23 Midwest and Southeastern States.	30,500
Kentucky	Investigate the feasibility of creating a seafood marketing system using low to moderate investments for fresh/live seafood markets in Kentucky and Ohio, and the supply of aquaculture products from small-scale and seasonal growers.	49,000
Louisiana	Identify cost savings associated with alternative cotton harvest and transportation options to improve efficiency in the marketing supply chain for cotton in the mid-South.	56,815

Federal-State Marketing Improvement Program Fiscal Year 2011 Grants		
State	Purpose	Award
Louisiana	Survey school lunch directors in pilot parishes to determine demand for locally produced agricultural and fishery products assess the capacity of local farmers and fishermen to fulfill the demand, and train local producers on the use of Louisiana Market Maker and other resources that will help them identify new institutional and direct marketing opportunities.	30,511
Maine	Compile a comprehensive consumer-oriented database of the Maine fiber sector, and develop training programs to improve the marketing skills of small fiber business operators.	64,145
Massachusetts	Assess the current volume, value and types of local ingredients used by craft brewers in Massachusetts, and facilitate increased use through a grower/brewer matchmaking educational session.	11,015
Massachusetts	Explore ways to effectively move local food products from farms and wholesale markets to inner-city corner stores while meeting the preferences and requirements of producers, store owners, and target consumers.	13,625
Michigan	Utilize tracking technology to determine the images and text consumers view first and longest when looking at a display of ornamental and food-producing plants in order to understand how these factors relate to purchasing decisions.	36,750
Michigan	Develop and test a comprehensive beef traceability model that could be implemented by Michigan beef producers, processors, retailers, and food service operators.	113,351
Minnesota	Identify trends in consumer preferences and expectations toward improving marketing efforts of Minnesota farmers and ranchers who sell direct to consumers.	60,000
Missouri	Survey Missouri consumers and retailers about their preferences and willingness to pay for locally produced artisan cheese in order to foster development of the specialty dairy sector.	61,026
Nebraska	Foster development of regional food systems in Nebraska.	79,534
New York	Educate bed and breakfast operators about opportunities to feature locally produced food and agricultural products in meals and	73,824

Federal-State Marketing Improvement Program Fiscal Year 2011 Grants		
State	Purpose	Award
	to measure the economic impact on producers of sales made through this specialized marketing channel.	
Puerto Rico	Train meat, poultry and dairy producers and processors regarding food safety, quality protocols and best practices to assist them to develop comprehensive food safety plans in order to improve access to commercial markets.	21,000
Texas	Develop webinars and workshops to train producers of meat, dairy products, eggs and produce about Good Agricultural Practices and optimal packaging techniques to sell their products at farmers markets and to retail grocery stores.	42,588
Texas	Expand products marketed through farmers' markets from socially disadvantaged groups through business planning and marketing projects.	35,000
Virginia	Evaluate economic, cultural, regulatory, and social factors affecting the value chain of hardwoods in Asia and Europe, and to identify new opportunities for the U.S. hardwood lumber sector to supply valued-added products to countries that currently import unprocessed lumber.	75,150
Wyoming	Increase the quantity and variety of locally grown food and agricultural products in Wyoming public schools.	36,225
Total, FY 2011 FSMIP Grants		$1,331,322

FSMIP Proposal Selection Criteria

Applications meeting the basic eligibility requirements for FSMIP funding are reviewed and evaluated by subject matter specialists within AMS and elsewhere within USDA and as appropriate by other Federal agencies. Proposals must deal with some aspect of marketing, include a significant research component, and must potentially benefit multiple producers or agribusinesses. Proposals that do not meet these basic requirements will not be considered. As a basis for allocating available funds among competing proposals, AMS is guided by the following criteria:

- The relative need for the proposed activity or the relative importance of the problem to be addressed.
- The benefits likely to be derived from the project in relation to the amount of FSMIP funds requested.

- The level and nature of State and other non-Federal support (including, but not limited to, the required matching funds or in-kind resources) pledged to the project or activity.
- The potential impact of an individual project on other States or on issues of national importance.
- The adequacy and appropriateness of measures which will be used to evaluate the project outcome.
- Unique and innovative features of the project, particularly if the project is similar to others funded in the past.
- Evidence provided in a clearly written narrative that the proposal brings together the appropriate resources necessary to meet the project objectives.

Proposals that reflect a collaborative approach among the States, academia, the farm sector, and other appropriate entities are of particular interest to the program. States are urged to consider developing proposals that have regional or National significance.

Limitation on Administrative Expenses

Mr. Kingston: Provide a table showing the object class breakout for the limitation on administrative expenses account to include fiscal year 2010 and 2011 actuals and fiscal years 2012 and 2013 estimates.

Response: The information is submitted for the record.

[The information follows:]

Limitation on Administrative Expenses
Cotton & Tobacco User Fee Activity - Object Class Breakout

	2010 Actual	2011 Actual	2012 Estimate	2013 Estimate
Salary and Benefits Object Classes:				
11.1 Full-time permanent	$7,692,837	$8,210,079	$12,953,000	$13,002,000
11.3 Other than full-time permanent	7,860,896	9,388,724	15,228,000	15,285,000
11.5 Other personnel compensation	1,164,281	2,068,246	2,892,000	2,903,000
12 Personal benefits	3,455,680	4,057,163	5,203,000	5,222,000
13 Benefits for former personnel	2,010,550	1,839,664	2,522,000	2,570,000
Subtotal, Personnel Compensation and Benefits	22,184,244	25,563,876	38,798,000	38,982,000
Other Object Classes:				
21 Travel [1/]	1,172,612	480,534	1,008,000	1,027,000
22 Transportation of things	1,333,284	2,402,870	3,007,000	3,064,000
23.1 Rental payments to GSA	0	0	109,000	111,000
23.2 Rental payments to others	3,903,117	3,433,346	4,085,000	4,163,000
23.3 Communications, utilities and miscellaneous charges	4,644,419	2,215,038	3,918,000	3,956,000
24 Printing and reproduction	31,883	21,366	89,000	91,000
25.1 Advisory and assistance services	-	-	-	-
25.2 Other services	725,850	1,325,124	502,000	512,000
25.3 Purchases of goods and services from Government accounts	2,742,362	2,336,398	1,785,000	1,819,000
25.4 Operation and maintenance	598	-	-	-
25.5 Research and development contracts	12,698	6,337	19,000	19,000
25.6 Medical care	-	910	3,000	3,000
25.7 Operation and maintenance of equipment	922,272	1,872,048	1,465,000	1,493,000
26 Supplies and materials	568,692	666,030	744,000	758,000
31 Equipment	1,696,223	3,634,853	6,549,000	6,573,000
42 Insurance claims and indemnities	28,978	-20,847	20,000	21,000
43 Interest and dividends	706	509	-	-
Subtotal, Other Object Classes	17,783,694	18,374,516	23,303,000	23,610,000
Total, Limitation on Administrative Expenses	39,967,938	43,938,392	62,101,000	62,592,000

[1/] FY 2011 travel number reduced by unrealized employee relocation estimates.

Federal-State Marketing Improvement Program

Mr. Kingston: Please provide a table showing obligations by geographic area to include fiscal years 2005 through 2011.

Response: The information is submitted for the record.

[The information follows:]

Federal-State Marketing Improvement Program Funding Table
Geographic Breakdown of Obligations

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Alabama	-	-	$14,995	-	-	-	-
Alaska	-	-	59,845	$45,750	-	-	-
Arizona	-	-	49,275	-	-	-	-
Arkansas	$60,000	$51,455	30,000	-	-	-	$60,660
California	49,000	138,920	-	-	$198,250	-	-
Colorado	-	36,170	58,000	30,500	48,500	$42,000	-
Connecticut	-	-	-	-	-	-	89,320
Delaware	30,000	-	-	64,170	-	-	-
Florida	28,000	49,955	72,000	27,600	-	118,915	-
Georgia	63,800	99,270	-	68,090	-	63,275	55,373
Hawaii	50,000	28,500	50,000	54,400	41,500	-	-
Idaho	-	45,000	54,500	-	48,000	-	67,220
Illinois	-	-	-	-	-	-	55,000
Indiana	-	-	-	-	60,500	-	-
Kansas	28,800	-	-	83,150	-	-	144,200
Kentucky	78,870	52,610	33,375	55,780	-	38,550	49,000
Louisiana	37,600	-	-	-	69,000	61,295	87,326
Maine	-	-	-	55,805	65,000	-	64,145
Maryland	-	42,500	50,000	50,800	-	121,445	-
Massachusetts	52,530	36,670	95,425	37,520	38,000	38,870	24,640
Michigan	24,000	41,245	47,410	48,000	-	48,000	150,101
Minnesota	53,000	85,600	-	-	92,500	-	60,000
Mississippi	-	50,425	55,875	-	47,150	43,690	-
Missouri	80,000	27,325	-	42,000	-	-	61,026
Montana	80,000	-	-	-	-	142,085	-
Nebraska	178,000	-	-	50,000	-	68,095	79,534
New Jersey	56,500	-	85,000	-	89,000	51,215	-
New Mexico	53,500	12,300	105,095	-	40,500	-	-
New York	-	50,365	-	-	37,200	134,060	73,824
North Carolina	-	-	61,400	-	-	-	-
North Dakota	-	45,000	-	-	-	59,735	-
Ohio	-	-	105,940	-	-	54,375	-
Oklahoma	69,500	-	56,365	-	47,150	-	-
Oregon	-	-	43,000	60,200	-	55,850	-
Pennsylvania	-	50,000	-	-	-	-	-

Federal-State Marketing Improvement Program Funding Table
Geographic Breakdown of Obligations

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Rhode Island	-	-	-	**54,780**	-	-	-
South Carolina	-	-	-	109,200	74,500	109,000	-
South Dakota	60,000	92,680	-	-	-	-	-
Texas	-	65,740	-	-	-	-	77,588
Utah	-	-	-	44,985	-	-	-
Vermont	-	44,000	-	55,000	48,000	-	-
Virginia	110,000	45,710	-	-	152,000	-	75,150
Washington	-	53,600	183,500	107,185	87,250	-	-
West Virginia	-	43,000	-	-	-	-	-
Wisconsin	-	-	-	-	50,000	-	-
Wyoming	-	45,490	23,000	72,840	-	83,545	36,225
Guam	-	-	-	26,900	-	-	-
Puerto Rico	92,900	-	-	34,500	-	-	21,000
U.S. Virgin Islands	-	-	-	45,845	-	-	-
Subtotal	1,336,000	1,333,530	1,334,000	1,336,000	1,334,000	1,334,000	1,331,332
Non-matching grants specified in annual appropriations language:							
Florida	5,952,000	-	-	-	-	-	-
Wisconsin	2,480,000	2,475,000	1,875,000	1,862,000	338,000	350,000	-
Total	9,768,000	3,808,530	3,209,000	3,187,000	1,672,000	1,684,000	1,331,332

Transportation Regulatory Actions

Mr. Kingston: How many transportation regulatory actions did AMS participate in during fiscal years 2010 and 2011?

Response: AMS participated in eight transportation regulatory actions of the Federal Motor Carrier Safety Administration (FMCSA) and the Surface Transportation Board (STB) during fiscal year 2010 and 2011:

FY 2010:

- 75 FR 13441: Hours of Service; Limited 90-Day Waiver for the Distribution of Anhydrous Ammonia in Agricultural Operations, March 22, 2010. Prior to FMCSA granting this waiver, AMS met with agricultural cooperative, trucking, fertilizer, and agricultural retailer representatives and conveyed to FMCSA the urgent need for transportation of farm supplies during the spring planting season.
- STB Ex Parte No. 646: (Sub-No.3): Waybill Data Released in Three-Benchmark Rail Rate Proceedings, May 23, 2010. The Under Secretary for Marketing and Regulatory Programs filed comments in support of STB's proposal to allow shippers to use up to four years of waybill data in the development of rate appeals.

FY 2011:

- FMCSA-2010-0230: Hours of Service; Limited Exemption for the Distribution of Anhydrous Ammonia in Agricultural Operations, October 6, 2010. Prior to the public comment period and FMCSA's granting an exemption, AMS met again with agricultural cooperative, trucking, fertilizer, and agricultural retailer representatives and discussed with FMCSA the urgent need for transportation of farm supplies during the fall harvest season. This exemption will remain in effect until October 9, 2012, unless revoked earlier by FMCSA.
- STB Ex Parte No. 699: Assessment of Mediation and Arbitration Procedures, October 25, 2010. The Under Secretary for Marketing and Regulatory Programs filed comments recommending a balanced panel of arbitrators and the ability to appeal arbitrators' decisions, which should be posted on the STB's website.
- STB Ex Parte No 705: Competition in the Railroad Industry, April 12 and May 27, 2011. The Under Secretary for Marketing and Regulatory Programs (MRP) filed comments in support of mandatory reciprocal switching agreements and terminal trackage rights agreements as one means to increase rail-to-rail competition. USDA also urged STB to require railroads to quote "bottleneck" rates of a distance up to 150 miles and consider alternatives for determining rate reasonableness for shippers that are captive to one railroad. Prior to filing comments, AMS staff met with representatives of rural electric cooperatives, agricultural and industrial shippers, Federal Railroad Administration, U.S. Department of Justice and the Office of Management and Budget regarding competition in the railroad industry and railroad antitrust immunity.
- STB Ex Parte No. 542: Regulations Governing Fees for Services, April 19, 2011. The Under Secretary for MRP filed comments in support of STB's proposal to reduce fees for shippers filing formal complaints about rail business practices. For over two decades, agricultural shippers, trade associations, and state officials in rural America have complained to USDA, STB, and Congress about rail rates and services,

citing negative impacts on income, electricity prices, business expansion, domestic customers, and export markets.

- STB Docket No. FD 35506: Western Coal Traffic League - Petition for Declaratory Order. In fiscal 2011 AMS met with the USDA Under Secretary for Rural Development and representatives of rural electric cooperatives regarding the $8.1 billion acquisition premium Berkshire Hathaway paid the purchase of the Burlington Northern Santa Fe Railway (BNSF). They were concerned that if STB includes the acquisition premium, rural electricity rates could increase and the ability of captive shippers to appeal excessive rates would decrease. The Under Secretary for MRP filed comments on October 28, 2011 and STB has scheduled a hearing on March 22, 2012 in response to the May 2, 2011 petition by shippers urging the acquisition premium not be included in the STB's regulatory calculations for rail costs and revenue for BNSF.
- FMCSA-2011-0146-1325: Regulatory Guidance: Applicability of the Federal Motor Carrier Safety Regulations to Operators of Certain Farm Vehicles and Off-Road Agricultural Equipment, August 1, 2011. AMS recommended that FMCSA and States continue to provide the 150 air-mile commercial driver's license (CDL) farm exemption from certain interstate commerce, CDL, and commercial motor vehicle regulations that would otherwise apply to operators of certain farm vehicles. AMS stated that participants in crop share agreements should be covered by the exemption. AMS also stated that operators of off-road agricultural equipment should not be subject to CDL requirements and that off-road equipment should not be defined as commercial motor vehicles.

Grading Resources and Activities

Mr. Kingston: Please provide a table showing the total number of grading employees broken down by Federal employees (if applicable, please specify the particular Federal Agencies other than AMS and their respective number of employees) and Federally-supervised state employees for the past five fiscal years to include fiscal year 2011. How does AMS choose the part-time employees hired to perform the grading?

Response: The information is submitted for the record.

[The information follows:]

Agricultural Marketing Service Grading Activities Performed by Federal Employees and Federally-Supervised State Employees					
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Number of Federal Employees [1/]	3,131	2,987	2,986	2,883	2,748
Number of Federally-supervised State Employees [2/]	2,963	2,439	2,445	2,141	2,120
Cross-Licensed Employees of Other Programs or USDA Agencies [3/]	28	29	28	30	15
Total	6,122	5,455	5,459	5,054	4,796

[1/] All personnel are AMS employees. Includes seasonal and permanent employees.

[2/] A Federally-supervised State employee generally works less than one full-time equivalent staff year. The number of Federally-supervised State employees varies based on program needs, which vary by State, including changes in crop size due to weather and demand.

[3/] Reduction in fiscal year 2011 are the result of changing customer needs.

Generally, AMS hires non-full time graders on an intermittent, seasonal work schedule rather than a part-time schedule. These employees are chosen from resumes submitted to the Agency or from annuitants. This staffing level is based on the needs of the Agency and fluctuates year to year based on seasonality and workload.

Mr. Kingston: Did any grading fees increase or decrease during fiscal year 2011? What was the amount of the increase or decrease and why?

Response: No grading fees were increased or decreased during fiscal year 2011.

Mr. Kingston: Does AMS plan to propose any grading fee increases in fiscal years 2012 and 2013?

Response: AMS continually evaluates its fee programs on an annual basis and in the future may consider an increase in fees and charges for a grading program in FY 2013. Any change in the current fees will be proposed through the rulemaking process.

Laboratory Testing Fees

Mr. Kingston: Did any other fees increase or decrease? By how much?

Response: In fiscal year 2011 the laboratory testing fees increased from $78 per hour to $81 per hour and the Perishable Agricultural Commodities Act (PACA) Program increased its license fees for the first time since 1995, from $550 to $995 annually. The PACA fee increase was deferred until fiscal year 2011 due to a one-time appropriation in 2000 and the requirement that operating reserves be no greater than 25 percent of annual obligations before a fee increase can be implemented.

In fiscal year 2012, the laboratory testing fees increased from $81 per hour to $83 per hour. This is the final year of a scheduled 3-year fee increase for this program.

Wholesale Market Development Activities

Mr. Kingston: For the record, please provide the Subcommittee with a listing and status of all wholesale market development projects worked on in fiscal years 2010 and 2011 as well as those underway in fiscal year 2012. Please include the total cost of each project.

Response: Projects and activities are conducted by AMS personnel except where contract cost is noted. The information is submitted for the record.

FY 2010 Projects:

Know Your Farmer, Know Your Food/Other Departmental Initiatives

- Began identifying food hubs around the country, creating maps to show areas of operation, and educating interested stakeholders about the basic food hub concept. (Contract cost: $37,400)
- Provided guidance to the USDA Office of Operations on options for enhancing the availability of locally grown food in the USDA cafeteria and identified models used in food service operations within and outside of government to promote wellness and sustainability.
- Developed an MOU with ERS and FNS to create a national map of farmers' markets overlaid with economic and demographic characteristics.
- Drafted food desert guidance used to determine pilot project selection criteria.
- Drafted an improving food access concept paper and collaborated on development of an implementation plan.
- Contributed to a USDA concept paper on childhood obesity.

Publications

- Supplemental Nutrition Assistance Program (SNAP) at Farmers' Markets: A How-to Handbook. Since the release in June, AMS received nearly 5,000 web hits; several market managers and planners have requested hard copies for training and reference.
- Marketing Maine Tablestock Potatoes. Since its release in February, the publication received more than 1,000 web hits. Maine Potato Board

requested 200 copies to distribute to each of their farmer members.

- Breaking Down Market Barriers for Small and Mid-Sized Organic Growers. AMS collaborated with California Institute for Rural Studies. Since its release in November 2009, this has report received more than 1,700 web hits. The Packer reported the release of the report as one of their "Top Stories." The report is archived on eXtension, the land-grant university online library, and the online Agricultural Marketing Resource Center (AgMRC) hosted by Iowa State University.
- Connecting Local Farmers with USDA Farmers' Market Nutrition Program Participants. AMS collaborated with SE Pennsylvania Resource Conservation & Development Council. This publication received more than 500 web hits.
- National Farmers' Market Directory. AMS instituted technology allowing market managers to submit directory updates electronically for the first time at an estimated savings of 544 staff hours, or $23,000. Six new data fields were added:
    - Geographic coordinates for market location, number of vendors, acceptance of credit/debit cards and WIC cash value vouchers, product categories and Organic products offered.

Research and Information Collection

- National Farmers' Market Managers Survey. Received more than 1,100 usable responses by mid-August.
- Value Chain Workshops. Co-hosted two intensive "writeshops" on food value chain development with the Wallace Center. "How-to" manual for developing a successful food value chain and several prototype training and educational tools on value chain development will be published.
- Impacts of Consumer Demographics on Target Marketing Effectiveness at Farmers' Markets. AMS partnered with Pacific Coast Farmers' Market Association to look at consumer household demographics at 20 market sites in urban, suburban, and exurban communities. Households in market areas conforming to specific lifestyles have already been identified, and the target marketing campaigns began late 2010. (Contract cost: $29,500)
- Low and Mixed-Income Farmers' Markets Study. AMS analyzed demographic characteristics and food access of nine low and mixed-income neighborhoods in NYC anchored by both successful and struggling farmers' markets.
- National Typology of Farmers' Markets. This is a continuing cooperative research project with Michigan State University and ERS which will create a typology of farmers' markets to assist markets in developing planning and marketing strategies based on their site location and scale of operation.
- What You Need to Know about Good Agricultural Practices (GAPS), Food Safety, and Produce Identification. Frequently Asked Questions that explain the who, what, when, where, and why of food safety programs, third-party audits, Good *Agricultural* Practices (*GAP*) & Good Handling Practices (GHP) programs and produce labeling, identification and trace-back initiatives. (Contract cost: $10,000)

Farmers' Market Support

- USDA Farmers' Market in Washington, D.C.
    - Managed outdoor and indoor market.
    - Developed and submitted 12th Street traffic diversion plan to D.C. government to expand market and Peoples Garden.
    - Stepped up publicity and awareness through monthly themes, special

programs, and monthly cooking demonstrations by chefs.
  - Initiated evaluation in September 2010 of customer satisfaction and changes in purchasing behavior brought about by the existence of a workplace farmers' market.
- Technical assistance--market site assessments, preliminary drawings, alternative energy analysis, and/or demographic analysis at:
  - New Mexico, South Carolina (4), Alabama, Texas, New York and Florida
  - Animal and Plant Health Inspection Service, Food and Drug Administration, Health and Human Services, and Office of Personnel Management sites in D.C., and
  - National Museum of the American Indian
- Conferences/Outreach Sessions and Webinars on the following topics:
  - Know Your Farmer, Know Your Food: 2
  - Food Safety: 3
  - Farmers' Markets/Direct Marketing: 11
  - Food Systems: 4

FY 2011 Projects:

- National Study of Small-Scale Direct Distribution Models. A final draft is completed of a "best practices and lessons learned" resource guide for small and mid-sized farmers. It used nine case studies of direct distribution models to inform farmers and food distributors about promising delivery mechanisms for locally grown food to retail and institutional clients. The guide, which includes an overview of the tradeoffs involved in market channel choices and various ownership and management structures, is being prepared for Departmental clearance.
- Food Hub Research and Analysis. Provide leadership for the Know Your Farmer, Know Your Food regional food hub subcommittee, chairing both the full task force and the smaller core tactical team, and overseeing the completion of the subcommittee's primary short term programmatic deliverables, the first of which will be a resource guide on food hub development.
- Menands, NY Farmers' Market. Create a new master plan and design support for improvements to an existing retail shed. Provided technical assistance, design support, and trade area analysis of local consumer demographics to the manager and Board of the Capital District Regional Market, Menands, New York, to support the market's planned transition to becoming a centralized, fully-coordinated regional food hub.
- Chester, South Carolina Farmers' Market, Chester County Agriculture Economic Development Center. AMS provided technical assistance for the city of Chester, South Carolina, to make the Center possible. The project is funded by a USDA Rural Development Grant of $125,000. The Center will function as a food hub which includes a Community Kitchen, indoor farmers' market, and a covered open air farmer retail pavilion for the Catawba Region of South Carolina.
- Black Belt Family Farm Fruit and Vegetable Market Center in Selma, AL. Developed conceptual designs and market plans in collaboration with the Alabama Farmers' Market Authority, Alabama Agricultural Land Grant Alliance, Black Belt Farmers' Cooperative, and Tuskegee University.
- Farmers' Market Consortium. Organized and hosted at USDA headquarters, four quarterly meetings of funders and technical services providers to the farmers' market and direct marketing community. The meetings included public, non-profit and private entities to facilitate the

exchange of timely, relevant information on policy, research and service developments across the sector.

- USDA Farmers' Market. Operated a farmers' market at the USDA headquarters building for the sixteenth consecutive year, and expanded its farmers' market operations to a year-round basis for the first time. The outdoor market is held between June and November, and the indoor market is held between December and May.
- National Farmers' Market Week Celebration. Coordinated USDA's publication of the Secretary's National Farmers' Market Week proclamation so that farmers' market personnel across the Nation could use the proclamation in their own publicity efforts for National Farmers' Market Week during the first full week of August.
- Survey of USDA Farmers' Market Customers. Published an intercept survey of customers at the USDA outdoor farmers' market to assess the composition and shopping habits of the market's customer base. The report also provided market management with a better understanding of customer needs and preferences, and evaluated the impact the market's operation has had on customer purchasing patterns and consumption decisions.
- Analysis of Competition in Farmers' Market Trade Areas. AMS co-authored a report, with USDA's Economic Research Service, which identifies areas of competition among farmers' markets for customers and vendors across the Nation, based on data collected from the previous USDA National Farmers' Market Manager Survey. The analysis, which uses "heat maps" to illustrate the relative intensity of producer or customer competition, can be expected to provide concrete help to farmers' market managers and planners interesting in exploring new or expanding current market operations.
- How to Conserve Energy—and Reduce Operational Costs—at Permanent Food Market Facilities. Using recent examples of conservation measures recently undertaken by the Central New York Market, a hybrid wholesale/farmers' market in Syracuse, NY, and examples from other early adopters around the country, developed a "How-To" manual, that explores the feasibility and impact of introducing solar power, long-storage batteries and LED lighting in permanent food market facilities and warehouses. The manual will be released in 2012.
- Using Target Marketing to Attract Farmers' Market Customers. AMS completed a pilot research study on the effectiveness of using target marketing techniques (based on consumer demographics) to attract farmers' market customers with the Pacific Coast Farmers' Market Association (PCFMA), an organization that oversees the management of more than 60 farmers' markets in the San Francisco Bay area. The research was conducted at 22 farmers' markets operated by PCFMA, selected to represent a diversity of income levels and population densities.

FY 2012 Projects Underway:

- Food Hub Research and Analysis. Provide leadership for the Know Your Farmer, Know Your Food regional food hub subcommittee, chairing both the full task force and the smaller core tactical team, and overseeing the completion of the subcommittee's primary short term programmatic deliverables, the first of which will be a resource guide on food hub development. Publication of the Food Hub Resource Guide is scheduled for April 2012. ($30,000 Cooperative Agreement)
- National Farmers' Market Directory. Update the 2012 Directory and

implement a web based portal and underlining databases to allow market managers to list their market for the first time or update their listing in the USDA National Farmers' Market Directory. ($40,000 Cooperative Agreement)

- Montgomery State Farmers' Market. Provide technical assistance and conceptual design options for renovating aging market facilities to accommodate Alabama agricultural producers.

Mr. Kingston: Do you have any proposals to do additional wholesale market development projects in fiscal years 2012 and 2013?

Response: In fiscal year 2012, AMS will conduct an analysis using data that was collected in a National Association of Produce Marketing Managers infrastructure survey and from a United Fresh survey of local food production in wholesale markets. This analysis will produce technical documents to assist wholesale markets to identify development opportunities.

Potential wholesale market development projects for fiscal year 2013 include:

- Analysis of multi-farm Community Supported Agricultural operations that aggregate and deliver products from multiple producers.
- Technical support for branding and marketing activities for wholesale markets seeking to capitalize on growing buyer interest in locally and regionally sourced food.
- Assisting with design and costing for wholesale and direct marketing facilities seeking to revitalize their market presence.

AMS' Christmas Tree Checkoff Program

Mr. Kingston: Back in November, AMS approved a national checkoff program for Christmas trees that would have required growers to pay 15 cents per tree to help promote the crop. This additional amount would likely be passed onto consumers and so a number of folks latched onto this issue as a Christmas tree tax. The President ended up caving to the pressure and suspended the checkoff program. Can the Agency explain to the Subcommittee how the checkoff programs work? Who benefits from such programs? Does the consumer benefit? Does this save money to the taxpayer in any way?

Response: Commodity Research and Promotion Programs, also known as checkoff programs, are established under Federal law at the request of the benefitting industry. Checkoff programs derive funding through industry assessments. Checkoff boards are composed of industry members appointed by the Secretary of Agriculture. The boards use the assessment funds to increase the success of the businesses and farmers within their industry.

The primary beneficiaries of these programs are farmers, ranchers, and other stakeholders who pool their resources to develop a coordinated program of research, promotion, and consumer information to improve, maintain, and develop markets for their products. Analyses sponsored by checkoff programs have identified a variety of consumer benefits such as providing health and nutrition information, promoting healthful eating and living, and educating consumers on safe food practices. Checkoff programs do not receive any Federal/taxpayer funds.

Every dollar invested is yielding results for every business and farm relying on that commodity for their livelihood. Here are some examples of the commodity boards return on investment (ROI):

- Cotton Board - over $8 return on every dollar invested by producers; importers average over $14 return on every dollar they invest
- Pork Board - almost $14 return on every dollar invested
- Watermelon Board - over $10 return for every dollar invested
- Beef Board - over $5 return on every dollar invested
- American Egg Board - a $6 return for every dollar invested
- Potato Board - almost $5 return for every dollar invested
- Mushroom Council - short-term return of $2.50 for each dollar invested, over $8 return in the long run
- Lamb Board - between $37 and $39 return for every dollar invested
- Fluid Milk Board - over $8 return for every dollar invested

The Checkoff Program has been a benefit to Businesses with the creation and retention of jobs; All Checkoffs - typically employ support staff for day-to-day operations, employ researchers or research consultants, contract with advertising and public relations agencies, work with Universities and other firms. All Checkoffs - reimburse USDA for personnel and other costs associated with the oversight of these programs: Beef Board - 97 percent of beef farms and ranches are family-owned, and the beef industry accounts for more than 1.4 million full time jobs; Beef Board - on average, beef operations that depend on the checkoff program provide jobs for more than two family members as well as two non-family members and contribute to the income of other farmers (for feed and other supplies) within 100 mile radius of their farm or ranch; the Cotton Board - supports over 21,245 businesses that provide 191,405 jobs and the Cotton Board - program-funded research created an innovative hydro-mulch product made from cotton plant residue that will help control erosion; as a result two erosion-control businesses have created new full-time jobs in Alabama, Texas, and New York

According to the peer-reviewed economic analysis conducted by Forecasting and Business Analytics, LLC, the Cotton Research and Promotion Program has generated the following positive economic returns:

- U.S. cotton farm prices averaged 5.4 cents per pound higher;
- U.S. cotton production averaged 500,000 bales higher;
- Annual world consumer demand for cotton was higher by 2 million bales per year;
- U.S. mill consumption of cotton was 1.2 million bales higher than it would have been without the program; and
- U.S. importers of cotton products increased profits by an average of $900 million per year.

Mr. Kingston: What are the Department's plans for the Christmas tree and other checkoff programs in the future?

Response: In November 2011, regulations to establish an industry-funded promotion, research, and information program for fresh cut Christmas Trees were stayed due to confusion on the intent of the program in order to

provide all interested persons, including the Christmas Tree industry and the general public, an opportunity to become more familiar with the program. The Department continues to consult with the Christmas Tree industry and is planning to conduct a referendum before implementing the program.

The Department has also been working on three other industry proposals for checkoff programs: Processed Raspberries, Hardwood Lumber and Paper and Paper-based Packaging. A referendum on the Processed Raspberry Program was completed and 88 percent of those who voted favored implementation of the program. The Processed Raspberry Promotion, Research and Information Order took effect in May 2012. In July 2011, a proposed program for Paper and Paper-based Packaging was submitted to AMS by the industry. Also in July 2011, a proposed program for Hardwood Lumber and Plywood was submitted to AMS by the industry. Proposed rules related to both proposals are being drafted and a referendum is planned to be held prior to either of these programs going into effect.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Support for U.S. Trade

Mr. Kingston: Under Secretary Scuse's written testimony makes note of the Department's progress last year in "helping to resolve 115 sanitary (animal) and phytosanitary (plant) trade issues, including opening new markets and retaining and expanding existing market access for U.S. agricultural products valued at $2.8 billion." With this data alone, USDA makes a strong case for applying federal resources to resolve non-tariff trade barriers and this is one reason I supported a $750,000 increase last year for trade and technical assistance in APHIS. Now I see that the Agency is proposing a decrease of $2.4 million in this area.

Working with a foreign country to expand export markets seems like a pretty good way to grow jobs.

Please explain why USDA would propose this decrease, especially when Secretary Vilsack testified before this Subcommittee a few weeks ago and said: *"In the last 10 years, the number of sanitary and phytosanitary barriers we have had to deal with has increased from roughly 650 to close to 1,500 last year."* This is an increase of over 131 percent.

Response: This decrease will not impact trade facilitation activities. The proposed decrease of $2.4 million is primarily focused on cooperative agreements related to FMD eradication in Central and South America and funding provided directly to other governments and international non-governmental organizations for animal disease surveillance and eradication. APHIS will continue to provide technical assistance to partners on the highest risk diseases. This activity will make efficient use of available funds.

In FY 2013, APHIS will continue to use $17.747 million to support agricultural trade, and support activities such as monitoring the sanitary and phytosanitary conditions of agricultural products traded with partner countries, ensuring the smooth and safe movements of agricultural commodities into and from the United States, resolving technical trade issues, and preventing the introduction of foreign animal and plant pests and diseases into the United States. APHIS will continue to work with international partners and leverage its relationships with other organizations focused on international agricultural health to continue priority animal disease programs.

Mr. Kingston: Some sanitary/phytosanitary trade barriers hinder U.S. agricultural exports and strain relations with major trading partners. What else can APHIS do to help overcome these trade barriers? Please provide recent examples.

Response: USDA and APHIS successfully resolve trade barriers related to animal and plant health concerns, participate in the development of international standards, and promote the understanding of sanitary and phytosanitary (SPS) principles at home and abroad. Generally speaking, APHIS partners with other agencies, such as the Foreign Agricultural Service and United States Trade Representative, in taking a proactive approach to systematically address barriers that arise and have the potential to

significantly impact U.S. exports. APHIS has done this with a number of past and present issues, including H1N1, bovine spongiform encephalopathy, and avian influenza.

When animal or plant health concerns potentially limit the movement of a commodity in international trade, APHIS scientists and technical staff enter into discussions with their foreign counterparts on the scientifically identified risks related to the movement of the product. APHIS continually exchanges technical information with our trading partners to address the health concerns of the countries involved thereby enabling trade to take place. In addition, APHIS attachés posted overseas play an active role by resolving urgent problems involving U.S. shipments detained at foreign ports of entry. The exchange of technical and scientific information can often convince an importing country that the risk associated with imported products is less than had been perceived or can be safely addressed through certain risk mitigation measures.

In FY 2011, APHIS resolved 120 trade-related issues involving agricultural exports, allowing trade worth more than $1.7 billion to occur. These export accomplishments include opening new markets for a variety of U.S. products, such as poultry to Mexico (worth $12 million), live hogs to China (worth $5 million), and genetically modified organism virus resistant papaya to Japan (worth $5 million). We also retained key markets around the world for products such as baled cotton to Egypt (worth $240 million), rice and stone fruits to Mexico (worth $450 million), peas and pulses to India (worth $100 million), and poultry and poultry products to Japan (worth $100 million), and collaborated with other USDA agencies to lift Russia's avian influenza ban on U.S. poultry (worth $40 million). In addition, to expand the existing market access, we helped negotiate an updated health certificate for the export of breeding cattle to Turkey (worth $120 million). APHIS attachés successfully obtained the release of more than 300 individual shipments of U.S. agricultural products worth more than $90 million. Examples of these shipments include cattle to Turkey worth $10 million, poultry products to Argentina worth $1.9 million, and wheat to Taiwan worth $314,000, among others.

In addition, APHIS actively participates in the development of international animal and plant health standards that are relevant for international trade in agricultural products. The World Organization for Animal Health (OIE) has a membership of more than 178 member countries and develops animal health standards for trade. While the OIE had traditionally focused on diseases of livestock and setting diagnostic standards, it has begun to address disease risks associated with wildlife and animal aquatic species. In FY 2011, the OIE reviewed more than 50 code chapters on international standards, including ones focusing on vesicular stomatitis, avian influenza, and Newcastle disease. The International Plant Protection Convention (IPPC) develops plant health standards. These organizations are recognized under the World Trade Organization SPS Agreement as the relevant international standard setting bodies for animal and plant health. In FY 2011, APHIS' delegation to the IPPC worked successfully with 140 member countries to adopt standards including guidelines for export phytosanitary certification systems, phytosanitary certificates, fruit fly trapping guidelines, and irradiation treatments for fruits and vegetables for three specific pests (Mediterranean fruit fly, sweet potato weevil, and West Indian sweet potato weevil). The use of international standards allows for agreed-upon measures to mitigate risks to all countries involved while facilitating the movement of products covered by the standards.

Mr. Kingston: What is APHIS' involvement with the National Export Initiative?

Response: APHIS has supported the National Export Initiative (NEI) in a variety of ways. Since 2010, APHIS has resolved more than 200 trade issues involving U.S. agricultural exports, allowing $4.2 billion worth of trade to occur that would not have without APHIS intervention. These successes included opening new markets to U.S. exports of animal and plant products, expanding access to markets already open, and retaining markets in the face of a threat to close them. APHIS has also worked since 2010 to get more than 600 shipments of U.S. exports released after being stuck in foreign ports due to problems with export certification or other factors. This contributed to a 40 percent rise in U.S. agricultural exports from $98 billion in 2009 to $137 billion in 2011, and provided a concrete contribution to meeting the President's goal of doubling U.S. exports.

APHIS also contributes to the NEI through its ongoing work to help certify the export of animal and plant products and to support the implementation of workable international standards to allow safe trade in animal and plant health products. Without APHIS involvement, the bulk of U.S. agricultural trade either would not take place, or would be greatly hindered and involve significantly higher costs for exporters. Finally, APHIS contributes to the NEI through its work to promote bilateral and multilateral trade agreements that will contribute to further gains for U.S. exporters in the future. Examples include the recently concluded US-Korea Free Trade Agreement and the still ongoing negotiations related to the Trans-Pacific Partnership, a multilateral free trade agreement that strives for free and open trade and investment in the Asia-Pacific region.

Mr. Kingston: Through the international programs, APHIS maintains a presence in countries that are significant agricultural trading partners. For the record, please provide a list of all countries where APHIS has personnel, the number of employees in that country and a brief description of the work conducted in that country. Were any countries added or deleted in fiscal year 2011 or planned in 2012 FY 2013?

Response: APHIS' overseas officials support the Agency's pest and disease exclusion efforts through various activities. For example, they play a vital role in resolving sanitary and phytosanitary issues, including negotiating new markets and retaining existing markets. APHIS' presence overseas is often critical in resolving problems with shipments that are delayed due to agricultural health or documentation concerns. Overseas officials also provide expertise to our foreign counterparts on animal and plant health issues. APHIS officials who operate preclearance programs are located in 9 countries and Guam to ensure that products destined for the United States are inspected before departure and meet U.S. entry requirements. These officials also cooperate with their foreign counterparts to keep abreast of plant and animal health issues in the region. The information they collect helps dictate import and inspection policies, validate risk assessments, and identify pests and diseases to target for surveillance.

In addition, our officials help developing countries strengthen their regulatory infrastructures and enhance their pest and disease control

programs. These activities help domestic producers access export markets while protecting U.S. agricultural health.

Agency officials also work with international organizations such as the World Organization for Animal Health to develop science-based standards for international trade and conduct projects to improve regulatory infrastructures in other countries. APHIS works with foreign governments to control the Mediterranean fruit fly in Mexico, Belize, and Guatemala; maintain a barrier in Panama against the northward movement of the screwworm; support foot-and-mouth disease control in South America; eradicate classical swine fever in Haiti and the Dominican Republic; and monitor for highly pathogenic avian influenza in Southeast Asia. These activities control the pests and diseases at their source and prevent them from spreading to the United States through natural means or trade.

In FY 2011, APHIS closed an office in Australia. To manage current and future budget challenges, and to operate efficiently, APHIS closed several international offices and an international laboratory. In FY 2012, APHIS closed offices in Burma, Cambodia, Indonesia, and Laos. These offices were primarily dedicated to avian influenza surveillance and monitoring. By helping these countries prepare for, manage, or eradicate highly pathogenic avian influenza, the program has reduced the risk of the disease spreading from overseas to the United States, and APHIS will concentrate on surveillance in domestic poultry. Additionally, APHIS closed the Center for Plant Health Science and Technology laboratory in Colombia in FY 2012. APHIS will continue to evaluate overseas operations and post locations on an ongoing basis to make sure our resources are strategically located to reduce risks to U.S. agriculture and to facilitate safe agricultural trade.

The following table provides a list of all countries where APHIS has staff and the number in each. Appropriations, user fees, reimbursable agreements, and trust funds fund these personnel, which account for the differences from those stated in the President's FY 2013 Budget.

This information includes American direct hires, locally employed staff, and employees funded by outside sources (trust funds and reimbursable agreements).

[The information follows:]

APHIS OVERSEASE OFFICIALS BY REGION AND COUNTRY				
Region	Country	FY 2011	FY 2012 (Est.)	FY 2013 (Est.)
Africa	Kenya	1	1	1
	Senegal	4	4	4
	South Africa	4	3	3
Asia/Pacific	Afghanistan	4	1	1
	Burma	1	0	0
	Cambodia	1	0	0
	China	4	6	6
	India	3	3	3
	Indonesia	3	0	0
	Japan	4	4	4

APHIS OVERSEASE OFFICIALS BY REGION AND COUNTRY				
Region	Country	FY 2011	FY 2012 (Est.)	FY 2013 (Est.)
	Laos	1	0	0
	Pakistan	2	1	1
	Philippines	4	4	4
	South Korea	4	4	4
	Taiwan	2	2	2
	Thailand	4	4	4
Caribbean	Dominican Republic	5	5	4
	Haiti	13	12	13
	Jamaica	4	4	4
	Trinidad	1	1	1
Central America	Belize	1	1	1
	Costa Rica	4	4	4
	Guatemala	20	21	22
	Honduras	1	1	1
	Nicaragua	1	1	0
	Panama	17	17	20
Europe/Near East	Austria	3	2	1
	Belgium	5	5	5
	Egypt	4	3	4
	France	1	1	1
	Germany	1	1	1
	Iraq	3	0	0
	Italy	2	2	2
	Netherlands	4	4	4
North America	Canada	2	2	1
	Mexico	133	132	102
South America	Argentina	5	5	5
	Bolivia	2	1	1
	Brazil	7	4	3
	Chile	23	22	22
	Colombia	10	4	4
	Ecuador	1	1	1
	Peru	1	2	2
	Venezuela	1	0	0
	Uruguay	1	1	1
Total		322	296	267

* Please note that APHIS previously reported staff years for the record and is now reporting actual personnel beginning in FY 2011.

Mr. Kingston: While USDA proposes to decrease funding for trade and technical assistance in APHIS, the Department has proposed an increase of

$725,000 for Lacey Act activities. The Lacey Act amendments were designed to address illegal logging in foreign countries. AMS has proposed to eliminate two programs because that Agency decided that the respective programs are not closely linked to the Agency's core mission. How can USDA propose to cut core mission activities such as pest detection and disease surveillance while asking to increase funding for illegal logging in foreign countries?

Response: As amended in the 2008 Farm Bill, the Lacey prohibits the importation of any plant, with limited exceptions, taken or traded in violation of domestic or international laws. Because of APHIS' regulatory role and interaction with the importing community as well as its ongoing work with Customs and Border Protection through the Agriculture Quarantine Inspection program, the Agency is well positioned to implement the Act. Activities that combat trafficking illegally harvested timber worldwide help to preserve the value of U.S. forests and the U.S. timber trade. The requested increase will help us implement the Lacey Act more efficiently and enhance our ability to prevent the importation of specified plants that have been taken or traded in violation of domestic or international laws. Specifically, we would implement a web-based solution to expedite the processing of declarations, which are required for imported shipments of regulated products, and eliminate the need for paper import declarations. This should help make enforcement more effective while also reducing the burden on industry. We would also develop the capacity to analyze data to improve the process and to ensure compliance with the Lacey Act provisions.

Regarding reductions in other areas of the APHIS budget, the Agency recognizes the need to do its part in helping to reduce Federal spending while continuing to carry out our mission of protecting U.S. agriculture efficiently and effectively. We have found ways to work more efficiently in certain areas and determined that we could reduce activities in areas where success is not likely or where the Federal role can be smaller. In addition, we have identified areas where a methodology shift can allow us to save money and still achieve our goals. APHIS is working to maximize its remaining resources by focusing on the highest risk areas and implementing changes to operate more efficiently where possible.

Mr. Kingston: How much does APHIS expect to reimburse the Department of State for shared administrative costs in fiscal years 2012 and 2013? How does this compare to previous years?

Response: APHIS pays the United States Department of State for International Cooperative Administrative Support Services (ICASS). The ICASS system is the principal means by which the U.S. Government provides and shares the cost of common administrative support needed to ensure effective operations at diplomatic and consular posts abroad. ICASS is a cost shared program, and the varying number of participating Agencies at overseas posts per year will have a direct effect on the Agencies' ICASS bills. A range of administrative services is available through the ICASS program. Each agency signs up to the cost center for services it would like to receive via the ICASS system. The cost amount varies based on the cost centers. ICASS costs can vary year to year based on a number of factors including, the services that the Agency subscribed to, the number of Agencies participating, the exchange rate, cumulative usage of services, and the number of overseas positions. In the past five years, the cost of these services has ranged between approximately $3.3 million to $3.8 million.

[The information follows:]

STATE DEPARTMENT REIMBURSEMENTS	
Fiscal Year	Reimbursement amount
2007	$3,385,655
2008	3,405,388
2009	3,296,911
2010	3,794,227
2011	3,749,488
2012(est.)	3,492,669
2013(est.)	3,500,000

Mr. Kingston: Please list the trust fund agreements you have with major exporting groups.

Response: The following table represents FY 2011 agreements, as the amount of the FY 2012 agreements will be based on services provided (including inspections conducted) and are not yet available.

[The information follows:]

APHIS TRUST FUND AGREEMENTS WITH MAJOR EXPORTING GROUPS

Trust Fund Agreement	Country	FY 2011 Amount	Major Commodity
Asociacion de Export de Chile	Chile	$1,831,816	grapes, blueberries
Association Nationale des Export	Haiti	1,002,278	mangos
Valexport	Brazil	456,975	mangos
Bond Van Bloembollenhandelaren (ANTHOS)	Netherlands	520,669	flower bulbs
Jamaican ministry of Agriculture	Jamaica	420,710	strawberries, avocados, pineapples, yams, spices
Deciduous Fruit Producers Trust	South Africa	292,309	apples, pears, oranges, clementines, grapes
Association Peruana de Exportadores de Mango	Peru	265,753	mangos
Fundación Mango Ecuador	Ecuador	281,978	mangos
Ibertrade Commercial Corporation	Spain	192,317	oranges, lemons, clementines
Pipfruit New Zealand	New Zealand	182,535	apples, pears
National Agricultural	Korea	354,623	sandpears, apples

APHIS TRUST FUND AGREEMENTS WITH MAJOR EXPORTING GROUPS

Cooperative Federation			
Trust Fund Agreement	Country	FY 2011 Amount	Major Commodity
Copexeu	Argentina	388,904	apples, cherries, nectarines, pears, plums, peaches, blueberries
Empacadoeras de Mango de Exportacion, AC EMEX	Mexico	230,971	mangos
Asociacion de Empacadores y Productores, Exportadores de Aguacate Michoacan A.C. APEAM	Mexico	310,325	avocados
Total		$6,732,163	

Mr. Kingston: Is there a backlog of applications for export? Is there a backlog for import applications? Please be specific.

Response: APHIS routinely receives requests for assistance from U.S. agricultural producers to gain access to foreign markets. These requests range from resolving certification issues associated with shipments held at foreign ports of entry to technical sanitary or phytosanitary (SPS) disputes that may require extensive bilateral or multilateral negotiation. Although APHIS works on all export petitions received, market access decisions ultimately rest with the importing country. Currently, there are 100 outstanding requests for assistance in gaining new market access for U.S. plant products (such as fruits, vegetables, nursery stock, and seeds) and approximately 200 for animals and animal products. In many cases, export requests for animal products include issues that fall under the authority of other Agencies such as USDA's Food Safety and Inspection Service (FSIS), Agricultural Marketing Service (AMS), the Food and Drug Administration (FDA), and others, and these requests can be particularly difficult to resolve. For example, APHIS continues to participate in the interagency effort to address Japan's concerns over allowing increased market access for U.S. beef. In all cases, APHIS advocates science-based resolutions to the issues and supplies information to USDA's Foreign Agricultural Service, the U.S. Trade Representative's Office, and other offices to help resolve the situations. Continued industry interest and support for longstanding requests is also crucial, as importing countries require information that the industry is often in the best situation to provide.

APHIS is successful in resolving a number of requests each year and in retaining markets that are threatened when new pests or disease outbreaks occur in the United States. For example, APHIS was successful in resolving 120 SPS issues in FY 2011 resulting in markets opened, retained, or expanded worth $1.7 billion. Success in gaining and/or retaining market access is sometimes incremental and requires long-term commitment on the part of APHIS and the interested industry. APHIS works diligently with U.S. stakeholders to resolve these issues.

APHIS also receives requests for approval to import agricultural products into the United States. For plant products, a pest risk assessment (PRA) is

required to evaluate the potential risks that the commodity might pose. Once the PRA is complete, APHIS we will determine whether the pest risks identified can be mitigated effectively by various measures such as treatments and inspections. APHIS bases its decisions on thorough, accurate PRAs and ensures that information and conclusions are consistent with U.S. policies and standards for imports. APHIS also engages the stakeholders throughout the process and invites the public to comment by publishing the proposed rule and PRA in the *Federal Register* for public comment. Once we have determined that a product can be safely imported, we amend our import regulations to allow the importation; this process can take several years. At this time, there are approximately 250 pending requests for access to the U.S. market for foreign fruits and vegetables. Approximately 60 PRAs are in the process of being developed. To ensure that our trading partners are aware of the information required to fully evaluate import requests, APHIS published a *Federal Register* notice in May 2006 detailing our requirements for import requests related to plant products.

On the animal and animal product side, APHIS also approaches import decisions using a science-based evaluation of the risk. In this regard, APHIS recognizes that risk may be tied to factors that are not always defined by national political boundaries. Accordingly, APHIS regulates imports on a regional basis and assesses disease risk within defined regions. APHIS evaluates both requests for regionalization with regard to status for particular pests and diseases and requests to import specific products or types of animals. APHIS is currently working on 17 risk analyses related to requests by foreign countries for regionalization or to export specific animals and animal products to the United States. Once the risk assessment is complete, APHIS also makes these risk assessments available to the public and publishes notices of their availability in the *Federal Register* with public comment periods. APHIS' decisions are made on the basis of animal health issues. Other Agencies (FSIS, AMS, FDA and others) also have authority over the importation of animal products, and their concerns must be resolved before a product can be imported into the United States.

Mr. Kingston: Please describe in detail how animal health specialists overseas to track global animal health events are a critical part of APHIS' mission. What is the base amount for these purposes? Please provide specifics on staff levels and funding for fiscal years 2010 through 2012.

Response: APHIS monitors agricultural pests and diseases throughout the world as a part of its agricultural pest and disease exclusion efforts. Assessing threats from overseas situations helps inform APHIS' regulatory import policy and allows the Agency to update the import inspection policies and guidelines. APHIS' overseas officials facilitate agricultural trade, maintain contact with agricultural officials where they are posted, and monitor agricultural health. These attachés provide reports to APHIS highlighting data about emerging pest or disease situations in other countries. There are attachés posted overseas across Africa, Asia, Central America, Europe, North America and South America and are funded through the Overseas Technical and Trade Operations line item. In FY 2010, 21 attachés were in these positions with a cost of $10.5 million. In FY 2011, there were 19 attachés at a cost of $9.5 million. In FY 2012, there are 18 attachés, and APHIS anticipates spending approximately $9 million to fund them.

Biotechnology Regulatory Services (BRS)

Mr. Kingston: In late February 2012, a few members of the Subcommittee posed questions to FDA's Commissioner - Dr. Margaret Hamburg - on the matter of food labeling for genetically engineered or modified foods. In her response, Dr. Hamburg reiterated FDA's position since 1992 that says biotech foods are "substantially equivalent" to conventionally produced foods and so there are no material differences between the foods and no unique labeling necessary.

Since APHIS' Biotech Regulatory Services program has an equal or greater role in the area of biotech development and use, what more can the Agency add to this discussion in terms of the GE product safety?

Response: APHIS has confidence in the safety of the genetically engineered (GE) plants for which it has made a determination of nonregulated status. Under the authority of the plant pest provisions of the Plant Protection Act, APHIS carries out a rigorous, science-based regulatory program to protect plant health. When a biotechnology developer petitions APHIS for nonregulated status of a GE organism, the Agency conducts a thorough scientific review to determine the organism's potential plant pest risk. APHIS only makes a determination of nonregulated status when it concludes that the organism is unlikely to pose a risk to plant health and can be safely released into the environment. APHIS also conducts an environmental analysis to identify potential environmental impacts of making a determination of nonregulated status. The Agency's decisions are based on credible, peer reviewed scientific information and public input.

Mr. Kingston: I am having difficulty understanding USDA's strategy in the President's Budget when it comes to the funding for biotech regulatory review and reducing review times. On the one hand, USDA recently stated that one of its strategic goals is to:
"Help America promote agricultural production and biotechnology exports as America works to increase food security."

Then on the other hand, the President proposes to reduce funding for this program by $1.4 million and partially offset spending with $4 million in user fees.

Looking back at the original law, APHIS was supposed to review biotech traits in six months. Unfortunately, some of these reviews have taken up to five years. How can APHIS drastically reduce average review times for deregulation petitions if the workload is increasing and you are proposing decreased funding?

Response: The proposed biotechnology budget for FY 2013 provides more funding than the program has ever operated with and will enable APHIS to implement recently identified improvements to the petition review process and reduce review times. Although the FY 2013 budget is less than what was appropriated in FY 2012, as much as $4.3 million of the FY 2012 appropriation may have to be used to pay a one-time expense for plaintiff's attorney fees from the first alfalfa and sugarbeet lawsuits. In addition, the user fee proposal in the 2013 budget does not impact 2013 spending. Collections for these fees, once authorized, will be reflected in future budgets.

APHIS is committed to maintaining an effective biotechnology compliance program for genetically engineered (GE) organisms and improving the GE crop deregulation process. In FY 2011, APHIS completed a petition process review and a detailed process analysis to identify ways to improve the petition process and reduce time lines from an average of three years to just over one year. APHIS began implementing the new process improvements during FY 2012. APHIS will standardize and streamline the petition process as well as solicit public input on pending petitions earlier in the review process. APHIS aims to deliver to its customers and the public a more predictable process for considering and acting on determinations of nonregulated status.

Mr. Kingston: If USDA actually meets with the biotech industry and proposes user fee legislation, will user fees guarantee quicker application review times? If not, what would be the advantage to a user fee?

Response: The proposed user fee will not guarantee quicker application review times. The advantage of implementing the user fee is to reduce the need for appropriated funds by recouping some costs from the beneficiaries of the program. Although the user fees will not guarantee faster review times, we have developed and recently announced a new petition process that will reduce processing times once implemented.

Mr. Kingston: Please inform the Subcommittee of how many products are awaiting approval, in accordance with the Plant Protection Act, from APHIS and the average length of time new product approval requires?

Response: Currently, there are 22 pending petitions for nonregulated status in the APHIS review process. In FY 2011, APHIS completed a petition process review and a detailed process analysis to identify ways to improve the timeliness and predictability of the petition process without sacrificing the quality of our reviews. Based on the improvement effort, APHIS expects to make determinations in 13 to 16 months once the new process is fully implemented instead of taking 3 or more years to complete. Assuming applicants provide information that supports nonregulated determination, we estimate that it will take approximately 1 year to clear the backlog of 22 petitions at which point the Agency will be in a position to operate within the new timeframes for petition review.

Mr. Kingston: Please provide the Committee with a table showing the staffing and funding for the Biotechnology Regulatory Services for the past five years as well as planned expenditures for fiscal years 2012 and 2013.

Response: The information is submitted for the record.

[The information follows:]

BIOTECHNOLOGY REGULATORY SERVICES

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 (est.)
Funding (000)	$10,533	$11,728	$12,877	$13,050	$12,765	$18,135	$16,751
Staff Years	70	74	79	79	79	92	92

Please note that APHIS adopted a new budget structure in FY 2012. The Biotechnology Regulatory Services line item now also includes a portion of funding from the former Environmental Compliance line item.

Mr. Kingston: Please provide the Committee with an update on APHIS animal-related biotechnology activities.

Response: APHIS, along with the Food and Drug Administration (FDA), ensures the safe use of genetically engineered (GE) animals and insects. APHIS regulates certain GE insects as plant pests under its plant biotechnology regulations. APHIS also uses its animal health regulations to ensure that GE insects do not pose a threat to animal health. The Agency's regulations require permits for organisms and vectors that present an animal health risk and that are imported into the United States or moved interstate. APHIS issues permits for importing insects that are potential vectors of animal disease agents. In general, GE insect vectors may or may not pose any additional animal health concerns, and these are evaluated on a case-by-case basis. Upon review of the study protocol and other scientific supporting documents for each request for importation or release of GE animal pests, APHIS will determine the regulatory action needed on a case-by-case basis. The regulatory action could involve issuing a permit with certain restrictions; further assessment for risk or environmental impacts; or, upon determination of no animal health impact, issuance of a letter of no jurisdiction.

The FDA has interstate authority over movement of food animals under the Food, Drug and Cosmetic Act. In general, FDA's regulations specify labeling, recordkeeping, and shipping requirements as well as the final disposition of these animals. In addition, their regulations specify the conditions under which food from animals used for clinical investigations can be introduced into the food supply. FDA has also published guidance in the *Federal Register* in January of 2009 that describes how GE animals are regulated under their New Animal Drug Act authorities. The FDA program is rigorous and, among other things, examines the health risks of GE animals. Given this, APHIS has not imposed additional regulatory measures on GE animals.

Mr. Kingston: Other countries, especially developing countries, have trouble accepting our biotechnology-derived products because they don't have a regulatory program in place to evaluate the products. What is APHIS doing to assist developing countries with building and facilitating science-based and transparent biotechnology regulatory systems?

Response: APHIS represents USDA in several international forums that support the development of science-based regulatory systems in developing countries. APHIS works both bilaterally and in a number of international forums to facilitate the adoption of science based policies for oversight of genetically engineered (GE) organisms, and provides capacity building assistance to developing countries for the regulation of GE crops.

There are several ways that APHIS helps other countries to build capacity in the development of their own regulatory system. APHIS partners with other U.S. regulatory agencies (such as the Food and Drug Administration and the Environmental Protection Agency) as well as other U.S. agencies (including the Department of State and the United States Trade Representative) in reaching out to other countries.

APHIS also engages in formal and regular interactions with several key countries. APHIS works closely with Canada and Mexico in a technical working group to harmonize regulatory policies and procedures and to cooperate on risk assessment of new GE organisms. APHIS also participates in the North American Biotechnology Initiative, a policy forum that facilitates information sharing and cooperation between the three countries. APHIS officials and their counterparts in USDA's Foreign Agricultural Service foster cooperation with China on regulation of GE crops, participating in discussions on risk assessment of new GE products, and mechanisms for information exchange.

APHIS currently serves as the Chair of the Working Group for Harmonization of Oversight for Biotechnology within the Organization for Economic Cooperation and Development. This forum develops consensus documents for the evaluation of new biotechnology products. APHIS also participates and provides technical expertise in risk assessment as it impacts a regulatory structure in the Ad Hoc Technical Experts Group on Risk Assessment, a working group under the auspices of the Cartagena Protocol for Biosafety under the United Nations Convention on Biological Diversity.

APHIS meets with foreign visitors who are interested in learning more about how the United States regulates the safe use of biotech crops. These interactions include foreign visitors representing the press, politicians, government ministry officials, scientists, and consumer groups. In FY 2011, APHIS provided information about USDA's biotechnology regulatory policies and procedures to visitors from New Zealand, Kazakhstan, Ukraine, South Africa, Colombia, Japan, China, India, Indonesia, France, Belgium, Italy, South Korea, United Kingdom, and the European Union. These activities will help other countries develop regulatory systems for biotechnology-derived crops that will allow them to make informed regulatory import decisions.

Mr. Kingston: What are the performance goals for BRS? Be specific as to how measures of performance will be used in the program.

Response: The performance goals for APHIS Biotechnology Regulatory Services (BRS) program are to increase the number of biotechnology plant lines reviewed and found safe for use in the environment and to increase the number of inspections for field trial sites. APHIS measures progress in plant lines reviewed by tracking the number of petition determinations published in the *Federal Register*. This measure is particularly important

because it shows the number of GE organisms that are no longer regulated by APHIS and therefore are available for commercialization. The inspections help APHIS ensure that field trials are conducted in accordance with regulatory requirements designed to safeguard the environment while the products are under development and review. These performance goals support the USDA strategic goal to help America promote agricultural production and biotechnology exports as America works to increase food security.

Once a GE crop has been adequately field tested, developers may petition APHIS to seek nonregulated status for their product. APHIS may issue a determination of nonregulated status if the Agency determines that the GE product is unlikely to pose a plant pest risk. APHIS completed a petition process review and a detailed process analysis to identify ways to improve the petition process and reduce timelines from an average of three years to just over one year. This strategy improves the efficiency of the petition process, thereby increasing the number of petition determinations published in the Federal Register. APHIS aims to deliver to its customers and the public a more predictable process for considering and acting on determinations of nonregulated status. A more predictable timeframe will enable developers to bring products with a determination of nonregulated status to market more quickly and provide growers with more choices and access to new technologies sooner, enabling APHIS to maintain its mission to protect U.S. agriculture and the environment from plant pests. Once a developer has obtained all of the necessary regulatory approvals and the GE organism is no longer regulated, the developer is free to sell the product to producers who then make up the products available to growers for commercial use. This is an indicator of new and innovative GE technologies that have the potential to enter the market place and enable the United States to compete in international trade.

Biotech Litigation and APHIS Resources to Defend Approved Products

Mr. Kingston: The President's Budget notes that the increase Congress provided in FY 2012 for biotech regulatory review will likely be paid to attorneys who are fighting any further attempt to expand genetically modified foods. These multi-year biotech litigation cases against alfalfa, sugarbeets and eucalyptus, are taking up valuable resources.

Could you provide the Subcommittee with an estimate on how much money USDA has spent to defend against the lawsuits challenging approved products after USDA has developed rigorous scientific and environmental assessments well beyond what is required by law?

Response: These defenses required significant staff time and costs associated with completing Administrative Records, preparing declarations and reviewing briefs for the lawsuits averaging $400,000 for each case. Additionally, in response to court decisions as a result of the alfalfa and sugar beet lawsuits, APHIS completed Environmental Impact Statements at the cost of approximately $1,500,000 each. As a result of the above, APHIS has spent approximately $4 million to defend against lawsuits challenging the Agency's regulatory decisions.

Mr. Kingston: Could you tell us how many hours USDA personnel have worked defending against these lawsuits and what was gained by this investment?

Response: USDA has spent at least 6,000 hours defending against lawsuits that have challenged our biotechnology regulatory decisions. The time we have invested in these lawsuits has been necessary and important to protect the integrity of our regulatory system and our efforts have shown recent success. We have prevailed in three lawsuits since the fall of 2011: the Roundup Ready Sugarbeet II case that challenged seed permits we had issued; a case that challenged permits we issued for cold tolerant eucalyptus field trials; and the Roundup Ready Alfalfa II case that challenged the environmental documentation that we prepared and the petition determination we made.

Swine Surveillance

Mr. Kingston: I have been involved in quite a few hearings and briefings over the years with science-based agencies such as FDA and APHIS to know the important role of disease surveillance programs. Various surveillance efforts help us understand viruses and manage animal health. There are plenty of stories out there of major U.S. livestock sectors that have suffered severe economic impact because of disease outbreaks. And we know that some of our trading partners will jump on the chance to shut down trade if an outbreak of any type or size occurs on U.S. soil. On a related note, it appears that USDA is reducing funding for swine surveillance by $2.5 million.

Do APHIS scientists agree with other animal and human health scientists and researchers that swine sometimes serve as a pathway for certain diseases and/or do swine sometimes serve as the jump off point from animals to humans? If so, wouldn't USDA want to invest more funding in swine surveillance for the benefit of both animals and humans?

Response: APHIS agrees that zoonotic disease agents can be transmitted between animals and humans. This disease transmission pathway can be from animals to humans and from humans to animals. APHIS is adopting a strategy known as "One-Health" to further protect the health of people and animals. This One-Health strategy recognizes that the health of animals, the health of people, and the viability of ecosystems are linked. A One-Health approach also embraces the idea that a disease problem impacting the health of humans, animals, and the environment can only be solved through improved communication, cooperation, and collaboration across disciplines and institutions. In adopting this strategy, the FY 2013 budget proposed an increase of $1.4 million for Zoonotic Disease Management.

APHIS is collaborating with the swine industry and other stakeholders to incorporate current disease-specific surveillance programs into a more comprehensive swine surveillance approach. This new approach will utilize surveillance data collected from multiple surveillance streams. The surveillance streams include animal concentration points such as slaughter facilities, livestock markets, on-farm, and biological samples submitted to veterinary diagnostic laboratories. The streams chosen for surveillance will be based on a risk determination for the disease of interest. APHIS will

target surveillance at the streams where the diseases of interest are most likely to be found. Different diseases will require targeting different groups of surveillance streams. Through this risk-targeting mechanism, APHIS can reduce the cost of surveillance and yet make it more likely to detect disease.

Comprehensive swine surveillance will allow APHIS to identify and respond quickly and more efficiently to ongoing disease threats, foreign animal disease concerns, emerging animal diseases, and potential public health issues of concern. The use of surveillance streams and established mechanisms for sampling in these streams enables APHIS to be more agile when shifting disease surveillance priorities in the face of ever changing disease threats. APHIS is currently expanding the necessary infrastructure and processes to access the many different surveillance streams in the swine population.

Mr. Kingston: Has any other part of the Federal government endorsed or supported a swine surveillance program at USDA? If so, please specify which federal and/or state organizations support such a program at USDA.

Response: USDA has many partners who support swine surveillance. The Centers for Disease Control and Prevention supports swine surveillance programs at USDA as part of a One-Health approach. Additionally, the United States Animal Health Association and the National Assembly of State Animal Health Officials, comprised of State Departments of Agriculture and State animal health officials, have endorsed USDA's swine surveillance program. The One-Health concept recognizes that the health of animals, the health of people, and the viability of ecosystems are inextricably linked.

Mr. Kingston: If USDA were to do a cost-benefit analysis of the swine surveillance program, do you think they would find that USDA's reduction supports the risk of potential market loss should we miss catching something in the swine population?

Response: APHIS has been working on several statistical and epidemiological methods to increase the efficiency of animal health surveillance without sacrificing confidence of industry and trading partners in our surveillance system. These efficiency methods include: using statistics to determine the surveillance levels needed to achieve the objectives of disease detection for each animal species and given disease; utilizing targeted surveillance focusing on animals with a higher probability of disease; leveraging historical data; combining surveillance streams; integrating disease testing where one sample is tested for multiple diseases; and applying benefit cost analysis to measure the value of the information received from the dollars spent. By applying these efficiency methods, APHIS can significantly reduce sample collection needed for surveillance in swine, while maintaining a healthy U.S. swine population.

At the proposed level of funding, U.S. surveillance efforts will be aligned with many of our major trading partners and should not negatively impact trade. APHIS will continue to conduct surveillance for major diseases of concern and modify the surveillance efforts as appropriate in the event of a disease outbreak.

Mr. Kingston: The APHIS budget request says "APHIS will retain the ability to modify surveillance to increase the levels of detection in the event of a disease outbreak or other circumstances that warrant such an action to protect the health of the U.S. swine population. This sounds like the Agency is preparing for a reactive response as opposed to a preventative response. Am I reading this correctly or does the APHIS strategy call for ramping surveillance efforts back up to previous levels after an outbreak occurs? If so, how is this strategy a sound risk-based approach?

Response: APHIS' risk-based strategy is both preventative and reactive, depending on whether a disease has gained entry to the country. When the United States is free of a disease, such as classical swine fever, the surveillance method is designed to look for the disease where it is most likely to enter the country in the most efficient manner possible. However, if a disease has already entered the country, surveillance activities change depending on the situation, and different surveillance mechanisms are used. Surveillance needs and response efforts would likely increase in proportion to the outbreak because increased surveillance is vital in proving that we have eradicated a disease once an outbreak occurs so that we can regain any lost markets. This risk-based strategy is best suited for APHIS because surveillance efforts would be optimized relative to the animal health situation.

State versus Federal Funding - Inconsistent Policies

Mr. Kingston: For the past few years, APHIS has promoted a somewhat schizophrenic policy on support for certain pests and diseases, especially how it relates to funding for state versus federal programs. For example, the biggest increase request is over $5.6 million for the Animal Disease Traceability Network or the former Animal ID program. This new Traceability Network attempts to put more control and responsibility in the hands of the States, but most of the total funding for this effort will be supported and funding decisions determined by APHIS. Some of the biggest decreases in the budget - a reduction of $4.3 million for wildlife management and a reduction of $11.4 million for tree pests, pull back funding in order for the states to pay a greater share.

Please explain how the Department decides on when it will support pest and disease efforts in the States and when it requires a greater share of funding to come from the states.

Response: A variety of factors influence the expected level of contributions from cooperators for specific programs. For programs such as Animal Disease Traceability, which is designed to improve our overall ability to respond quickly to animal disease detections and prevent large-scale outbreaks, the benefits will be national in scope and potentially lead to additional trade opportunities for U.S. livestock farmers and ranchers. The benefits of specific pest and disease control and eradication programs can be more localized. Since these pests and diseases have a direct impact on State and local conditions, it is expected that State and local parties will devote available resources to address the outbreak before significant economic damage occurs or where an animal or plant pest threatens their resources.

Methyl Bromide Phase-Out

Mr. Kingston: Please update the Committee on the agency's activities related to the Montreal Protocol and methyl bromide. What specific activities are planned for fiscal years 2012 and 2013? Please provide a copy of the agency's report on U.S. trade and the use of methyl bromide.

Response: USDA is working closely with the State Department to provide support to the U.S. delegation for the Parties to the Montreal Protocol on quarantine and pre-shipment uses of methyl bromide. Representatives from APHIS meet with the State Department representatives before international meetings on the Montreal Protocol and provide data on the uses of methyl bromide and its importance to international trade and agricultural production. APHIS works to inform State Department negotiators and the Environmental Protection Agency on these items on an ongoing basis. USDA will continue to work closely with the State Department on methyl bromide issues in FY 2012 and FY 2013. APHIS is currently finalizing the report on U.S. trade and the use of methyl bromide as a phytosanitary treatment. We will provide a copy to the Committee when the report is final.

Invasive Species - Brown Marmorated Stink bug

Mr. Kingston: The FY 2012 House Report contained language regarding the need for USDA's research arm and APHIS to work together in containing the brown marmorated stink bug (BMSB). This stink bug is a serious threat to fruits, vegetables, other crops and ornamentals throughout the mid-Atlantic region. The stink bug continues to spread to other regions across the U.S. wreaking havoc on various crops. I believe that stink bugs have been detected in all but 14 states, reached nuisance levels in 10 states, and become severe agricultural pests in five more. Please provide the Subcommittee with an updated status on what APHIS and its federal and non-federal partners are doing to control the spread of the brown marmorated stink bug.

Response: Due to the pest's wide distribution, APHIS and other Federal and State officials have determined that a traditional regulatory approach is not practical for the pest. APHIS is working closely with USDA's Agricultural Research Service (ARS) and the Environmental Protection Agency on a comprehensive strategy to combat the brown marmorated stink bug. ARS scientists are working on new methods and techniques (including biological control) to manage the pest that are effective and safe for agriculture and the environment. APHIS is partnering with ARS and other cooperators to support evaluation of potential biological control agents for environmental release while ensuring they would not become pests in their own right or have other, unintended consequences. APHIS will also provide assistance in implementing a biological control program when it is developed. Additionally, APHIS is supporting ARS in its effort to develop monitoring tools that can be used to assist in better estimating the threat from overwintering populations and evaluate the efficacy of pesticide treatments.

Brown Marmorated Stink bug

Mr. Kingston: Is it possible to eradicate this pest from certain parts of the country - for example, the mid-Atlantic?

Response: Due to the pest's wide distribution, lack of practical control tools, and presence in urban and natural areas as well as agricultural areas, APHIS and other Federal and State officials have determined that eradication is not feasible for the brown marmorated stink bug. APHIS is working closely with USDA's Agricultural Research Service and the Environmental Protection Agency on a comprehensive strategy for managing the pest over the long term.

Mr. Kingston: Or shy of eradication, what is USDA's strategy for combating the stink bug?

Response: Because the brown marmorated stink bug (BMSB) cannot be addressed with regulatory controls or eradicated, USDA is focusing on developing management strategies using biological control. Biocontrol agents may provide an important piece of the long-term management of BMSB due to its infestation in urban and natural environments that cannot be treated with insecticides. APHIS is working closely with USDA's Agricultural Research Service (ARS) to support a biological control initiative. APHIS is partnering with ARS and other cooperators to support evaluation of potential biological control agents for environmental release while ensuring they would not become pests in their own right or have other, unintended consequences. Once the biological control agents are ready for implementation, APHIS will provide additional support to implement a control program.

APHIS Vehicle Inventory

Mr. Kingston: On page 18-12 of the APHIS explanatory notes, APHIS shows a total fleet of over 5,300 vehicles and a cost of over $18.75 million to operate the fleet. If APHIS has around 5,700 permanent employees, why does the Agency need 5,300 vehicles?

Response: In addition to the 5,700 permanent employees, APHIS has an additional 2,200 term or intermittent employees. The work that these employees do for us is mostly intensive on-farm surveillance, wildlife services, and other program work conducted in rural areas and requiring employees to travel great distances. The employees often work alone or in very small crews and that contributes to such a large ratio of vehicles to employees. In addition, we provide vehicles under cooperative agreements to many State partners. Under those agreements, State employees often conduct the work but use APHIS vehicles.

Mr. Kingston: APHIS also notes that the Agency has 71 aircraft assigned to the Wildlife Services Program, of which 22 or nearly a third of the planes are non-operational. In addition to these planes, what percentage of work involving aircraft is supported with outside contracts or reimbursable agreements? What does the cost-benefit analysis tell APHIS

regarding the possibility of switching all of the aircraft related work to outside contractors and/or reimbursable agreements?

Response: Wildlife Services uses contract aircraft when cost effective and when Federal aircraft are not available. In FY 2011, Wildlife Services used contracted aircraft for 29 percent of its flight hours (work). The program used Agency-owned aircraft for the remaining 71 percent of its flight hours.

Over a 5 year period (2005-2010), using Federally-owned and operated aircraft instead of using contractor-owned and operated aircraft has saved the program 5 - 10 percent. Wildlife Services acquired 37 aircraft in FY 2011 from the Department of Homeland Security through no cost transfers, which significantly increases the differential in favor of using our Federally-owned and operated aircraft. Also, the program estimates it will save approximately $5 million from parts acquired from the no-cost transferred, non-operational aircraft over the course of 5 to 10 years by offsetting the need to purchase parts on the open market.

Wildlife Services recently received approval from the General Services Administration to begin planning for the disposal of non-operational aircraft that the program will not rehabilitate and deploy. Although Wildlife Services does not anticipate needing replacement aircraft in the near future, the funds from this disposal as well as the disposal of two other aircraft that are no longer used will provide funding to be used for other aircraft needs.

Animal Welfare and USDA Work with Stakeholders

Mr. Kingston: In early October of last year, Under Secretary Avalos signed a decision memo from APHIS with the recommendation that USDA set up an Animal Welfare Scientific Forum. According to the memo, you met with the Humane Society in July and sometime after that meeting you agreed with the idea to form an animal welfare working group at the suggestion of the Humane Society. According to the memo, APHIS senior management would meet with the Humane Society and several other advocacy groups in advance of the forum to identify priority topics for discussion and potential speakers. The way the memo was written, it appeared to be a back door means for one particular stakeholder group to heavily influence USDA policy.

What is the status of this Animal Welfare Scientific Forum?

Response: In July 2011, the Humane Society of the United States (HSUS) expressed a desire to work with USDA officials to establish an animal welfare working group to address concerns regarding the use of existing and emerging lethal control methods. While USDA officials agreed in principle that additional dialogue on these issues is warranted, it is standard practice to hold such discussions within existing frameworks and with a broad audience of stakeholders. APHIS considered an alternative to HSUS' request: a scientific forum to foster information sharing and dialogue around lethal control and related animal welfare issues at the Center for Animal Welfare in Kansas City, Missouri. The forum outlined would bring together the livestock industry, farm organizations, and other interested stakeholders.

A forum has not been scheduled. If such a forum should occur, all interested stakeholders would be included in the various planning stages. APHIS'

intention has always been to bring together a wide array of stakeholders to promote a science-based discussion of these critical issues and to ensure that all viewpoints are heard and considered.

Mr. Kingston: How is USDA ensuring that something like this does not happen again where you gave indications that one interest group would receive preference or heavily influence policy?

Response: APHIS is an agency with a broad and diverse range of stakeholders and we benefit from fostering an ongoing dialogue with all interested parties. It has always been our intent to be inclusive, and in the future we will ensure that our intent is clearly understood and communicated to prevent any possible misunderstandings.

Eradication of the Boll Weevil and Pink Bollworm

Mr. Kingston: APHIS and their stakeholders should be commended for their work with stakeholders towards eradicating the boll weevil and pink bollworm. I believe it has been about 8 or 9 years ago since the pest was eradicated from Georgia. It now appears that the only place left to go in the country is in the Rio Grande Valley of Texas - ironically, the location where the weevil first entered this country in the late 1800s. APHIS proposes to reduce the cotton pest program by $9 million.

If Congress accepts this proposal, will the remaining $9 million serve to eradicate these pests in the last areas of this country and contain the pests in Mexico?

Response: APHIS will focus the remaining $9 million in the FY 2013 budget for the cotton pests program on boll weevil eradication activities in the Lower Rio Grande Valley (LRGV) and for producing sterile moths for the pink bollworm eradication program. At this funding level, APHIS provides national coordination, operational oversight, technology development (such as sterile moths for pink bollworm eradication), and a portion of the funding for the effort. The agency will continue to increasingly rely on program partners (States and industry) who have provided more than two-thirds of the funding for the boll weevil eradication effort and much of the operational funds for pink bollworm eradication. Additionally, regardless of the funding level, APHIS will continue to deal with the high winds and security issues in the LRGV, which may prolong eradication for several more years. To enhance the probability of success in the LRGV, we are collaborating with our counterparts in Mexico to develop optimal boll weevil eradication strategies.

Mr. Kingston: Please provide a table showing boll weevil funding, to include fiscal year 2010 and 2011 actuals and estimates for 2012 and 2013.

Response: The information is submitted for the record.

[The information follows:]

Boll Weevil Eradication Program Obligations (dollars in thousands)	
FY 2010	$15,001
FY 2011	10,499
FY 2012 (est.)	7,906
FY 2013 (est.)	6,900

Mr. Kingston: Please indicate which states have received boll weevil funding since 2008 and the amounts received by each.

Response: The information is submitted for the record, including the funds APHIS provided to California for activities in Mexico.

[The information follows:]

Boll Weevil Funding by State
(Dollars in Thousands)

State	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012 (est.)
Arizona	$85	$84	$84	$84	$84
Arkansas	2,921	0	0	31	31
Kansas	0	0	0	34	34
Louisiana	1,383	0	0	0	0
Mississippi	1,660	0	0	0	0
Missouri	1,794	0	0	0	0
New Mexico	109	108	107	96	96
Oklahoma	512	0	0	0	0
Tennessee	2,182	0	0	0	0
Texas	18,596	15,612	11,842	9,902	7,309
California & Mexico	682	762	757	352	352
Total	$29,924	$16,566	$12,790	$10,499	$7,906

Mr. Kingston: What activity has there been in the boll weevil loan program?

Response: As program areas move toward the final phases of eradication, the need for additional loans will diminish rapidly. In FY 2011, there were no new loans issued, and approximately 90 percent of previously issued loans have been repaid.

[The information follows:]

BOLL WEEVIL ERADICATION LOAN PROGRAM		
Program Area	Total Loans: 1997-2011	Farm Service Agency Debt: September 2011
Texas	$705,490,000	$77,820,000
Mississippi	55,727,000	0
Southeastern States	22,747,000	0
Arkansas	109,330,000	23,920,000
Tennessee	68,716,000	0
South Central New Mexico	1,300,000	0
Pecos Valley New Mexico	1,675,000	0
Oklahoma	13,000,000	0
Missouri	14,317,000	0
TOTALS	$992,302,000	$101,740,000

Feral Hogs and Wildlife Services

Mr. Kingston: The media and various APHIS stakeholders comment on the growing problem of feral hogs and the multiple problems associated with this issue. At the same time, Wildlife Services is criticized every year because they are tasked with controlling certain animal populations in the wild as part of their mission. Regardless of the species, the control of animals such as feral swine is not just a state issue but an issue that crosses many state boundaries. An uncontrolled feral swine population creates problems for the environment, crops, and animal health. For example, these animals threaten the Nation's livestock - cattle can be exposed to swine brucellosis.

The President's budget proposes to decrease Wildlife Damage Management by $5 million and 7 staff. How will these cuts likely impact States' ability to manage feral hog threats or other related issues such as the spread of rabies? What activities and resources are available at USDA to address feral swine?

Response: APHIS helps mitigate feral swine damage, but is not responsible for managing overall feral swine populations. The Agency cooperates with livestock health officials, farm and ranch organizations, conservation organizations, State and Federal wildlife agencies, environmental and public health departments and Federal land managers regarding specific feral swine problems. Many State agricultural departments and wildlife agencies have enacted legislation to regulate the illegal movement of feral swine and declare the animals a nuisance species. Our cooperative relationships have resulted in significant and increasing APHIS involvement in feral swine damage management. These agencies provide funding to APHIS to address the damage of the expanding feral swine population; as such, the FY 2013 budget request should not impact these activities.

With the proposed reduction in FY 2013, APHIS will continue activities to maintain the current rabies barrier zones but will discontinue oral rabies vaccination and surveillance in several States outside of the barrier zone. In addition, APHIS will discontinue wildlife damage management assistance to

aquaculture producers in approximately 14 States. The Agency would, however, continue to support these activities if States were willing to fund them on a reimbursable basis.

Animal Disease Traceability

Mr. Kingston: APHIS is again making animal identification and not traceability its largest requested budget increase in the fiscal year 2013 budget. The Agency is requesting $5.623 million for the Animal Health Technical Services line item in order to implement the Animal Disease Traceability Network. What precisely will this increase buy?

Response: The FY 2013 President's budget requests an increase of $5.62 million, for a total of approximately $14 million, to implement the new Animal Disease Traceability (ADT) framework that replaces the National Animal Identification System. USDA would use approximately $1.5 million of the requested budget to support information technology systems to administer animal identification devices and manage the ADT information systems. APHIS would continue to provide premises and animal identification systems to States and Tribes that wish to use these systems. Planned expenditures include the contract with the National Information Technology Center to operate and maintain these tracing systems. USDA would use approximately $9.6 million of the requested budget to fund field implementation, including cooperative agreements with States and Tribes, to implement the revised traceability plan and complete the initial purchase of low-cost tags, outreach, and other implementation activities. The remaining $2.9 million would be used to support policy and program administration.

Mr. Kingston: What did the increase for this line item provide the traceability network in fiscal year 2012?

Response: APHIS is using the additional $3 million provided in 2012 to assist States and Tribes through cooperative agreements. Under these agreements, the States are developing animal disease traceability plans that describe the objectives and specific strategies for establishing the tracing infrastructure. Annual cooperative agreements detail implementation strategies supporting the cooperator's traceability plan. Funding levels are proportionate with the projected costs of activities defined in the cooperative agreement and align with achieving traceability objectives defined in the State or Tribal animal disease traceability plan.

Mr. Kingston: How much does APHIS plan to spend in fiscal year 2012 on the traceability network from all sources?

Response: USDA plans to spend a total of approximately $14.7 million in FY 2012. Of this amount, $8.3 million is from the amount appropriated for Animal Disease Traceability within the Animal Health Technical Services (AHTS) line item in FY 2012, and $6.4 million is from other available funds within the AHTS line item, including carryover.

Mr. Kingston: What does APHIS have to show for over $160 million spent on this effort?

Response: The new traceability framework is designed to capitalize as much as possible on the money already spent. For example, USDA will use and freely make available to States and Tribes the information technology infrastructure we have developed to support our traceability efforts to date. The multiple information systems that were developed will be a crucial part of the traceability framework and are integrated in various animal disease program activities.

The distribution records for more than 22 million official identification devices are recorded in the Animal Identification Management System. More than 7 million of these devices are animal identification number (AIN) radio frequency identification tags. Nine manufacturers offer 40 different AIN 840 tags, a form of acceptable identification that uses the country designation for the United States. This information is of tremendous merit to the current traceability system.

Data for nearly 40 percent of the estimated 1.4 million premises in the United States with livestock are recorded in the current information technology systems. The information structure for maintaining these records and the continuation of the premises system is at the discretion of the States and Tribes but they provide a solid foundation from which to work as the refocused traceability framework is implemented.

Prior investments made have allowed for the completion of pilot projects and field trials, which enhanced existing identification processes and technologies, States and Tribes communication infrastructure, including Web sites, as well as information sharing mechanisms with industry organizations, press contacts, and local governments. This enabled the formation of industry identification working groups that will be maintained with the current traceability framework.

Mr. Kingston: What is the full cost and timing in implementing this new traceability approach?

Response: From FY 2004 through FY 2011, USDA has spent $152.5 million on activities associated with animal identification and disease traceability. APHIS has requested approximately $14 million in FY 2013 to support the new approach to animal disease traceability. Federal funding provided to State and Tribes is proportionate to the size of the cooperator's livestock industry and aligns with costs associated with achieving traceability objectives defined in the State or Tribal animal disease traceability plan. The portion of the State/Tribes total traceability cost covered by Federal funds will vary depending on how each State or Tribe decides to implement their animal disease activities to comply with federal regulations as well as the traceability solutions for livestock moved interstate. Therefore, APHIS cannot predict full State and Federal costs. The Regulatory Impact Analysis published as part of the rule making estimated cattle producers' cost of complying with the proposed regulation would range from $5.5 million to $34.3 million annually.

APHIS is making every effort to proceed with the new traceability approach as collaboratively and transparently as possible. The Agency has conducted

considerable outreach initiatives to ensure that this approach will be efficient, cost effective, and supported by as many producers as possible.

APHIS anticipates the final traceability rule will be published in the summer of 2012. The regulations will be established on the effective date of the rule, which will occur 60 to 90 days after publication. The proposed rule describes a phase-in approach. After the initial phase, which is specific to cattle under 18 months of age, the Agency will review an assessment of the workability of the regulatory requirements to determine how to proceed to the next phase.

Mr. Kingston: How can USDA assure the Subcommittee that further delays in the development of a traceability system will not further impede export opportunities for U.S. agriculture?

Response: Exports of U.S. animals and animal products have either remained stable or increased in recent years. USDA recognizes that exporters are watching international markets and they have stated that the United States needs to implement additional levels of traceability to remain competitive. International standard setting bodies such as the World Organization for Animal Health are stressing the importance of traceability.

Traceability is only one of the factors that our trading partners evaluate when determining whether or not to accept U.S. exports. They also consider our success in controlling or eradicating diseases, our veterinary infrastructure, and our superior genetics.

Mr. Kingston: What does USDA estimate to be the cost borne by the livestock producer for this new program?

Response: The cost impact will be minimal for producers or owners of swine, sheep and goats, poultry, and equines. Traceability for most of these species is either maintained through existing disease regulations or will not change from current practices. For cattle producers, the cost will vary significantly based on the producer's herd management practices. For cattle producers who already tag their animals, the additional cost may be low. For producers not tagging, the estimated cost will be higher. In practice, the animal would likely be tagged during other management activities. To the extent possible, USDA will supply free ear tags as resources allow.

In addition to official identification, certain cattle will require an Interstate Certificate of Veterinary Inspection (ICVI) before moving interstate. ICVIs are currently required by most States; therefore, adding a Federal requirement will have minimal impact to existing practices.

Mr. Kingston: Provide for the record a list of all states or organizations that have received funding for this effort and the status of the states' system.

Response: The information is submitted for the record.
[The information follows:]

STATES AND ORGANIZATIONS RECEIVING NATIONAL ANIMAL IDENTIFICATION SYSTEM FUNDING						
Awardee	Award FY 2004 CCC Amount	Award FY 2005 Appropriated Amount	Award FY 2006 Appropriated Amount	Award FY 2007 Appropriated Amount	Award FY 2008 Appropriated Amount	Award FY 2009 Appropriated Amount
Alabama Department of Agriculture	$115,000	$245,000	0	$276,000	$165,630	$52,536
Alaska Department of Natural Resources	0	34,710	0	60,660	42,400	34,800
Arizona Department of Agriculture	0	169,000	$84,351	160,200	111,650	141,771
Arkansas Livestock and Poultry Commission	115,000	281,000	203,000	249,300	174,500	167,975
California Department of Agriculture	670,072	625,000	696,909	698,080	361,900	296,900
Colorado Department of Agriculture	1,214,579	255,904	486,293	758,463	263,200	215,800
Connecticut Department of Agriculture	0	0	0	20,000	39,785	60,800
Florida Department of Agriculture and Consumer Services	531,840	273,000	98,720	184,510	176,645	167,446
Georgia Department of Agriculture	77,480	42,173	198,899	197,891	134,620	102,311
Hawaii Board of Agriculture	0	98,316	0	61,121	55,600	46,600
Idaho State Department of Agriculture	1,164,000	230,783	60,348	267,826	194,600	159,572
IDairy	975,000	0	0	0	0	0
Illinois Department of Agriculture	130,000	245,000	141,000	180,000	134,620	103,200
Indiana State Board of Animal Health	106,493	150,457	80,331	503,090	133,872	111,208

STATES AND ORGANIZATIONS RECEIVING NATIONAL ANIMAL IDENTIFICATION SYSTEM FUNDING						
Awardee	Award FY 2004 CCC Amount	Award FY 2005 Appropriated Amount	Award FY 2006 Appropriated Amount	Award FY 2007 Appropriated Amount	Award FY 2008 Appropriated Amount	Award FY 2009 Appropriated Amount
Iowa Department of Agriculture	130,000	410,878	0	525,150	481,800	272,085
Kansas Animal Health Department	1,246,430	685,000	0	3,564,900	210,000	196,680
Kentucky Department of Agriculture	269,093	326,276	0	375,000	280,459	213,150
Louisiana Department of Agriculture and Forestry	12,247	0	0	82,704	78,310	64,200
Maine Department of Agriculture, Food, and Rural Services	78,343	94,000	21,500	80,000	41,250	0
Maryland Department of Agriculture	105,000	85,952	0	81,000	53,915	56,181
Massachusetts Department of Agricultural Resources	0	95,348	0	80,000	59,831	14,359
Michigan Department of Agriculture	120,000	206,952	0	179,000	183,872	100,404
Minnesota Board of Animal Health	434,578	339,140	202,957	278,914	193,814	147,298
Mississippi Board of Animal Health	153,327	170,129	43,294	171,882	133,872	115,618
Missouri Department of Agriculture	484,874	496,973	72,931	0	150,956	275,389
Montana Department of Livestock	431,928	349,000	0	251,100	176,000	144,600
Nebraska Department of Agriculture	125,401	672,000	448,000	672,000	470,400	385,700
Nevada State Department of Agriculture	97,939	128,241	80,000	76,903	57,400	47,100

STATES AND ORGANIZATIONS RECEIVING NATIONAL ANIMAL IDENTIFICATION SYSTEM FUNDING						
Awardee	Award FY 2004 CCC Amount	Award FY 2005 Appropriated Amount	Award FY 2006 Appropriated Amount	Award FY 2007 Appropriated Amount	Award FY 2008 Appropriated Amount	Award FY 2009 Appropriated Amount
New Hampshire Department of Agriculture, Markets, and Food	0	17,547	0	35,000	0	0
New Jersey Department of Agriculture	100,000	92,000	72,108	80,000	59,831	45,471
New Mexico Livestock Board	0	244,000	203,000	1,206,324	246,350	202,000
New York Department of Agriculture	93,000	204,152	178,791	275,980	183,400	156,433
North Carolina Department of Agriculture and Consumer Services	111,630	196,989	0	179,000	133,872	95,711
North Dakota Department of Agriculture	515,000	176,225	0	160,856	193,900	167,200
Ohio Department of Agriculture	117,135	192,560	112,786	275,283	206,418	171,470
Oklahoma Department of Agriculture, Food, and Forestry	675,000	629,000	166,860	517,500	362,200	297,006
Oregon Department of Agriculture	0	169,322	0	75,815	192,194	158,886
Pennsylvania Department of Agriculture	614,146	257,000	142,238	404,865	139,087	105,691
Puerto Rico and the U.S. Virgin Islands	0	58,593	7,380	39,811	19,903	15,415
South Carolina Clemson University	186,728	139,000	141,000	177,000	132,377	100,550
South Dakota Animal Industry Board	505,240	334,277	0	426,000	298,200	252,900

STATES AND ORGANIZATIONS RECEIVING NATIONAL ANIMAL IDENTIFICATION SYSTEM FUNDING						
Awardee	Award FY 2004 CCC Amount	Award FY 2005 Appropriated Amount	Award FY 2006 Appropriated Amount	Award FY 2007 Appropriated Amount	Award FY 2008 Appropriated Amount	Award FY 2009 Appropriated Amount
Tennessee Department of Agriculture	130,000	264,611	82,678	394,073	209,000	156,817
Texas Animal Health Commission	1,000,000	1,038,975	201,065	1,175,616	756,000	619,900
Tribal Nations	500,000	716,870	698,288	322,400	375,540	130,000
Utah Department of Agriculture and Food	149,586	194,000	0	179,000	125,300	102,700
Vermont Agency of Agriculture, Food, and Markets	84,059	104,125	0	0	0	29,220
Virginia Department of Agriculture	297,807	237,831	0	353,293	207,126	181,247
Virgin Islands Department of Agriculture	0	0	0	0	40,000	40,000
Washington State Department of Agriculture	104,313	206,000	60,854	179,000	240,800	197,400
West Virginia Department of Agriculture	95,090	108,861	58,942	155,488	132,377	109,953
Wisconsin Department of Agriculture	500,000	243,605	0	1,621,000	265,468	122,192
Wyoming Livestock Board	361,929	302,000	141,000	248,000	173,600	142,400
Totals	14,929,287	12,837,775	5,185,523	18,516,998	9,253,844	7,294,245

Mr. Kingston: Please describe in more detail how the new animal disease traceability system will work and explain how APHIS will ensure quality data. Also, describe a scenario where the animal disease traceability system would work and where such a system may fall short.

Response: APHIS is proposing to establish traceability regulations only for livestock moving interstate. The purpose of this proposed rule is to improve the ability to trace livestock in the event disease is found. This will benefit ranchers and farmers by reducing the time their herds and flocks would have their movements restricted; eliminate or reduce the cost of additional testing and treatment; and more quickly restore lost markets, domestically and internationally. A focused traceback, made possible by a flexible approach that empowers rather than burdens producers, narrows the search and restores stability to markets.

The United States does not currently have an overarching animal disease traceability program integrated to meet the needs of all species and disease programs. Many of our animal disease program regulations, such as those for bovine tuberculosis and brucellosis, contain components of a traceability program – e.g., requirements for an animal moving interstate to be officially identified and accompanied by documentation that includes, among other things, the animal's official identification number and the locations from and to which it is being moved. APHIS will leverage the best of these requirements, such as existing identification methods and devices, to reduce the burden on producers. This rulemaking is intended to address animal disease traceability gaps in the regulations and enhance our ability to safeguard animal health.

The largest traceability gaps in our regulations occur with cattle, and, consequently, the proposed traceability requirements would have more impact on cattle than on other species. To minimize the impacts of those requirements, we are proposing to phase in those requirements for cattle over time.

To further lessen the burden from the regulations, APHIS would specify that while an official eartag is the authorized means for officially identifying individual cattle moved interstate, other forms of identification, such as brands, tattoos, and breed registry certificates, could be used if agreed upon by animal health officials in the shipping and receiving States or Tribes. Moreover, with respect to eartags, there are a number of different tags that could be used, ranging from simple, low-cost visual tags to radio frequency tags that facilitate animal tracking. APHIS would supply metal eartags and eartag applicators to States or Tribes free-of-charge for distribution to producers to the extent resources allow.

For species other than cattle, the proposed rule largely maintains and builds on the identification requirements of existing disease program regulations. The proposed rule provides standards for official identification and movement documentation for livestock moving interstate, but does not prescribe identification or movement requirements for any State or Tribal jurisdiction.

In regard to where the system might fall short, it does not provide full traceability that a more extensive and costly system could. The program APHIS proposes would apply only to the species listed and only when they are moved interstate with the State and Tribes directly responsible for intrastate tracing needs. There will be times when APHIS will need to rely on herd records, which may not be readily available or complete. This

approach will, however, allow us to make significant gains from current traceback investigations that often take months to complete. Failures also could arise as a result of noncompliance or illegal activities, such as falsifying documents or moving livestock interstate without the required identification and documentation. APHIS intends to work actively with States, Tribes, and industry to enforce the regulations when they become effective.

APHIS developed the framework for the proposed rule with input from a State-Tribal-Federal working group, Tribal consultations, discussions with producers and industry, and feedback received in seven public meetings held during the spring and summer of 2010. APHIS intends to continue to engage the States, Tribes, and industry as it moves forward with rulemaking and implementation. In particular, APHIS intends to consult with an advisory group on outstanding matters.

Mr. Kingston: Please provide a table showing the projected investment in animal disease traceability broken down by federal, state, tribal or other.

Response: Each State and Tribe will determine the specific approaches and solutions to achieve their animal disease traceability objectives, which impacts how much each State and Tribe invests in animal disease traceability. Therefore, USDA cannot predict these costs.

The table below represents federal costs invested since 2004 and projected to FY 2013 for animal disease traceability.

[The information follows:]

FEDERAL ANIMAL DISEASE TRACEABILITY FUNDING INVESTED
(Dollars in Millions)

Fiscal Year	Total
2004	$18.7
2005	32.9
2006	33.0
2007	33.1
2008	9.7
2009	14.5
2010	5.3
2011	5.3
2012(est.)	12.4
2013(est.)	14.0
Total	$178.9

Foot and Mouth Disease

Mr. Kingston: APHIS works with Central and South American countries to meet the Pan American Health Organization goal for foot-and-mouth eradication. What is the status of these initiatives as well as their costs? If approved, what will not be done in this area as a result of the proposed reduction of $2.233 million to the Overseas Technical and Trade Operations line item in the FY 2013 budget? What is the increased risk to the U.S. livestock industry and corresponding trade market for U.S. producers as a result of the proposed decrease?

Response: Where the foot-and-mouth (FMD) virus was widespread in the western hemisphere 60 years ago, FMD outbreaks now only occur regularly in the South American countries of Ecuador and Venezuela. APHIS supports FMD eradication in Central and South America to help protect U.S. agricultural health by lending its expertise and leadership in disease control and increasing the capacity of developing countries to manage this and other animal diseases within their borders. The Overseas Technical and Trade Operations program helps to detect and control outbreaks of Foreign Animal Diseases (FADs) throughout the world by participating in cooperative animal disease eradication programs, and allowing for the placement of personnel overseas to improve the capacity of these countries to detect and control outbreaks. The elimination of a high threat disease like FMD overseas reduces the risk of entry of that disease into the United States. In addition, the program also conducts animal health capacity building activities to enhance diagnostic capabilities in lesser developed trading partners and improve nations' capabilities to respond to outbreaks of diseases or eradicate endemic diseases. In FY 2011, APHIS provided a total of $1.1 million through cooperative agreements to the following countries to improve their capacity for detection and control of FMD or other FADs: Colombia/Colombian Agriculture Institute ($430,000); Ecuador/Inter-American Institute for Cooperation in Agriculture (IICA) ($96,000); Venezuela/IICA ($94,000); and Panama ($485,000). In addition to these agreements related to FMD, APHIS provides funding to Mexico and Central American countries for surveillance for other FADs.

Status of Initiatives

Colombia - APHIS began cooperating with Colombia 30 years ago with the goal of creating a barrier against FMD on the Colombia-Panama border. Colombia is a key location to help prevent the spread of FMD north through Panama and Central America. Despite recent gains, the animal health status is continually threatened due to the shared borders with high risk countries. In the past 30 years, much progress has been made with 96.3 percent of Colombian cattle vaccinated for FMD. After an outbreak in FY 2009 along the border with Ecuador, the program increased surveillance and Colombia regained FMD free status with vaccination in February 2010. In FY 2011, APHIS continued to support surveillance activities in Colombia to exclude FMD from the high risk borders with Ecuador and Venezuela and to increase the diagnostic capabilities.

Venezuela, Ecuador, and the Chaco region (comprising parts of Paraguay, Argentina, and Bolivia) - These countries in South America are still struggling with eradication of FMD. APHIS continues to provide technical support for activities such as surveillance, diagnostics, vaccination, creation of emergency response units, and the establishment of movement control posts. In Ecuador, in FY 2011, APHIS supported two vaccination

campaigns that improved the coverage rates from 91 to more than 95 percent. In a pilot project area that included the vulnerable border with Colombia, the program reached a coverage rate of 100 percent.

Panama - APHIS provides assistance to Panama in the prevention and surveillance for FADs, such as FMD and screwworm, and also supports the LADIVES Diagnostic Laboratory located just outside of Panama City. APHIS cooperated with Panama's Ministry of Agriculture to conduct FMD prevention activities in conjunction with screwworm prevention activities in Panama. As part of the FY 2011 outreach campaign, APHIS supported more than 25,000 visits to farms and ranches, and training to approximately 15,000 agricultural students, community leaders, and producers. APHIS also collaborated in inspecting 110,407 animals, 40,345 vehicles, and 353 boats at control points resulting in the decommissioning and destruction of 122 illegal shipments of animal products. APHIS and Panama's Ministry of Agriculture maintain a laboratory that combines technologies to analyze all samples for vesicular diseases, and FMD from Central America. In FY 2011, the LADIVES laboratory tested 721 samples from Central America and Panama. None of the samples tested positive for FMD.

Bolivia - APHIS provides technical support to the national FMD eradication program in Bolivia through stationing a veterinary health officer in the country. Bolivia has maintained a region of the country free of FMD with vaccination since 2003. In FY 2011, APHIS engaged with an FMD active surveillance study, and to date, no virus circulation indicators have been found in the country. In addition APHIS assisted Bolivia in updating livestock databases, controlling animal movements, maintaining laboratory and surveillance capabilities, and monitoring herd immunity levels. Bolivia continues progressing in its campaign for FMD eradication with strong producer and local government support.

In FY 2013, APHIS will no longer provide cooperative agreements related to surveillance and control of FMD and Trans-boundary Animal Diseases (TAD) within Venezuela, Colombia, Ecuador, Nicaragua, Panama, Costa Rica, and with other governments and international organizations. Increased risk to the U.S. livestock industry is difficult to calculate because there is no estimate of the current risk of accidental introduction of FMD virus (or other TAD pathogens) into the United States from any one region or country.

The marginal added risk would be small since livestock or livestock products are not imported from countries or regions where FMD virus is circulating. Additionally, the country programs for FMD eradication will continue despite the decreased APHIS contributions to cooperative agreements. However, the risk of accidental introduction of FMD virus continues as long as the virus exists overseas, and the continued support of FMD control and eradication is an important goal for APHIS and for hemispheric eradication. APHIS will maintain personnel and resources to provide technical assistance to partners on the highest risk diseases.

Asian Longhorned Beetle

Mr. Kingston: Please update the Subcommittee on the status of Asian longhorned beetle infestation, including a status of the emergency eradication program. What is the overall status of efforts to combat the Asian Longhorned Beetle?

Response: APHIS is conducting Asian longhorned beetle (ALB) eradication activities in New York, New Jersey, Massachusetts, and Ohio. These activities support an area-wide integrated pest eradication strategy to eliminate the ALB from the United States and prevent future introductions. This strategy has enabled APHIS and cooperators to eradicate ALB infestations in Chicago, Illinois; Hudson, New Jersey; and Islip on Long Island, New York.

APHIS uses several tactics and tools continuously over the course of several years to control and eradicate ALB infestations. APHIS and its cooperators conduct surveys, remove infested trees, and remove or apply chemical treatments to host trees within a half-mile of an infested tree. ALB can be declared eradicated from an area only after several years of negative surveys and control activities, regardless of the size of the infestation. In addition to survey and control activities, regulatory actions must be taken to minimize the human-assisted spread of the pest.

The New York program covers most of Manhattan, parts of Brooklyn and Queens, and an area along the Nassau-Suffolk County line on Long Island. In Manhattan, APHIS is conducting final confirmation surveys, which will conclude in 2013. In Brooklyn, Queens, and Long Island, we are continuing ground surveys to detect any remaining infested trees and regulatory activities to prevent regulated articles from leaving the infested area. The New Jersey outbreak covers parts of Middlesex and Union Counties, as well as Staten Island in New York. We have completed treatments in New Jersey and on Staten Island, and we have begun a final eradication confirmation survey that will conclude by 2014.

In Massachusetts, the program is continuing to conduct delimitation surveys and enforce a quarantine that covers over 120 square miles in Worcester, Norfolk, and Suffolk Counties. The program is still detecting infested trees, but at reduced numbers and lower infestation levels. This indicates that we are approaching the fringes of the infestation. Through regulatory activities, we are monitoring any host wood movement to prevent the human-assisted spread of the pest. In addition, regulatory officers follow any leads of prior wood movement to determine if any satellite infestations exist elsewhere. Surveys continue in the Worcester area, using ground crews and tree climbing crews.

In Ohio, the program is focusing on delimitation surveys, removal of infested trees and enforcing a quarantine that covers 56 square miles in portions of Clermont County. Removing the infested trees is reducing the populations' levels to prevent further spread of the insect. Through regulatory activities, we are preventing the human-assisted spread of the pest by controlling the movement of regulated articles. Since discovering this infestation in 2011, APHIS has detected more than 7,000 infested trees and removed more than 5,000 of them.

Mr. Kingston: How much has been spent to date on the Asian Longhorned Beetle by APHIS? (Please distinguish appropriated funds from CCC funds.)

Response: Through the end of FY 2011, APHIS has spent approximately $449.7 million on Asian Longhorned Beetle eradication activities since the program began in FY 1997. Of this total, $267.1 million is from appropriated funds, $180.8 million is from emergency funds transferred from the Commodity

Credit Corporation (CCC), and $1.8 million is from CCC funding authorized in Section 10201 of the 2008 Farm Bill.

Mr. Kingston: How much have states contributed to Asian Longhorned Beetle management and eradication to date (please specify by state)?

Response: The information is submitted for the record.

[The information follows:]

STATE CONTRIBUTIONS TO
ASIAN LONGHORNED BEETLE MANAGEMENT AND ERADICATION
(Dollars in Millions)

Dates	Amount	State
FY 1997 - 2012	$91.3	New York
FY 1998 - 2007	7.7	Illinois
FY 2002 - 2012	7.8	New Jersey
FY 2009 - 2012	5.5	Massachusetts *
FY 2011 - 2012	0.1	Ohio

*Includes contributions from Massachusetts and neighboring States

Animal Welfare

Mr. Kingston: Please provide a table showing, by state, the number of staff years assigned to the animal welfare program and the number of animal care facilities, in each state for fiscal years 2010 and 2011 as well as estimated for fiscal years 2012 and 2013.

Response: The information is submitted for the record.

[The information follows:]

APHIS Staff Years and Licensed Animal Care Facilities				
STATE	FY 2010		FY 2011	
	STAFF YEARS	LICENSED FACILITIES	STAFF YEARS	LICENSED FACILITIES
Alabama	1.5	62	1.9	63
Alaska	0.2	20	0.5	19
Arizona	1.0	51	1.1	57
Arkansas	3.0	337	3.8	252
California	13.0	530	8.9	540
Colorado**	35.0	100	29.6	99
Connecticut	2.0	83	3.0	78
Delaware	0.3	9	0.3	8
District Of Columbia*	1.5	12	1.5	11
Florida	7.0	443	6.5	449
Georgia	1.5	162	1.5	148
Hawaii	1.1	40	0.6	38
Idaho	0.3	20	0.3	24
Illinois	2.0	260	4.0	231
Indiana	3.5	218	3.5	232
Iowa	5.8	477	5.8	388
Kansas	3.0	422	4.9	304
Kentucky	1.0	57	1.2	58
Louisiana	2.0	66	2.0	77
Maine	0.3	23	1.3	22
Maryland*	41.8	87	29.2	91
Massachusetts	3.0	163	3.0	156
Michigan	3.5	195	2.3	177
Minnesota	6.5	201	4.5	176
Mississippi	1.0	38	1.1	41
Missouri	16.7	1,549	18.3	1,052
Montana	1.0	33	1.0	29
Nebraska	2.0	169	3.0	121
Nevada	0.6	58	0.2	59
New Hampshire	1.0	23	1.0	26
New Jersey	2.8	105	3.3	106
New Mexico	1.6	47	1.9	35
New York	3.1	326	4.0	325
North Carolina**	35.9	154	22.5	145
North Dakota	1.0	29	1.0	25
Ohio	3.3	336	7.8	293

APHIS Staff Years and Licensed Animal Care Facilities				
STATE	FY 2010		FY 2011	
	STAFF YEARS	LICENSED FACILITIES	STAFF YEARS	LICENSED FACILITIES
Oklahoma	6.0	533	6.7	350
Oregon	2.0	87	1.9	81
Pennsylvania	4.0	444	3.8	361
Rhode Island	0.3	15	0.3	14
South Carolina	1.0	96	1.0	88
South Dakota	1.0	133	1.6	99
Tennessee	1.0	116	1.8	133
Texas	8.0	517	6.9	490
Utah	1.0	43	1.0	39
Vermont	0.1	13	0.1	13
Virginia	1.0	138	1.3	130
Washington	2.0	96	1.3	99
West Virginia	1.5	24	1.5	19
Wisconsin	2.8	231	2.5	199
Wyoming	0.1	11	0.2	10
Guam	0.1	3	0.1	3
Puerto Rico	0.1	6	0.6	6
Virgin Islands	0.05	2	0.05	2
Total	241.85	9,413	218.95	8,091

APHIS Staff Years and Licensed Animal Care Facilities				
	FY 2012 ESTIMATED		FY 2013 ESTIMATED	
STATE	STAFF YEARS	LICENSED FACILITIES	STAFF YEARS	LICENSED FACILITIES
Alabama	2.8	63	2.0	63
Alaska	0.5	19	0.5	19
Arizona	1.1	57	1.0	57
Arkansas	4.8	252	5.0	252
California	8.9	540	7.5	540
Colorado**	27.4	99	22.0	99
Connecticut	3.0	78	3.0	78
Delaware	0.3	8	0.3	8
District Of Columbia*	0.3	11	0.3	11
Florida	6.5	449	6.0	449
Georgia	1.5	148	2.0	148
Hawaii	0.6	38	0.6	38

APHIS Staff Years and Licensed Animal Care Facilities				
	FY 2012 ESTIMATED		FY 2013 ESTIMATED	
STATE	STAFF YEARS	LICENSED FACILITIES	STAFF YEARS	LICENSED FACILITIES
Idaho	0.4	24	0.4	24
Illinois	4.0	231	4.0	231
Indiana	3.5	232	3.5	232
Iowa	5.7	388	6.0	388
Kansas	4.9	304	5.0	304
Kentucky	1.2	58	1.0	58
Louisiana	2.1	77	1.0	77
Maine	1.3	22	1.0	22
Maryland*	28.8	91	24.0	91
Massachusetts	3.0	156	3.0	156
Michigan	2.3	177	2.0	177
Minnesota	4.5	176	4.5	176
Mississippi	1.1	41	1.0	41
Missouri	20.1	1,052	20.0	1,052
Montana	1.0	29	1.0	29
Nebraska	5.0	121	5.0	121
Nevada	1.2	59	1.0	59
New Hampshire	1.0	26	1.0	26
New Jersey	3.3	106	3.0	106
New Mexico	1.9	35	1.9	35
New York	4.0	325	4.0	325
North Carolina**	22.7	145	22.0	145
North Dakota	1.0	25	1.0	25
Ohio	3.8	293	3.5	293
Oklahoma	8.7	350	8.0	350
Oregon	1.9	81	1.5	81
Pennsylvania	3.8	361	3.5	361
Rhode Island	0.3	14	0.3	14
South Carolina	1.0	88	1.0	88
South Dakota	1.6	99	1.5	99
Tennessee	1.8	133	1.0	133
Texas	7.9	490	7.5	490
Utah	1.1	39	1.0	39
Vermont	0.1	13	0.1	13
Virginia	1.3	130	1.0	130

APHIS Staff Years and Licensed Animal Care Facilities				
	FY 2012 ESTIMATED		FY 2013 ESTIMATED	
STATE	STAFF YEARS	LICENSED FACILITIES	STAFF YEARS	LICENSED FACILITIES
Washington	1.3	99	1.0	99
West Virginia	1.5	19	1.5	19
Wisconsin	3.5	199	3.5	199
Wyoming	0.2	10	0.2	10
Guam	0.1	3	0.1	3
Puerto Rico	0.6	6	0.6	6
Virgin Islands	0.5	2	0.5	2
Total	223.7	8,091	203.8	8,091

*- (this amount includes Headquarters offices)
**- (this amount includes State and Regional offices)

Mr. Kingston: Provide a table showing inspection activities of the Animal Welfare Program for fiscal years 2009 through 2012 to date. Provide a definition of the column headings to better explain the data.

Response: The information is submitted for the record.

[The information follows:]

ANIMAL WELFARE PROGRAM
INSPECTION ACTIVITIES FOR FISCAL YEAR 2009

Compliance Inspections by Regulated Business Type			
Type of Business	Number of Facilities Inspected	Average Number of Inspections Per Facility	Total Number of Inspections
Dealers	4,529	1.20	5,438
Research Facilities	1,157	1.42	1,644
Exhibitors	2,432	1.45	3,518
In-transit Handlers	78	2.23	174
In-transit Carriers	115	5.30	609
Subtotal, Compliance Inspections	8,311	1.37	11,383

Other Inspections	
Pre-licensing and Pre-registration Inspections, License or Registration Issued	1,479
Pre-license Inspection Conducted, Issuance of License Pending	70
Attempted Inspections	1,391
Subtotal, Other Inspections	2,940
Total Inspections Conducted, FY 2009	14,323

ANIMAL WELFARE PROGRAM
INSPECTION ACTIVITIES FOR FISCAL YEAR 2010

Compliance Inspections by Regulated Business Type			
Type of Business	Number of Facilities Inspected	Average Number of Inspections Per Facility	Total Number of Inspections
Dealers	4,235	1.12	4,730
Research Facilities	1,230	1.37	1,685
Exhibitors	2,773	1.33	3,700
In-transit Handlers	188	1.38	260
In-transit Carriers	284	2.76	783
Subtotal, Compliance Inspections	8,710	1.26	11,158

Other Inspections	
Pre-licensing and Pre-registration Inspections, License or Registration Issued	1,428
Pre-license Inspection Conducted, Issuance of License Pending	89
Attempted Inspections	1,393
Subtotal, Other Inspections	2,910
Total Inspections Conducted, FY 2010	14,068

ANIMAL WELFARE PROGRAM
INSPECTION ACTIVITIES FOR FISCAL YEAR 2011

Compliance Inspections by Regulated Business Type			
Type of Business	Number of Facilities Inspected	Average Number of Inspections Per Facility	Total Number of Inspections
Dealers	3,415	1.33	4,543
Research Facilities	1,131	1.40	1,585
Exhibitors	2,430	1.52	3,682
In-transit Handlers	84	2.07	174
In-transit Carriers	115	6.63	763
Subtotal, Compliance Inspections	7,175	1.49	10,747

Other Inspections	
Pre-licensing and Pre-registration Inspections, License or Registration Issued	1,293
Pre-license Inspection Conducted, Issuance of License Pending	94
Attempted Inspections	1,468
Subtotal, Other Inspections	2,855
Total Inspections Conducted, FY 2011	13,602

ANIMAL WELFARE PROGRAM
INSPECTION ACTIVITIES FOR FISCAL YEAR 2012

Compliance Inspections by Regulated Business Type			
Type of Business	Number of Facilities Inspected	Average Number of Inspections Per Facility	Total Number of Inspections (as of March 31)
Dealers	1,662	1.13	1,874
Research Facilities	692	1.03	715
Exhibitors	1,574	1.14	1,790
In-transit Handlers	78	1.08	84
In-transit Carriers	304	1.12	341
Subtotal, Compliance Inspections	4,310	1.11	4,804

Other Inspections	
Pre-licensing and Pre-registration Inspections, License or Registration Issued	464
Pre-license Inspection Conducted, Issuance of License Pending	103
Attempted Inspections	618
Subtotal, Other Inspections	1,185
Total Inspections Conducted as of March 31	5,989

The Animal Welfare Act (AWA) requires people and businesses that use certain animals for research, exhibition, sold wholesale for use as pets, and transported in commerce to be licensed or registered with APHIS. A license is required for entities that breed and raise animals, purchase and/or resale animals, or show or display animals to the public. Registrations are typically required for research facilities, carriers, intermediate handlers, and certain exhibitors whose primary business is not previously mentioned. The Agency's Animal Welfare program ensures that the animals receive humane care and treatment by performing compliance inspections and providing education. Prior to providing a license or registration to a facility, APHIS determines whether a license is needed, and if so, conducts announced inspections to ascertain compliance with AWA regulations and standards. These pre-licensing inspections are required; pre-registration inspections are not required but conducted if requested by the applicant. The number of pre-licensing and pre-registration inspections conducted annually by the program is included in the "Other Inspections" table.

Once a license is issued, the program conducts unannounced inspections to help determine the facility's compliance with the AWA regulations and standards. The frequency of inspection for each facility is based on a Risk Based Inspection System (RBIS). The program uses the RBIS to support its focused inspection strategy, allowing more frequent and in-depth inspections at problem facilities and fewer at those that are consistently in compliance. The system uses several objective criteria, including past compliance history, to determine the inspection frequency at each licensed and registered facility. The "Compliance Inspections by Business Type" table

shows the total number of unannounced compliance inspections conducted during the fiscal year for each type of regulated business. Please note that the program defines a facility as a holder of the license or registration. Each facility may have only one license or registration number but may be physically divided into two or more sites.

Because the compliance inspections are unannounced, an inspector may travel to the site to conduct an inspection only to find that the licensee is not present at the facility. The inspector is then unable to conduct the inspection, causing a delay. The program classifies these as attempted inspections and is included in the "Other Inspections" table.

Mr. Kingston: Please provide a table showing the funding levels, both dollars and staff, allocated for Regulatory Enforcement and Animal Care for fiscal years 2008 through 2011 and estimated for fiscal years 2012 and 2013.

Response: The information is submitted for the record.

[The information follows:]

ANIMAL AND PLANT HEALTH REGULATORY ENFORCEMENT
FUNDING AND STAFF YEARS
(Dollars in thousands)

Fiscal Year	Funding (Appropriated)	Staff Years
2008	$12,351	125
2009	13,694	132
2010	15,483	154
2011	15,455	142
2012	16,275	142
2013	15,776	138

ANIMAL CARE
FUNDING AND STAFF YEARS
(Dollars in thousands)

Fiscal Year	Funding (Appropriated)	Staff Years
2008	$20,498	200
2009	21,522	204
2010	24,479	242
2011	24,435	219
2012	27,087	224
2013	24,159	204

Mr. Kingston: Also provide a table that shows the number of: dealer facilities; complaints registered against these facilities; inspections and re-inspections that took place; cases submitted by Animal Care to Regulatory

Enforcement for review and action; and each case resolution to include fiscal years 2009 through 2012 to date.

Response: The information is submitted for the record.

[The information follows:]

ANIMAL CARE INSPECTION ACTIVITIES

Category	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012 (as of March 31)
Total Number of Dealer Facilities	12,488	11,866	11,529	11,169
Number of Complaints Registered Against Facilities	461	503	442	230
Number of Inspections/Re-inspections	14,323	14,068	13,602	5,989
Number of Cases Submitted for Enforcement	358	573	802	295
Number of Resolutions: Official Warnings Issued	433	663	579	428
Number of Stipulations Settled	49	74	38	6
Total Stipulated Penalties (in dollars)	$117,609	$233,316	$305,873	$36,803
Formal Administrative Law Judge (ALJ) Decisions Issued	10	19	42	63
Civil Penalties Issued by ALJ (in dollars)	$414,050	$239,993	$494,662	$367,838
Total Number of Suspensions/Revocations	46	44	39	23

Mr. Kingston: How many unannounced inspections of registered in-transit carriers and in-transit intermediate handlers were conducted in fiscal year 2011 and how many do you expect to conduct in fiscal years 2012 and 2013?

Response: The information is submitted for the record.

[The information follows:]

UNANNOUNCED INSPECTIONS
OF IN-TRANSIT CARRIERS AND IN-TRANSIT INTERMEDIATE HANDLERS

	FY 2011 (Actual)	FY 2012 (Est.)	FY 2013 (Est.)
In-transit carriers[1]	763	730	699
In-transit intermediate handlers [2]	174	187	179

APHIS conducts inspections in support of Animal Welfare Act enforcement based on risk, and all APHIS inspections are unannounced. Because of their lower risk of non-compliance, APHIS projects to conduct fewer unannounced inspections of the in-transit carriers and in-transit intermediate handlers.

[1] Carriers are operators of any airline, railroad, motor carrier, shipping line, or other enterprise that is engaged in the business of transporting any animals for hire.
[2] Intermediate handlers are any persons, including a department, agency, or instrumentality of the United States or of any State or local government (other than a dealer, research facility, exhibitor, any person excluded from the definition of a dealer, research facility, or exhibitor, an operator of an auction sale, or a carrier), who are engaged in any business in which they receive custody of animals in connection with their transportation in commerce.

Mr. Kingston: Please provide the Subcommittee with the most recent activities and plans to regulate Class B dealers? How much was spent on this activity in fiscal years FY 2010 and 2011 as well as planned expenditures in FY 2012 and 2013?

Response: APHIS regulates the activities of 855 Class B dealers whose business includes the purchase and/or resale of any animal, such as but not limited to, dogs, cats, nonhuman primates, guinea pigs, hamsters, rabbits, or any other warm-blooded animals, which are used or intended to be used for research, teaching, testing, experimentation, exhibition purposes, or as a pet. APHIS will continue to inspect these business facilities in future years to ensure that the animals are provided humane care and treatment. Of the 855 Class B dealers, seven buy and sell random-source dogs and cats for research purposes.

In FY 2012 and 2013, along with inspection and enforcement activities, APHIS will continue to reach out to the dealers through various methods including hosting educational seminars, distributing fact sheets, and presenting at national, regional, and local industry sponsored meetings. We will also continue to collaborate with other Federal agencies and State health and regulatory officials to identify the needs of the dealers to support regulatory compliance.

While APHIS tracks the number of inspections and the inspection outcomes, licensee classes are not tracked separately from other inspection and enforcement activities. Therefore, the Agency is unable to provide the Subcommittee with an accurate amount representing what was spent in fiscal years 2010 and 2011 specifically for inspections and enforcement of Class B

dealers. APHIS is currently conducting a review of its inspection processes and seeks to determine amounts spent on specific activities in future years.

Mr. Kingston: APHIS recently issued a Request for Proposal for Internet Data Mining Services to gather information from Internet sites for the enforcement of animal welfare laws and regulations. On behalf of the Federal Government, the contract asks a contractor to collect and report on both buyers and sellers of pets, including what the federal government considers protected personal information. The RFP vaguely notes that the contractor will not submit to the government irrelevant information. How does this type of surveillance not violate the Federal Privacy Act (5 USC 552a) as the collection of the information described above creates a new system of records on individuals, especially for some not accused or suspected of any wrongdoing?

Response: APHIS had developed a Request for Proposal to help identify individuals who are engaged in regulated activities related to the Animal Welfare Act and the Horse Protection Act. The contract would have allowed USDA to identify individuals who are using the Internet to engage in the following activities: 1) selling animals that are to be used as pets; and 2) selling horses at horse shows, sales, exhibitions and auctions. The contract defined that only information that is already made available to the public on the Internet would be collected; personal and private information would not be collected. However, USDA is further evaluating all available opportunities to collect this information and the Request for Proposal for Internet Data Mining Services has been withdrawn at this time.

Brucellosis Activity

Mr. Kingston: What is the most recent data on herds under quarantine in the United States for brucellosis? How many States are in Class Free Status and Class A Status?

Response: All fifty States, the District of Columbia, Puerto Rico, and the Virgin Islands have been officially classified Class Free for bovine brucellosis since July 2009. Class A Status distinction is no longer used under current regulations.

There currently are two cattle herds and three domestic bison herds under quarantine in two States of the Greater Yellowstone Area (GYA). The herds are privately owned. One cattle herd and one domestic bison herd is located in Park County, Wyoming. The second cattle herd is located in Park County, Montana. The remaining two domestic bison herds are located in Gallatin and Madison Counties, Montana. Each herd is under quarantine with an affected-herd management plan in place. These plans include additional herd testing and removal of any animals that have failed the tuberculin skin test (referred to as reactor animals). All five herds are located within the States' designated surveillance area. Intensive epidemiologic investigations, including testing of area herds, have been conducted. There is no indication that brucellosis has spread outside the GYA.

As provided in the brucellosis interim rule published in December 2010, Class Free States may retain Class Free status when brucellosis-affected herds are

disclosed, provided (1) the affected herds are maintained under quarantine and (2) an affected herd management plan, which includes continued testing and removal of any reactor animals, is developed and implemented for each herd. As part of the thorough affected herd epidemiologic investigation, the States conduct appropriate surveillance to detect brucellosis in other herds or species. This approach provides for a risk-based disease management area concept in lieu of loss of State status.

Class Free States with brucellosis in wildlife or continued detections of brucellosis-affected herds now work with APHIS to develop and implement a brucellosis management plan (BMP). Each BMP defines and explains the basis for the geographic area identified in the BMP; describes the epidemiologic assessment and surveillance activities to determine if wildlife populations are affected; and describes surveillance activities and mitigation activities for domestic cattle, bison and wildlife. The States of Idaho, Montana, and Wyoming are currently working with APHIS to develop their BMPs.

Mr. Kingston: Provide a five-year table, including estimates for fiscal year 2011 and 2012 that shows the amount spent on brucellosis-infected bison at Yellowstone National Park. Also, provide a brief explanation of how these funds were used.

Response: The information is submitted for the record.

[The information follows:]

APHIS' BRUCELLOSIS EXPENDITURES FOR YELLOWSTONE NATIONAL PARK (Dollars in Thousands)

Fiscal Year	Amount Spent
2008	$1,140
2009	$1,005
2010	$1,123
2011	$1,223
2012(est.)	$1,098

APHIS provides expertise to land and wildlife management agencies to manage brucellosis in the Yellowstone National Park and in the Greater Yellowstone Area (GYA). The Agency is working with other Federal and State agencies to develop brucellosis management and mitigation plans in the GYA. APHIS concluded a six-year study that investigated the feasibility of using a quarantine process to produce brucellosis-free bison from brucellosis exposed bison in Yellowstone National Park. The process was proven successful in its ability to produce brucellosis-free bison as an end product. Currently, APHIS is analyzing the results of a two-year study evaluating the transmission of brucellosis in bull bison semen and is considering a new study to investigate the use of a contraceptive as a potential tool to reduce the transmission of brucellosis in bison.

Idaho, Montana, and Wyoming continue work on brucellosis issues through Federal cooperative agreements. This funding supports efforts such as habitat improvement to encourage elk to stay on traditional ranges and off

cattle inhabited range land (Idaho), surveillance in elk to more accurately determine the prevalence of brucellosis (Montana), and the vaccination of elk calves on feeding grounds (Wyoming). Additionally, APHIS continues to evaluate the RB51 vaccine in anticipation of its routine use in YNP bison as part of the bison management plan. Other Agency activities related to brucellosis management include capturing bison for testing and sampling, bison hazing, and laboratory support.

Tuberculosis

Mr. Kingston: How many tuberculosis affected-herds are there in the United States and where are they located?

Response: As of March 2012, APHIS has identified four tuberculosis affected cattle herds in the United States: one beef herd in South Dakota; one beef herd in Michigan; and two dairy herds in California. One dairy herd in California and the beef herd in South Dakota are undergoing a test and removal protocol. The test and removal protocol requires the removal of only infected animals from the herd allowing owners to maintain a viable herd rather than depopulating the entire herd. The disposition of the two remaining herds is pending.

National Poultry Improvement Plan

Mr. Kingston: Please provide the Subcommittee with a five year history of spending on the National Poultry Improvement Plan, including a specific break-out of costs. As part of the history, include estimated spending in fiscal years 2012 and 2013.

Response: The information is submitted for the record.

[The information follows:]

APHIS' NPIP Spending	
Fiscal Year	Amount Spent (Dollars in Thousands)
2007	$6,638
2008	$6,963
2009	$7,410
2010	$9,543
2011	$7,465
2012 (est.)	$7,500
2013 (est.)	$7,500

The National Poultry Improvement Plan (NPIP) program spends more than 90 percent of its funding in cooperative agreements with States to conduct surveillance and diagnostic activities for the following areas of concentration: live bird marketing system, upland game, commercial surveillance outside of the live bird marketing system, and assistance to the

broiler industry for avian influenza surveillance in commercial operations. The remaining 10 percent of spending is for salary, other program related expenses for the NPIP Coordination Staff, and activities related to the Secretary's NPIP Advisory Committee.

Fruit Fly Exclusion and Detection

Mr. Kingston: Please provide the Subcommittee with a table showing a breakout of activities, costs, and source of funding for fruit fly exclusion and detection for fiscal years 2009 through 2011 and planned expenditures for fiscal years 2012 and 2013.

Response: The information is submitted for the record.

[The information follows:]

FRUIT FLY EXCLUSION AND DETECTION ACTIVITIES AND FUNDING SUMMARY
(Dollars in thousands)

Funding Source	International Medfly (Moscamed)	Mexfly	Domestic Survey/ Preventive Release Program	Emergency Response	Total APHIS Costs
FY 2009					
Appropriated Funds	$25,067	$8,831	$27,535	$5,345	$66,778
CCC Funds	93	143	0	94	330
Farm Bill Section 10201	0	0	0	623	623
FY 2010*					
Appropriated Funds	26,775	9,429	33,623	0	69,827
CCC Funds	243	0	0	0	243
Farm Bill Section 10201	0	0	0	9,242	9,242
Emerging Plant Pests (EPP)/Misc. Pests	0	0	0	100	100
FY 2011					
Appropriated Funds	26,313	8,809	24,041	0	59,163
Farm Bill Section 10201	0	0	2,000	500	2,500
FY 2012 (Estimated)					
Appropriated Funds	26,197	7,386	30,656	3,764**	68,003
FY 2013 (Estimated)					
Appropriated Funds	$24,536	$5,703	$29,261	$0**	$59,500

Please note: Spending may vary from year to year based on the number and extent of exotic fruit fly outbreaks. Having no-year authority for the program provides flexibility for APHIS to adjust activities and spending based on needs of the program.

*Spending levels for appropriated funds for FY 2010 figures reported here differ from those reported last year based on inclusion of all funding sources, including prior year funds.
**Funds may be reallocated during the year from domestic survey activities to respond to outbreaks as needed.

Pseudorabies

Mr. Kingston: Please provide a table showing the amounts, both federal and non-federal, that each state expended on the pseudorabies program as well as the stage of each state for fiscal years 2011 and 2012 and planned expenditures for fiscal years 2013 and 2014.

Response: The information is submitted for the record.

[The information follows:]

	APHIS' FY 2011 Actual Pseudorabies Expenditures by State	
STATE 1/	Federal	Non-Federal
Alaska	0	$2,400
Arizona	0	5,000
Arkansas	$3,195	8,649
California	7,122	0
Colorado	585,614	0
District of Columbia	99,886	0
Florida	36,181	0
Georgia	3,806	22,456
Hawaii	0	113,916
Idaho	0	1,228
Indiana	2,167	0
Iowa	342,820	5,061
Kansas	2,305	2,360
Kentucky	3,086	0
Louisiana	5,570	0
Maryland	848,083	0
Massachusetts	2,672	0
Michigan	3,384	0
Missouri	3,679	56,148
New Mexico	2,694	2,500
New York	3,097	0
North Carolina	143,352	0

	APHIS' FY 2011 Actual Pseudorabies Expenditures by State	
STATE 1/	Federal	Non-Federal
North Dakota	2,203	3,000
Oklahoma	2,236	146,002
Oregon	3,297	0
Pennsylvania	2,790	0
South Dakota	2,236	49,555
Tennessee	2,289	0
Texas	14,661	7,480
Utah	0	29,055
Washington	0	1,025
Wisconsin	3,343	0
Wyoming	0	2,629
TOTAL	$2,131,768	$458,464

[1] All States and Territories have achieved Stage V disease status. Stage V denotes disease-free status and applies only to commercial production swine; it does not apply to feral or captive transitional swine that are at risk for exposure to the pseudorabies virus. Because all States and Territories have achieved Stage V status, there are no planned expenditures for FY 2012 and future years for specific pseudorabies efforts. The Agency will continue general monitoring and surveillance activities in the swine health program to assure trading partners of the absence of the disease in commercial swine in the United States.

Wildlife Services

Mr. Kingston: Please provide the Subcommittee with specific detail on which projects and activities will be reduced or eliminated in order to absorb a decrease of $1.25 million for the Wildlife Services Development program. How will airport safety be impacted by this reduction and by how much?

Response: APHIS is proposing to reduce funding for long-term research and development activities on wildlife-aircraft strikes, while maintaining high-priority public safety work. Scientists have been evaluating various vegetation management strategies to reduce the attraction of wildlife to airports. They have also collaborated with radar experts at the National Center for Atmospheric Research in Colorado to assess the MERLIN Aircraft Birdstrike Avoidance Radar System for detecting birds of various sizes, flight behaviors, and group sizes on airports. APHIS will now focus its research and development activities on short-term projects to reduce wildlife-aircraft strikes by developing habitat management recommendations near and around airports. Until extramural funding can be secured, the Agency will reduce funding ($491,000) for its Sandusky, Ohio, field station and eliminate exploratory research and development of on-board aircraft lighting systems that would alert birds early of approaching aircraft during take-offs and landings. However, field and analytical research on

evaluations of avian radar systems for bird-strike risk assessments (cooperator funded research) will continue.

APHIS proposes to reduce funding for some invasive species research, while maintaining essential work to protect agriculture and natural resources. At the requested funding level, the Agency will reduce funding ($641,000) for the Hilo, Hawaii, field station's work on methods to prevent rodent damage to agricultural crops, island nesting seabirds and wildlife, and human and agricultural diseases originating from the Pacific Rim.

APHIS also proposes an additional $117,000 decrease related to Agency-level operating efficiencies.

Mr. Kingston: Please provide the Subcommittee with specific detail on which projects and activities will be reduced or eliminated in order to absorb a $4.8 million reduction in the Wildlife Damage Management program. How will airport safety be impacted by this reduction and by how much?

Response: APHIS proposed a decrease of $1.063 million in appropriated funding currently used to provide assistance to the aquaculture industry in managing wildlife damage. APHIS will continue supporting the aquaculture industry by offering these services to cooperators on a reimbursable basis. With the proposed decrease, APHIS will reduce the staff years by reassigning employees to other wildlife management activities and through attrition.

APHIS also proposes to reduce $1.250 million for the oral rabies vaccination program in States outside of the barrier zone. APHIS will work with the impacted States to provide service on a reimbursable basis. APHIS will continue to focus on maintaining the current rabies barrier zones.

APHIS proposes to postpone equipment purchases and reduce non-critical activities at the Wildlife Services' Aviation Training Center (ATOC) in Cedar City, Utah. APHIS employees located at ATOC coordinate aviation safety training for Agency aerial operations activities. With the requested decrease of $2 million, other less urgent expenditures, such as some new equipment purchases (e.g., new simulator and/or new helicopters), non-ATOC employee sponsored travel, pilot salary offsets, and state aircraft operating costs offsets will be postponed or reduced. Some non-critical services provided by ATOC may continue to be offered if cooperators are willing to incur the direct costs associated with providing them. Employee training will remain the core mission of the Center. APHIS will continue to help resolve wildlife damage to a wide variety of resources and reduce threats to health and human safety.

APHIS also proposes an additional $475,000 decrease related to Agency-level operating efficiencies.

Mr. Kingston: APHIS has cooperative agreements with all states related to wildlife services operations control work. Provide a list of the amounts of cost-share provided by each state and the federal share spent for fiscal years 2010 and 2011.

Response: The following table contains the amount of Federal appropriated funds provided to States and State cooperator funds contributed in FY 2010 and 2011.

[The information follows:]

WILDLIFE SERVICES FEDERAL AND COOPERATIVE FUNDING FISCAL YEAR 2010			
State	Federal	Cooperative	Total
Alabama	$1,257,703	$358,524	$1,616,227
Alaska	996,290	533,827	1,530,117
Arizona	1,162,094	527,164	1,689,258
Arkansas	391,765	322,500	714,265
California	1,949,106	4,196,063	6,145,169
Colorado	1,063,988	2,892,659	3,956,647
Connecticut	20,000	72,289	92,289
Delaware	20,000	3,822	23,822
Florida	973,639	833,858	1,807,497
Georgia	958,267	303,299	1,261,566
Guam	447,626	0	447,626
Hawaii	1,315,560	2,632,142	3,947,702
Idaho*	1,953,710	611,575	2,565,285
Illinois	307,130	1,381,973	1,689,103
Indiana	231,661	295,630	527,291
Iowa	20,266	138,493	158,759
Kansas	373,217	471,903	845,120
Kentucky	412,498	282,386	694,884
Louisiana	642,991	192,199	835,190
Maine	577,659	340,970	918,629
Maryland	576,011	267,222	843,233
Massachusetts	515,437	430,981	946,418
Michigan	1,075,263	110,088	1,185,351
Minnesota	704,796	572,250	1,277,046
Mississippi	1,277,710	794,428	2,072,138
Missouri	587,466	308,101	895,567
Montana	2,113,301	990,379	3,103,680
Nebraska	564,101	987,359	1,551,460
Nevada	1,530,024	647,486	2,177,510
New Hampshire	599,994	273,561	873,555
New Jersey	341,059	656,672	997,731
New Mexico	1,687,222	1,007,924	2,695,146
New York	2,037,207	1,592,938	3,630,145
North Carolina	922,068	2,036,227	2,958,295

WILDLIFE SERVICES FEDERAL AND COOPERATIVE FUNDING FISCAL YEAR 2010			
State	Federal	Cooperative	Total
North Dakota	1,192,684	718,004	1,910,688
Ohio	2,199,269	382,706	2,581,975
Oklahoma	1,127,224	1,440,330	2,567,554
Oregon	1,284,323	2,181,998	3,466,321
Pennsylvania	1,735,926	1,382,639	3,118,565
Puerto Rico	38,871	91,842	130,713
South Carolina	313,074	919,634	1,232,708
South Dakota	589,451	30,377	619,828
Tennessee	1,631,790	525,062	2,156,852
Texas	7,367,125	1,340,569	8,707,694
Utah	1,439,655	186,224	1,625,879
Vermont	1,150,692	219,320	1,370,012
Virginia	1,141,092	1,247,358	2,388,450
Washington	630,308	2,122,990	2,753,298
West Virginia	2,501,943	360,132	2,862,075
Wisconsin	1,142,280	1,530,577	2,672,857
Wyoming	2,025,877	2,150,087	4,175,964
Totals	$57,118,413	$43,896,741	$101,015,154

WILDLIFE SERVICES FEDERAL AND COOPERATIVE FUNDING FISCAL YEAR 2011			
State	Federal	Cooperative	Total
Alabama	$683,316	$822,758	$1,506,074
Alaska	0	1,535,599	1,535,599
Arizona	939,483	804,146	1,743,629
Arkansas	365,757	465,518	831,275
California	1,854,612	4,907,134	6,761,746
Colorado	1,036,684	1,366,013	2,402,697
Connecticut	15,000	45,268	60,268
Delaware	15,000	12,203	27,203
District of Columbia	0	9,722	9,722
Florida	640,197	2,178,707	2,818,904
Georgia	599,850	323,625	923,475
Guam	0	4,266,977	4,266,977
Hawaii	236,498	3,148,589	3,385,087
Idaho*	1,683,590	707,996	2,391,586
Illinois	294,952	2,030,361	2,325,313
Indiana	228,230	348,483	576,713

WILDLIFE SERVICES FEDERAL AND COOPERATIVE FUNDING FISCAL YEAR 2011			
State	Federal	Cooperative	Total
Iowa	25,000	99,167	124,167
Kansas	350,391	554,524	904,915
Kentucky	25,000	231,378	256,378
Louisiana	521,847	327,203	849,050
Maine	381,091	395,053	776,144
Maryland	460,007	1,720,885	2,180,892
Massachusetts	388,621	677,575	1,066,196
Michigan	712,397	351,544	1,063,941
Minnesota	397,589	607,423	1,005,012
Mississippi	698,000	1,016,243	1,714,243
Missouri	390,501	510,715	901,216
Montana	1,775,806	701,833	2,477,639
Nebraska	546,491	1,304,812	1,851,303
Nevada	1,538,600	806,019	2,344,619
New Hampshire	926,965	256,143	1,183,108
New Jersey	328,580	727,895	1,056,475
New Mexico	1,642,767	1,009,256	2,652,023
New York	856,120	1,806,846	2,671,966
North Carolina	412,999	2,349,650	2,762,649
North Dakota	977,668	697,345	1,675,013
Ohio	935,264	669,270	1,604,534
Oklahoma	1,094,044	1,866,722	2,960,766
Oregon	1,215,737	2,184,304	3,400,041
Pennsylvania	737,236	1,449,386	2,186,622
Puerto Rico	21,291	101,660	122,951
Rhode Island	0	42,707	42,707
South Carolina	303,347	1,320,548	1,623,895
South Dakota	105,297	37,246	142,543
Tennessee	1,245,045	1,099,819	2,344,864
Texas	4,514,389	1,798,269	6,312,658
Utah	1,432,394	244,490	1,676,884
Vermont	15,000	167,187	182,187
Virginia	823,651	1,776,379	2,600,030
Washington	950,505	3,028,397	3,978,902
West Virginia	790,900	478,903	1,269,803
Wisconsin	842,887	1,653,539	2,496,426
Wyoming	1,719,732	2,200,811	3,920,543
Totals	$38,696,328	$59,244,245	$97,940,573

*The Idaho obligations include the Wildlife Services Pocatello warehouse that produces products that Wildlife Services consumes in their activities that are not commercially available. These products are used throughout many States in the predator control program. Wildlife Services does not track the value of these consumed products by the State in which they are used.

It is important to note that Wildlife Services performs work in cooperation with States. These tables represent the funding that Wildlife Services obligated in each State and the amount that each State contributed toward cooperative services provided by Wildlife services.

Mr. Kingston: Provide the Subcommittee with a table showing the amount spent on animal damage control research, including the amount allocated to non-lethal methods development, to include fiscal years 2010 through 2011 and planned for 2012 and 2013.

Response: The information is submitted for the record.

[The information follows:]

EXPENDITURES FOR ANIMAL CONTROL RESEARCH			
Fiscal Year	Total Funding	Total Non-lethal	Percent Non-lethal
1997	$10,591,000	$7,248,000	68%
1998	10,121,032	7,672,000	76%
1999	10,365,000	7,827,000	75%
2000	10,357,000	7,767,750	75%
2001	11,000,745	8,250,559	75%
2002	12,955,000	9,716,250	75%
2003	14,875,000	11,156,250	75%
2004	16,999,000	12,749,250	75%
2005	17,289,000	12,966,750	75%
2006	17,216,000	12,912,000	75%
2007	16,640,285	12,480,214	75%
2008	18,018,800	13,514,100	75%
2009	17,788,913	13,341,685	75%

EXPENDITURES FOR ANIMAL CONTROL RESEARCH			
Fiscal Year	Total Funding	Total Non-lethal	Percent Non-lethal
2010	18,271,441	13,703,581	75%
2011	16,806,320	14,621,498	87%
2012	17,728,000	14,714,240	83%
2013	16,751,000	13,400,800	80%

Mr. Kingston: Provide a table that shows, by state, the amount that was spent on protection of threatened and endangered species activities for FY 2010 and 2011.

Response: The information is submitted for the record.

[The information follows:]

FUNDING SPENT ON ENDANGERED SPECIES ACTIVITIES		
STATE	FY 2010	FY 2011
Alaska	$42,584	$66,062
Alabama	4,050	1,250
Arizona	107,131	73,391
California	1,183,309	1,255,371
Colorado	4,600	50,350
Connecticut	5,000	5,001
Florida	869,342	869,342
Georgia	53,712	4,172
Hawaii	296,820	299,135
Idaho	123,849	363,205
Illinois	30,500	41,531
Indiana	26,200	52,200
Louisiana	30,856	24,865
Massachusetts	36,650	38,550
Maine	41,645	31,000
Michigan	138,220	146,821
Minnesota	468,000	560,000
Mississippi	200,000	0

FUNDING SPENT ON ENDANGERED SPECIES ACTIVITIES		
STATE	FY 2010	FY 2011
Montana	466,756	241,193
North Carolina	5,000	3,252
North Dakota	0	14,000
Nebraska	70,000	76,000
New Hampshire	10,370	0
New Jersey	13,044	15,402
New Mexico	58,817	58,121
New York	2,906	6,000
Oregon	186,121	194,801
Pennsylvania	1,050	1,050
Rhode Island	6,000	10,500
Tennessee	3,200	3,200
Texas	76,437	55,068
Utah	39,100	39,600
Vermont	6,755	0
Virginia	108,468	96,665
Washington	1,201,475	1,400,555
Wisconsin	304,794	295,395
Wyoming	219,812	217,688
Cuba	12,000	12,000
Guam	666,000	635,000
U.S. Virgin Islands	51,380	0
Total	$7,171,953	$7,257,736

Mr. Kingston: What is the status of wolf control activities? How much did APHIS spend on this effort for fiscal year 2011 and how much is planned in fiscal years 2012 and 2013?

Response: APHIS has partnered with the U.S. Fish and Wildlife Service (FWS) and State wildlife agencies through the various wolf recovery plans.

Gray wolf populations in the United States are made up of three Distinct Population Segments (DPS) - Western Great Lakes (WGL), Northern Rocky Mountain (NRM), and Southwestern. Overall, gray wolf populations continue to increase and have exceeded their recovery goals for several years. Wolves in the WGL were delisted in January 2012, and management authority moved from Federal to State. The wolves in Idaho and Montana were delisted in April 2011, and are now under the management authority of those States. FWS has

proposed to delist wolves in Wyoming, but until that occurs, they remain under the management authority of the FWS. The Southwestern DPS of Mexican gray wolves has retained listing status, and is classified as a Nonessential Experimental Population.

FWS estimates there to be approximately 2,921 gray wolves in Minnesota, 640 in Wisconsin, and 687 in Michigan. Because wolves were, until recently, listed as threatened or endangered in this DPS, the majority of conflicts were addressed with non-lethal methods including livestock investigations, radio-collaring and tracking wolves, and direct operational assistance with fladry, electronic guards, and flashing lights. In 2011, APHIS personnel responded to more than 300 technical assistance requests to resolve wolf/livestock conflicts. In partnership with the State wildlife agencies and FWS, APHIS also participated in more than 450 wolf-related projects.

The wolf population within the NRM Population Segment (Idaho, Montana, Wyoming, eastern one-third of Washington and Oregon, and a small part of north central Utah) is roughly the same as it was in 2010 with at least 1,651 wolves. In FY 2011, APHIS removed 141 wolves in Montana, 78 in Idaho and 40 wolves in Wyoming. APHIS removed one wolf in Utah and no wolves in Oregon or Washington.

APHIS personnel in Arizona and New Mexico continue to cooperate with all of the State and Federal agencies, county governments, Native American tribes, livestock producers, and conservation groups involved in Mexican wolf recovery efforts. According to population counts completed in January 2012, there are at least 58 wolves in Arizona and New Mexico, up from 50 the last year. APHIS personnel conducted approximately 30 livestock depredation investigations and 1 permanent removal action there during 2011.

APHIS' National Wildlife Research Center is continuing to develop genetic methods to distinguish pure wolf and wolf-dog hybrids from forensic samples to better identify the cause of livestock predation. APHIS scientists collaborate with the Safari Club International Foundation and the Public Lands Council to import and evaluate several breeds of European guard dogs for reducing livestock predation by wolves. APHIS is continuing to work with State agencies and the FWS (depending on their status) when requested to address conflicts between the wolves and livestock, as well as supporting the continued population recovery of wolves producers. We are conducting these activities via reimbursable agreements.

Prior to FY 2011, annual appropriations funded some of the work. In FY 2012, APHIS is conducting wolf damage management activities in 10 Eastern and Western States on a reimbursable basis only. We currently do not have any planned wolf damage management activities for FY 2013; however, we will continue to provide support for wolf management activities on a reimbursable basis.

Noxious Weeds

Mr. Kingston: Did APHIS or its partners discover any new noxious weed introductions in the past two years? If so, what actions were taken to address the issues?

Response: In FY 2010, we found a new infestation of Mile-a-minute weed (*Mikania micrantha*) in Florida. This weed is widespread in the tropics, grows quickly, and covers other plants. Currently, we are working with the Florida Department of Agriculture and Consumer Services (FDACS) to eradicate it. After completing some delimiting surveys, FDACS has decided to take official action against it by eradicating it where possible and placing infested nurseries under quarantine. This is the only known infestation on the U.S. mainland, although it is present in Puerto Rico and Guam. We also found a new infestation of branched broomrape (*Orobanche ramosa*) in California. To address this infestation, we are working with the California Department of Food and Agriculture on regulatory and eradication activities.

In 2011, APHIS responded to new infestations of South American spongeplant (*Limnobium laevigatum*) in California, sea buckthorn (*Hippophae rhamnoides*) in Wyoming, Chilean needle grass (*Nassella neesiana*) in Alabama, Santa Maria feverfew (*Parthenium hysterophorus*) in Texas, and red root floater (*Phyllanthus fluitans*) in Florida. These plants were referred to APHIS for risk assessment to determine whether they should be regulated as Federal Noxious Weeds (FNW). In addition, APHIS cooperated with State cooperators on detections of Giant hogweed (*Heracleum mantegazzianum*) in North Carolina, and hydrilla (*Hydrilla verticillata*) in New York, to conduct control and regulatory activities to mitigate their effects.

To date in FY 2012, APHIS has responded to new detections of Okie bean (Dipogon lignosus) in California; Chaffflower (Achyranthes japonica) in Missouri; Water-mimosa (Neptunia oleracea) in Arkansas; Chinese Toon (Toona sinensis), which was reported in late 2011 in Maryland and the State is following-up; Sea Buckthorn (Hippophae rhamnoides) in Wyoming; Creeping oxalis (Oxalis exilis) in New York State; Armenian Mallow (Althaea armeniaca)in South Dakota, where the State is surveying; Short-stemmed Sedge (Carex breviculmis) in Mississippi; and Pilea hyaline in Hawaii. APHIS is evaluating these as potential FNWs.

Agricultural Quarantine Inspection (AQI) Program

Mr. Kingston: Please provide a table showing the total number of staff years funded through the Agricultural Quarantine Inspection program, both the user fee program and the appropriated program, to include fiscal year 2010 and 2011 and estimated fiscal years 2012 and 2013 estimates.

Response: The information is submitted for the record.

[The information follows:]

AGRICULTURAL QUARANTINE INSPECTION PROGRAM STAFF YEARS

Fiscal Year	Appropriated	User Fees	Total
1994	598	1,604	2,202
1995	613	1,872	2,485
1996	613	1,970	2,583
1997	514	1,987	2,501
1998	540	2,000	2,540
1999	546	2,025	2,571
2000	549	2,018	2,567
2001	573	2,370	2,943
2002	701	2,407	3,108
2003*	293	997	1,290
2004	293	997	1,290
2005	293	997	1,290
2006	303	997	1,300
2007	303	1,012	1,315
2008	303	1,309	1,612
2009	303	1,504	1,807
2010**	364	1,504	1,868
2011	364	1,350	1,714
2012 (estimated)	364	1,350	1,714
2013 (estimated)	345	1,350	1,695

*The estimates exclude the staff years that were transferred to Department of Homeland Security as of March 1, 2003, and include only those staff years remaining in APHIS.

**APHIS conducted a staff year review during the transition to its new budget structure and determined that this more accurately reflects the number of staff years associated with this program.

Mr. Kingston: What was the fiscal year 2011 amount that APHIS transferred to the Department of Homeland Security for agricultural quarantine inspection from user fees? Did this occur on a reimbursable basis or was the transfer made before any work was carried out? What are the amounts expected to be transferred in FY 2012 and FY 2013, and on what schedule?

Response: In FY 2011, APHIS transferred $319,115,785 to the Department of Homeland Security (DHS). These transfers are scheduled to occur bi-monthly subject to availability of funds. APHIS and the Department of Homeland Security's Bureau of Customs and Border Protection (CBP) discuss the potential for schedule adjustments at the beginning of the fiscal year, and APHIS notifies CBP when full transfers may not be made according to schedule. Transfers happen during the fiscal year in which the expense occurs according to an agreed upon amount and schedule in the beginning of the year.

For FY 2012, APHIS plans to transfer a total of $344,805,277 to CBP for activities in FY 2012 with transfers occurring in February, March, May, July, and August. Representatives from APHIS and CBP will develop spending plans and allocations for each Agency for the second half of FY 2012 based on further discussions during FY 2012. APHIS and CBP representatives will develop spending plans and allocations for each Agency for FY 2013 based on estimates for FY 2013 collections.

Mr. Kingston: Please provide a table showing the amount of AQI fees collected, the amount spent, and the carryover levels.

Response: The information is submitted for the record.
[The information follows:]

AGRICULTURAL QUARANTINE INSPECTION FEE COLLECTIONS & PROGRAM COSTS

Fiscal Year	Fee Collections	AQI Program Cost/Amount Spent	Unavailable Collections	Balance
1992	$96,340,546	$85,922,000	--	$17,306,972
1993	114,015,393	83,362,000	--	47,960,365
1994	100,848,105	98,257,160	--	50,551,310
1995	105,195,342	105,907,999	--	49,838,653
1996	104,274,333	118,607,891	--	35,505,095
1997	115,218,453	130,937,886	$2,000,000	17,785,662
1998	151,767,608	140,094,753	13,829,975	15,628,542
1999	171,904,404	152,232,527	12,000,000	23,300,419
2000	234,239,087	178,991,516	13,074,000	65,473,990
2001	255,140,941	222,707,164	15,187,000	82,720,767
2002	208,687,788	250,810,204	15,187,000	45,190,584
2003 a/	227,822,879	279,149,655	--	b/ 40,292,206
2004	256,103,778	303,530,291	--	b/ 59,194,684
2005	331,636,431	338,151,015	--	59,498,618
2006	417,937,169	423,653,619	--	71,669,967
2007	472,248,628	465,532,781	--	83,406,367
2008	540,736,588	523,669,907	--	100,608,466

AGRICULTURAL QUARANTINE INSPECTION FEE COLLECTIONS & PROGRAM COSTS

Fiscal Year	Fee Collections	AQI Program Cost/Amount Spent	Unavailable Collections	Balance
2009	494,483,911	551,282,958	--	b/ 50,860,111
2010	512,568,490	501,599,661	--	b/ 64,151,595
2011	534,729,510	509,853,972	--	b/ 93,222,503
2012 (est.)	540,077,000	523,206,000	--	110,093,503
2013 (est.)	545,448,000	527,421,000	--	128,120,503

a/ APHIS transferred certain AQI functions, including the responsibility for conducting international agricultural quarantine inspections at ports of entry, to the Department of Homeland Security (DHS) in March 2003. From 2003 on, the costs reported here include both APHIS and DHS costs.

b/ Funds previously unavailable (recorded in the "Unavailable Collections" column) were released due to amendments to the Food, Agriculture, Conservation, and Trade Act of 1990. Additionally, accounting adjustments related to prior year collections and deobligations resulted in additional budget authority in other years.

Mr. Kingston: Please provide a table showing the fee schedule for each activity and changes that have occurred since instituting the user fee.

Response: The information is submitted for the record.

[The information follows:]

AGRICULTURAL QUARANTINE INSPECTION (AQI) PROGRAM
USER FEE HISTORY

FY	EFFECTIVE DATES	COMMERCIAL VESSELS	COMMERCIAL TRUCKS	COMMERCIAL TRUCK TRANSPORTERS	COMMERCIAL RAILROAD CARS	COMMERCIAL AIRCRAFT	INTERNAT'L AIR PASSENGER
1998 - 1999	10/1/97 THROUGH 9/30/99	$454.50	$4.00	$80.00	$6.50	$59.75	$2.00
2000	10/1/99 THROUGH 12/31/99	$461.75	$4.00	$80.00	$6.75	$60.25	$2.05
2000	1/1/00 THROUGH 9/30/00	$465.50	$4.25	$85.00	$6.75	$64.00	$3.00
2001	10/1/00 THROUGH 9/30/01	$474.50	$4.50	$90.00	$7.00	$64.75	$3.00
2002-2004	10/1/01 THROUGH 9/3/04	$480.50	$4.75	$95.00	$7.00	$65.25	$3.10
2005	10/1/04 THROUGH 9/30/05	$486.00	$5.00	$100.00	$7.50	$70.00	$4.95
2006	10/1/05 THROUGH 9/30/2006	$488.00	$5.25	$105.00	$7.50	$70.25	$5.00
2007	10/1/06 THROUGH 9/30/07	$490.00	$5.25	$105.00	$7.75	$70.50	$5.00
2008	10/1/07 THROUGH 9/30/08	$492.00	$5.25	$105.00	$7.75	$70.50	$5.00
2009	10/1/08 THROUGH 9/30/09	$494.00	$5.25	$105.00	$7.75	$70.75	$5.00
2010-PRESENT	10/1/09 THROUGH PRESENT	$496.00	$5.25	$105.00	$7.75	$70.75	$5.00

Mr. Kingston: Does APHIS anticipate any changes in AQI user fees during FY 2012 and/or FY 2013?

Response: We do not anticipate any changes in Agricultural Quarantine Inspection user fees during FY 2012. We are reviewing the fee rates and structure currently, and will determine whether any adjustments may be appropriate for FY 2013.

Work with Department of Homeland Security

Mr. Kingston: Please provide the Committee an update on the status of the Agency's work with Customs and Border Protection, including efforts to review cargo data and entry documents. What percentage of the entries is reviewed for clearance and what percentage of entries is physically inspected? Specify percentage for those entries with permits as well as animals.

Response: The Department of Homeland Security, Customs and Border Protection (CBP) conducts reviews and inspections of cargo entering the United States. APHIS establishes import regulations and inspection policies and works with CBP's Agriculture Policies and Trade Liaison to provide guidance on inspections, identification of intercepted pests, training for CBP employees, and methods development support, among other things. Agricultural entry requirements and risk factors are built into CBP's Automated Targeting System (ATS), which reviews all cargo entries electronically and gives shipments a numerical score. If the score meets a certain threshold, the shipment will be flagged for additional review or inspection. CBP also has manifest review units that review entry data manually and monitor the output of the ATS. APHIS provides information to CBP regarding prohibited products found in the marketplace to assist in closing known smuggling pathways and helping target shipments for inspection. APHIS is working with CBP to review and refine the criteria entered into ATS related to agricultural risks. Additionally, 63 APHIS employees have access to ATS and can request that CBP inspect certain shipments. APHIS has also been working with other government agencies and CBP to develop and provide data for CBP's new Automated Commercial Environment (ACE)/ International Trade Data System initiative. ACE will eventually replace the Automated Commercial System (ACS), and it will enhance import review and tracking abilities for agricultural shipments. APHIS and CBP are in the process of developing data requirements and message sets for agricultural products for ACE.

All imports to the United States are subject to agricultural quarantine inspections regardless of whether they contain agricultural items because, among other reasons, pests and diseases may be present in the packing materials used. For certain products that carry a greater level of risk and must meet specialized requirements to enter the United States, APHIS requires a permit as a condition of entry. Examples include sugarcane, certain types of lumber, and certain live animals. In FY 2011, APHIS issued more than 7,705 import permits for plants and plant products and 10,756 import permits for live animals and animal products. Additionally, some agricultural shipments require physical inspections. For example, all shipments of plant propagative materials must be inspected and (with the exception of those imported from Canada, which are inspected at the border) these shipments are sent to APHIS' Plant Inspection Station (PIS) facilities for inspection.

Approximately 27,000 plant shipments were imported and inspected through APHIS' PIS facilities in FY 2011. While plant propagative materials are inspected, we do not track the total volume of incoming shipments subject to agricultural inspection and cannot specify the overall percentage inspected.

APHIS also conducts regulatory oversight for the importation of animals and animal products. In FY 2011, this included more than 59,000 horses, 11 million live poultry, 20.4 million hatching eggs, 0.5 million commercial birds, and 6.1 million units of poultry and livestock semen and livestock embryos. All live animal shipments regulated by APHIS are inspected by APHIS port personnel prior to release. With the exception of livestock from Mexico and Canada, which are inspected at the border, most live agricultural animals are imported through APHIS' Animal Import Centers or private quarantine facilities (with oversight from APHIS) where they are inspected and quarantined for a period of 3 to 60 days, depending on their origin and species. With limited exceptions of animals from Canada, each animal must be accompanied by a veterinary health certificate, and each shipment of live animals must have an import permit. Approximately 10 percent of live fish shipments regulated by APHIS (those susceptible to spring viremia of carp) receive a visual inspection, but health certification is reviewed for all fish shipments under APHIS jurisdiction.

The table below shows the number of agriculture-related cargo clearances and inspections by CBP at ports of entry in FY 2011.

[The information follows:]

FY 2011 AGRICULTURE QUARANTINE INSPECTIONS

ACTIVITY	TOTAL
Clearances of Nonregulated Cargo	381,413
Clearances of Regulated Cargo	848,779
Inspections of Nonregulated Cargo	238,322
Inspections of Regulated Cargo	467,547
Inspections of Exterior Container	41,413

The Department of Commerce, International Trade Administration reports that total imports of all merchandise (both manufactured and non-manufactured goods) were $2.206 trillion in FY 2011. Approximately 78 percent of all imports are manufactured goods that include items such as: computer and electronic products, beverages, tobacco products, textiles, transportation equipment and chemicals. The other 22 percent make up non-manufactured goods that are valued at $491 billion. These include items such as agricultural and livestock products, oil and gas, waste and scrap and used or secondhand merchandise. Of the $491 billion total non-manufactured goods, the estimated value for agriculture and livestock products imports was $51.4 billion. Therefore, agriculture and livestock products account for approximately 2.3 percent of the total U.S. value of imports.

Mr. Kingston: Does APHIS plan on or anticipate any transfers of appropriated funds to DHS in FY 2012 and FY 2013? To any other Department?

Response: At this time, APHIS does not plan or anticipate any transfers of appropriated funds to DHS or to any other Department in FY 2012 and FY 2013.

Mr. Kingston: Please provide a copy of the most recent Memoranda of Understanding between USDA and DHS regarding agricultural inspection, training, and data sharing as well as corresponding agreements involving the exchange of financial resources.

Response: The memoranda are attached for the record.

[The information follows:]

DHS Agreement Number: BTS-03-0001
USDA-APHIS Agreement Number: 03-1001-0382-MU

MEMORANDUM OF AGREEMENT BETWEEN THE UNITED STATES DEPARTMENT OF HOMELAND SECURITY (DHS) AND THE UNITED STATES DEPARTMENT OF AGRICULTURE (USDA)

Article 1 - Purpose and Authorities

Section 421(a) of the Homeland Security Act of 2002 (hereafter the "Act") transfers certain agricultural import and entry inspection functions to the Secretary of Homeland Security from the Secretary of Agriculture (singly the "Party" or jointly the "Parties").

This document serves as the "Transfer Agreement" (hereafter the "Agreement") required by Section 421(e) of the Act. It specifies functions transferred to DHS and those retained by USDA and establishes mechanisms between the Parties regarding the exercise of the following functions: training of employees, transfer of funds, use of employees, and additional measures provided by the Act. Further, it identifies other areas of mutual interest and responsibilities which the Parties will cooperatively address through subsequent actions and documents. This Agreement emphasizes the importance of continuing and enhancing the agricultural import and entry inspection functions transferred to DHS so as to strengthen border security and thereby better protect American agriculture.

Historically, the USDA Animal and Plant Health Inspection Service (APHIS) Agricultural Quarantine Inspection (AQI) program has focused mainly on preventing the introduction of harmful agricultural pests and diseases into the United States. Now, the threat of intentional introductions of these pests or pathogens as a means of biological warfare or terrorism is an emerging concern that the United States must be prepared to deal with effectively. Guarding against such an eventuality is important to the security of the Nation. Failure to do so could disrupt American agricultural production, erode confidence in the U.S. food supply, and destabilize the U.S. economy. The transfer of USDA agricultural inspectors, with their extensive training and experience in biology and agricultural inspection, provides DHS the capability to recognize and prevent the entry of organisms that might be used for biological warfare or terrorism.

The Parties, through this Agreement and by other means, are committed to working cooperatively now and in the future to implement the relevant provisions of the Act and to ensure necessary support for and coordination of the AQI program components that reside in each Department following the transfer of functions and employees.

As required by the Act, in this Agreement the Parties shall address the following:

Transferred Functions and Employees (Article 2):
USDA agricultural import and entry inspection functions and associated employees to be transferred to DHS [Section 421(a) and (g)]

Excluded Quarantine Activities and Other Retained USDA Activities (Article 3):
Quarantine and associated activities excluded from the transfer [Section 421(c)] and remaining in USDA

Training (Article 4):
USDA supervision of training [Section 421(e) (2)(A)]

Transfer of Funds (Article 5):
[Section 421(e) (2) (B) and (f) (1 and 2)]

Cooperation and Reciprocity (Article 6):
DHS authority to perform functions delegated to USDA-APHIS [Section 421(e) (3) (A)] and USDA authority to use DHS employees to carry out authorities delegated to USDA-APHIS [Section 421(e) (3) (B)]

Regulations, Policies, and Procedures (Article 7):
[Section 421(d) (1), (d) (2), and (d) (3)]

Agreement Revisions, Amendments, and Appendices (Article 10):
[Section 421(e) (1) (a)]

Article 8 establishes the basis for collaboration between DHS and USDA on other issues and areas of mutual interest that the Parties recognize as necessary for the administration and maintenance of relations between the Parties in carrying out the provisions of the Act and the respective missions of the Parties.

The Parties agree to designate, in writing, an Authorized Representative who shall be responsible for administering the terms and conditions within this Agreement.

Article 2 – USDA Functions Transferred to DHS

The USDA AQI program will be divided, with some functions transferred to DHS as reflected in this Article, and others retained by USDA as reflected in Article 3.

The agricultural import and entry inspection functions transferred to DHS shall include:

a) Reviewing passenger declarations and/or cargo manifests and, utilizing USDA pest and risk data, targeting for inspection high risk agricultural passenger/cargo shipments
b) Inspecting international passengers, luggage, cargo, mail, and means of conveyance
c) Holding cargo and articles of suspected agricultural quarantine significance where

appropriate for evaluation of plant and animal health risk in accordance with USDA regulations, policies, and guidelines

d) Referring propagative and other designated materials to USDA for inspection, control, and disposition
e) Seizing articles in violation of USDA regulations, safeguarding to prevent pest escape, and destroying or re-exporting them
f) Referring all live animals, embryos, semen, and other viable animal products to USDA
g) Collecting and preparing or preserving pest and disease samples for analysis
h) Submitting intercepted pest and disease specimens via Pest Identification Form 309a
i) Assessing and collecting spot settlements in accordance with USDA guidelines, documenting suspected violations, and referring suspected violations to USDA for further investigation and appropriate action
j) Collecting, submitting, and reporting program information (e.g., Workload Accomplishment Data System (WADS) Form 280, AQIM)
k) Performing specific risk information collection activities for use in USDA risk analysis (e.g., Agricultural Quarantine Inspection Monitoring (AQIM) systems) and promptly notifying USDA upon detections of new or unusual infested or contaminated cargo
l) Maintaining, monitoring, and enforcing existing compliance agreements for functions conducted by DHS
m) Monitoring transit shipments and verifying exit
n) Reviewing import permits and certificates for validity and compliance
o) Preparing and forwarding documentation for reimbursable overtime services to USDA.

In accordance with Section 421(g) of the Act, USDA shall transfer not more than 3,200 full-time equivalent positions to DHS.

Article 3 - Quarantine and Other Relevant Functions Retained by USDA

The agricultural import and entry inspection and associated functions remaining in USDA shall include:

a) Providing risk analysis guidance, including, in consultation with DHS, the setting of inspection protocols
b) Applying remedial measures other than destruction and re-exportation, such as fumigation, to commodities, conveyances, and passengers
c) Providing specialized inspection of propagative plant material and pest identification services at plant inspection stations and other facilities
d) Conducting inter- and intra-state inspection of passenger, commodity, and conveyance movements, including the preclearance of passengers in Hawaii and Puerto Rico destined for the mainland United States
e) Performing inspection and related activities, such as compliance with requirements of agricultural protocols and systems, in connection with the preclearance of commodities in foreign countries
f) Verifying compliance with trade protocols, including but not limited to conducting domestic

market and transit surveys and outreach to the private sector as part of the APHIS Smuggling Interdiction and Trade Compliance Program

g) Investigating and adjudicating AQI violations, either civilly or through referral for criminal prosecution, in accordance with USDA's administrative procedures and applicable statutes
h) Issuing phytosanitary (plant health) and animal byproduct certificates for U.S. agricultural exports
i) Supervising training relating to agricultural inspection functions, as described in Article 4
j) Managing AQI user fee funds, including auditing of user accounts, as described in Article 5
k) Developing regulations, policy, and procedures as described in Article 7
l) Managing the AQI performance measurement system in consultation with DHS.

Article 4 - Training

In accordance with Section 421(e) (2) (A) of the Act, USDA shall supervise training of DHS employees to carry out functions transferred. The Parties agree that USDA will supervise and provide educational support and systems to ensure that DHS employees receive the training necessary to carry out the USDA functions transferred to DHS. This includes, but is not limited to the following:

a) New Officer Training for Agricultural Specialists

b) Basic Canine Officer Training for Agricultural Canine Teams

c) Regulatory Pesticide Applicator and Fumigation Training

d) Biological Security Training for Agricultural Specialists

The Parties will, subject to any necessary OMB approval, jointly develop an annual work plan and budget for agricultural training provided by USDA for DHS.

Article 5 - Transfer of Funds

The Parties understand that agricultural inspection activities as defined in Articles 2 and 3 of this Agreement will be funded, in part, out of funds collected by fees authorized under sections 2508 and 2509 of the Food, Agriculture, Conservation, and Trade Act of 1990 (21 U.S.C. 136, 136a). The fees will continue to be paid to a dedicated account in the Treasury and be administered by USDA.

In accordance with Section 421 Subsections (e)(2)(B) and (f)(1-2) of the Act, USDA shall, from time to time, transfer funds to DHS for agricultural inspection functions carried out by DHS for which funds are collected.

Subject to any necessary OMB approval, the Parties agree to cooperate in the development of annual plans and budgets, user fee rates, and funds control and financial reporting procedures for the agricultural inspection functions in Articles 2 and 3. The Parties will develop specific methods and

execute appropriate instruments to transfer funds from USDA to DHS in accordance with the previous paragraph.

Article 6 – Cooperation and Reciprocity

Section 421(e) (3) (A) of the Act provides authority for an agreement between DHS and USDA for DHS to perform functions delegated to USDA-APHIS regarding the protection of domestic livestock and plants not transferred to DHS. This includes but is not limited to the performance of those functions listed in Article 3.

Section 421(e) (3) (B) of the Act provides for an agreement between DHS and USDA for USDA to use DHS employees to carry out authorities delegated to USDA-APHIS regarding the protection of domestic livestock and plants. This includes but is not limited to the use of DHS employees in the management of agricultural pests and diseases throughout the United States.

DHS and USDA agree to develop procedures for USDA use of DHS employees and/or DHS performance of functions that recognize the importance of the homeland security mission while addressing the need for a skilled workforce to carry out USDA functions. These procedures will be incorporated into a subsequent amendment to this Agreement. Pending the completion of these procedures, the Parties are free to enter into agreements for reciprocity consistent with section 421 of the Act. Neither this Article, nor any appendix to this Agreement, shall obligate either Party to take action inconsistent with the fulfillment of its mission.

Article 7 - Regulations, Policies, and Procedures

In accordance with Section 421(d) of the Act, the Parties understand and agree that:

a) USDA retains responsibility for developing and issuing regulations, policies, and procedures covering the agricultural functions transferred to DHS

b) USDA shall provide DHS with copies of all relevant agricultural regulations, policies, and procedures; and train DHS employees as necessary in their application

c) USDA functions transferred to DHS shall be exercised and enforced by DHS in accordance with USDA regulations, policies, and procedures

d) Whenever USDA prescribes new regulations, policies, and procedures for administering those agricultural functions transferred to DHS, or proposes changes to relevant existing regulations, policies, and procedures, USDA shall coordinate such actions with DHS

e) Whenever DHS issues such directives or guidelines as may be necessary to ensure the effective use of DHS personnel carrying out the agricultural functions transferred to DHS, it shall do so in consultation with USDA

Article 8 –Communication and Liaison

The Parties will facilitate an orderly transition and develop the best possible safeguards to protect the nation's agricultural infrastructure. To this end, the Parties agree to coordinate actions and communicate changes in operations and other important information. Whenever credible threats are identified, the Parties shall, as soon as possible, provide to each other all relevant threat and vulnerability information relating to agricultural terrorism, consistent with national security interests. This may include, for example, intelligence for inspection of specific pest and disease threats to allow adjusting operations to changing risk levels.

The Parties agree that DHS will provide USDA with access to, subject to national security considerations and agreed upon information sharing protocols, port environs and port information/databases necessary to fulfill USDA's responsibilities, including but not limited to the functions listed in Article 3 of this Agreement.

The Parties will establish, to the extent and at the level(s) mutually deemed necessary, liaisons or points of contact to facilitate the execution of this article.

Article 9 - Limitation of Commitment

Any financial commitment made by either Party shall be contingent upon the availability of funds appropriated by the Congress of the United States or otherwise provided to the Parties through Congressional authorization. It is understood and agreed that any monies allocated for purposes covered by this Agreement shall be expended in accordance with its terms and in the manner prescribed by the fiscal regulations and/or administrative policies of the Party making the funds available.

If fiscal resources are to transfer, a separate interagency agreement, or other such instrument, as appropriate, must be developed by the Parties.

Article 10 - Revisions, Amendments, and Appendices

In accordance with Section 421(e) (1), the Parties understand and agree that:

a) This Agreement shall be reviewed periodically by the Parties when jointly deemed appropriate to determine if amendments or appendices are necessary. The Parties agree that the first such review will be completed by September 30, 2003.

b) This Agreement may be amended or supplemented at any time by agreement of the Parties in writing.

Article 11 - Effective Date

This Agreement will become effective upon date of final signature.

Article 12 – No Private Right Created

This Agreement is an internal policy statement of the undersigned agencies and does not create any rights, privileges, or benefits for any person or party.

Tom Ridge — Feb. 28, 2003

TOM RIDGE — DATE

SECRETARY OF HOMELAND SECURITY

Feb 28, 2003

ANN M. VENEMAN — DATE

SECRETARY OF AGRICULTURE

Appendix for Memorandum of Agreement (MOA) between the US Department of Homeland Security (DHS) and the US Department of Agriculture (USDA)
Articles 2 & 3, Separation of Function

I. Purpose

This appendix is intended to provide guidance to further detail and delineate the current operational tasks and subtasks necessary to carry out the general functions listed in Articles 2 & 3 of the MOA. Within this appendix includes the details of responsibilities, operating procedures, working relationships, communication, and a framework necessary for the Animal and Plant Health Inspection Service (APHIS) and Customs and Border Protection (CBP) to successfully maintain the agricultural inspection mission.

II. Background

The Homeland Security Act of 2002 (the Act). Section 421 of the Act transferred to DHS functions of APHIS relating to agricultural import and entry inspection.

Memorandum of Agreement. Secretary of USDA, Ann M. Veneman, and Secretary of DHS, Tom Ridge signed the MOA required under section 421(e) of the Act, on February 28, 2003. Article 2 of the MOA lists those general functions that were transferred to CBP. Article 3 lists those general functions retained by APHIS Plant Protection and Quarantine (PPQ) and APHIS Investigative and Enforcement Services (IES).

III. Responsibilities

International Vessel Inspection

CBP agrees to:

- Inspect foreign and coastwise arrival vessels (commercial & privately owned) per established USDA guidelines, inspect stores – seal if necessary. Monitor compliance (storage on vessel & garbage removal) per USDA regulatory requirements for international garbage.
- Document and issue spot settlements for garbage and notification violations or broken seals.
- Inspect high-risk vessels for Asian gypsy moth; contact PPQ if egg masses/larvae are found.
- Inspect barges for regulated materials and pests (e.g., dunnage, khapra beetle, etc.)

- Inspect vessels for Africanized honeybees and depopulate, if found contact PPQ immediately.
- Supervise cleaning and disinfecting operations.
- Notify APHIS-Veterinary Services when live animals are present.
- Provide training to military personnel.
- Inspect crew and passengers.

PPQ agrees to:

- Inspect domestic vessels transiting from Hawaii or Puerto Rico.

International Aircraft Inspection (passenger, cargo, private)

CBP agrees to:

- Inspect foreign arrival aircraft per established guidelines. Monitor catering and garbage compliance.
- Treat aircraft per USDA guidelines; if live pests or soil are found notify PPQ prior to treatment.
- Properly destroy or dispose of seized and inspected agriculture contraband by grinding or moving to approved facilities under appropriate safeguards for destruction. Initiate and maintain associated compliance agreements.
- Calibrate steam sterilizers used for the destruction of foreign origin garbage from aircraft and agriculture articles seized from passengers.
- Supervise aircraft cleaning and disinfecting.
- Notify APHIS-Veterinary Services when live animals are present.
- Provide cooperator training to military personnel.
- Contact PPQ regarding prosecution of compliance agreement violations.

PPQ agrees to:

- Provide compliance agreement templates for caterers, cleaners, and sterilizers to destroy and dispose foreign garbage and agricultural products.

Air Passenger Inspection

CBP agrees to:

- Select and inspect passenger baggage. Seize and safeguard non-enterable articles (agricultural contraband).
- Inspect articles for pests, pathogens, diseases, and weed seeds. If found, complete PPQ form 309A and provide to PPQ. Document violations, issue spot settlements, and make entry in penalty database.
- Properly destroy or dispose of seized and inspected agriculture contraband by grinding or moving to appropriate facilities under appropriate safeguards.
- Collect and enter monitoring, arrival, new pathway, and accomplishment data.
- Provide documentation for admissible animal trophies and other animal byproducts entering through passenger baggage to APHIS for review. Initiate VS 16-78 and provide notification to APHIS Area Veterinarian In Charge (AVIC).
- Refer propagative articles (plant bulbs or seeds) and associated paperwork to PPQ.
- Disinfect passenger shoes
- Provide training to military personnel.

PPQ agrees to:

- Inspect, treat (if necessary) and release propagative articles referred from CBP passenger baggage inspections and notify CBP when admissible articles have been released.

Cargo Inspection

CBP agrees to:

- Review manifests and hold shipments of agriculture concern. Determine entry requirements.
- Inspect shipments, including fruit cutting, to validate treatment. Determine if shipment meets import requirements.
- Submit pest interceptions to PPQ for identification. Complete Emergency Action Notification (EAN) if an actionable pest is found or mandatory treatment required (if no permit is present with shipment). Safeguard commodity prior to treatment, re-export, or destruction. Monitor destruction or re-export per established guidelines.
- Monitor reconditioning of cargo when repackaging or removal of non-compliant packing material is required.
- Inspect and safeguard dunnage. Monitor destruction if required.
- Notify PPQ If cargo fumigation is required, then transfer custody to PPQ.

- Monitor non-fumigation treatments. Release treated shipments, as appropriate.
- Take necessary actions and recover costs for remedial measures when importer or agent fails to follow EAN.

PPQ agrees to:

- Provide pest identifications and action status; select appropriate treatments
- Safeguard shipment at fumigation sites and monitor fumigations. Release fumigated shipments.
- Certify vessels for cold treatment. Review cold treatment documentation (bulk or containers) and activities.
- Review and approve applications or lists for line release programs to expedite movement of agriculture commodities.

Clearance of Plants, Seeds and Other Propagules

CBP agrees to:

- Review manifests and hold shipments of plants, seeds, and other propagules. Determine if shipments meet regulatory requirements.
- Inspect and release, if appropriate, admissible shipments not requiring clearance through a Plant Inspection Station or admissible without a permit per 7CFR 319.37.
- Refer to PPQ those shipments requiring clearance through a Plant Inspection Station.
- Destroy or re-export prohibited or refused shipments.
- Coordinate and safeguard the movement of live plant pests (permitted) to a Plant Inspection Station.

PPQ agrees to:

- Inspect and treat if appropriate, shipments imported under a permit or admissible without a permit.
- Refer prohibited or refused shipments to CBP for destruction or re-export.

Handling of Animal Products, By-Products

CBP agrees to:

- Review manifests, hold products of concern, and determine entry requirements.
- Inspect shipments, if required, and review documentation (certification, permits, and statements from shippers or producers).
- If ticks, contaminants, or other prohibited or restricted products are found, then take remedial measures per established guidelines.

- Safeguard meat shipments by sealing or allowing movement to approved site and notify Food Safety and Inspection Service regarding disposition of shipment as required.
- If refused entry, oversee destruction or re-export; and document actions, as required.

Enforcing Convention on International Trade in Endangered Species (CITES)-COMMERCIAL SHIPMENTS.

CBP agrees to:

- Review manifests and hold imported CITES materials. Refer CITES regulated live plant shipments to PPQ and regulated non-living CITES articles (e.g., mahogany, ramin wood, ginseng, etc.).
- Review CITES permits accompanying non-living CITES shipments; seize shipments arriving w/o proper documents.
- Process CITES paperwork for released shipments and forward cancelled permits to US Fish and Wildlife Services (USFWS).
- Distribute, and post/publish CITES seizure notices.
- Safeguard seized shipments and arrange for transfer or disposal. Document actions, as required.

PPQ agrees to:

- Review CITES permits accompanying live plant material; seize CITES shipments arriving w/o proper documents.
- Process CITES paperwork for released shipments and forward cancelled permits to USFWS.
- Distribute, post or publish CITES seizure notices.
- Safeguard seized shipments and arrange for transfer or disposal of seized and forfeited property, including Plant Rescue Center placement. Document actions, as required.

Enforcing Convention on International Trade in Endangered Species (CITES) – BAGGAGE

CBP agrees to:

- Identify/regulate CITES materials in passenger baggage; seize CITES plants/materials arriving w/o CITES permits from passenger baggage and send to the Plant Inspection Station; initiate documentation for seizure; safeguard seized CITES materials (esp. live plants).

PPQ agrees to:

- Safeguard seized CITES materials (esp. live plants); initiate Plant Rescue Center request and coordinate with USFWS the movement of seized plants to Plant Rescue Centers.

Commodity/ Military Preclearance

CBP agrees to:

- Determine availability of, and assign CBP employees to participate in select preclearance programs, as provided for in Appendix 6 of the MOA.
- Review utilization and performance of assigned personnel.
- Monitor/inspect precleared commodities at the POE per established guidelines.

PPQ agrees to:

- Approve preclearance programs; schedule assignments and maintain the list of qualified candidates; select participants from respective departments.
- Provide oversight and management of the programs; provide training orientation, and performance monitoring for CBP personnel assigned to preclearance activities.
- Provide formal overseas military training

Transit Movements (plant material only)

CBP agrees to:

- Determine operational feasibility of transit requests (e.g. resources are available to safeguard).
- Refer permit applicants to PPQ Permit Unit.
- Safeguard shipments during transloading and for transit (seal container and verify documentation); notify exit port of shipment and log into Treated/T&E database.
- Monitor transit movements, verify seals and documentation prior to exiting the U.S.
- Audit T&E transit programs.

PPQ agrees to:

- Issue transit permits.
- Audit limited distribution programs (e.g. Mexican avocados, Spanish clementines).

AQI Monitoring

CBP agrees to:

- Provide local port Agricultural Quarantine Inspection Monitoring (AQIM) coordinator and members to the National AQIM team.

- Maintain local port sampling procedures per PPQ guidelines; select and inspect sample from appropriate population; enter data into Epi database and transmit data file.
- Perform primary data quality control.
- Provide PPQ access for AQIM activity reviews.

PPQ agrees to:

- Provide members to National AQIM team.
- Determine AQIM pathways and content; consult with statistical resources; determine sampling protocols and communicate sampling protocols to CBP.
- Provide AQIM procedure training; maintain and provide to CBP the AQIM National Handbook, worksheets and database software/data entry files.
- Provide additional data quality control.
- Coordinate with CBP to perform AQIM port activity/ reviews.

Counter - Agricultural Smuggling Program

CBP agrees to:

- Inspect cargo at ports of entry determined to be high risk for smuggling based upon ongoing investigations and provide information to PPQ SITC.
- Incorporate agricultural violation information into the automatic targeting criteria system for cargo inspections.
- Provide local assistance during counter smuggling operations (e.g. blitz activity) when available.
- Target and inspect cargo at ports of entry determined to be high risk based upon retail market information.

PPQ agrees to:

- Gather information and evidence in domestic markets on prohibited or restricted foreign commodities.
- Collect information to document and trace interstate/intrastate movement of prohibited commodities.
- Provide specific information to CBP regarding prohibited or restricted commodities that had transited through the ports of entry.
- Provide liaison, education and cooperative efforts with the State Departments of Agriculture and other Federal agencies regarding APHIS regulatory compliance programs.
- Contact CBP to coordinate operations such as blitz activities, trade verifications and cargo survey events at ports of entry; provide staff to perform these activities.

- Survey facilities outside of ports of entry for compliance with APHIS regulations.
- Notify CBP Headquarter of emerging trends of prohibited commodities found in markets.

Fines and Penalties

CBP agrees to:

- Document violations and issue spot settlements for baggage, garbage, notification and broken seal violations (Forms 591 and 592); collect voluntary payments for these violations at port cashier.
- Refer unpaid baggage and all agricultural cargo violations (Form 518) to APHIS IES HQ Enforcement Staff.
- Collaborate on investigations that are of importance to the missions of CBP and APHIS.

IES agrees to:

- Investigate agricultural referrals from CBP that require further documentation prior to assessing civil penalties.
- Issue civil penalty stipulations or initiate formal administrative prosecution on all agricultural cases referred by CBP.
- Report to CBP the final administrative disposition of cases referred by CBP to APHIS for prosecution.
- Collaboration on investigations that are of importance to the missions of CBP and APHIS.

Pest Interception Tracking

CBP agrees to:

- Collect and prepare pest interceptions, complete form PPQ 309A, and submit both to PPQ for identification.
- Communicate to broker or importer about cargo disposition options.

PPQ agrees to:

- Prepare and analyze interceptions; determine quarantine response and communicate options to CBP.
- Complete identification record in PIN-309 database and make accessible to CBP.
- Provide pest identification training to CBP.

Effective Date and Changes to This Appendix

This document will serve as an appendix to Articles 2 & 3 of the MOA and can be amended by mutual agreement at any time by agreement of the parties in writing. This agreement will be effective when signed by both designated officials.

7-2-03

Jayson P. Ahern
Assistant Commissioner, Office of Field Operations
Customs and Border Protection

DATE

3 July 03

Richard L. Dunkle
Deputy Administrator, USDA APHIS Plant Protection and Quarantine

DATE

Attachment

Attachment to Appendix for Articles 2 & 3 of MOA

Policy and Procedures to Separate PPQ and CBP AI employees at the POEs.

Since March 1, 2003, APHIS PPQ and CBP AI employees have continued to share work at Ports of Entry, tours of duty, rotations, and overtime to meet the needs of the agricultural mission. PPQ and CBP management share a mutual goal to separate program personnel along the functional lines prescribed in Articles 2 & 3 of the Memorandum of Agreement (MOA), with the understanding that some degree of mutual assistance will be needed post separation.

The separation will be implemented in phases to allow management additional time to secure staffing, training, and security clearance approvals. Implementation will be with the concurrence of CBP DFOs and PPQ regional management. Management will work with LMR to meet statutory or contracted obligations.

Procedures: This policy will allow for the separation of PPQ and CBP employees and will require employees of each Agency to report to a supervisor in their home Agency. Space and access issues will be managed to provide mutual benefit for both Agencies and to limit any disruption to travel and trade. In order to achieve these goals, the following actions will be taken:

1. PPQ and CBP AI will work jointly to determine the separation dates for Ports of Entry. These dates will vary depending on location and available resources. Upon separation, the employees of each organization will perform work within their employing Agency.

2. The APHIS PPQ OIC and CBP AI Port Director will review and separate the work schedules of employees per function delineated in MOA appendices 2 & 3.

3. As an interim measure or until October 1, 2003, PPQ will continue to provide administrative support for CBP AI at locations where no CBP agricultural IT or administrative personnel are assigned or available.

Procedures to Request Assistance/Support:

If either PPQ or CBP AI has a need for assistance, they will contact the appropriate Port Director (CBP)/PPQ OIC/Supervisor). The contacted supervisor will work with their counterpart to gain the assistance needed. This process will be worked out at the local level to minimize the need for interventions at higher organizational levels.
If requests for local assistance cannot be satisfied, then the requesting party will need to manage the assignment/workload according to resources internally.

Overtime
DHS CBP AI and APHIS PPQ will manage their internal overtime systems to be self-sufficient and will not request assistance from each other to cover any overtime assignments.

Appendix for Memorandum of Agreement (MOA) between the US Department of Homeland Security (DHS) and the US Department of Agriculture (USDA) Article 4, Training

I. Purpose

A. This Appendix details the responsibilities of the United States Department of Agriculture (USDA) Animal and Plant Health Inspection Service (APHIS), and, Department of Homeland Security (DHS) United States Customs and Border Protection (CBP), (hereinafter "the Parties") with regard to training CBP employees to carry out the functions transferred pursuant to the Homeland Security Act of 2002 (the Act), consistent with the Memorandum of Agreement (MOA) between the Parties, Article 4. The training will focus on the specific agricultural import and entry inspection functions transferred to CBP.

B. This Appendix includes the details of responsibilities, operating procedures, working relationships, communication, and a framework necessary for the Parties to successfully maintain a constructive and relevant training program supporting the agricultural inspection mission.

II. Background

A. The Homeland Security Act of 2002. Section 421 of the Act transferred to DHS certain functions of APHIS relating to agricultural import and entry inspection.

B. Memorandum of Agreement. The Secretary of USDA and Secretary of DHS signed the MOA required under section 421(e) of the Act, on February 28, 2003. Article 4 of the MOA pertains to training DHS on functions transferred from USDA.

III. Responsibilities

A. General.

1. The Parties agree to:
   a. Provide access to their respective training facilities to each other, subject to relevant security provisions;
   b. Provide relevant information regarding training initiatives for the CBP Agriculture Specialist and agriculture-related training for the CBP Officer;
   c. Coordinate and communicate changes in training operations specific to the agricultural inspection mission; and
   d. Establish points of contact as necessary for expedient processing of information.

2. The Parties will, subject to any necessary OMB approval, jointly develop an annual work plan and budget for agricultural training provided by USDA for DHS.

3. USDA APHIS shall have the responsibility to supervise the training of DHS CBP employees to carry out the functions transferred under the Act. CBP retains the responsibility to supervise the CBP employees.

4. USDA APHIS will supervise and provide educational support and systems to ensure that DHS CBP employees receive the training necessary to carry out those functions transferred to DHS CBP. The training includes but is not limited to the following:
   a. CBP Agriculture Specialist Basic Training;
   b. CBP Agriculture Specialist Basic Canine Officer Training;
   c. Agricultural Inspection Mission-related Training for the CBP Agriculture Specialist;
   d. Agricultural Inspection Mission-related Training for the CBP Officer and other CBP Job Series; and
   e. Regulatory Pesticide Applicator Recertification for the CBP Agriculture Specialist.

B. CBP Agriculture Specialist Basic Training. This training serves as the basic academy for new hire CBP Agriculture Specialists. The training is mandatory for all new hires into this series and includes a curriculum of CBP courses on topics such as Professionalism, Integrity, Risk Targeting, Anti-Terrorism; and APHIS courses on topics such as Agricultural Regulatory Decision Making, Pest Identification, Pesticide Certification and Fumigation Training.

1. DHS CBP Agrees to:
   a. Provide USDA APHIS with projections on numbers of anticipated trainees for Basic Training on a fiscal year basis;
   b. Collaborate with USDA APHIS on annual class dates;
   c. Provide USDA APHIS a point of contact in CBP's Office of Human Resources (OHR) responsible for confirming class lists and forwarding accurate lists to USDA APHIS in a timely manner;
   d. Provide all required administrative support (e.g., trainee travel, uniforms, conduct issues, attendance) for each class;
   e. Collaborate with USDA APHIS on the administrative guidelines for testing policies and procedures and standards for successful completion (condition of employment);
   f. Provide summaries of class evaluation data to USDA's Office of Training and Development for future training enhancement;
   g. Provide subject matter experts for input on design or redesign of agricultural training;
   h. Collaborate with USDA APHIS on potential course content;

i. Provide USDA APHIS points of contact for training analysis, design, development and evaluation;
j. Provide a Class Coordinator and Training Technician, as appropriate, on site for training at the Professional Development Center (PDC) at Frederick, Maryland;
k. Collaborate with USDA APHIS on minimum notification times for class scheduling and cancellations, as well as minimum and maximum class size;
L. Provide USDA APHIS a method for the distribution of Agricultural Inspection (AI) mission-related training materials and associated documents, and a mechanism to ensure proper accountability for distribution of same materials and documents (e.g., CD-ROMs, job aids, manuals).

2. USDA APHIS Agrees to:
   a. Collaborate with DHS CBP on annual class dates;
   b. Provide DHS CBP a point of contact for logistical support needed for conducting Basic Training;
   c. Establish and maintain administrative guidelines for testing policies and procedures and standards for successful completion;
   d. Define and validate the content of the core curriculum;
   e. Provide a Project Manager to collaborate with DHS CBP Class Coordinator and Training Technician;
   f. Provide office space and basic operating services for CBP Class Coordinator and Training Technician at the PDC;
   g. Provide all agricultural training materials and associated references;
   h. Provide results of all testing of PPQ-instructed curricula to the DHS CBP point of contact.

C. CBP Agriculture Specialist Basic Canine Officer Training (BCOT). This training serves as the basic academy training for CBP Agriculture Specialists selected into the Canine Program.

1. DHS CBP Agrees to:
   a. Provide USDA APHIS with projections on numbers of anticipated trainees for BCOT on a fiscal year basis;
   b. Collaborate with USDA APHIS on annual class dates;
   c. Provide USDA APHIS a point of contact in CBP's OHR responsible for confirming class lists and forwarding accurate lists in a timely manner;
   d. Provide all required administrative support (e.g., trainee travel, uniforms, conduct issues, attendance) for each class;
   e. Collaborate with USDA APHIS on the administrative guidelines for testing policies and procedures and standards for successful completion (condition of employment);
   f. Provide summaries of post-class evaluation data to USDA's Office of Training and Development for future training enhancement;

g. Provide subject matter experts for input on design or redesign of agricultural training;
h. Collaborate with USDA APHIS on potential course content;
i. Collaborate with USDA APHIS on minimum notification times for class scheduling and cancellations, as well as minimum and maximum class size;
j. Ensure that in the development of all post-BCOT requirements, USDA is consulted;
k. Provide USDA APHIS a method for the distribution of AI mission-related training materials and associated documents, and a mechanism to ensure proper accountability for distribution of same materials and documents (e.g., CD-ROMs, job aids, manuals).

2. USDA APHIS Agrees to:
   a. Collaborate with DHS CBP on annual class dates;
   b. Provide DHS CBP a point of contact for logistical support needed for conducting BCOT;
   c. Establish and maintain administrative guidelines for testing policies and procedures and standards for successful completion;
   d. Define and validate the content of the core curriculum;
   e. Provide a Project Manager to collaborate with DHS CBP;
   f. Provide office space and basic operating services for DHS CBP, as appropriate;
   g. Provide all agricultural training materials and associated references;
   h. Provide all required post-BCOT training support;
   i. Provide results of all testing of PPQ-instructed curricula to the DHS CBP point of contact;
   j. Provide summaries of post-class evaluation data to CBP for future training enhancement;
   k. Establish administrative guidelines, define standards and deliver training to CBP canine trainers to enable them to monitor, maintain and improve the proficiency of detector dog teams.

D. Agricultural Inspection (AI) Mission-related Training for the CBP Agriculture Specialist. This training serves as the advanced, new-initiative, or major change in agriculture policy training and includes modules on topics such as Military Cooperator Training.

1. DHS CBP Agrees to:
   a. Provide subject matter experts for input, design or redesign of agricultural training;
   b. Provide qualified CBP Agriculture Specialists for delivery of AI mission-related training;
   c. Provide USDA APHIS follow-up reports on status of completion of required AI mission-related training;

d. Provide USDA APHIS summaries of class evaluation data to USDA's Office of Training and Development for future training enhancement;
e. Collaborate with USDA APHIS on administrative guidelines and standards for certifying CBP field trainers;
f. Allow USDA APHIS access to AI mission-related training sessions to monitor course delivery and training effectiveness;
g. Ensure that AI mission-related training is completed within established timeframes;
h. Provide USDA APHIS a method for the distribution of AI mission-related training materials and associated documents, and a mechanism to ensure proper accountability for distribution of same materials and documents (e.g., CD-ROMs, job aids, manuals);
i. Collaborate with USDA APHIS on potential course content.

2. USDA APHIS Agrees to:
a. Establish administrative guidelines and standards for certifying CBP field trainers to deliver training;
b. Provide all agricultural training materials and associated references;
c. Provide train-the-trainer workshops for CBP field trainers designated to deliver training;
d. Monitor delivery of training;
e. Establish protocols and timeframes for delivery of training;
f. Provide results of all testing of PPQ-instructed curricula to the DHS CBP point of contact.

E. Agricultural Inspection Mission-related Training for the CBP Officer and other CBP Job Series. This training may serve as the basic or advanced training for the CBP Officer, or other job series or titles within CBP, for agriculture inspection and includes courses such as the Threats to Agriculture series offered as part of the CBP Officer Integrated Training, and Agriculture Procedures for Passenger and Cargo Inspection.

1. DHS CBP Agrees to:
a. Provide USDA APHIS with projections on numbers of anticipated trainees on a fiscal year basis;
b. Collaborate with USDA APHIS on annual class dates;
c. Provide USDA APHIS a process that allows for the redesign or modification of requisite AI mission-related training conducted by USDA APHIS at the Federal Law Enforcement Training Center (FLETC);
d. Provide office space and basic operating services for USDA APHIS Training Specialists and Training Technicians at FLETC;
e. Provide USDA APHIS a method for the distribution of AI mission-related training materials and associated documents, and a mechanism to ensure proper accountability for distribution of same materials and documents (e.g., CD-ROMs, job aids, manuals);
f. Provide summaries of class evaluation data to USDA's Office of Training

and Development for future training enhancement;
e. Collaborate with USDA APHIS on potential course content.

2. USDA APHIS Agrees to:
   a. Provide Training Specialists and Training Technicians on-site at FLETC to deliver AI mission-related training;
   b. Provide all AI mission-related training materials, manuals, and associated references;
   c. Collaborate with DHS CBP on annual class dates and training schedule;
   d. Deliver and validate content for the agriculture curriculum;
   e. Provide a Project Manager to collaborate with DHS CBP Basic Academy on all matters relating to AI mission-related training.

F. Regulatory Pesticide Applicator Recertification for the CBP Agriculture Specialist. This training and recertification is a condition of continued employment for the CBP Agriculture Specialist and is based on Environmental Protection Agency (EPA) requirements.

1. DHS CBP Agrees to:
   a. Provide a point of contact and a process to ensure that the distribution of training materials and related examinations is handled in an efficient and timely manner;
   b. Collaborate with USDA APHIS on administrative guidelines and policies for pesticide recertification training and test administration;
   c. Hold CBP Agriculture Specialists accountable for meeting all stipulated pesticide recertification requirements;
   d. Provide USDA APHIS a method for the distribution of AI mission-related training materials and associated documents, and a mechanism to ensure proper accountability for distribution of same materials and documents (e.g., CD-ROMs, job aids, manuals).

2. USDA APHIS Agrees to:
   a. Establish, maintain and communicate pesticide recertification requirements to DHS CBP;
   b. Collaborate with DHS CBP in establishing and maintaining effective communication mechanisms regarding pesticide recertification issues;
   c. Distribute training and testing materials according to the established DHS CBP distribution protocols;
   d. Monitor and track status of pesticide recertification of CBP Agriculture Specialists;
   e. Grade recertification tests, communicate results, and issue certificates according to established DHS CBP distribution protocols;
   f. Establish and maintain administrative guidelines for testing policies and procedures and standards for successful completion.

IV. Revisions and Amendments

A. This document will serve as an Appendix to Article 4 of the MOA. This Appendix may be reviewed periodically by the Parties when jointly deemed appropriate to determine if any amendments are necessary.

B. This Appendix may be amended or supplemented at any time by agreement of the Parties in writing.

V. Effective Date

This Appendix will become effective upon date of final signature.

OCT 17 2005

Jayson P. Ahern
Assistant Commissioner
Office of Field Operations
U.S. Customs & Border Protection

10/7/05

Richard L. Dunkle
Deputy Administrator
Plant Protection & Quarantine
USDA, APHIS

Appendix for Memorandum of Agreement (MOA) between the US Department of Homeland Security (DHS) and the US Department of Agriculture (USDA) Article 5, Transfer of Funds

I. Purpose

This Appendix outlines the procedures and conditions that USDA Animal and Plant Health Inspection Service (APHIS) will use to transfer funds to DHS Customs and Border Protection (CBP) for the Agriculture Quarantine Inspection (AQI) activities carried out by CBP and funded by the AQI User Fee Account. It also outlines the process CBP and APHIS will follow to distribute user fee funds between the two agencies and financial reporting on the use of those funds.

II. Background

The Homeland Security Act of 2002 (the Act). Section 421 of the Act transferred to DHS functions of APHIS relating to agricultural import and entry inspection. Section 421(e)(2)(B) and (f)(1) and (2) of the Act provides authority for an agreement between USDA and DHS for the transfer of funds from USDA to DHS for activities carried out by DHS for which such fees were collected.

Memorandum of Agreement. The Secretary of USDA and Secretary of DHS signed the MOA required under Section 421(e) of the Act, on February 28, 2003. Article 5 of the MOA pertains to transfer of funds.

III. Responsibilities

APHIS and CBP Understand and Agree to:

1. CBP and APHIS recognize that the transfer of AQI port inspection user fee operating funds depends on the collection of AQI User Fees, the amount of which is influenced by market forces affecting international travel and commerce. The collections to the AQI User Fee account declined sharply after September 11, 2001, but have recovered over time. Accordingly, CPB and APHIS will develop budgets that allow the maintenance of an account reserve by APHIS, designed to cushion the blow of unexpected decreases in revenues.

2. CBP and APHIS will each designate a Chief Budget Liaison and an alternate to carry out the duties outlined in this Appendix, including the quarterly and annual reporting. The designated Chief Budget Liaisons will have at least four face-to-face meetings to discuss AQI funding during each fiscal year.

3. At the beginning of FY 2006, $33 million will be designated as the account reserve. This reserve will not be allocated to either CBP or APHIS. By the end of FY 2010, the financial goal is to establish a total minimum reserve of $95 million which equates to approximately 25% of the operating resources for the current level of effort for the AQI operations.

4. APHIS and CBP agree that of the AQI user fee available collections, minus the reserve, 60.64% will be designated for transfer to CBP to support the AQI user fee program and 39.36% will be designated to support APHIS' AQI user fee program. These percentages were determined based on the projected cost and level-of-effort required to carry out the FY 2006 program. The proportion designated to each agency will be reviewed, and adjusted if needed, at least annually by the designated Chief Budget Liaisons based on the expected cost of the respective programs and the best available information on expected annual fee collections. The last transfer from APHIS to CBP will be made in August in order to accommodate operational planning needs of CBP. Annually these agreements will take the form of a codicil to this Appendix, to be signed by the designated Chief Budget Liaisons.

5. Both APHIS and CBP will exercise control over their annual agreed upon allocations. For example, if CBP does not spend its entire FY 2006 transfer allocation estimated to be $211 million, they will carry any balance forward into FY 2007 to be used to carry out AQI user fee program functions.

6. CBP and APHIS agree that APHIS will propose revised fee schedules as necessary, taking into account CBP funding needs for the transferred AQI user fee functions as well as funding needs for the AQI user fee activities remaining in APHIS. Calculations will take into account projected Federal pay increases and inflation, as well as increased program needs.

APHIS Understands and Agrees to:

1. Initiate bimonthly revenue transfers to CBP beginning in November using an SF-1151, Non-Expenditure Transfer form. However, if the cash balance in the account is not sufficient to transfer the full amount in advance, transfers may take place monthly.

2. Calculate the APHIS AQI level-of-effort in Full-Time-Equivalent (FTE) staff years and associated program costs for comparison with the CBP level of effort in FTE staff years and program cost calculations, quarterly and annually.

3. Carry out the rulemaking function to propose and codify any necessary changes to the AQI User Fee program.

4. Inform the CBP Chief Budget Liaison when each AQI User Fee distribution to CBP has been initiated by APHIS.

5. Provide within 45 days after each quarter, a breakdown of AQI user fee collections, by activity. Collection amounts will be updated to reflect account adjustments, such as audit findings.

CBP Understands and Agrees to:

1. To provide the necessary information for auditing of the user fee costs and rates. CBP will report expenditures by each AQI fee type (*e.g.,* international passengers, commercial aircraft, etc.).

2. At the end of each quarter, and by November 15 following the end of each fiscal year, CBP will provide APHIS with an accounting of expenses incurred in the AQI program from CBP' Cost Management Information System (CMIS).

3. Calculate the CBP AQI level-of-effort in Full-Time-Equivalent (FTE) staff years and associated program costs for comparison with the APHIS level of effort in FTE staff years and program calculations, quarterly and annually.

VI. Effective Date and Changes to This Appendix

This document will serve as an appendix to Article 5 of the MOA and can be amended by mutual agreement at any time by agreement of the parties in writing. This agreement will be effective when signed by both designated officials.

R Balaban — 9/14/05

Richard L. Balaban
Assistant Commissioner for Finance
Customs and Border Protection

DATE

Paul R. Eggert — 10-05-05

Paul R. Eggert
Associate Deputy Administrator
Animal and Plant Health Inspection Service

DATE

Codicil to Appendix S: Transfer of AQI User Fees from APHIS to CBP for Fiscal Year (FY) 2012 (Prepared in February 2012).

The following AQI User fee funds transfers are mutually agreed by CBP and APHIS for October 1, 2011, through March 31, 2012 in FY 2012

Transfer 1:	$82,876,457
Transfer 2:	$82,876,457
Total:	**$165,752,914**

Distribution schedule: Two transfers will be made for to cover costs for the first half of FY 2012. Additional transfers of AQI user fees will be resolved in a secondary codicil in FY 2012. Due to the lag in actual collections, transfers may be adjusted during the year or spread out into multiple transfers.

2/10/2012

Osama El-Lissy
Assistant Deputy Administrator
Animal and Plant Health Inspection Service

Date

Deborah Schilling

2/10/2012

Deborah Schilling
Chief Financial Officer
Customs and Border Protection

Date

Appendix for Memorandum of Agreement (MOA) between the US Department of Homeland Security (DHS) and the US Department of Agriculture (USDA) Article 6, Cooperation and Reciprocity

I. Purpose

This appendix outlines procedures and conditions that the Animal and Plant Health Inspection Service (APHIS) will use to request Customs and Border Protection (CBP) employees for temporary duty assignments, and reciprocal procedures and conditions, should CBP request employees from APHIS.

This agreement does not limit the cooperation and reciprocity between CBP and APHIS to the aforementioned activities; nor shall it obligate either Party to take action inconsistent with the fulfillment of its mission(s).

II. Background

The Homeland Security Act 2002 (the Act). Section 421 of the Act transfers to DHS functions of APHIS relating to agriculture import and entry inspection. Paragraphs (e)(3)(A&B) provides authority for an agreement between DHS and USDA, for DHS to perform functions delegated to USDA-APHIS regarding the protection of domestic livestock and plants, and for the Secretary of Agriculture to use DHS employee for these functions.

Memorandum of Agreement. Secretary of USDA, Ann M. Veneman, and Secretary of DHS, Tom Ridge signed the MOA required under section 421(e) of the Act, on February 28, 2003. Article 6 of the MOA pertains to cooperation and reciprocity.

III. Responsibilities

USDA-APHIS understands and agrees to:

a) Requests for CBP employees for temporary duty assignments will be made in writing from the designated APHIS Liaison to the CBP Office of the Associate Commissioner for Agricultural Inspection Policy and Programs. Requests will be made with as much advance notice as possible.

b) Requests for CBP employees will include numbers, time frames, specific requirements or qualifications, justification and urgency of the request. APHIS will promptly notify CBP of any changes in requirements for the numbers or types of personnel requested.

c) Advise CBP as to the necessary training for CBP employees to serve as effective members on APHIS' temporary duty assignments.

d) Assume all liabilities for CBP employee's health, conduct, and related matters while on temporary assignment to APHIS.

e) Reimburse CBP for all costs associated with temporary duty assignments, including salary and benefits of CBP personnel for the time they are provided to APHIS.

f) CBP may charge APHIS up to 15% overhead for expenses to administer this program.

g) The primary mission of CBP is to prevent the entry of terrorist and terrorist weapons into and the United States, and CBP must maintain sufficient personnel at the ports of entry to accomplish this.

DHS- CBP understands and agrees to:

a) The Associate Commissioner of Agricultural Inspection Policy and Programs will coordinate the processing and tracking of requests through the affected CBP Director(s) of Field Operation Offices and the Field Liaison Group, in accordance with approved CBP procedures.

b) Attempt to provide sufficient numbers of qualified employees to meet APHIS' requests. In doing so, CBP reserves the right and flexibility to select, replace, and callback CBP employees as necessary. For example, CBP may callback CBP employees on temporary assignment to APHIS to ensure adequate response to an elevated threat alert or other national security situation or circumstance.

c) Maintain CBP employees on temporary assignment to APHIS in CBP's personnel and pay systems.

d) Pursuant to Section 421(f)(2) of the Act, the amount of user fees transferred to DHS cannot exceed the cost incurred by DHS to carry out transferred activities. APHIS will reimburse DHS for TDY salary and overhead (costs listed in (e and f) above), but will need documentation to ensure compliance with Section 421(f)(2) of the Act.

e) APHIS' mission of protecting America's agricultural resources from pest and diseases whether introduced intentionally or unintentionally.

Effective Date and Changes to This Appendix

This document will serve as an appendix to Article 6 of the MOA and can be amended by mutual agreement at any time by agreement of the parties in writing. This agreement will be effective when signed by both designated officials.

Jayson P. Ahern
Assistant Commissioner, Office of Field Operations
Customs and Border Protection

7/2/03
DATE

Richard L. Dunkle
Deputy Administrator, USDA APHIS Plant Protection and Quarantine

2/July 03
DATE

Appendix for Memorandum of Agreement (MOA) between the US Department of Homeland Security (DHS) and the US Department of Agriculture (USDA) Article 7(a), Regulatory Coordination

I. Purpose

This appendix explains how the Animal and Plant Health Inspection Service (APHIS) and Custom and Border Protection (CBP) will implement the regulatory coordination portion of paragraph (d) of Article 7. Whenever USDA prescribes new regulations, policies, and procedures for administering those agricultural functions transferred to DHS, or proposes changes to relevant existing regulations, policies, and procedures, USDA shall coordinate such actions with DHS. Coordination related to policies and procedures will be addressed in a separate appendix.

II. Background

The Homeland Security Act of 2002 (the Act). Section 421 of the Act transferred to (DHS) functions of (APHIS) relating to agricultural import and entry inspection. Subsection of Paragraph (d)(1) states that the authority transferred to DHS shall be exercised in accordance with regulations, policies, and procedures issued by the Secretary of Agriculture, and subsection of paragraph (d)(2) states that the Secretary of Agriculture shall coordinate with the Secretary of DHS whenever the Secretary of Agriculture prescribes regulations, policies, or procedures for administering the transferred functions. Subsection of Paragraph (e) requires the Secretary of Agriculture and the Secretary of DHS to enter into an agreement to effectuate the transfer of functions.

Memorandum of Agreement. Secretary of USDA, Ann M. Veneman, and Secretary of DHS, Tom Ridge signed the MOA required under section 421(e) of the Act, on February 28, 2003. Article 7 of the MOA pertains to regulations, policies, and procedures.

III. Responsibilities

Procedures for regulatory coordination. The parties agree that the purpose of rule making coordination under subsection (d)(2) is to ensure that CBP has timely notice and opportunity to comment on operational aspects of any APHIS plans to change its regulations related to the agricultural functions transferred to DHS.

The procedures concerning rule making coordination apply to any advance notice of proposed rulemaking, proposed rule, interim rule, direct final rule, final rule, or notice of a change in interpretation or enforcement of regulations that is related to agricultural functions transferred to DHS and intended for publication in the Federal Register. The procedures for rule making coordination do not apply to Federal Register documents other than those identified above. Examples of documents excluded from these procedures include notices of environmental assessments or environmental impact statements, risk assessments, meetings, information collections, and extensions of a comment period.

APHIS Responsibilities

APHIS will forward regulatory workplans for actions covered by this agreement in electronic format to the Assistant Commissioner, Office of Field Operations, CBP (the Assistant Commissioner), for concurrence. The regulatory workplan will address the potential effect of the intended action on the transferred functions and personnel responsible for carrying out the transferred functions. The regulatory workplan will provide for the Assistant Commissioner to indicate whether CBP would like to review a draft of the document to be published in the Federal Register prior to publication.

Apart from the routine coordination procedures outlined in the preceding paragraph, when APHIS identifies emerging issues or trends that could lead to regulatory changes with the potential to significantly affect the transferred functions or personnel responsible for carrying out the transferred functions, APHIS will bring those to the attention of the Assistant Commissioner, as early as possible, to facilitate coordination and implementation.

CBP Responsibilities

The Assistant Commissioner will respond to APHIS within 7 calendar days of receipt of the regulatory workplan by signing and returning the regulatory workplan or by providing written comment to the APHIS office indicated in the transmittal message or memorandum from APHIS.

If the Assistant Commissioner requests to review a draft regulation, APHIS will send a draft in electronic format with a requested due date for comments. The due date may vary according to the complexity of the regulation and/or time constraints associated with it, but will normally be 2 weeks from the date the draft regulation is sent. The Assistant Commissioner will provide comments by the due date indicated unless the Deputy Administrator for the applicable APHIS program agrees to an extension. The Assistant Commissioner will provide written comments to the office indicated in the transmittal message from APHIS.

Nothing in this section precludes the Assistant Commissioner from obtaining additional clearances within DHS during the time allotted for the Assistant Commissioner's review.

Emergency Situations

This appendix does not address how APHIS will coordinate with CBP in emergency situations, which present an immediate threat to animal or plant health. Those situations are covered in a separate appendix. If changes in the regulations are also necessary, APHIS will coordinate with CBP as provided in this appendix.

Effective Date and Changes to This Appendix

This document will serve as an appendix to Articles 7 of the MOA and can be amended by mutual agreement at any time by agreement of the parties in writing. This agreement will be effective when signed by both designated officials.

Jayson P. Ahern
Assistant Commissioner, Office of Field Operations
Customs and Border Protection

7-2-03
DATE

Richard L. Dunkle
Deputy Administrator, USDA APHIS Plant Protection and Quarantine

2 July 03
DATE

Appendix for Memorandum of Agreement (MOA) between the US Department of Homeland Security (DHS) and the US Department of Agriculture (USDA) Article 7(b), (d) & (e) Coordination on Regulation, Policies and Procedures

I. Purpose

This Appendix provides guidance to establish and enhance coordination of policies and procedures between USDA Animal and Plant Health Inspection Service (APHIS) and DHS Customs and Border Protection (CBP) as specified in Article 7 paragraphs (b), (d) & (e) of the Memorandum of Agreement (MOA). The parties agree that the purpose of coordination in developing policies and procedures under Article 7 is to ensure that CBP has timely notice and opportunity to comment on operational aspects of any APHIS plans to change policies and procedures related to agricultural inspection functions transferred to CBP, and that APHIS has timely notice and opportunity to comment on any significant operational changes planned by CBP that may impact the effective implementation of policies or procedures to carry out the agricultural mission.

II. Background

The Homeland Security Act of 2002 (the Act). Section 421 of the Act transferred to DHS functions of APHIS relating to agricultural import and entry inspection. Paragraph (d)(1) of this section of the Act states that the authority transferred to DHS shall be exercised in accordance with regulations, policies, and procedures issued by the Secretary of Agriculture. Paragraph (d)(2) states that the Secretary of Agriculture shall coordinate with the Secretary of DHS whenever the Secretary of Agriculture prescribes regulations, policies, or procedures for administering the transferred functions. Paragraph (d)(3) states that the Secretary of DHS, in consultation with the Secretary of Agriculture, may issue such directives and guidelines as are necessary to ensure the effective use of personnel of DHS to carry out transferred functions.

Memorandum of Agreement (MOA). The Secretary of USDA and Secretary of DHS signed the MOA required under Section 421(e) of the Act, on February 28, 2003. Article 7 of the MOA pertains to agricultural regulations, policies, and procedures. Procedures for coordinating on regulations are addressed in a separate Appendix 7 (a).

Paragraph (b) of Article 7 of the MOA provides:

> USDA shall provide DHS with copies of all relevant agricultural regulations, policies, and procedures; and train DHS employees as necessary in their application.

Paragraph (d) of Article 7 of the MOA provides:

> Whenever USDA prescribes new regulations, policies, and procedures for administering those agricultural functions transferred to DHS, or proposes

changes to relevant existing regulations, policies, and procedures, USDA shall coordinate such actions with DHS.

Paragraph (e) of that Article states:

Whenever DHS issues such directives or guidelines as may be necessary to ensure the effective use of DHS personnel carrying out the agricultural functions transferred to DHS, it shall do so in consultation with USDA.

III. Definitions

The following definitions are adopted for the purposes of this Appendix:

Agriculture Inspection Alert - A communication to personnel carrying out the agricultural inspection function for a policy or procedure based on new information for which immediate action must be taken to address an imminent risk or threat.

Policy - A defined course or method of action with prescribed goals and objectives to guide and determine present and future procedures or actions.

Procedure - A series of steps or broader actions prescribed to perform a task.

IV. Responsibilities

A. APHIS Responsibilities

1. Cooperation in emerging issues and trends - When APHIS identifies emerging issues or trends that may require significant actions within the agricultural inspection function transferred to CBP, APHIS will bring those needs to the attention of the Executive Director for Agricultural Inspection Policy and Programs (AIPP), CBP. Both Agencies will then discuss program actions proposed for consideration prior to making specific plans to address the emerging issue or trend.

2. Coordination on routine policy changes. APHIS will initiate changes to current agricultural inspection policies, or the development of new agricultural inspection policies. APHIS will initiate contact early in the process of developing agricultural inspection policies by USDA. APHIS will clear policies with the USDA Office of General Counsel when there are potential issues of statutory authority or legal procedure. Final policy changes to current agricultural inspection policies will be provided to CBP. Likewise, CBP will consult with the Office of Chief Counsel concerning any legal issues relating to agricultural inspection policies.

If CBP determines that its policies and objectives as well as operations and resources are impacted by the final policy, it will return the policy to USDA with comments, and consultation will continue until a mutual agreement is reached. CBP will coordinate input from other offices within CBP, as necessary.

Plant Health Programs, PPQ, will ensure that policies are identified with unique numbers, and version control designations. Each policy statement will have a statement of policy objective or purpose, a description section (with appropriate subheadings), and a section that describes performance measures.

3. Agriculture Inspection Alerts. When new information becomes available that requires immediate action to address an imminent risk or threat, USDA will issue an Agriculture Inspection Alert that establishes a new policy or procedure for Agricultural Inspection. Agriculture Inspection Alerts will be first discussed with CBP AIPP and then sent to CBP AIPP electronically by USDA/APHIS/Quarantine Policy, Analysis and Support (QPAS) or USDA/APHIS/Veterinary Regulatory Services (VRS).

Agriculture Inspection Alerts will primarily focus on regulatory policy changes on imported commodities, and will fall into several categories:

- **"Alert: Immediate Action Required"**

  These alerts convey policies or procedures that must be implemented immediately because of a significant increase in the commodity's risk level.

  Example: "Effective immediately, the importation of all Manzano peppers from Mexico is prohibited due to the high infestation rates of Mexican fruit fly." Or, "Effective immediately, the importation of all meat products from ruminants from a certain country is prohibited because of an outbreak of BSE."

- **"Alert: New Policy/Procedure or Change to Current Policy/Procedure**

  The alerts are utilized when a new policy is developed or new procedures are devised that should be implemented immediately or in the near future.

  Example: "Effective February 4, 2002, all shipments of green asparagus imported from Peru must be fumigated."

4. Agricultural Request for Action. When new information becomes available to USDA from targeting systems or inspection findings, requiring that actions be taken to address imminent risk posed by incoming shipments, APHIS will issue a request for action to CBP AIPP. Agricultural requests for action will provide guidance to CBP Ports of Entry (POE) to focus their inspections and paperwork reviews on potentially high risk areas and provide feedback to the extent possible. Agriculture requests will be first drafted by USDA/APHIS/QPAS or USDA/APHIS/VRS. The draft will be sent to CBP AIPP who will put it in final format and will ensure this information is communicated to Port Directors, Office of Field Operations.

Requests for action can also be used to ensure clarity and consistency in enforcing an existing policy. They fall into several categories:

- **"Agricultural request for action: Be on the Look-Out"**

  Notifies POE's to be especially aware (1) of imminent risks, such as a prohibited commodity that is entering the US, either smuggled or mismanifested; or (2) when a commodity shows up for the first time at a port of entry. These bulletins are also used when a company, (importer or shipper) has been caught smuggling or mismanifesting.

  Example: "Work units should be on the look out for shipments of mixed foodstuffs imported by ABC Trading Company. This company has been importing dried citrus peel."

- **"Agricultural request for action: Targeted Cargo Shipments to be Inspected"**

  Notifies specific ports to target specific commodities because of a history of remedial actions required on previous shipments. These bulletins describe the shipments targeted for inspection, including a Bill Number, Container Number, or both, along with the reason that the action was undertaken. These requests for action are specific to listed shipments and are to be terminated once inspections have been made. This type of request does not reflect any permanent changes in inspection policy.

  Example: "The port of San Juan has issued an Emergency Action Notification (EAN) on a shipment of Italian tile infested with a frequently intercepted actionable snail. A thirty-day query of the supplier in the Automated Targeting System disclosed that similar additional shipments are arriving at several ports (list would be provided). The affected ports would be advised to hold and inspect these shipments."

- **"Agricultural request for action: Policy/Procedure Clarification"**

  These requests will be distributed when policy or procedures need clarification or are not being interpreted uniformly.

  Example: "This is a reminder that agricultural inspectors must fill out an (EAN), form PPQ 523, a violation form PPQ 518, and make an electronic entry in the EAN Database to process an agricultural cargo violation."

5. Establishing Agricultural Inspection Procedures and Communicating Procedures through Manuals Development and Deployment. Once USDA approves the final version, a copy of the draft manual will be provided to CBP AIPP for review and comment. CBP AIPP will provide comments within a time period commensurate with the complexity of the procedures.

The policy will then be provided to the Manuals Unit to be included as procedure in the appropriate manual. The Manuals Unit will update the on-line manual and transmit it to Executive Director, AIPP. APHIS will continue to elicit feedback from agricultural inspection officers on language used in operational manuals and for developing and revising training programs.

CBP Responsibilities

1. Coordination on routine policy changes originating in APHIS. CBP AIPP staff will serve as the point of contact for communication with APHIS/PPQ/PHP/QPAS regarding related to the entry of plants or plant products, and APHIS/PPQ/PHP/VRS on issues regarding agriculture inspection policies related to the entry of animal products. Staffs from both agencies will initiate contact early in the process of developing agricultural inspection policies. Complex policy changes proposed by APHIS may require wider distribution in CBP and a longer comment period.

The Executive Director, AIPP, will receive the second (if revised) draft of the policy from APHIS if it has been revised, in electronic format, and set a due date in accordance with the complexity of the draft policy or procedure for comments.

The Executive Director, AIPP, will receive final policy statements for implementation from the APHIS/PPQ liaison. Policy statements will be provided to CBP personnel at all appropriate ports.

2. CBP communication of Agriculture Inspection Alerts: CBP will ensure Agriculture Inspection Alerts and Agriculture Requests for Action are communicated in a timely fashion to all appropriate ports and employees.

3. CBP consultation with APHIS in relation to DHS Directives and Guidelines
Consistent with Section 421(d)(3) of the Act, the Executive Director, AIPP, or the CBP liaison to APHIS will consult with the Deputy Administrator or the APHIS/PPQ liaison to CBP, regarding proposed CBP significant directives and guidelines to the field that have an impact on the agricultural mission. CBP AIPP will inform PPQ of any significant operational changes involving staff coverage having an impact on pest risk (i.e. new staffing practices relating to coverage and inspection on private aircraft or cruise ships). PPQ will be given an opportunity to discuss these proposed changes with CBP, if necessary, prior to final implementation of such a directive.

The Executive Director, AIPP, or CBP liaison will inform the Deputy Administrator or the APHIS/PPQ liaison to CBP, of any significant changes in operational resources that would impact the effective administration of procedures as established in official PPQ manuals which have an impact on pest risk. The Executive Director, AIPP, or CBP liaison to APHIS will authorize regular working contacts and access by officers with

APHIS/PPQ manual writers, to allow direct feedback on the development and revision of the manuals.

V. Emergency Situations

In some emergency situations, action will need to be taken prior to APHIS sharing a draft policy or procedure. Examples of such situations are an outbreak of an animal disease in a foreign region (e.g., foot-and-mouth disease in the United Kingdom) or finding a plant pest or disease on an imported commodity (e.g., identification of a medfly larva in Clementines). In these emergency situations, APHIS will communicate in writing, the necessary policies and procedures to the Executive Director AIPP for implementing immediate emergency restrictions on affected imports and will work with AIPP to establish a clearly documented policy. Those communications will be in accordance with the procedures agreed upon above for Agriculture Inspection Alerts.

Changes in the Threat Conditions or emergency situations may require changes in operations or deployment of agricultural inspection personnel before consultation can occur between the delegated representatives of the Secretary for DHS and the Secretary of Agriculture. To the extent consistent with the nature of the emergency and the need for security, notification will be provided to the Deputy Administrator, Plant Protection and Quarantine or APHIS Liaison when changes in operation occur due to Threat Conditions or emergency situations. Consultation will occur as soon as practicable.

VI. Terms of Agreement

Effective Date and Changes to This Appendix

This document will serve as an Appendix to Article 7(b), (d), & (e) of the MOA and can be amended by mutual agreement at any time by agreement of the parties in writing. This agreement will be effective when signed by both designated officials.

Jayson P. Ahern
Assistant Commissioner, Office of Field Operations
Customs and Border Protection

2/28/05
DATE

Richard L. Dunkle
Deputy Administrator, USDA APHIS
Plant Protection and Quarantine

2/28/05
DATE

Appendix for Memorandum of Agreement (MOA) between the US Department of Homeland Security (DHS) and the US Department of Agriculture (USDA) Article 8, Communication and Liaison

I. Purpose

This Appendix provides guidance to establish and enhance communication and liaison between USDA Animal and Plant Health Inspection Service (APHIS) and DHS Customs and Border Protection (CBP) to coordinate actions and facilitate operations to prevent terrorism and protect the Nation's agricultural infrastructure and natural resources.

II. Background

The Homeland Security Act of 2002 (the Act). Section 421 of the Act transferred to DHS functions of APHIS relating to agricultural import and entry inspection.

Memorandum of Agreement. The Secretary of USDA and Secretary of DHS signed the MOA required under Section 421(e) of the Act, on February 28, 2003. Article 8 of the MOA pertains to communication and liaison.

III. Responsibilities

USDA APHIS and DHS CBP Understand and Agree to:

1. Each agency will designate a Chief Liaison and an alternate Chief. The Chief Liaison will be responsible for providing information to key contacts and subject-matter experts who will work directly with their counterparts to share information, identify issues, resolve problems, and complete work. Contacts may be made at various levels between the organizations to cooperate, clarify, and resolve local work issues.

2. Provide subject matter experts for joint working groups and projects, as appropriate and approved by both agencies.

3. Prior to releasing jointly collected information (such as WADS, 280 data, pest interceptions, quality assurance findings) APHIS and CBP will discuss and agree on the quality, format, and type of data/information that may be released to the public. Jointly collected data will not be released to the public by either party except as agreed by both parties.

USDA APHIS Understands and Agrees to:

USDA APHIS understands and agrees to abide by the procedures set forth below for requesting information from CBP. CBP has the ultimate discretion as to whether to grant APHIS' request for information.

SITE VISITS

USDA APHIS must submit requests in writing for site visits to the ports of entry (POE) for federal employees, state employees or any other persons APHIS determines need to view the operations of CBP's POEs. These site visits may include, but are not limited, to visits by USDA APHIS headquarters and regional personnel, agency officials, state agricultural and forestry employees, and joint quality assurance teams.

1. USDA APHIS' requests for site visits must be submitted in writing and shall contain the following information:

   a. Organization requesting site visit
   b. Organization contact
   c. Purpose of visit
   d. Itinerary while at CBP worksite
   e. Date and time of visit
   f. If individuals on the site visit are not American citizens, then APHIS must provide their Passport Numbers
   g. If individuals on the site visit are not federal employees, then APHIS must provide their Dates of Birth

2. APHIS understands that the granting of such site visit requests is contingent on several factors, including sufficient staff to accommodate visit, current alert status, purpose of visit, and security-related issues. If CBP cannot meet the request due to scheduling conflicts, CBP and APHIS will work cooperatively to reschedule an alternate date, if possible.

3. USDA APHIS will make local contacts/arrangements with the CBP Port Director, or designee, for access to FIS areas by local APHIS Veterinarian Medical Officers, Identifiers, or Safeguarding Intervention and Trade Compliance (SITC) Officers.

DATABASES AND INFORMATION

1. USDA APHIS can submit requests in writing for access to new or additional CBP databases in order to fulfill its responsibilities, which are delineated in part by Article 3 of this MOA, and to aid in development of science-based targeting information to modify policies and regulations according to identified risk. When requesting such access, APHIS will identify the purpose of the request, the specific data access needs, and the names of the APHIS employee that have the appropriate security clearances to access the data requested.

2. USDA APHIS' access to certain CBP databases such as ATS, ACE, TECS (Level 1) will be sustained after the effective date of this agreement provided that the individual users continue to meet the necessary background investigations and other security requirements.

3. If USDA APHIS wishes to request access to new or additional CBP databases, such request must be in writing and must include the following information:

   a. Type of information requested
   b. Whether the data relates to importations, inspections, interceptions and/or information contained in manifests to conduct risk analysis
   c. Identify where this data may be kept or compiled such as databases or port record
   d. Justification for data request
   e. Any other information needs necessary for APHIS to develop science-based targeting information for APHIS to modify policies and regulations according to identify risk.

4. USDA APHIS agrees to provide CBP with access to necessary information and data systems maintained by APHIS relating to agricultural inspection activities performed by CBP.

AGRICULTURAL ALERTS OR CHANGE IN DIRECTIVES

1. USDA APHIS will provide CBP with Agricultural Alert information, as outlined below, for transmission to CBP Agricultural Specialists:

   a. Subject of Alert
   b. Time Sensitivity (general or urgent)
   c. Reason for policy change (if necessary)
   d. Point of contact and phone number
   e. Invoice information (if available)

2. USDA APHIS will provide CBP advance notice on directives or policies that relate to and impact on the operations of CBP relative to the agricultural mission.

DHS CBP Understands and Agrees to:

CBP understands and agrees to abide by the procedures set forth below for requesting information from USDA APHIS. CBP has the ultimate discretion as to whether to grant APHIS' request for information.

SITE VISITS

1. CBP will provide USDA APHIS a written response to any request to access CBP ports of entry and other facilities under its control. To the extent and when possible, CBP will accommodate APHIS' request for access to CBP POEs.

DATABASES AND INFORMATION

1. CBP will review any written requests from APHIS pursuant to this Agreement for access to databases and information to determine whether to provide APHIS with

additional access to CBP databases and information systems. CBP will make this determination based on the circumstances of the request, the data being requested, APHIS reasons for needing such access to databases or information, and any other information necessary to make its determination.

2. CBP agrees to provide APHIS with necessary information and data systems maintained by APHIS relating to agricultural inspection activities performed by CBP.

AGRICULTURAL ALERTS OR CHANGE IN DIRECTIVES

1. CBP agrees to receive and process APHIS Agricultural Alerts and other information. CBP Agricultural Inspection Policy and Programs (AIPP) will designate a contact person who can accept and process Urgent Alerts at all times. To the extent possible, CBP agrees to process these Alerts on a timely basis and communicate them appropriately to the ports of entry.

2. CBP agrees to communicate and consult with APHIS regarding new any CBP Agricultural Inspection (AI) operational policy change that could affect current agricultural risk mitigation efforts at US ports of entry or abroad.

Effective Date and Changes to This Appendix

This document will serve as an appendix to Article 8 of the MOA and can be amended by mutual agreement at any time by agreement of the parties in writing. This agreement will be effective when signed by both designated officials.

Jayson P. Ahern
Assistant Commissioner, Office of Field Operations
Customs and Border Protection

2/28/05
DATE

Richard L. Dunkle
Deputy Administrator, USDA APHIS
Plant Protection and Quarantine

2/28/05
DATE

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This document will serve as an appendix to Article 8 of the MOA and can be amended by mutual agreement at any time by agreement of the parties in writing. This agreement will be effective when signed by both designated officials.

Jayson P. Ahern
Assistant Commissioner, Office of Field Operations
Customs and Border Protection

2/20/06
DATE

Richard L. Dunkle
Deputy Administrator, USDA APHIS
Plant Protection and Quarantine

DATE

Federal and Non-Federal Resources

Mr. Kingston: Please provide a table showing a breakout of all Federal and non-Federal dollars for all APHIS programs to include fiscal year 2010 and 2011. From what sources are the non-federal dollars in the preceding table?

Response: The information is submitted for the record.

[The information follows:]

FEDERAL AND NON-FEDERAL FUNDING FOR APHIS PROGRAMS
(Dollars in Thousands)

Line-item	FY 2010		FY 2011		Sources
	Federal*	Non Federal	Federal*	Non Federal	
Animal Health Technical Services	$40,056	$2,992	$32,216	$5,604	States: Nationwide
Aquatic Animal Health	6,011	172	5,401	30	States: Nationwide
Avian Health	67,998	227	53,649	4,546	States: Nationwide
Cattle Health	117,873	34,291	110,759	48,589	States: Nationwide Mexico and Panama
Equine and Cervid Health	20,342	4,149	17,881	4,931	States: Nationwide
National Veterinary Stockpile	5,177	0	4,342	0	
Sheep and Goat Health	18,451	25	19,197	551	States: Nationwide
Swine Health	25,723	72	25,543	459	States: Nationwide
Veterinary Biologics	16,457	0	16,416	0	
Veterinary Diagnostics	29,985	0	32,303	0	
Zoonotic Disease Management	10,468	0	10,447	0	
SUBTOTAL Animal Health	358,542	41,928	328,154	64,710	
Agricultural Quarantine Inspection	28,948	0	25,907	0	
Cotton Pests	23,238	29,088	20,979	24,046	Southeastern and Southwestern States

FEDERAL AND NON-FEDERAL FUNDING FOR APHIS PROGRAMS (Dollars in Thousands)					
Line-item	FY 2010		FY 2011		Sources
	Federal*	Non Federal	Federal*	Non Federal	
Field Crop & Rangeland Ecosystems Pests	12,854	720	-	-	California, Kansas, Michigan, Missouri, Oregon, Oklahoma, Tennessee, Virginia, Maryland, Louisiana, Georgia, Alabama, Pennsylvania and North Carolina
	-	-	11,259	512	Kansas, Montana, Oregon, West Virginia, Tennessee, Virginia, North Carolina, Maryland, Georgia, Alabama, and Colorado
Pest Detection	28,071	9,762	26,697	1,154	States: Nationwide
Plant Protection Methods Development	21,704	940	21,066	739	South Carolina, Utah, Virginia, West Virginia, Puerto Rico, California, Connecticut, Florida, Georgia
Specialty Crop Pests	171,383	57,777	153,959	52,891	States: Nationwide, Guatemala and Mexico
Tree & Wood Pests	70,966	15,330	-	-	New York, Oregon, West Virginia, Idaho, Kansas, Maine, Colorado, Tennessee, Maryland, New Jersey, Ohio,

FEDERAL AND NON-FEDERAL FUNDING FOR APHIS PROGRAMS (Dollars in Thousands)					
Line-item	FY 2010		FY 2011		Sources
	Federal*	Non Federal	Federal*	Non Federal	
					and Texas
	-	-	76,398	15,597	New York, Pennsylvania, Wisconsin, Maryland, Tennessee and Oregon
SUBTOTAL Plant Health	357,163	113,617	336,265	94,939	
Wildlife Damage Management	79,132	40,784	75,366	59,244	Private land owners; 39 States and three Tribes based on epidemiologic "connectivity" to the Great Lakes
Wildlife Services Methods Development	19,110	2,324	18,782	2,559	States and private land owners
SUBTOTAL Wildlife Services	98,242	43,108	94,148	61,803	
Animal & Plant Health Regulatory Enforcement.	15,445	0	15,011	0	
Biotechnology Regulatory Services	13,285	0	13,019	0	
SUBTOTAL Regulatory Services	28,730	0	28,030	0	
Contingency Fund	3,206	0	0	0	
Emergency Preparedness & Response	19,622	535	19,428	1,742	States: Nationwide
SUBTOTAL Emergency Management	22,828	535	19,428	1,742	
Agriculture Import/Export	12,587	0	12,573	0	

FEDERAL AND NON-FEDERAL FUNDING FOR APHIS PROGRAMS (Dollars in Thousands)					
Line-item	FY 2010		FY 2011		Sources
	Federal*	Non Federal	Federal*	Non Federal	
Overseas Technical & Trade Operations	20,156	16,076	-	-	Colombia, Dominican Republic, Haiti, Mexico, Nicaragua, Panama; Organismo Internacional Regional de Sanidad Agropecuaria, and Producers in Dominican Republic
Overseas Technical & Trade Operations	-	-	20,002	17,806	Colombia, Dominican Republic, Mexico, Nicaragua, Panama; Organismo Internacional Regional de Sanidad Agropecuaria; Producers in Dominican Republic, Ecuador, Inter-American Institute for Agriculture, Haiti and Costa Rica
SUBTOTAL Safe Trade & International Technical Assistance	32,744	16,076	32,575	17,806	
Animal Welfare	24,445	44	23,895	0	
Horse Protection	498	0	497	0	
SUBTOTAL Animal Welfare	24,943	44	24,392	0	
APHIS Information Technology Infrastructure	4,414	0	4,610	0	
Physical/ Operational Security	5,669	0	5,540	0	

FEDERAL AND NON-FEDERAL FUNDING FOR APHIS PROGRAMS (Dollars in Thousands)					
Line-item	FY 2010		FY 2011		Sources
	Federal*	Non Federal	Federal*	Non Federal	
SUBTOTAL Agency Management	10,083	0	10,150	0	
Commodity Credit Corporation	54,678	698	-	-	Idaho Department of Agriculture, Indiana, Maryland, Michigan, Ohio, California Department of Food and Agriculture
	-	-	40,954	2,954	Massachusetts and California
Farm Bill Section 10201 and 10202	51,152	5,352	-	-	Alaska, Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Kansas, Kentucky, Maine, Massachusetts, Maryland, Montana, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, and Washington
	-	-	52,378	2,588	Arizona, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Kansas, Kentucky, Maine, Massachusetts, Montana, New Mexico, North Carolina, Ohio,

FEDERAL AND NON-FEDERAL FUNDING FOR APHIS PROGRAMS (Dollars in Thousands)					
Line-item	FY 2010		FY 2011		Sources
	Federal*	Non Federal	Federal*	Non Federal	
					Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Washington and Guam
Advances and Reimbursements	139,039	0	158,636	0	
H1N1 from Health and Human Services	3,909	0	2,914	0	
VHS Supplemental, Homeland Security, HUB Relo, & Department	6,852	0	885	0	
Buildings & Facilities	8,589	0	8,218	0	
Trust Funds	18,649	0	14,641	0	
Agricultureal Quarantine Inspection User Fees	189,373	0	190,738	0	
SUBTOTAL Other	472,242	6,050	469,364	5,542	
TOTAL	$1,405,516	$221,358	$1,342,506	$246,542	

*Represents Federal obligations against available funding.

Indemnity and Contingency Funds

Mr. Kingston: Describe what has happened during the past year in terms of serious outbreaks of pests and diseases. What resources did you expend on each?

Response: In FY 2011, APHIS responded to a new outbreak of the Asian longhorned beetle (ALB) in Clermont County, Ohio. ALB is a serious pest of hardwood trees including maple, elm, willow, and birch. The infestation borders a State park and includes rural areas with a high density of ALB host trees. The regulated areas total 56.2 square miles and include two noncontiguous regulated areas in Clermont County: Tate Township and East Fork State Park (approximately 55.8 square miles), and Monroe Township (0.4 square miles). DNA analyses and circumstantial evidence suggests that the introduction of ALB to Ohio was independent of other incursion areas in the United States and the ALB populations in Tate and Monroe Townships are related. As of March 6, 2012, more than 95,063 trees have been surveyed since delimitation surveys were initiated in Ohio in July 2011. A total of 7,065 trees have been confirmed infested with ALB, and more than 5,121 infested trees have been removed. Delimitation surveys, regulatory, control and outreach activities are ongoing. To eliminate ALB from Ohio, APHIS is working cooperatively with the Ohio Department of Agriculture and the Ohio Department of Natural Resources, in addition to the U.S. Forest Service, USDA's Agricultural Research Service, Ohio State University, county and local agencies, and private property owners in FY 2011. APHIS used approximately $5 million from the Emerging Plant Pests line item and funds available under Section 10201 of the 2008 Farm Bill. APHIS is currently evaluating potential needs and funding sources for FY 2012 activities.

In September 2011, APHIS and the Florida Department of Agriculture and Consumer Services (FDACS) initiated a cooperative project after detecting the giant African snail (GAS) in Miami, Florida. GAS is an invasive species that attacks approximately 500 different types of plants, causes damage to buildings by consuming plaster and stucco, and can carry parasites that cause meningitis in humans. As of March 1, 2012, project personnel have surveyed more than 40,782 residential properties within the known infestation. Two hundred fifty one properties were positive for GAS and more than 38,610 snails were collected and destroyed. APHIS and the FDACS have conducted more than 8,975 treatments at positive properties and those surrounding them (each property is treated several times). The compounds being used have low toxicity to humans and pets, but are less effective at killing the snail than other chemicals and will require more applications and more time to eliminate the infestation. APHIS is using $3.5 million to address GAS in FY 2012, including $1.5 million from the Agency's Contingency Fund, $500,000 in carryover from the Emerging Plant Pests line item, and $1.5 million from funding available under Section 10201 of the 2008 Farm Bill.

In FY 2011, APHIS also continued addressing the European grapevine moth (EGVM) and spent $14.3 million in emergency funds transferred from CCC for this purpose. EGVM is a significant pest of grapes that damages crop when larvae feed on the flowers and berries; subsequent fungal infection causes further damage. High population densities of EGVM can destroy entire vineyards, resulting in a total loss of grapes at harvest. Grapes, including wine grapes, table grapes and raisins, rank second among all crops produced in California, generating 10 percent of the State's $31.4 billion in farm sales. APHIS, the California Department of Food and Agriculture (CDFA), California county officials, and industry groups are conducting a cooperative

effort consisting of: intensive survey efforts to identify affected areas; regulatory compliance activities to prevent the artificial spread of the pest; and an outreach program to reach industry groups, affected growers, and residents. Affected growers conduct suppression activities in their fields, with APHIS providing technical assistance and scientific support (and conducting treatments on noncommercial lands to prevent pest populations from surviving in these areas). APHIS and its State and industry partners reduced EGVM populations by 99.9 percent in 2011 compared to 2010. APHIS plans to release four out of ten counties (Fresno, Mendocino, Merced, and San Joaquin) from the quarantine area this month, as the small populations in these areas have been eliminated. With the overall reduction of EGVM populations, APHIS and the CDFA are reducing the regulated area surrounding EGVM infestation sites from a radius of 5 miles to 3 miles. As a result of these two actions, the regulated area will be reduced by 50 percent, allowing for unrestricted movement of grapes where applicable. In FY 2012, APHIS is continuing the program with $8 million in emergency funds transferred from CCC and $2.5 million from the Specialty Crop Pests line item.

Mr. Kingston: Were any indemnity funds used in FY 2010, 2011 or to date in FY 2012?

Response: The information is submitted for the record.

[The information follows:]

APHIS INDEMNITY AND COMPENSATION OBLIGATIONS

Disease Program	FY 2010*	FY 2011	FY 2012**
Plum Pox	$58,127	$33,662	$51,742
Brucellosis	28,381	10,138	2,410
Chronic Wasting Disease	53,248	150,967	0
Avian Influenza	1,137,162	696,322	86,274
Pseudorabies	130	2,096	0
Scrapie	121,651	138,178	16,631
Tuberculosis	2,980,579	1,182,339	561,196
Total	$4,379,278	$2,213,702	$718,253

*The amounts for FY 2010 have been updated to correctly report obligations in that year.

**The FY 2012 amount reflects payments made as of March 2012.

Mr. Kingston: What is the current status of the APHIS Contingency Fund?

Response: The information is submitted for the record.

[The information follows:]

APHIS CONTINGENCY FUND
(Dollars in Thousands)

Availability:	
Total Balance Carried Forward from FY 2011	$3,543
FY 2012 Appropriation	1,000
FY 2012 Availability	$4,543
FY 2012 Releases as of March 6, 2012:	
Giant African Land Snail	$1,500
Current Available Balance	$3,043

Mr. Kingston: Please update a table listing all funding expenditures from the Contingency Fund, to include fiscal years 2009 through 2012 to date and estimates for FY 2013.

Response: The information is submitted for the record.

[The information follows:]

APHIS CONTINGENCY FUND EXPENDITURES
(Dollars in Thousands)

Program	FY 2009 Actual Obligations	FY 2010 Actual Obligations	FY 2011 Actual Obligations	FY 2012[1] Estimated Obligations	FY 2013[1] Estimated Obligations
Cattle Fever Tick	$383	0	0	0	0
Contagious Equine Metritis	378	$108	0	0	0
European Grapevine Moth	0	3,098	0	0	0
Giant African Land Snail	0	0	0	$1,500	0
Total	$761	$3,206	$0	$1,500	$0

[1] Because APHIS uses its contingency fund for unplanned, small scale emergencies that occur during the fiscal year, we cannot predict obligations for the remainder of FY 2012 or FY 2013.

Mr. Kingston: Provide a five-year table that shows the projected revenue for import/export user fees and the projected revenue for veterinary diagnostic user fees including fiscal year 2012 estimates.

Response: The information is submitted for the record.

[The information follows:]

ESTIMATED USER FEE REVENUE FYs 2011-2015 (Dollars in Thousands)					
	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate
Import/Export User Fees (includes Animal Import Centers in Newburgh and Miami)	$35,362	$35,539	$35,646	$35,753	$35,860
Veterinary Diagnostics User Fees	5,780	5,809	5,826	5,843	5,861

FOREIGN COUNTRIES SPENDING

Mr. Kingston: Please provide a table showing how much APHIS spent in foreign countries to include fiscal years 2011 through estimated 2012.

Response: The information provided includes APHIS appropriated and user fee spending in foreign countries. Please note this table does not include spending from other funding sources (i.e. reimbursable agreements, trust funds, etc.)

[The information follows:]

APHIS SPENDING IN FOREIGN COUNTRIES BY REGION AND COUNTRY			
Region	Country	FY 2011	FY 2012 (est.)
Africa	Egypt	$416,456	$300,000
	Senegal	1,015,306	618,000
	South Africa	455,992	570,000
Asia/Pacific	Burma	117,707	45,000
	Cambodia	128,262	50,000
	China	763,116	1,098,000
	India	401,687	400,000
	Indonesia	237,316	250,000
	Japan	839,040	976,000
	Laos	136,713	47,000
	Philippines	489,834	489,000
	South Korea	430,255	482,000
	Taiwan	419,566	428,000
	Thailand	513,916	533,000

APHIS SPENDING IN FOREIGN COUNTRIES BY REGION AND COUNTRY			
Region	Country	FY 2011	FY 2012 (est.)
Caribbean	Dominican Republic	2,557,327	1,700,000
	Trinidad	100,000	117,000
Central America	Belize	251,288	142,000
	Costa Rica	847,196	750,000
	Guatemala	23,230,564	23,951,000
	Honduras	90,019	107,000
	Nicaragua	456,740	290,000
	Panama	19,623,945	15,466,000
Europe	Austria	651,441	720,000
	Belgium	1,320,578	1,500,000
	France	394,514	411,000
	Italy	549,782	700,000
	Other	208,879	208,000
North America	Canada	573,488	535,000
	Mexico	11,988,075	10,597,000
South America	Argentina	348,246	348,000
	Bolivia	201,067	190,000
	Brazil	1,523,272	1,182,000
	Chile	848,353	525,000
	Colombia	1,040,716	1,285,000
	Ecuador	236,851	188,000
	Peru	36,691	268,000
	Uruguay	5,242	191,000
	Venezuela	208,994	32,000
Total		$73,658,434	$67,689,000

ANIMAL AND PLANT HEALTH REGULATORY ENFORCEMENT

Mr. Kingston: How many animal and plant health regulatory enforcement violation cases are pending at the agency? How many cases did APHIS close or complete in FY 2010 and FY 2011?

Response: APHIS began FY 2012 with 2,049 animal and plant health regulatory enforcement violation pending cases. As of March 6, 2012, and as a result of ongoing efforts to strategically focus investigative and enforcement resources on the highest priority issues, APHIS has reduced the number of pending cases to 1,226.

APHIS closed or completed 1,662 cases in FY 2010 and 3,606 cases in FY 2011. Results for FY 2011 are atypical, and resulted from APHIS reaching consent decisions with two major express couriers and progress toward resolution with

a third major express courier. This resulted in the closure of more than 2,000 cases that had accumulated over many years.

FOREIGN ANIMAL DISEASE TRAINING

Mr. Kingston: How many training courses were provided in fiscal year 2011 and planned for in fiscal year 2012 to increase foreign animal disease awareness, where were they conducted, what was the number in attendance, and what did they cost?

Response: In FY 2011, 2,019 people participated in 65 training courses offered in 32 countries, including the United States. The APHIS contribution to training these participants was $1.69 million. Domestically, APHIS provided trainings for veterinarians, diagnosticians, and emergency responders, related to foreign animal diseases. APHIS responded to requests for international technical assistance, including requests for technical specialists, formal training, funding or material. APHIS actively collaborates with outside sources to meet the needs of developing countries if the Agency's resources are not available. Due to several variable factors such as the delivery method, cooperator contributions, and the diverse locations of the trainings, the costs differ among courses.

[The information follows:]

FOREIGN ANIMAL DISEASE TRAINING COURSES PROVIDED BY APHIS
FY 2011

COURSE TITLE	LOCATION	NUMBER OF PARTICIPANTS	APHIS COST
Turkey Epidemiology Training	Turkey	210	$35,649
International Course on Transboundary Animal Disease	United States	20	92,795
Technical Assistance for Validation of Classical Swine Fever (CSF)	Dominican Republic	3	4,591
Carcass Disposal	United States	27	594
Classical Swine Fever Field	Mexico	13	11,883
Canadian Foreign Animal Disease	Canada	137	4,753
OIE (World Organization for Animal Health) Regional Risk Analysis	Japan	37	3,970
Diagnostic Protocols for CSF/Exotic Newcastle Disease	Mexico	5	93,375
CaribVet & Risk Analysis Workshop	Guadeloupe	25	56,960
Chile Aquatic Animal Health Assistance	United States	90	83,648

FOREIGN ANIMAL DISEASE TRAINING COURSES PROVIDED BY APHIS FY 2011			
COURSE TITLE	LOCATION	NUMBER OF PARTICIPANTS	APHIS COST
Caribbean Advanced Veterinary Epidemiology	Costa Rica	9	5,450
International Course on Risk Analysis	United States	13	44,500
Risk Analysis for Southern Africa	South Africa	21	11,300
World Conference & Emergency Medicine	China	73	1,563
Kazakhstan Foot-and-Mouth Disease Epidemiology	Kazakhstan	23	17,824
Risk Assessment Training	Ethiopia	32	3,450
Peru Animal Health	Peru	12	2,952
Laboratory Quality Assurance	Tanzania	10	6,400
China Twinning Project	China	2	23,766
International Course on Veterinary Epidemiology	United States	26	34,800
Advanced Risk Analysis	Ethiopia	28	5,200
International Transboundary Animal Disease	United States	23	84,600
Spatial Epidemiology Workshop	Kenya	28	11,823
Capacity Building	Zambia	2	6,000
Food and Agriculture Organization of the United States/OIE Sub Regional Laboratory Network	Malaysia	13	5,181
Avian Pathology Diagnostic Training	Mozambique	35	52,680
Inception National Poultry Improvement Plan Workshop	Indonesia	15	4,045
Veterinary Epidemiology Workshop	Laos	41	37,932
Workshop on Spatial Epidemiology	Thailand	25	10,311
Live Bird Market Review	Venezuela	75	3,772
National GIS/GPS with Highly Pathogenic Avian Influenza (AI) Outbreak	Cambodia	50	24,520
Development of Technical Tools/Policy/Regulation	Indonesia	10	10,444
Technical Tools/Policy/Regulation	Indonesia	6	3,654

FOREIGN ANIMAL DISEASE TRAINING COURSES PROVIDED BY APHIS FY 2011			
COURSE TITLE	LOCATION	NUMBER OF PARTICIPANTS	APHIS COST
Site Visit Report/Live Bird Market	Ecuador	22	8,610
Veterinary Border Control	Ghana	15	40,000
Development of Technical Tools/Policy/Regulation	Indonesia	60	10,100
Capacity Building for the National Public Health Improvement Program Implementation	Indonesia	35	29,655
Live Bird Market Review	Trinidad Tobago	23	3,096
CaribVet AI Working Group Workshop	United States	10	23,940
National AI Epidemiology Training	Cambodia	45	28,590
Biosecurity on Commercial Poultry Farm Training	Laos	36	1,600
GPS/GIS Training	Gambia	15	14,900
National AI Biosecurity Training	Cambodia	50	41,345
Veterinary Epidemiology Training	Laos	38	33,500
Field Lab Tools for Control of Highly Pathogenic AI/Transboundary Diseases	Cameroon	25	50,000
Emergency Poultry Disease Response Course	United States	17	70,000
Incident Command System Training	Guatemala	15	8,000
Training of Trainer Course on Disease Recognition & Reporting for District Officers	Laos	46	26,000
Conference on Transboundary Animal Diseases	Ethiopia	45	10,000
Field Tools for Surveillance of Highly Pathogenic AI & Transboundary Diseases	Mali	25	50,000
AI Diagnostic Techniques for Regional Lab Training Course	Laos	26	21,000
West and Central Africa lab network	Mali	46	100,000
Live Bird Market Review	El Salvador	10	5,654

FOREIGN ANIMAL DISEASE TRAINING COURSES PROVIDED BY APHIS FY 2011			
COURSE TITLE	LOCATION	NUMBER OF PARTICIPANTS	APHIS COST
Lab Network Meeting	Thailand	10	10,920
International Congress on Pathogens at the Human-Animal Interface	Ethiopia	31	10,000
Fields Tools for Surveillance and Control of Highly Pathogenic AI	Burkina Faso	42	50,000
Veterinary Laboratory Diagnostic Training	United States	19	49,628
Foreign Animal Disease Practitioner Distance Learning Course	United States	8	877
Response to Emergency Animal Diseases in Wildlife	United States	38	1,285
Smith Kilborne Program	United States	29	95,094
Foreign Animal Disease Practitioner Distance Learning Course	United States	18	0
Foreign Animal Disease Diagnostician Training Course for APHIS	United States	23	58,702
Emergency Management Response System for Incident Management Teams Training	United States	18	28,750
Foreign Animal and Emerging Disease Course	United States	31	8,722
VS Outbreak Surveillance Toolbox Workshop	United States	9	1,587

In FY 2012, APHIS will focus its international animal health capacity building activities on surveillance, disease diagnostic laboratories, risk analysis, and field response to disease outbreaks. The Agency will also conduct outreach within the training curricula for animal health activities, including transboundary animal diseases. APHIS plans to contribute approximately $250,000 to deliver 12 training courses for 226 participants in FY 2012. APHIS will deliver training in target regions such as Southeast Asia, Africa, the Middle East and in former Soviet Union countries. Additionally, APHIS subject matter experts have been requested to partake in approximately 17 additional training courses during FY 2012. The Department of Defense, through the Defense Threat Reduction Agency's Cooperative Biological Engagement Program, and the State Department's Biological Engagement Program will provide the majority of funding for the training courses. Domestically, APHIS plans to offer 9 courses across the United States on foreign animal diseases to approximately 211 participants at a cost of $393,000.

Rabies

Mr. Kingston: What is the status of the national rabies management plan? How much did the Agency spend in FY 2011 and estimated expenditures in fiscal years 2012 and 2013 for this program?

Response: The U.S. National Plan for Wildlife Rabies Management (2008-2012) focuses on three broad goals that include: enhanced coordination of wildlife rabies surveillance, management and research among government agencies, universities, and private organizations; preventing further spread; and, eventual elimination of specific rabies virus variants in terrestrial carnivores. Significant progress has been made in meeting these goals as outlined in the current plan. Using a coordinated, strategic application of oral rabies vaccine in 20 States in conjunction with other rabies control measures, canine rabies has been eliminated in United States; there have been no new cases of gray fox rabies in Texas since May 2009; and no appreciable spread of raccoon rabies has occurred west of the current ORV zone. The National Plan will be updated over the next year in collaboration with key partners and will continue to set the course for wildlife rabies management in the United States and remain linked to the North American Rabies Management Plan.

APHIS spent $23.76 million in FY 2011 and plans to spend the same amount in FY 2012 for national rabies control and surveillance through cooperative efforts in 14 eastern States, Texas, and Arizona. For FY 2013, APHIS plans to spend approximately $22.5 million, $1.25 million less than prior years, in States strategic to national wildlife rabies management goals in the eastern and western United States.

Mr. Kingston: What rabies management programs, activities or locations will be reduced or eliminated in fiscal year 2012 and 2013? What is the risk associated with such changes in the program?

Response: APHIS has no current plans to reduce or eliminate rabies management programs in FY 2012. APHIS will continue to contain rabies outbreaks to the strategically determined barrier zones in FY 2012. While APHIS has been successful using the oral rabies vaccine (ORV) to prevent raccoon rabies from spreading, prevent canine rabies from reemerging in Texas from Mexico, and possibly to eliminate a unique variant of rabies in gray foxes from west Texas, the Agency typically must plan for and respond to rabies emergencies outside of the rabies barrier zones that require a shift in resources. This shift in resources always has the potential to compromise ORV efforts where there is a risk of rabies spreading to new areas.

For 2013, APHIS proposes to reduce funding for rabies activities in States outside of the barrier zone for the Oral Rabies Vaccination program. APHIS will work with the impacted States to provide service on a reimbursable basis. APHIS will continue to focus on maintaining the current rabies barrier zones.

In FY 2013, APHIS' proposed budget includes a $1.25 million reduction for a total of $22.5 million for the rabies management program. The Agency will focus on maintaining viable ORV zones that prevent raccoon rabies from spreading toward the western United States and north into Ontario, Quebec and New Brunswick. APHIS will discontinue ORV and surveillance in Florida,

Massachusetts, and Maryland, as well as enhanced rabies surveillance in Wyoming to reduce operations that do not directly contribute to the maintenance of the raccoon rabies ORV zone in the eastern United States or the gray fox ORV zone in the western United States, as well as to conserve resources for other priority rabies control activities including critical field trials for a new ORV. Recently, APHIS was able to complete the first ORV field trial in raccoons and skunks, with results indicating about a two-fold increase of a vaccine-induced immunity in raccoons over the existing vaccine and no field safety issues to date. This vaccine is expected to allow APHIS and collaborators to conduct more aggressive campaigns to eliminate raccoon rabies from high risk spread corridors. APHIS and collaborators are taking the necessary steps to expand field trials in August and September 2012. The proposed reduction in FY 2013 may extend the time to perform the field trials that lead toward the licensing of the new oral rabies vaccine.

Mr. Kingston: What are APHIS' efforts to control the spread of wildlife rabies?

Response: The current rabies control strategy involves the distribution of oral rabies vaccine (ORV), mostly by air, which is effective in orally vaccinating raccoons, coyotes, and gray foxes in defined zones in 16 States. APHIS creates these zones at strategic locations based on the distribution of specific variants of the rabies virus. The program often shifts resources for baiting from areas of lower risk to address potential rabies spread in highest risk corridors for rabies spread. APHIS' goal in FY 2012 is to continue to contain rabies outbreaks and to maintain rabies-free status that has been achieved for canine rabies in coyotes and gray foxes in Texas through the continued application of strategic ORV.

The program relies on the international collaborative rabies management framework established through the North American Rabies Management Plan. Partners to this plan include the United States, Canada, Mexico and the Navajo Nation. The plan involves ongoing coordination with surveillance, control efforts, vaccine development, and field trials. APHIS and Canada have coordinated activities related to the surveillance and control of rabies in raccoons along the border to ensure program effectiveness internationally.

The human-assisted movement of wildlife such as raccoons, skunks, foxes and coyotes that could accelerate the spread of rabies is of high concern and could jeopardize commitment of resources to contain and eliminate specific variants of wildlife rabies. However, APHIS will continue to collaborate with other Federal agencies, State agencies, Mexican and Canadian counterparts, professional organizations, and other groups to enhance outreach and education and other measures to help reduce the translocation of wildlife beyond coordinated ORV efforts. Finally, APHIS will continue to work toward licensing a more effective vaccine bait to achieve rabies management goals more effectively and efficiently.

Emergencies

Mr. Kingston: How was USDA's emergency authority used in fiscal years 2010 and 2011? How much did USDA use for each incidence and was it transferred from CCC?

Response: All emergency transfers to APHIS were from the Commodity Credit Corporation (CCC). Amounts available and used for each incident are submitted for the record.

[The information follows:]

COMMODITY CREDIT CORPORATION FUNDING
(Dollars in thousands)

Program [a/]	FY 2010 CCC Releases/ Redirections	FY 2010 Obligations	FY 2011 CCC Releases/ Redirections	FY 2011 Obligations
Asian Longhorned Beetle	$41,451	$24,809	0	$18,356
Bovine Tuberculosis	0	2,462	0	1,760
Cattle Fever Tick	0	751	0	56
Emerald Ash Borer	0	0	0	122
European Grapevine Moth	0	0	$16,922	14,327
Grasshopper	10,735	4,207	0	322
Light Brown Apple Moth	0	22,068	0	5,702
Mediterranean Fruit Fly	0	243	0	0
Mormon Cricket	0	0	0	78
Potato Cyst Nematode	0	138	0	232
Redirection from existing balances	-16,070	0	-6,000	0
TOTAL	$36,116	$54,678	$10,922	$40,955

a/ Please note that prior year balances were available.

Mr. Kingston: For CCC funds approved for APHIS emergencies, what were the carryover amounts into FY 2010 and 2011?

Response: Of the Commodity Credit Corporation funds approved for APHIS emergencies in FY 2009, $58.63 million were carried into FY 2010. In FY 2010, APHIS received additional CCC transfers of $36.12 million and authorized redirections of $16.07 million from existing CCC balances. Of the amount available in FY 2010, APHIS obligated $54.68 million and carried over $45.36 million into FY 2011.

Mr. Kingston: Has the agency requested any funds from the Commodity Credit Corporation for emergency purposes in fiscal year 2012? If so, for what programs? What was the amount of the request? Have the funds been apportioned?

Response: As of March 6, 2012, APHIS has requested Commodity Credit Corporation funds for one emergency program in FY 2012. The approved request was for European Grapevine Moth activities in California, and APHIS received an apportionment of $8 million in February 2012.

Mr. Kingston: Please provide a table that shows a breakout of the number of emergencies that occurred, as well as the amount of both agency and CCC funds that were used to combat the emergency to include fiscal years 2008 through 2011 and fiscal year 2012 estimates. Please include a total column.

Response: The information is submitted for the record.

[The information follows:]

ANIMAL AND PLANT HEALTH INSPECTION SERVICE
EMERGENCY PROGRAM FUNDING
(Dollars in Thousands)

Fiscal Year	Emergency	APHIS Funds			CCC Funds	Total
		Program Funds	Contingency Funds	Sub-Total		
2008	Asian Gypsy Moth	0	$151	$151	0	$ 151
	Cattle Fever Tick	$7,599	383	7,982	$5,233	13,215
	Contagious Equine Metritis	0	86	86	0	86
	European Gypsy Moth	0	152	152	0	152
	Light Brown Apple Moth	993	0	993	74,539	75,532
	Malignant Catarrhal Fever	0	383	383	0	383
	Rabies	23,493	850	24,343	0	24,343
	Tuberculosis	15,289	0	15,289	22,928	38,217
	Redirected Balances	0	0	0	-7,000	-7,000
	2008 Total	$47,374	$2,005	$49,379	$95,700	$145,079
2009	Asian Longhorned Beetle	$19,918	0	$19,918	$24,533	$44,451
	Cattle Fever Tick	9,907	0	9,907	4,894	14,801
	Contagious Equine Metritis	0	$913	913	0	913
	2009 Total	$29,825	$913	$30,738	$29,427	$60,165
2010	Asian Longhorned Beetle	$33,021	0	$33,021	$41,451	$74,472
	Contagious Equine Metritis	144	0	144	0	144
	European Grapevine Moth	0	$3,100	3,100	0	3,100
	Grasshopper	5,578	0	5,578	10,735	16,313
	Redirected Balances	0	0	0	-16,070	-16,070
	2010 Total	$38,743	$3,100	$41,843	$36,116	$77,959
2011	European Grapevine Moth	0	0	0	$16,922	$16,922
	Redirected Balances	0	0	0	-6,000	-6,000
	2011 Total	0	0	0	$10,922	$10,922
2012	European Grapevine Moth	0	0	0	$8,000	$8,000
	Giant African Snail	0	$1,500	$1,500	0	1,500
	2012 Total	$0	$1,500	$1,500	$8,000	$9,500

Mr. Kingston: Please provide a table for the record showing all APHIS line items that have proposed increases for fiscal year 2013 that were funded out of the CCC in fiscal years 2011 or 2012 and the corresponding funding amounts.

Response: None of the line items proposing an increase in FY 2013 received emergency funding from the Commodity Credit Corporation (CCC) in FY 2011 or FY 2012. APHIS received one CCC transfer in each of those years, and both were for European grapevine moth (EGVM). There is no increase request for EGVM in the FY 2013 budget.

Mr. Kingston: Please provide for the record a copy of the transmittal letters to the Committee on the fiscal year 2010 and 2011 transfers from the CCC to APHIS to combat emergency pest and disease outbreaks.

Response: APHIS reports this information each year in its budget request (Explanatory Notes). A summary of funding transfers for FY 2010 and FY 2011 is as follows.

[The information is submitted for the record.]

COMMODITY CREDIT CORPORATION
TRANSFER SUMMARY
(Dollars in Thousands)

FY 2010 New Funding Transfers:	
Asian Longhorned Beetle	$27,881
Grasshopper	8,235
* Total	$36,116
FY 2011 New Funding Transfers:	
European Grapevine Moth	$10,922
* Total	$10,922

* The table includes new emergency funding transfer amounts for each fiscal year only and does not include redirected, unobligated balances carried over from prior years. APHIS redirected $16.07 million in FY 2010 and $6 million in FY 2011 of unobligated balances towards the listed programs.

Mr. Kingston: Regarding fiscal year 2012 transfers from the CCC to APHIS to combat emergency pest and disease outbreaks, how much has the Agency requested from the Department? How much has the Department requested from OMB? How much has OMB apportioned?

Response: As of March 6, 2012, APHIS has requested a transfer of Commodity Credit Corporation (CCC) funds for one emergency program in FY 2012. The request was for European grapevine moth activities in California. After the Department and OMB approved the request, APHIS received an apportionment of $8 million from the CCC for this emergency program.

Mr. Kingston: For the record, provide a five-year history of funds that have come from the Commodity Credit Corporation for emergency outbreaks, and into two categories: (1) expenditures to combat pest and/or disease outbreaks that are indigenous to the United States, and (2) expenditures that have been made to combat pest and/or disease outbreaks that have been "imported" to the U.S.

Response: The information is submitted for the record.

[The information follows:]

ANIMAL AND PLANT HEALTH INSPECTION SERVICE
EMERGENCY PROGRAM OBLIGATIONS
(Dollars in Thousands)

Fiscal Year	Emergency	Indigenous	Imported	Total Obligations a/
2007	Asian Longhorned Beetle	--	$3	
	Avian Influenza	--	3,745	
	Bovine Spongiform Encephalopathy	--	402	
	Citrus Canker	--	2,252	
	Emerald Ash Borer	--	13,693	
	Exotic Newcastle Disease	--	1,233	
	Glassy-winged Sharpshooter	--	13	
	Infectious Salmon Anemia	--	337	
	Light Brown Apple Moth	--	12,019	
	Mediterranean Fruit Fly	--	17	
	Mexican Fruit Fly	--	404	
	Plum Pox	--	11	
	Potato Cyst Nematode	--	11,066	
	Pseudorabies	--	91	
	Rabies	--	930	
	Scrapie	--	54	
	Spring Viremia of Carp	--	1	
	Sudden Oak Death	--	2,872	
	Tuberculosis	$4,902	--	
	Total	$4,902	$49,143	$54,045
2008	Asian Longhorned Beetle	--	$764	
	Avian Influenza	--	127	
	Belgian Sheep	--	7	
	Cattle Fever Tick	$4,082	--	
	Citrus Canker	--	7,260	
	Emerald Ash Borer	--	9,128	
	Exotic Newcastle Disease	--	63	
	Glassy-winged Sharpshooter	--	252	
	Infectious Salmon Anemia	--	32	
	Light Brown Apple Moth	--	34,467	
	Mediterranean Fruit Fly	--	1,275	
	Mexican Fruit Fly	--	584	
	Mormon Cricket	1,339	--	
	Plum Pox	--	243	
	Potato Cyst Nematode	--	9,710	

ANIMAL AND PLANT HEALTH INSPECTION SERVICE
EMERGENCY PROGRAM OBLIGATIONS
(Dollars in Thousands)

Fiscal Year	Emergency	Indigenous	Imported	Total Obligations a/
	Pseudorabies	--	91	
	Rabies	--	272	
	Spring Viremia of Carp	--	50	
	Sudden Oak Death	--	1,388	
	Tuberculosis	42,998	--	
	Total	$48,419	$65,713	$114,132
2009	Asian Longhorned Beetle	--	$23,967	
	Avian Influenza	--	402	
	Cattle Fever Tick	$4,768	--	
	Citrus Canker	--	29	
	Emerald Ash Borer	--	3,313	
	Exotic Newcastle Disease	--	25	
	Glassy-winged Sharpshooter	--	252	
	Infectious Salmon Anemia	--	30	
	Light Brown Apple Moth	--	26,210	
	Mediterranean Fruit Fly	--	188	
	Mexican Fruit Fly	--	143	
	Mormon Cricket	1,641	--	
	Potato Cyst Nematode	--	2,080	
	Tuberculosis	8,215	--	
	Total	$14,624	$56,639	$71,263
2010	Asian Longhorned Beetle	--	$24,809	
	Cattle Fever Tick	$751	--	
	Grasshopper	4,207	--	
	Light Brown Apple Moth	--	22,068	
	Mediterranean Fruit Fly	--	243	
	Potato Cyst Nematode	--	138	
	Tuberculosis	2,462	--	
	Total	$7,420	$47,258	$54,678
2011	Asian Longhorned Beetle	--	$18,356	
	Cattle Fever Tick	$56	--	
	Emerald Ash Borer	--	122	
	European Grapevine Moth	--	14,327	
	Grasshopper	322	--	
	Light Brown Apple Moth	--	5,702	
	Mormon Cricket	78	--	
	Potato Cyst Nematode	--	232	
	Tuberculosis	1,760	--	
	Total	$2,216	$38,739	$40,955

a/ Please note that prior year balances were available in some cases.

Chronic Wasting Disease

Mr. Kingston: What is APHIS doing to combat chronic wasting disease? How does APHIS plan to deal with the issue in FY 2012 if the Agency nearly eliminates the program? What contingencies are in place to deal with the issue?

Response: Chronic wasting disease (CWD) has been found in farmed and wild cervids in the United States. As of March 2012, 11 States have reported cases in farmed cervids, and 16 States have reported cases in wild cervids.

In 2006, APHIS developed a national voluntary CWD Herd Certification Program (HCP) in consultation with States, the farmed cervid industry, and the U.S. Animal Health Association. The HCP is designed so that captive cervid owners can participate in a voluntary national program through participating States, which meet national program requirements for surveillance, herd inventory, animal identification, and fencing.

In FY 2012 APHIS plans to implement the national HCP following publication of the amended 2006 final rule. When published, the rule will describe minimum requirements for the national herd certification program, and will establish minimum standards for interstate movement of live cervids. Participating States will continue to manage CWD through the voluntary national HCP and through local disease surveillance. Since these are local or regional disease spread issues, State and local governments are better positioned to take a more active role, and to better anticipate and plan for local or regional needs for the prevention and control of CWD. Costs for the program will be borne primarily by States and producers that wish to participate in the program. The success of the voluntary HCP is based upon cooperation and shared responsibility among the Federal government and State and local interests.

Once the final rule is published and the regulatory framework is in place, APHIS activities will be limited to enrollment of participating States and cervid producers in the national HCP and national reporting of certified herds. APHIS will approve State applications and conduct periodic State reviews to ensure compliance and will serve in an advisory capacity. Further, APHIS will support confirmatory testing of presumptive CWD cases with routine testing costs at producers' expense. APHIS will continue to conduct higher priority cervid health activities and address concerns when identified.

Ames Facility

Mr. Kingston: Please provide a complete update of the Ames facility and whether or not the operating costs are fully funded within the fiscal year 2012 appropriation and without the need for additional reprogramming of funds.

Response: The Ames modernization plan included four major components: Phase 1 and Phase 2 of the Consolidated Laboratory Facility (CLF); the High Containment Large Animal Housing Facility; Low Containment Large Animal Housing Facility; and, the Training Facility. The plan has been funded through appropriations totaling $462 million.

Phase 1 of the CLF, which includes bio-safety level (BSL) 2 and 3 laboratories for pathobiology and diagnostic bacteriology work, was completed in September 2004.

The High Containment Large Animal Housing Facility, which includes 22 rooms for animals such as bison, cattle, horses, and swine, and two necropsy areas, was completed in February 2007.

Phase 2 of the CLF provided additional BSL-2 and BSL-3 laboratories, caged animal facilities, administrative/office/conference spaces, and support services spaces. USDA took possession of the Phase 2 CLF in April 2009, and the movement of personnel into the facility occurred between July and September of 2009.

USDA took possession of the Low Containment Animal Housing Facility in February 2009, and began using it for animal work in June 2009.

The finished complex includes almost one million square feet of bio-safe, energy-efficient modern facilities that provide state-of-the-art capabilities for research, diagnosis, and biological product evaluation, thereby enhancing USDA's ability to respond to domestic, emerging, foreign animal disease, and bioterrorism threats. On April 19, 2010, the CLF was officially dedicated in a ceremony with the Secretary of Agriculture, the Iowa Congressional delegation, various stakeholders, and USDA personnel in attendance.

The new, larger Ames facility brings with it additional costs necessary to maintain the high efficiency particulate arresting filtration system, chemical waste treatment and wastewater pre-treatment, and one-pass air handling systems. In FY 2011, USDA requested, and Congress approved, a reprogramming of funds to cover the increased utility costs at the new facility. In FY 2012, Congress provided funding in line with the FY 2011 reprogramming level for our operating cost needs at the Ames, allowing the Agency to continue to use its operating budget to carry out veterinary diagnostic activities in support of livestock disease surveillance, process biologics licenses in a timely manner, and maintain emergency response preparedness and capacity. As a result, we do not anticipate additional reprogramming requests.

Scrapie

Mr. Kingston: What steps is APHIS taking to reduce and/or eradicate scrapie from the United States?

Response: APHIS began full implementation of accelerated scrapie eradication efforts in FY 2002, following the publication of a final rule that: requires the identification of certain classes of sheep and goats in interstate commerce; provides indemnity for animals required to be destroyed; establishes standards for handling infected and exposed flocks/herds; establishes standards for approving tests and laboratories; and sets standards for State scrapie control programs.

APHIS and its cooperators have made great progress in reducing the prevalence of scrapie under the regulatory slaughter surveillance program that is designed to maximize the detection and clean-up of infected flocks. Nearly all establishments that slaughter significant numbers of mature sheep

participate in the program, and samples from 326,773 sheep and goats have been collected since its inception. Scrapie prevalence has decreased 96 percent since slaughter surveillance began in FY 2003. The number of newly identified infected/source flocks decreased by 38 percent in FY 2011 compared to FY 2010. As of January 31, 2012, only two new infected/source flocks have been identified this fiscal year.

APHIS assists owners of infected and exposed flocks with clean-up efforts by providing testing and indemnity for scrapie-susceptible exposed animals in these flocks. In FY 2011, the Agency assisted approximately 41 owners and provided more than 3 million eartags to producers as part of the scrapie program. More than 160,000 sheep and/or goat premises are contained in the Scrapie National Generic Database, with approximately 92 percent of these premises having received official eartags. This is an increase of more than 10,000 animals from FY 2010. APHIS also collaborates with industry to distribute educational materials to producers, markets, and veterinarians on identification requirements, genetic testing, and flock cleanup.

APHIS reviewed five State scrapie programs in FY 2011 to ensure that the States met the requirements to remain scrapie-consistent states. The reviews resulted in improvements in program implementation. APHIS and the States cooperatively administer the Scrapie Free Flock Certification Program (SFCP). This program provides sheep and goat producers an avenue by which they can demonstrate disease freedom in their flocks and herds. This SFCP also allows U.S. producers to meet the requirements to export sheep and goats to other countries. Currently there are 1,483 participating flocks and herds in the SFCP.

Transfers of Funds

Mr. Kingston: Did the agency transfer any funds to the OCIO or CCE in fiscal year 2010 or 2011? If so, when, what for, and in what amount?

Response: APHIS did not transfer any funds to the Office of the Chief Information Officer or Common Computing Environment during fiscal years 2010 or 2011.

Carryover Amounts

Mr. Kingston: For each APHIS program with extended availability of funds, what were the carryover amounts from fiscal year 2010 into 2011? And from fiscal year 2011 into 2012?

Response: The information is submitted for the record.

[The information follows:]

ANIMAL AND PLANT HEALTH INSPECTION SERVICE
ESTIMATED PROJECTED CARRYOVER OF FUNDING
(Dollars in Thousands)

Line Item - Program	Carryover into FY 2011	Carryover into FY 2012
Animal Health Technical Services a/	$4,558	$2,347
APHIS Information Technology Infrastructure	173	104
Avian Health	22,210	12,372
Cotton Pests	1,663	1,888
Cattle Health b/	2,290	91
Equine, Cervid & Small Ruminant Health c/	4,543	4,403
Field Crop & Rangeland Ecosystem Pests	2,185	2,212
National Veterinary Stockpile	3,945	3,184
Specialty Crop Pests	14,279	13,659
Tree & Wood Pests	29,217	29,998
Wildlife Service Methods Development	5	217
Wildlife Damage Management	588	607
TOTAL	$85,656	$71,082

a/ Available for Animal Disease Traceability
b/ Available for Screwworm
c/ Available for Scrapie indemnities only

OIG Audits

Mr. Kingston: What improvements is APHIS making in response to deficiencies noted by the OIG audits of the program?

Response: The information is submitted for the record.

[The information follows:]

APHIS ACTIONS TO ADDRESS OIG AUDIT RECOMMENDATIONS

OIG REPORT #	AUDIT TITLE AND AGENCY ACTIONS
33002-04-SF	Animal Care Inspection of Problematic Dealers The audit report was issued on May 14, 2010 with 14 recommendations that focused on ensuring dealer compliance and preventing large breeders from circumventing Animal Welfare Act (AWA) requirements. Of the recommendations, 13 have been implemented and 1 is pending implementation.

OIG REPORT #	AUDIT TITLE AND AGENCY ACTIONS
	APHIS developed an action plan to address the recommendations. The objective of the action plan was to improve the compliance of dog dealers with the AWA, particularly those who are repeat violators. APHIS has taken several actions through implementation of the action plan that includes a shift from an education focus for problematic dealers to an enforcement focus, improving inspector performance, and drafting regulations regarding the Internet sale of dogs. APHIS filled positions in geographic areas where dog dealers are located, and created a special compliance unit that focused on improving many of the processes used to collect evidence and provide documentation, among other actions. The compliance unit also provided additional training to inspectors and reanalyzed its program data to support targeted enforcement activities.
33601-02-KC	Oversight of Designated Qualified Persons Enforcing the Horse Protection Act The audit report was issued on September 3, 2010 with 13 recommendations. Work continues on all recommendations. The OIG's recommendations included improving inspections of show horses, strengthening penalties for those who are found in violation, and improving controls so that violators that are suspended do not participate in shows. APHIS is actively taking steps to strengthen the Horse Protection program. APHIS has begun implementing initiatives, including proposing regulations that would require Horse Industry Organizations (HIO) to follow a uniform penalty protocol. Also, the Agency has begun hiring accredited veterinarians as temporary employees to expand coverage of horse shows.
50099-46-AT	USDA Payments for 2005 Citrus Canker Tree Losses APHIS developed an action plan to address the OIG's audit recommendations as well as to ensure that the Agency acts fairly in all financial matters. APHIS issued a letter in October 2011, notifying all growers of an error that occurred and they would be receiving corrected tax forms for any tree replacement payments they had received. APHIS considers all of the over/under payment findings closed as all growers have been paid or billed by APHIS.
50601-17-TE	Controls over Genetically Engineered Food and Agricultural Imports The Department has addressed the audit recommendations by developing an overall strategy with implementation plan for monitoring the development of transgenic plants and

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	animals in foreign nations. USDA's strategy integrates ongoing departmental actions, including (a) coordinating among USDA agencies and other Federal agencies, (b) working with international entities like Codex Alimentarius, (c) cooperating bilaterally with other countries invested in biotechnology research, (d) performing vulnerability assessments so that it can prioritize risks and develop appropriate screening measures, and (e) working with, and soliciting input and feedback from, nongovernmental organizations, including various trade organizations. USDA will compile the results of ongoing activities in these areas through its Biotechnology Coordination Group (BCG) (or a successor group under a new Administration) to identify when actions may be necessary and if so what actions would be appropriate to address any risks that particular new foreign transgenic plants or animals might pose to the United States.

Bovine Spongiform Encephalopathy (BSE)

Mr. Kingston: What is the status of the activities associated with BSE, including the number of samples taken in fiscal years 2010 and 2011 as well as estimates for fiscal year 2012? Please inform the Subcommittee of any recent policy changes with regard to this disease.

Response: APHIS continues to conduct surveillance for bovine spongiform encephalopathy (BSE), focusing on animals that are greater than 30 months of age with clinical signs associated with the central nervous system disease. In FY 2010, APHIS tested 44,301 valid samples for BSE. In FY 2011, APHIS tested 40,482 valid samples for BSE. No cases of BSE were detected in either year.

There have been no recent policy changes in the BSE Ongoing Surveillance Program. APHIS' BSE plan for FY 2012 includes the collection of no less than 40,000 samples, with an anticipated outcome of meeting this goal. This level of testing allows the detection of one case of BSE in one million adult cattle with 95 percent confidence and far exceeds the standards set by the World Organization for Animal Health.

Homeland Security and Food Defense

Mr. Kingston: Please describe the general activities and dollars for APHIS' involvement in the area of Homeland Security and/or food defense, including the associated listing by newly proposed line item. What is the total requested for select agents?

Response: APHIS' FY 2013 budget request includes approximately $418.6 million related to USDA's homeland security and food and agriculture defense efforts. Of this amount, an estimated $169.8 million is for gathering and

analyzing plant and animal health information, assessing potential agricultural threats, and responding to those threats when necessary. This amount also includes $5 million for the select agents program. These activities are captured as portions of the animal health and plant health commodity line items, as well as the Emergency Preparedness and Response line item, within the Safeguarding and Emergency Preparedness and Response category of the new budget structure.

Another $243.8 million of the amount for homeland security and food and agriculture defense efforts is aimed at excluding and reducing potential threats entering our borders through the Agency's Agricultural Quarantine Inspection (AQI) program and analyzing data streams regarding agricultural imports. The AQI program encompasses a variety of activities designed to address the agricultural pest risks posed by international travel and trade. These activities include developing regulatory import policies to protect the health of U.S. agriculture and ecosystems, conducting off-shore risk reduction activities such as foreign commodity preclearance programs for specific products, and treating arriving containers and cargo, among others. The AQI program is funded by full-cost recovery user fees and appropriations for certain activities. The appropriated funding is captured as a separate line item within the Safeguarding and Emergency Preparedness and Response category, and the other appropriated activities related to offshore animal disease mitigation are captured within the Safe Trade and International Technical Assistance category within the new budget structure.

The remaining $4.9 million is related to implementing measures to ensure continued, efficient mission operations and protection for employees from disruption, degradation, or destruction of facilities, including our laboratories. APHIS works with the other Federal agencies and local law enforcement to ensure that the appropriate Agency takes the lead, shares costs, and integrates security in co-locations of employees. The Physical and Operational Security line item is captured in the Agency Management category within the new budget structure.

Combatting Invasive Species

Mr. Kingston: What innovative methodologies does APHIS use to combat invasive species?

Response: APHIS uses a variety of approaches and tools to combat invasive species and continually works to refine and enhance its methods, while searching for methods that fit particular pest situations and meet the needs of farmers, including organic producers. One of the most innovative methods is the use of sterile insect technology (SIT), which involves the release of sterile insects that mate with their wild counterparts and interrupt normal reproduction. APHIS first used SIT in combating and preventing outbreaks of the Mediterranean fruit fly (Medfly) in California and Florida and established Preventive Release Programs (PRPs) with State cooperators. In the PRP, sterile Medflies are released continually in areas that historically experienced Medfly outbreaks and numerous eradication operations. These efforts have proven very successful, with few outbreaks occurring in areas covered by the PRP. SIT is also used to eradicate outbreaks of Medfly when they occur. APHIS has also developed SIT for the Mexican fruit fly, pink bollworm and screwworm.

Another innovative and environmentally friendly control tool is Bacillus thuringiensis (Bt), a toxin used in the boll weevil eradication effort and for a variety of moth pests, including gypsy moth. APHIS also uses biological control, or the use of natural enemies, to control a variety of insects and weeds. To help control the brown tree snake on Guam, which has decimated the island's native bird species, APHIS is using acetaminophen (the active ingredient in Tylenol). APHIS aerially distributes baits with the toxicant in the upper forest canopy, where the snakes spend much of their time. APHIS will continue to look for and develop new and innovative control methods for its invasive species programs at its Center for Plant Health Science and Technology and the National Wildlife Research Center.

Overseas Offices

Mr. Kingston: How often does APHIS re-evaluate missions to overseas offices? How does APHIS make annual resource allocation decisions to overseas offices? What factors does APHIS consider for both new and continuing overseas activities?

Response: APHIS evaluates overseas operations and post locations on an ongoing basis to make sure our resources are strategically located to reduce risks to U.S. agriculture and to facilitate safe agricultural trade. APHIS makes allocation decisions based on the potential impact a trade partner may have on U.S. agriculture, safeguarding activities or concerns, presence of international organizations (for leveraging resources), and Presidential, congressional, or other Federal priorities/initiatives. Opening and maintaining agricultural trade markets remains a priority for our overseas offices. Our safeguarding strategy in a global context includes both inspection and exclusion activities as well as overseas collaboration with foreign governments on programs to monitor and respond to potentially harmful invasive species and prevent their spread to the United States. APHIS considers all of these aspects along with overseas post reports and USDA strategic objectives to identify international locations and APHIS international priorities. As APHIS analyzes these ongoing reviews and related global dynamics, the Agency decides to maintain or close existing offices and/or open new offices if the needs dictate such actions. Although APHIS has deployed resources around the world in strategic locations, these locations may play different roles over time. For example, an office working principally on animal and/or plant disease monitoring and eradication may have priorities change to work on significant trade related issues or other strategically important issues of regulatory concern. Most overseas offices are responsible for the full range of APHIS issues overseas, increasing both cost effectiveness and efficiency as well as allowing for adjustment in priorities as circumstances require.

Information Systems

Mr. Kingston: Please provide a table showing a complete breakout of the appropriated funds for information systems acquisitions and the purpose of the acquisition for fiscal years 2009 and 2010 as well as estimates for fiscal years 2011 and 2012.

Response: The information is submitted for the record.

[The information follows:]

APHIS Information Technology Infrastructure Obligations
by Purpose/Category
FY 2009 - FY 2012
(Dollars in Thousands)

Purpose	FY 2009	FY 2010	FY 2011	FY 2012 (Est.)
Hardware Acquisitions	$243	$293	$338	$196
Hardware Maintenance	1,673	1,706	1,785	1,189
Software Acquisitions	304	365	267	427
Software Maintenance	2,483	2,049	2,256	2,627
Totals	$4,703	$4,413	$4,646	$4,439

Cattle Health Program

Mr. Kingston: What are the risks associated with a proposed $6.5 million reduction to the cattle health program?

Response: APHIS has been working on several statistical and epidemiological methods to increase the efficiency of animal health surveillance without sacrificing confidence of industry and trading partners in our surveillance system. These efficiency methods include: using statistics to determine the surveillance levels needed to achieve the objectives of disease detection for each animal species and given disease; using targeted surveillance focusing on animals with a higher probability of disease; leveraging historical data; combining surveillance streams; integrating disease testing where one sample is tested for multiple diseases; and applying benefit-cost analysis to measure the value of the information received from the dollars spent. By applying these efficiency methods, APHIS can significantly reduce sample collections needed for surveillance in cattle. For example, with the prevalence of brucellosis limited to the Greater Yellowstone Area (GYA), APHIS intends to apply these efficiency methods to the current brucellosis surveillance plan, allowing us and our partners to focus resources effectively to eliminate brucellosis within the GYA and to demonstrate a national disease free status to our trading partners.

GRAIN INSPECTION AND PACKERS AND STOCKYARDS ADMINISTRATION

Livestock Marketing Rule

Mr. Kingston: Last year, USDA came before this Subcommittee and answered questions about a number of problematic provisions of GIPSA's proposed rule on livestock marketing. In the FY12 Appropriation Bill, Congress allowed certain provisions of the proposed rule to go forward, specifically those provisions outlined in the 2008 Farm Bill. I understand that the final rule was published on December 9 and became effective on February 7.

While we feel that GIPSA complied with most of the FY12 appropriations law and most of those provisions in the 2008 Farm Bill, the industry GIPSA regulates is unclear on the criteria for violations of the Packers and Stockyards Act. According to the 2008 Farm Bill, GIPSA was supposed to establish "criteria that the Secretary will consider in determining whether conduct violates the P&S Act." The Final Rule says that the Secretary "may consider various criteria" when determining violations of the Act. USDA's policy is equivalent to a town posting a sign that says, "There is a speed limit" and then you only find out what that limit is after the policeman pulls you over.

When does GIPSA plan to publicly issue these criteria so that industry knows the rules? If GIPSA has no plans, why would the Agency think that their current plan to work with segments of the industry on an individual basis is a fair or efficient process?

Response: The rules contain criteria as required by the 2008 Farm Bill and they do provide guidance to the regulated industry that did not exist prior to the publication of these rules. For example, prior to these rules, determining whether reasonable notice had been provided regarding suspension of delivery of birds to a grower constituted a violation of the Packers and Stockyards Act would have been pursued under the general unfair practices section (P&S Act, section 202 (a)). The new regulations (Section 210.215) provide specific guidance in the form of criteria that the regulated industry, protected growers and GIPSA can refer to in assessing whether the notice of suspension may be in violation.

GIPSA held its first industry meeting on the new regulations on January 25th at the International Poultry Exposition in Atlanta, GA with roughly 75 industry representatives in attendance. At the meeting, GISPA made a formal presentation and hosted a lengthy question and answer session. The meeting was constructive and GIPSA has held a number of additional outreach meetings with poultry growers, swine contractors, and live poultry dealers. GIPSA intends to work closely with live poultry dealers and swine contractors in the implementation of the regulations. Our goal is to obtain a high rate of voluntary compliance through educational outreach activities and regulatory reviews prior to an enforcement action.

Mr. Kingston: I also have concerns about GIPSA's expanded scope of authority. While most agencies are focusing on core missions, why does GIPSA now believe it has authority over birds in the egg industry - laying hens and breeders? Congress rejected this new change in authority during the 2008

Farm Bill deliberations. Can you explain to the Subcommittee why the Agency thinks its authority goes beyond poultry raised for slaughter?

Response: The enacted 2008 Farm Bill was silent on regulating both table eggs and the broiler production systems. The final rule reiterated that GIPSA's Packers and Stockyards Program does not regulate poultry raised for the table egg industry. GIPSA does, however, regulate poultry growing arrangements involving poultry raised for slaughter. This includes breeders, pullets and broilers involved in broiler production for slaughter.

Mr. Kingston: I understand the final rule requires poultry dealers to provide at least 90 days' notice to growers before suspending delivery of a flock. Thus, requiring dealers to forecast supply and demand up to two flocks in advance, locking dealers and growers into inefficient growing arrangements, and forcing the broiler industry to lag behind market conditions by at least 90 days.

How does the agency justify what seems to be unreasonable expectations and disruptions to the market?

Response: The final rule contains criteria that are considered when determining whether or not reasonable notice has been given by a live poultry dealer to a poultry grower. There is no bright line requirement regarding providing notice 90 days prior to suspension of delivery of birds. This criterion would be considered with any other applicable criteria and other relevant information as determined by the Secretary.

GIPSA has met with live poultry dealers to discuss the steps that GIPSA is taking to comply with this section of the final rule, and is working jointly with industry to develop and improve notification procedures that provide adequate notice to poultry growers and meet the requirements of the regulation. Generally, live poultry dealers coordinate the production process from the hatchery to slaughter, which would allow planning under the 90 day time frame.

Mr. Kingston: Does GIPSA believe this will have a negative effect on meeting consumer demand for affordable poultry products when companies must wait 90 days before reacting to changes in market conditions?

Response: GIPSA worked closely with the Office of the Chief Economist in developing a cost-benefit analysis of the final rule. This cost benefit analysis was developed using information supplied by opponents of the proposed rule. The analysis was published as a section of the final rule on December 9, 2011 at http://www.gipsa.usda.gov/federal%20register/fr11/12-9-11.pdf. That analysis does not indicate the provision would have a negative effect on meeting consumer demand. Currently, some live poultry dealers are notifying growers at the time of payment of the potential of suspension of delivery. The method ensures that both growers and the live poultry dealers are aware of the extent of contractual arrangements and it does not distort the market with supply rigidities.

Eastern Livestock Company

Mr. Kingston: What actions or activities has GIPSA engaged in following the wrongdoing on the part of the Eastern Livestock Company, LLC - one of the largest cattle brokerage firms in the U.S.? Specifically, what is GIPSA doing to minimize the chance of this situation happening again, including the possibility of tighter bond requirements for larger brokerage firms?

Response: GIPSA has met with a number of industry associations to hold discussions on reducing the type of losses associated with the activities related to Eastern Livestock Co. Generally, those industry groups have concerns about bond increases that would require an associated cost increase, such as would be required if the bond formula itself were changed to make bonded entities carry larger bonds. GIPSA and industry groups have discussed in general terms options such as providing entities a bond discount for adopting methods of electronic payment that reduce the "float" in payments as a mechanism to reduce overall risk to livestock sellers. Unfortunately there are no easy solutions within the statutory provisions of the P&S Act to protect livestock sellers from fraud or other criminal actions such as what is alleged in the Eastern Livestock case, which is currently an open investigation with the Federal Bureau of Investigation and the U.S. Attorney in Kentucky.

2009 Poultry Loss Contract Grant Assistance Program

Mr. Kingston: Please describe the most recent activities and resources devoted to the Poultry Loss Contract Grant Assistance Program.

Response: In 2010, the Secretary authorized $60 million under Section 32 of the Agricultural Adjustment Act of August 24, 1935 to provide assistance to poultry growers whose poultry growing arrangements with a live poultry dealer were terminated because of the bankruptcy of the live poultry dealer. The assistance was provided through grants to State departments of agriculture that agreed to provide assistance to eligible poultry growers. The States authorized to provide Poultry Loss Contract Grant Assistance Program (PGAP) assistance were Alabama, Arkansas, Florida, Georgia, Louisiana, North Carolina, Pennsylvania, Tennessee and Texas. The Farm Services Agency disbursed $60 million to the Arkansas State Department of Agriculture on December 17, 2010. The Arkansas State Department of Agriculture made funds available to the other States based on the applications they received, including administrative costs.

The final PGAP funding numbers (including administrative costs) are listed below:

Arkansas:	$18.6 million
Alabama:	$ 1.3 million
Florida:	$ 2.8 million
Georgia:	$18.9 million
Louisiana:	$11.9 million
North Carolina:	$ 4.9 million
Pennsylvania:	$ 0.0 million
Tennessee:	$ 0.3 million
Texas:	$ 1.4 million
Total:	$59.95 million

Because of GIPSA's expertise in sampling and testing for GE products, we have been instrumental in the USDA response to inadvertent releases of GE grains. GIPSA has also validated highly specific and sensitive testing methods, advised on sampling plans, and worked with Federal partners to avoid or mitigate market disruptions. GIPSA's involvement in responding to incidences of inadvertent release facilitates harmonization of sampling plans and international testing for biotechnology-derived grains and oilseeds.

U.S. Exports

Mr. Kingston: Please provide a description of GIPSA's involvement with biotechnology and U.S. exports.

Response: GIPSA facilitates the marketing of grains and oilseeds through various services, including verifying the accuracy of tests used to detect genetically engineered (GE) grains and oilseeds. GE commodities present a special testing challenge because they are visually identical to their conventional counterparts. Ensuring that accurate and reliable tests are available to test the presence and quantity of GE material in a given sample is thus crucial to commerce.

In 2002, GIPSA began offering a voluntary proficiency program to provide standardization of testing in the commercial market. Rather than providing tests, GIPSA evaluates and reports on the proficiency of private, academic, and public sector laboratories to detect GE events in grain and oilseeds. GIPSA also evaluates the performance of commercially available rapid protein-based test kits upon request of the manufacturer. GIPSA also works to establish international standards relating to testing, a critical issue for commerce. To this end, GIPSA works with CODEX Alimentarius Commission, the National Institute for Standards and Technology, and other organizations to develop official methods and references that will be recognized on a global basis.

Mr. Kingston: Please describe GIPSA's overall involvement in the facilitation of U.S. trade and how the agency works with other parts of USDA or other parts of the federal government to assist with U.S. exports.

Response: GIPSA provides the U.S. grain industry with an efficient, reliable, and accurate inspection system. Through a unique network of Federal, State, and private official service providers, the Federal Grain Inspection Service provides the grain industry with an independent third party quality assessment through the establishment and uniform application of the U.S. Grain Standards, using uniform sampling and testing procedures, as well as approved equipment.

GIPSA further facilitates trade by providing technical assistance and training in the U.S. and abroad to importers, traders, end-users, and other government officials to gain a better understanding of the U.S. grain marketing system, grain standards, and inspection methods and procedures. These activities include representing USDA at grain marketing and grain grading seminars, meeting with foreign governments and grain industry representatives to resolve grain quality and weight discrepancies, helping

other countries develop domestic grain and commodity standards and marketing infrastructures, assisting importers with quality specifications, and training local inspectors in U.S. inspection methods and procedures. These activities foster a better understanding of the entire U.S. grain marketing system and serve to enhance purchasers' confidence in U.S. grain.

GIPSA works with the Animal and Plant Health Inspection Service (APHIS), the Foreign Agricultural Service (FAS), Farm Service Agency (FSA), U.S. Agency for International Development (USAID), and the Office of the U.S. Trade Representative (USTR) to resolve technical barriers to U.S. grain trade to maintain and expand U.S. grain markets.

Other USDA and U.S. Government agencies are concerned with the quality and wholesomeness of U.S. grain exports. GIPSA works closely with these agencies in fulfilling their missions. GIPSA has a written, established agreement with the Food and Drug Administration (FDA), whereby we report grain found to contain objectionable or unwholesome materials.

GIPSA also has an agreement with APHIS to assure that quarantined pests, such as prohibited insects, are not permitted to enter a specific country. Under this agreement, GIPSA reports insects found during our inspection.

Grain Regulatory Program

Mr. Kingston: GIPSA is seeking an increase of $1.248 million for the Grain Regulatory Program to purchase necessary capital equipment. What is the current age of the average piece of equipment in need of replacement? What would be the impact of not receiving the requested funding?

Response: GIPSA maintains over $9 million of equipment to support the official inspection system. Within GIPSA's Technology and Science Division (TSD), the average age of equipment in need of replacement varies from 9 to 26 years depending on the program area that it supports. For instance, in the wheat functionality program the average age of equipment in need of replacement is 13 years. The impact of not replacing this equipment would be a delay in providing new tests that will provide the best possible information on end-use quality for U.S. wheat markets.

Equipment supporting the mycotoxin and pesticide residue programs has a typical maximum lifetime of 10 years due to rapid advancements in measurement technologies. The average age of equipment in need of replacement is 11 years. As new and more rapid and sensitive instruments replace older technologies, manufacturers discontinue providing service for the older instruments. The impact of not replacing this instrumentation is that programs will be delayed or curtailed resulting in degraded support for the mycotoxin and pesticide residue testing programs. This is likely to impact the accuracy of official mycotoxin testing and the adequacy of coverage for pesticide residue testing. Also, if the sensitivity and precision of GIPSA's instruments fall behind those of our global competitors and customers, it could put U.S. grain at a competitive disadvantage because of the unavailability of analytical results that customers expect and demand.

The average age of equipment in need of replacement in the oil and moisture reference laboratory is 25 years. The impact of not replacing this

instrumentation is less effective support of the oil and moisture testing programs and potentially a degradation of the consistency and accuracy of these programs.

The scientific equipment as a whole is a critical part of our infrastructure that enables GIPSA to facilitate the marketing of grain and to meet market needs. A long term strategy of efficient incremental replacement is needed to ensure infrastructure maintenance and support. Continued delays to the equipment purchase could put our infrastructure at risk with outages of equipment in critical areas.

Spending on Information Technology

Mr. Kingston: How much does GIPSA plan to spend on IT purchases in fiscal years 2012 and 2013? How much did the Agency spend on IT purchases in fiscal years 2010 and 2011?

Response: GIPSA plans to spend $1.1 million on IT purchases in each of fiscal years 2012 and 2013. In fiscal years 2010 and 2011, GIPSA spent $1.2 million and $1.5 million on IT purchases, respectively.

Packer Ownership

Mr. Kingston: Please provide the Committee with the most recent study surrounding the issues of packer ownership. Also, please inform of the Committee of any additional planned studies or reports.

Response: The most recent study surrounding issues of packer ownership is the Livestock and Meat Marketing study conducted by RTI International, Inc. completed in February 2007 (at: http://www.gipsa.usda.gov/GIPSA/webapp?area=home&subject=lmp&topic=ir-mms). The study was funded through a special $4.5 million appropriation by Congress in 2003. While GIPSA has no plans to conduct additional studies on packer ownership of livestock, the Packers and Stockyards Program Annual Report contains some statistics on packer ownership. The report can be found at: http://www.gipsa.usda.gov/Publications/pub-psp. html

User Fees

Mr. Kingston: The budget proposes legislation for GIPSA to convert to user fees in standardization activities. Please provide the Committee with data and/or analysis utilized in estimating the total cost recovery of $27,400,000. Has GIPSA begun work with the Authorizing Committee relating to these proposed fees? If so, please provide a copy of the proposed legislation for the record. If not, when will the Administration begin this critical process? How much support does the fee have, and what likelihood is there that that money will be available to you?

Response: The President's fiscal year 2013 budget included a legislative proposal to recover approximately $27.4 million. This proposal would initiate user fees for the development of grain standards ($5 million)

and would amend the Packers and Stockyards Act, 1921, to provide authority to collect license fees to cover the cost of the program ($22.4 million). This proposal is consistent with the overall effort to shift funding for programs with identifiable beneficiaries to user fees. The proposal is currently under review and as such has not been provided to the Authorizing Committee. Regarding support, user fee proposals have traditionally met resistance. However, they are essentially to place the cost of providing the service to the specific users of the service.

Mr. Kingston: Were there any violation cases pending at the end of fiscal year 2011? What is the status of those violation cases to date in fiscal year 2012?

Response: At the close of fiscal year 2011, there were 341 cases open that had been referred to headquarters from the field. Of the 341 cases, as of March 6, 2012, 197 remain open and 144 have been closed. Of the 144 cases closed 3 involved a civil penalty and a suspension, 4 involved a suspension, 31 involved a civil penalty, 65 involved stipulations, and the remaining 41 were closed without action.

Mr. Kingston: How many violation report calls did you receive in fiscal years 2010 and 2011? How many were investigated? What is the nature of violations reported?

Response: GIPSA does not segregate investigation by the source. But overall, in fiscal year 2010, GIPSA was informed through calls, its own audits, inspections, and market monitoring of 2,110 instances of alleged violations. All of these allegations were opened as investigative cases. In the livestock industries, 40 were allegations of competition violations, 1,166 were allegations of financial violations, and 767 were allegations of trade practice violations. In the poultry industry, 2 were allegations of competition violation, 5 were allegations of financial violations, and 130 were allegations of trade practice violations.

By comparison, in fiscal year 2011, GIPSA was informed through calls, its own audits, inspections, and market monitoring of 2,780 instances of alleged violations. All of these allegations were opened as investigative cases. In the livestock industries, 10 were allegations of competition violations, 1,411 were allegations of financial violations, and 1,219 were allegations of trade practice violations. In the poultry industry, 2 were allegations of competition violation, 16 were allegations of financial violations, and 122 were allegations of trade practice violations.

Mr. Kingston: Please provide an update on the work GIPSA is doing with the CODEX.

Response: GIPSA participates directly in the Codex Committee on Methods of Analysis and Sampling (CCMAS). A GIPSA scientist is the U.S. alternate delegate to CCMAS, and GIPSA's statistician supports the US delegation as its expert on sampling methods. During FY 2012, GIPSA participated in an international electronic working group that defined principles for establishing methods for sampling and analysis and worked with

the U.S. delegate and other interested parties from the U.S. to develop and refine the U.S. positions on this and other issues such as Codex endorsement of methods for dietary fiber and Codex endorsement of proprietary methods. Two GIPSA staff members are participating in the CCMAS meeting in Budapest, Hungary on March 4-9, 2012 and contributing to successfully achieving the U.S. desired outcomes. GIPSA also provides input to the work of other Codex committees that relate to GIPSA's mission.

Poultry Compliance Complaints

Mr. Kingston: Please provide the Subcommittee with a table showing the number of poultry compliance complaints received in fiscal years 2007 through 2011 and the number of related investigations.

Response: The information is provided for the record.

[The information follows:]

Number of Poultry Complaints and Investigations, 2007-2011.

Fiscal Year	Number of Complaints	Number of Investigations
2007	45	45
2008	35	35
2009	84	84
2010	108	108
2011	116	116

Mr. Kingston: What was the nature of the poultry complaints received in the most recent year? How many investigations were done in the most recent year?

Response: The information is provided for the record. All poultry complaints in 2011 led to an investigation.

[The information follows:]

Number of Poultry Complaints and Investigation, 2011

Nature of Complaint	Number
Bond Claims	2
Bonding, Financial Instrument Compliance	7
Bribery	1
Contract Poultry Arrangements	12
Failure to Pay, Payment Practices	3
Grower Termination	14
Inadequate or False Records	1
Poultry Compliance	4
Preferential Treatment	2
Restriction of Competition	1
Scales and Weighing Practices	8
Unfair/Deceptive Practices	61
Total	116

Mr. Kingston: Please provide a table showing dealer/order buyer financial failures to include fiscal years 2010 and 2011. Please provide an assessment of the data.

Response: The information is provided for the record.

[The information follows:]

Total Dealer Financial Failures and Restitution, 2002-2011

Fiscal Year	No. of Failures Open	No. of Failures Closed	Closed, Owed For Livestock ($)	Closed, Restitution From Bonds ($)	Closed, Restitution From Other Sources ($)	Closed Recovery (%)
2002	NA	11	$3,271,962	$618,764	$60,000	.21
2003	NA	5	1,805,600	112,281	28,923	.8
2004	NA	3	770,860	95,000	0	.12
2005	NA	1	2,993,990	0	0	0
2006	NA	13	3,018,131	134,936	26,856	.5
2007	NA	31	6,941,930	257,634	549,303	.12
2008	NA	20	2,054,647	843,682	301,916	.56
2009	NA	25	3,134,145	348,018	411,133	.24
2010	2	7	213,332	20,000	0	.9
2011	6	14	878,620	407,105	4,479	.47

Table Note: Starting in 2010, entries show the number of firms that have claims open at year-end and those cases that have closed at year-end; for past years, the total number of failures with claims closed is shown. Dollar amounts for all years are for failures with claims closed as of most recent year-end, so historical data may have been updated to reflect any settlements after the year the failure occurred.

Since 2002, an average of 14 dealers failed each year, with a range of 1 to 31 failures per year. During that same time period, producers received an average 19 percent payment of amounts owed to them, with recovery ranging from 0 to 56 percent.

The increased number of failures in 2007 was the high point for the decade, with the 2008 failures moving towards the historical norm. The reported values are not adjusted for inflation and inflation levels in the past are acting to increase more recent year dollar values but not actual failures. Although the number of failures and dollar value per failure increased in 2011 after declining in 2010, the dollar value per failure in 2011 remained considerably below the rates in 2006 through 2009, and the recovery rate in 2011 was second-highest of the last 10 years.

Market Concentration and Competition

Mr. Kingston: Please provide a table showing firm concentration ratio for steer and heifer slaughter, boxed beef, sheep and lamb slaughter, and hog slaughter to include data for 2010 and 2011.

Response: The information for steer and heifer, hog, and sheep and lamb slaughter is provided below. P&SP no longer collects data specifically on boxed beef production.

[The information follows:]

Four-Firm Concentration in Livestock Slaughter by Type of Livestock and in Fed Beef Production, Selected Years, 1980-2011

Year	Steers & Heifers (%)	Sheep & Lambs (%)	Hogs (%)
1980	36	56	34
1995	81	72	46
2000	81	67	56
2001	80	66	57
2002	79	65	55
2003	80	65	64
2004	79	65	64
2005	80	70	64
2006	81	68	61
2007	80	70	65
2008	79	70	65
2009	81	70	63
2010	85	65	65
2011	84	59	64

Mr. Kingston: Please update the table that appears in last year's hearing record showing the number of slaughtering and processing packers subject to the Packers and Stockyards Act since fiscal year 2008.

Response: The information on number of slaughtering packers is provided below.

Number of Slaughterers Subject to the P&S Act, 2008-2011

Year	Bonded Slaughter Firms	Non-Bonded Slaughter Plants*
2008	281	471
2009	284	488
2010	233	495
2011	258	509

*Number of Federally Inspected (FI) slaughter plants minus the number operated by reporting packers. This is an estimate of the number of non-bonded slaughter firms (operating FI plants) that are not required to be bonded because they purchase less than $500,000 of livestock per year (includes slaughtering plants that also do processing but excludes non-FI plants).

Because non-slaughtering packers do not purchase from livestock sellers, they are not subject to the payment provisions of the P&S Act or its payment regulations. Data needed from this segment of the packing industry is different than those subject to the payment provisions, such as prompt payment and bonds, and we do not collect annual reports or data from this segment the same as from the slaughtering packers. GIPSA does, however, conduct investigations as needed.

Mr. Kingston: Please provide a table showing the amount of funds spent on competition, fair trade practices, and financial protection for fiscal years 2007 through the projected level for fiscal year 2012.

Response: The information is provided below. These data are compiled as of fiscal year end. Partial year data are not available.

Total Regulatory and Investigation Expenditures, 2007-2011

Fiscal Year	Regulatory (000)			Investigation (000)		
	Competition	Trade Practice	Financial	Competition	Trade Practice	Financial
2007	----	$7,142	----	$1,488	$4,259	$3,419
2008	----	3,664	----	330	6,220	6,238
2009	$205	2,047	$3,281	245	3,330	9,244
2010	81	1,342	4,463	388	4,928	8,621
2011	183	924	2,141	414	8,909	6,464

Table Note: From 2007-2008, competition, trade practice, and financial regulatory activities were not differentiated.

Mr. Kingston: Please provide a table showing the number of auction market failures, the amount owed for livestock each year, and the amount recovered from bonds and other sources during each year from fiscal years 2007 through 2012 to date. Provide the Subcommittee with an explanation of any changes in recovery rates.

Response: The information is provided below. These data are compiled on a fiscal year basis. Data for 2012 are not available.

Total Auction Market Financial Failures and Restitution, 2007-2010

Fiscal Year	No. of Failures		Closed, Owed Consignors ($)	Closed, Restitution From Bonds ($)	Closed, Restitution From Other Sources ($)	Closed Recovery (%)
	Open	Closed				
2007	NA	11	$511,704	$37,252	$155,890	38
2008	NA	6	602,100	237,734	352,111	98
2009	NA	7	981,189	261,498	1,365	27
2010	1	4	20,901	4,547	0	22
2011	0	4	158,279	0	89,586	57

Table Note: Starting in 2010, entries show the number of firms that have claims open at year-end and those cases that have closed at year-end; for past years, the total number of failures with claims closed is shown. Dollar amounts for all years are for failures with claims closed as of most recent year-end, so historical data may have been updated to reflect any settlements after the year the failure occurred.

From 2007 through 2011 an average of 6.4 auction markets failed per year. Consignors received average restitution of 48.4 percent payment of amounts owed to them, with a range of 22 to 98 percent. The average amount owed increased to about $40,000 in 2011 after dropping to just over $4,000 per failure in 2010, but remained well below the highs of $140,000 in 2009 and $100,000 in 2008.

Mr. Kingston: Please provide a table showing what percentage of the livestock that is slaughtered annually comes from captive supplies and/or forward contracts to include the most recent fiscal year data available.

Response: The information is provided for the record.

[The information follows:]

Packer-fed Cattle and Acquisition by Forward Contracts and Marketing Agreements as a Percentage of Total Steer and Heifer Slaughter, 2008-2011

Year	Packer Fed Cattle(%)	Cattle From Forward Contracts And Marketing Agreements(%)	Total Committed(%)
2008	4.4	45.2	49.5
2009	4.7	44.9	49.6
2010	5.0	49.9	54.9
2011	5.3	55.3	60.6

Previously, GIPSA collected and reported use of committed supply by only the four or five largest firms. GIPSA has begun using data published by USDA's Agricultural Marketing Service (AMS) on prices and volumes of livestock purchased under alternative pricing methods, which covers all slaughter firms reporting to AMS under Mandatory Price Reporting (http://mpr.datamart.ams.usda.gov).

Compliance Audits

Mr. Kingston: Please provide a table showing the number of compliance audits conducted on custodial accounts, the number of markets with shortages, the total dollars involved, and the amount restored from fiscal years 2007 to 2012 to date.

Response: The information is provided for the record. These data are compiled on a fiscal year basis, so data for 2012 are not available.

Number of Market Audits and Shortages Corrected Through On-Site Investigations, 2007-2011

Fiscal Year	Custodial Account Audits	Markets With Shortages	Amount Restored by On-Site Investigation ($)
2007	296	99	$2,037,080
2008	176	62	5,022,966
2009	383	181	2,581,725
2010	297	79	3,402,608
2011	318	96	2,861,471

Limitation on Inspection and Weighing Services

Mr. Kingston: What is the estimated carryover for the Limitation on Inspection and Weighing Services Expenses account in fiscal year 2012? With this level of carryover, why would the account need an increase in the limitation for fiscal year 2013?

Response: At the beginning of fiscal year 2012, the level of reserve funding in GIPSA's user fee accounts was $17.7 million. It is important to note, the limitation is on how much GIPSA can obligate during a specific fiscal year for inspection and weighing services. The limitation is not on the balance the agency carries into the fiscal year or earns, from fees collected, in the fiscal year. The obligations limited by the cap go directly to cover the salary and benefits costs of the GIPSA staff that provide these services at export and domestic inspection labs located across the country.

The 2013 budget requests an increase of 1 million to raise the spending cap to $50 million. Based on recent USDA projections for crop production and exports, GIPSA anticipates increased workload due to the increase in domestic and export grain inspections. Increased workload due to projected grain exports will result in increased demand per inspections and corresponding increased obligations and expenditures. An increase to the obligation cap will also provide flexibility to meet challenges that may arise. The increase in the obligation limitation will provide the necessary flexibility GIPSA needs to meet potential demands by U.S. producers, handlers, and exporters that support these services through user fees.

Mr. Kingston: Please provide a table showing the number of staff years and positions under AMS from all funding sources for fiscal years 2008 through estimated 2013.

Response: The information is submitted for the record.

[The information follows:]

AMS Staff Years and Positions [1/]						
Funding Source	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012 Estimate	FY 2013 Estimate
Marketing Services	430	422	453	441	430	421
Payments to States	-	-	-	-	-	-
Section 32	115	149	162	160	164	164
Reimbursable Activities	33	39	40	39	41	33
Perishable Agricultural Commodities Act (PACA)	82	78	78	75	77	77
User Fees	541	364	393	421	421	421
Trust Funds	1,451	1,379	1,324	1,332	1,335	1,352
Total AMS Staff Years	2,652	2,431	2,450	2,468	2,468	2,468
Total AMS Permanent Positions	2,254	2,305	2,223	2,133	2,144	2,144

[1/] Staff years do not include Schedule A Milk Market Administrator employees. Data on permanent positions is not available by funding source. Permanent positions do not include Schedule A Milk Market Administrator employees or vacant positions.

QUESTIONS SUBMITTED BY REPRESENTATIVE TOM LATHAM

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Mr. Latham: In January, Secretary Vilsack announced USDA's Blueprint for Stronger Service, a plan for streamlining operations and cutting costs. In that same announcement, Secretary Vilsack also stated that USDA would make the best use of taxpayer resources, and provide the best possible service to the American people. In light of this approach, how does APHIS partner with established private companies to more quickly and efficiently implement the requirements of the proposed Animal Disease Traceability Rule?

Response: APHIS continues to capitalize on its previous investments through the use of information systems already developed. APHIS maintains animal disease traceability data standards that private companies may incorporate in their solutions to ensure they are compatible with other traceability systems. This approach supports having multiple options so States and Tribes can choose solutions that most effectively meet their needs. APHIS also works with private companies to identify and offer official animal identification tags for producers to use as part of the program. Currently nine manufacturers offer 40 different Animal Identification Number 840 tags, a form of acceptable identification that uses the country designation for the United States.

Mr. Latham: The recently published Animal Traceability proposed rule includes a requirement for health certificates for livestock moved interstate. APHIS is required to capture information on animal movement. If a paper or electronic copy of the movement certificate is required to be sent to APHIS, how does APHIS plan to establish nationwide real-time access to both paper and electronic certificate data for efficient and effective disease traceability management? What technology has APHIS successfully implemented that has gained widespread usage toward to reduction of paper, improving nationwide efficiency, and thus reducing the cost to taxpayers?

Response: APHIS is using the Interstate Certificate of Veterinary Inspection (ICVI) as a source of information to support traceability. To achieve timely traceability, the information obtained from the ICVI will need to be retrieved electronically. APHIS uses an electronic ICVI software application that allows accredited veterinarians to complete certificates electronically. This system is available nationwide and is being enhanced to improve its ease of use by accredited veterinarians. Additionally, APHIS supports the development of solutions from third party vendors that States and accredited veterinarians may elect to use. APHIS, in collaboration with States, is establishing data standards that will ensure compatibility of multiple electronic ICVI systems.

Moving to electronic ICVIs is an Agency priority; however, APHIS acknowledges that paper-based certificates must be offered to address situations where a computer-based option is not conducive or does not meet individual veterinarian preferences. While accounting for differing data collection options, this approach ensures the establishment of cost-effective and compatible information systems.

QUESTIONS SUBMITTED BY REPRESENTATIVE ALAN NUNNELEE

Farmers Market Promotion Program (FMPP)

Mr. Nunnelee: In October of last year, USDA's Farmers Market Promotion Program (FMPP) awarded $9.2 million to support direct marketing and to increase consumer access to health food. It is my understanding that part of the criteria for last year's FMPP awards was location in a food desert and/or other low-income areas. According to the USDA press release, October 2011 awards "saw a shift toward a more even distribution" between urban and rural areas, "with urban projects growing to nearly half of the portfolio."

My concern is that the people that the program is intended to serve are not being served. In regards to grant recipients located in rural areas, is any consideration given to how people will be able to access the farmers markets? In other words, if a grant is given to a rural area, where transportation is not always accessible, is any consideration given to this?

Response: The general goals of the Farmers' Market Promotion Program (FMPP) are diverse. The program was created to increase domestic consumption of agricultural commodities by offering grants to help improve and expand domestic farmers' markets, roadside stands, community-supported agriculture programs, agri-tourism activities, and other direct producer-to-consumer market opportunities.

Depending on how the project application evaluates healthy food access challenges, transportation to rural farmers' markets and other point of sales may be considered. Furthermore, projects that are located in urban areas often benefit surrounding rural areas by creating local markets for producers in the surrounding area. The selection criteria for FMPP awardees enable rural-based proposals to be eligible for the priority projects designation on a competitive basis with urban-based projects. Examples of FY 2011 projects that specifically address transportation challenges in rural areas include the following:

- $50,941 to the Rural Human Services (Crescent City Farmers' Market), Crescent City, CA, to develop and operate a weekly mobile commercial food kitchen for preparation and demonstration of local fresh produce.
- $71,674 to the Jefferson County Board of Supervisors, Fayette, MS, to develop a local farmers' market, initiate a mobile farmers' market to provide fresh produce in underserved communities, create a marketing and advertisement program to promote local agricultural products, and develop educational and training programs for small farmers to expand marketing opportunities and increase profitability.
- $99,497 to the Center of Southwest Culture of Albuquerque to conduct food safety training, develop a marketing plan, and purchase a catering truck to serve as a mobile farmers' market, roadside stand, and retail outlet to a scattered, low-income population in the Truchas, NM community.
- $31,126 to the Gorge Grown Food Network, Hood River, OR, for increasing food access and food literacy in rural Gorge communities and enhancing the business viability of vendors and the leadership and organizational capacity of farmers' market managers and volunteers through integrated education and marketing strategies, facilitated business practices, and direct sales training for market vendors, market managers, volunteers and community members served by the Gorge Grown Mobile Market project. This project provides food access to rural areas by bringing the food

to the customers in rural areas since the Gorge Grown Food Network is a mobile market.

- $97,029 to Vermont Farm-to-School, Inc., Newport, VT, to launch a new mobile farmers market that will provide fresh fruit and vegetables to low-income and senior housing and community centers in a food desert area, while providing educational consumer programming.
- $87,227 to Sustain Floyd, Floyd, VA, to increase the availability of fresh, nutritious food to a food desert community in Floyd County through purchase of refrigeration, implementation of a marketing campaign, implementation of a mobile market stand pilot, and farmer education.

When proposals are received by AMS, the goals of the projects vary. For instance, some projects may be consumer-focused and have goals that address demand and accessibility. For these projects, applicant-defined metrics of success for achieving greater accessibility are required, and overcoming transportation barriers might be a measurable outcome. Some projects may be producer-focused, with measurable goals that emphasize farmer training or building a supply for a new or existing market. Other projects could be focused on enhancing transportation, delivery systems, or other critical infrastructure components related to improving, expanding, or establishing a direct market. For these types of projects, the impact of infrastructure changes on a market's accessibility for farmers and consumers would be a possible metric. Whatever the goals of the project are, reviewers are asked to consider how well projects identify ways to measure outcomes and impacts for the goals stated. Where appropriate, reviewers would consider transportation-based metrics in their consideration for funding recommendations.

Mr. Nunnelee: Since the program's inception in 2006, does Agriculture Marketing Service have information on programs that have been funded in the past? Specifically, are there programs that were started through FMPP that continue to be notably successful?

Response: Yes, the Agricultural Marketing Service (AMS) does have information on programs/projects that have been funded in the past. AMS is currently assessing the impacts of those projects and plans to communicate a summary of the findings.

A few examples of successful fiscal year 2009 projects include:

- A grant of $100,000 to North South Institute, Davie, Florida, to begin a new Community Sustainable Agriculture program, and to provide equipment and other infrastructure to create four roadside stands for low-income and beginning farmers cooperatives and other small farmers groups in Florida and Alabama.

  Impact: The Institute established or upgraded two farmers markets and two roadside stands; facilitated production of 315 acres of products annually; had 268 involved farmers; and generated $16,000 average income for part-time famers and $54,000 for full-time. This compares to incomes of $7,000-14,000 and $46,000, respectively, before the program began. The program added 15 new farmers in Alabama and 56 in South Florida. Average returns, after costs, are estimated at $200 per farmer per week.

- A grant of $76,420 to Delta Land & Community, Almyra, Arkansas, to improve sales at two existing certified locally-grown farmers markets, and to establish two new farmers markets in Arkansas through a series of on-farm and in-market training programs for market managers, new farmers, and vendors.

  Impact: Delta's farmers markets' sales quintupled from $300,000 in sales at two seasonal markets to $1.556 million at four seasonal markets and one year-round market. The group helped start three other markets that are independently run. The total direct sales impact of the FMPP project was over $2.1 million in 2010. One market is part of a local farm-to-school effort; one provides healthy food and a wholesome, healthy experience for veterans and their families; and another serves a low-income food desert. Through its Beginning Farmer Program, Delta attracted 32 new farmers/vendors, exceeding its goal of doubling the number at the markets. Every new farmer added in 2009 succeeded and returned in 2010. Delta organized the Arkansas Food Policy Council to pursue policy change to benefit all farmers markets and patrons of farmers markets in Arkansas. The group, in conjunction with several partners, also established an annual conference for training and participatory learning experiences.

- A grant of $19,077 to Main Street Statesboro/Downtown Statesboro Development Authority, Statesboro, Georgia, to improve the sustainability of the community's physical health and the local famers' financial well-being by increasing the number of both customers and farmers at the market.

  Impact: The project grew the market's customer base to over 1,000 customers each week, and increased the number of repeat customers, including new Electronic Benefits Transfer (EBT) customers. Local farmers increased their sales to an average of over $8,000 a week. They learned about direct marketing and how to set aside a portion of their produce to bring to the market. The project has had added benefits for the health of the community. The market includes educational exhibits; wellness screenings from local community college nursing program volunteers; educational health exhibits to encourage healthier living/eating; and participation by various community groups, including yoga, health, and other exercise-related clubs, who provide wellness information. In addition, the local public library set up a story-time corner once a month to entertain children while their parents shop. For a small stipend, local groups provide entertainment, enhancing the shopping experience and bringing in new fans. Another positive outgrowth of the project is Market2Go (http://statesboromarket2go.locallygrown.net), a weekly online preorder program that provides customers with fresh produce between November and April. Through this program, 35 farmers, most of whom are market vendors, sell produce to 40 paying customers and 110 site visitors. Market2Go sales average $1,000 a month.

Grain, Inspection, Packers and Stockyards Administration (GIPSA) - Capital Investment Criteria

Mr. Nunnelee: Does the GIPSA requirement that all similarly situated growers make the same capital improvements potentially restrict a dealer's ability to ensure chickens are raised with the most modern technologies? Does this prevent dealers from experimenting with new technologies and meeting specific customer demands?

Response: The final rule contains criteria that are considered when determining whether or not a requirement that a poultry grower or swine production contract grower make additional capital investments is a violation of the Packers and Stockyards Act. There is no requirement that all similarly situated growers make the same capital investments or that would prevent research on new technologies. One of the ten criteria that are identified in the final rule for consideration addresses whether similarly situated growers have been treated in a similar manner with respect to additional capital investments. This criterion would be considered with any other applicable criteria and other relevant information as determined by the Secretary.

Mr. Nunnelee: It is my understanding that before a dealer can request a capital improvement from a grower, the dealer must be certain that he will still be in business after 12 months. Does this requirement unfairly punish a dealer for changing market conditions that are beyond his concern?

Response: The final rule contains criteria that are considered when determining whether or not a requirement that a poultry grower or swine production contract grower make additional capital investments is a violation of the Packers and Stockyards Act. There is no clear requirement that a live poultry dealer guarantee that they will be in operation after 12 months. One of the ten criteria that are identified in the final rule for consideration addresses whether a packer, swine contractor or live poultry dealer intends to end operations or substantially reduce production within 12 months of requiring additional capital investment, absent the occurrence of a catastrophic or natural disaster or other emergency such as unforeseen bankruptcy. This criterion would be considered with any other applicable criteria and other relevant information as determined by the Secretary. With respect to elements beyond a live poultry dealer's control, it is for this reason that the criterion was crafted to exclude a variety of unforeseen circumstances such as catastrophes, natural disasters or other emergencies, as mentioned earlier.

QUESTIONS SUBMITTED BY REPRESENTATIVE TOM GRAVES

Increasing Costs due to GIPSA

Mr. Graves: Given the economic climate and the hardships many American families struggle with on a daily basis, how can GIPSA justify the additional costs, inefficiencies, and waste that this vague and ambiguous interference with the marketplace will impose on all members of the poultry industry?

Response: GIPSA put forward a proposed regulation on June 22, 2010, and received over 60,000 comments from the industry. Because of the large interest in the potential economic effects from the proposed rule, the Secretary asked the Office of the Chief Economist to take the lead on the economic analyses. In conducting the analyses, comments submitted that contained cost-benefit details played a large role in determining the provisions that were included in the final rule and the final economic analysis made of the final rule. Further information supplied by opponents of the proposed rule was used for the economic analysis for the final rule. The provisions that remained or modifications made to provisions in the final rule were considered necessary to satisfy the statutory requirements pursuant to the Food, Conservation, and Energy Act of 2008 (the 2008 Farm Bill) and to promote competition and transparency under the Packers and Stockyards Act.

Mr. Graves: Has GIPSA considered that both dealers and growers will be harmed by the rule's requirements and uncertainty?

Response: The preamble to the final rule contains an economic analysis that discusses both the benefits and costs related to the rule. Furthermore, the rule provides guidance and increased certainty to the regulated industry that did not exist prior to the publication of this rule. For example, prior to the rule, determining whether reasonable notice had been provided regarding suspension of delivery of birds to a grower constituted a violation of the Packers and Stockyards Act would have been pursued under the general unfair practices section (202 (a)). The new regulation (Section 201.215) provides specific guidance in the form of criteria that the regulated industry, protected growers and GIPSA can refer to in assessing whether the notice of suspension may be in violation.

Enforcement / Competitive Injury

Mr. Graves: We understand GIPSA has recently initiated enforcement actions with no determination or showing that the conduct in question had any adverse effects on competition or caused any competitive injury, even though all eight federal circuit courts of appeal to have considered the issue have held that establishing a violation of the Packers and Stockyards Act requires a showing of competitive injury.

Aren't these enforcement actions beyond GIPSA's legal authority?

Response: USDA's longstanding position, established under previous administrations, is that it is not necessary in all cases to show harm to competition in order to show a violation of the Packers and Stockyards Act.

GIPSA routinely brings cases before the administrative law judges that are unrelated to competition or that do not require a showing of competitive injury to obtain decisions of violations of the P&S Act. For example, failures to pay a seller or an inaccurate livestock, or feed scale are violations of the P&S Act that have a long history of being resolved by administrative law judges without a showing of harm to competition. GIPSA has also referred cases involving civil violations, such as chronic failure to file annual reports by a regulated entity, to the Department of Justice and received civil penalties from the violations, without a showing of harm to completion.

Mr. Graves: Why are you ignoring the competitive injury requirement in these enforcement actions and throughout the rule?

Response: The P&S Act and regulations prohibit certain anticompetitive activity such as manipulating prices or apportioning supply, and also prohibit many sharp practices that do not require the showing of competitive injury. Examples where showing of competitive harm is not necessary include failure to obtain a bond as required or failure to make a payment on actual weights when livestock are sold on a weight basis.

Mr. Graves: Does GIPSA intend to take enforcement action without showing competitive injury?

Response: GIPSA will continue to enforce the P&S Act and its regulations. Some cases, such as those alleging price manipulation or apportioning supply would typically include a demonstration of harm to competition. But many alleged violations, such as trade practice and financial violations, typically do not require a showing of competitive injury to prove a violation of the P&S Act.

Mr. Graves: Does GIPSA believe it has the legal authority to disregard clear holdings by federal courts of appeals for eight different circuits interpreting the agency's statutory jurisdiction?

Response: USDA's longstanding position is that it is not necessary in all cases to show harm to competition in order to show a violation of the Packers and Stockyards Act. For any specific case with regard to legal authority, GIPSA consults with USDA's Office of the General Counsel and the Department of Justice as appropriate.

Mr. Graves: How does the agency intend to conform its actions to the law and to ensure companies are not wrongly challenged?

Response: Prior to bringing a case before an Administrative Law Judge or a civil case in Federal Court, GIPSA consults with USDA's Office of the General Counsel and the Department of Justice as appropriate.

Delay of USDA Comprehensive BSE Rule

Mr. Graves: The Animal & Plant Health Inspection Service (APHIS) has been working for a number of years to update our standards the importation of live cattle and beef products to bring them in line with international standards for the prevention of Bovine Spongiform Encephalopathy, or BSE.

Until a final rule is published, the United States is vulnerable to accusations of not using hard science when setting sanitary and phytosanitary standards and not complying with international trade rules.

Given the importance of this issue and the potential loss of billions of dollars in beef exports, why has this process taken so long?

Response: Two issues have impacted the time it has taken to reach this accomplishment. First, APHIS took the time necessary to ensure that the documentation accompanying the rule was complete and scientifically sound. Differences of opinion remain and it is crucial to ensure the new rule is based on sound science and that any actions not result in unacceptable risks to human and animal health, as well as potential negative economic impacts on U.S. cattle producers due to increased importation of bovine products. Second, this proposed rule also addresses a legal action concerning previous BSE-related regulations. Combining these two regulatory actions added time to the development of the rule and its review for legal sufficiency.

It is APHIS' goal to demonstrate to the international community, the commitment of the United States to base its BSE regulations on internationally accepted science. In doing so, the new rule is consistent with World Organization for Animal Health (OIE) guidelines. The rule will allow the United States to base trade decisions on the actual risk of BSE. APHIS will consider all comments received, related to the proposed rule, at which time APHIS will then begin to review and address the comments in preparation for finalizing the rule.

Mr. Graves: What is the status of the Comprehensive BSE Rule, and does USDA anticipate publishing it soon?

Response: We anticipate the proposed rule to address the importation of live bovines and bovine products in regard to BSE to be published in mid-March. APHIS will consider all comments received on and before the end of the comment period. APHIS will then begin to review and address the comments in preparation for finalizing the rule later this year.

QUESTIONS SUBMITTED BY REPRESENTATIVE SAM FARR

National Organic Program

Mr. Farr: Organic is a bright spot in the agricultural economy, creating jobs and economic opportunity. Funding for the USDA AMS National Organic Program (NOP) has been critical to strong growth of the organic sector; the ability of the agency to set and enforce standards is the foundation of consumer confidence in the organic label in the United States and around the world. As identified in the 2012 Refresh of the NOP's 2010-2012 Strategic plan, *Organic Integrity from Farm to Table, Consumers Trust the Organic Label*, the USDA identifies records management and technology as needs of the agency. Can you tell us something about progress being made on these fronts? Given that the President's FY13 budget included $7 million dollars for the NOP, notably less than the 2008 Farm Bill authorized amount of $11 million or the FY12 and the President's FY12 budget of $10 million for the NOP, how will the agency address those strategic goals?

Response: Records management and technology development have been key focus areas for the National Organic Program (NOP) as it implements its Strategic Plan. This has included further developing the program's Quality Management System, providing training to certifying agents on documentation and reporting requirements, and developing policies and instructions that improve internal business process management and record keeping. We have also increased the use of technology in communicating with our stakeholder audiences, introducing an e-mail notification service that informs the organic community of new standards, enforcement activities, and international agreements.

Maximizing the use of technology solutions to support the program, the industry, and the public has been a goal for the program since posting its first list of certified organic operations in 2009. In 2010-2011, the NOP worked with a contractor to outline NOP business processes, and to identify current and future technology opportunities. Since completing this business process mapping effort, NOP has used its budget strategically to continue to define, mature, and document its standard operating procedures, and work with certifying agents to increase the data quality and completeness of such tools as the annually posted certified organic operations list.

The USDA Office of Inspector General highlighted information technology concerns in its Organic Milk Audit Report (01601-0001-Te), released in February 2012. The audit report included a number of recommendations related to the listing of certified organic operations, all of which were accepted by the Agency. The program is now using existing resources to develop a needs assessment and requirements analysis to identify possible alternatives for addressing these concerns. Current funding levels would not allow for a full-scale database development initiative, however, incremental improvements in business processes and records management, which can be done within FY 2013 funding levels, will continue to be made to increase the amount and quality of information available online for both certifiers and the public.

Organic Data Initiatives

Mr. Farr: The Organic Production and Market Data Initiatives (ODI) is a multi-agency organic data collection initiative that collects information vital to maintaining stable markets, creating risk management tools, and negotiating equivalency agreements with foreign governments for the growing organic sector. Last year, I co-sponsored a successful amendment with strong bipartisan support to fund this data collection and price reporting at the Agricultural Marketing Service (AMS). How does the agency plan to continue price data collection and dissemination to support the growing organic sector of U.S. agriculture in FY 2013?

Response: AMS's Market News Program has built an organic market reporting dataset across numerous commodities, including cotton, dairy products, fruits and vegetables, grain, poultry, and eggs. This, plus the funds provided in 2012 will enable AMS to maintain the current level of organic market coverage. As resources become available, additional tools are planned for future portal enhancements that will allow for easier direct comparison of organic and conventional food products at retail, with the initial focus being fruits and vegetables. This will link advertised weekly specials with USDA's My Plate Program to help illustrate that consumers can affordably add more produce through shopping the specials in their region of the country.

Check Off Programs

Mr. Farr: Since USDA cancelled the Christmas tree promotion order, how many proposed or final rules affecting promotion boards has USDA published? Does this reflect a change in administration policy and does the administration oppose checkoff programs?

Response: The Administration does not oppose checkoff programs. In fact, the Christmas tree promotion order is not cancelled but on hold. In May 2012, a final rule was established for the Processed Raspberry Promotion, Research and Information Order. The Department is working on two other checkoff programs: Hardwood Lumber and Paper and Paper-based Packaging. A number of other routine adjustments have been made in other research and promotion programs. For example, the Dairy Promotion and Research Order was amended by final rule on December 23, 2011 to modify representation by region to better reflect geographic distribution of U.S. milk production.

Pest Emergencies

Mr. Farr: How much money in the past two fiscal years has been released from emergency funds to combat plant pest emergencies? How does this compare to earlier the five previous fiscal years? Is it your opinion that the drop in funding reflects fewer pest emergencies? If not, will USDA be submitting legislation to amend its obligations under the Plant Protection Act to protect American agriculture?

Response: During FY 2010 and FY 2011, The Animal & Plant Health Inspection Service (APHIS) received approximately $47 million in new transfers of emergency funds from the Commodity Credit Corporation (CCC) to

combat plant pest emergencies. During the same timeframe, the Agency received authority to redirect approximately $22 million in existing CCC balances. The total, $69 million, equates to an annual average of approximately $35 million authorized from the CCC for plant pest emergencies in fiscal years 2010 and 2011. From FY 2005 through FY 2009, APHIS received approximately $269 million in new transfers and authority to redirect approximately $42 million in existing CCC balances. The total, $312 million, equates to an annual average of approximately $62 million authorized from the CCC for plant pest emergencies.

The decrease in released emergency funding from the CCC may indicate fewer pest emergencies, but there are other factors to consider as well. The 2008 Farm Bill, Section 10201 - Plant Pest and Disease Management and Disaster Prevention, provided funding starting in FY 2009 that was, in some cases, used for activities that either precluded or reduced the need for emergency funding. Changes in program direction also contributed to a reduced need for emergency funds. For example, we now have control and management programs in place for Light Brown Apple Moth, Emerald Ash Borer, and citrus diseases. Emergency funds are typically only requested for eradication programs. We have no plans to seek to amend our obligations under the Plant Protection Act to protect American agriculture.

Plant Regulation

Mr. Farr: What criteria does APHIS use to decide to regulate a plant pest and what is the criteria for deregulating a pest? Based on the budget it seems that APHIS decides it should be regulated if it is a threat, but not if that threat becomes too big or too expensive.

Response: To determine if a foreign plant pest needs to be regulated, APHIS evaluates its risk by determining its origin, prevalence, distribution, and the extent to which management efforts can contain it. In addition, we assess the potential economic and environmental impact of the pest. APHIS' New Pest Advisory Group (NPAG) evaluates foreign pests of concern carefully as part of this process to determine whether or not that pest is present or reported in the United States, poses an imminent threat, and should be considered a quarantine pest. If they determine the pest should be considered a quarantine pest, the NPAG will recommend possible actions, including import regulations designed to prohibit the entry of its host commodities. This is because these commodities could serve as a pathway for the pest's introduction into the United States from infested countries. Before finalizing its recommendations, NPAG may meet or consult with subject matter experts from universities and Federal and State agencies to gather more information on the pest.

If a quarantine significant pest becomes introduced, NPAG also makes recommendations on whether or not it is actionable. Actionable pests are those that APHIS can either eradicate or control through domestic regulatory quarantines and mitigation treatments such as pesticides, pheromones, biological control, or sterile insect technology. If NPAG determines that a pest can be controlled or eradicated through regulatory and mitigation activities, it will recommend such action and designate the pest as actionable. If, however, the group determines that neither eradication nor control is feasible based on the extent of infestation, treatment availability, or resources required (or a combination of the above), it will

recommend that no action be taken. If a pest population in the United States has been eliminated, APHIS would deregulate the affected area but maintain import regulations designed to prevent the pest's re-entry into the United States.

Emergency Response/OMB

Mr. Farr: If a plant pest has already received emergency funds, will OMB authorize the release of additional funds and, if so, under what circumstances?

Response: A variety of plant pests have received more than one transfer of emergency funds, primarily because of one or a combination of these reasons: the risks posed by the pest to agricultural production or natural resources are extremely high; an outbreak of an existing pest occurs in a new area or the extent of the infestation increases; and/or the timing is such that APHIS and its cooperators have not built funds for the particular pest into their annual budget requests. Recent examples include Asian longhorned beetle (ALB) and European grapevine moth (EGVM). In the case of ALB, the Secretary of Agriculture has transferred emergency funds to APHIS to address new outbreaks of the pest in areas where the APHIS program was not already active and for which there were no other funding sources. The most recent example was for the Massachusetts ALB outbreak, for which APHIS received approximately $24 million in FY 2009 and $41 million in FY 2010. For EGVM, the outbreak is relatively new, and APHIS did not have sufficient information about needs for the program in time to build funds for the program into its annual budget request for FY 2012. APHIS received $16.9 million for EGVM in FY 2011 and $8 million in FY 2012. Additionally, both ALB and EGVM are extremely destructive. The spread of ALB would pose severe risks to our national forests and tree canopies and all the industries and communities that depend on them, and EGVM threatens the valuable grape industry in California, which is worth $3.9 billion and includes approximately 11,000 farms and vineyards.

QUESTIONS SUBMITTED BY REPRESENTATIVE MARCY KAPTUR

ANIMAL AND PLANT HEALTH INSPECTIVE SERVICE (APHIS)

Ms. Kaptur: Please describe for the record the role APHIS has played in dealing with the emerald ash borer and what the current status is of containing or eradicating the beetle.

Response: Since the emerald ash borer (EAB) was first found in Michigan in 2002, it has spread to 14 additional States (Ohio, Indiana, Illinois, Maryland, Pennsylvania, West Virginia, Missouri, Virginia, Kentucky, Minnesota, New York, Wisconsin, Iowa, and Tennessee). In FY 2011, APHIS found EAB infestations in unregulated areas of previously affected States. These detections caused the program to expand the quarantine, which now covers approximately 300,000 square miles. FY 2011 marked the first year since the EAB program began that no new States were determined to be infested with EAB.

APHIS is focusing its resources on working with cooperators to develop a management strategy for the long-term that will use biological control and public outreach. To prevent further artificial spread, we are regulating EAB host materials such as firewood. The program maintains approximately 1,000 compliance agreements with businesses that handle these materials. The agreements enable the program to regulate the treatment and movement of these host materials from quarantined areas. In addition, the program holds workshops to educate State, tribal, municipal, and industry cooperators on reducing the spread of the pest. In FY 2012 and 2013, these activities will continue, but the number of establishments under compliance agreements will be reduced because the program is modifying its regulatory policy to focus resources along the perimeter of quarantine areas to maximize our impact on preventing the human-assisted spread of EAB to new locations. Under this modified policy, APHIS will treat contiguous regulated areas that cross State borders as a single regulated area. Previously, we treated these areas as separate regulated areas for each State.

The program continues to develop and deploy biological control agents for EAB, focusing on three parasitic wasps that could reduce EAB populations. In 2011, the program conducted trial releases of the wasps in Illinois, Indiana, Kentucky, Maryland, Michigan, Minnesota, New York, Ohio, and Pennsylvania, Virginia, Wisconsin, and West Virginia, and increased production of the wasps from 150,000 in 2010 to more than 244,000 in 2011. Releases will continue in these 12 States along with two additional States - Missouri and Tennessee - in 2012. The program also updated and distributed biological control release guidelines to cooperating States.

Specialty Crop Pests

Ms. Kaptur: Please describe in detail the reasoning behind decreasing funding for Specialty Crop Pests when the department is focusing so heavily in local foods initiatives?

Response: APHIS is committed to protecting the U.S. production of Specialty Crops. APHIS and its cooperators support plant health programs to suppress pests and diseases to ensure that fresh fruit and vegetables are available in local food markets, across the United States, and abroad. With

the proposed $2.9 million reduction in funding, for a total of $151.1 million in FY 2013, APHIS will maintain its focus on high priority efforts while pursuing opportunities for the industries that benefit directly from these programs to cover some costs involved in treatments on their commercial properties. This initiative will allow APHIS to maximize Federal resources while continuing to address pests and diseases that affect Specialty Crops.

Ms. Kaptur: Please describe in detail what kind of pilot initiative APHIS would undertake regarding having commercial growers assume more financial responsibility for pest treatments on their property in light of the request for reduced funding for Specialty Crop Pests.

Response: APHIS and the California Department of Food and Agriculture have developed a successful partnership with grape producers in the European Grapevine Moth (EGVM) program. APHIS provides overall coordination for the EGVM response, which consists of outreach, surveys, quarantine enforcement, and residential and other non-commercial treatments, as well as grower-led treatments. APHIS and its State and County partners conduct surveys and regulatory activities, while affected growers pay for and conduct treatments on commercial properties. APHIS, State, County, and industry organizations have engaged cooperative extension, private consultants, and pest advisors to assist in coordinating industry-led treatments of private lands. Several hundred growers have conducted treatments to suppress EGVM populations. Through these collaborative efforts, the program has reduced EGVM populations by 99 percent in two years.

Additionally, as part of the Agency's Citrus Health Response program, APHIS, the Florida Department of Agriculture and Consumer Services, industry, and other stakeholders partner together to implement citrus health management areas (CHMA). These areas are designed to facilitate area-wide suppression of the Asian citrus psyllid (ACP), the primary vector for citrus greening disease. Area-wide suppression of ACP populations, with growers covering the costs of the treatments needed, continues to prove to be an effective strategy in controlling the spread of citrus greening in Florida. To date, there are 35 CHMAs functioning throughout Florida, covering more than 434,000 acres (80 percent) of the State's citrus groves. APHIS will evaluate how these models could potentially be applied in other programs.

AGRICULTURAL MARKETING SERVICE (AMS)

Ms. Kaptur: Has AMS done an evaluation of the effectiveness of the Specialty Crop Block Grant Program or the Federal-State Marketing Improvement Program? I'm concerned of the possibility that entities within a state are interested in these programs but without support of the state department of agriculture there is little chance of securing funding. However, if these programs were administered on a national basis I am wondering if they would be more effective.

Response: AMS has not conducted an evaluation of the Specialty Crop Block Grant (SCBG) Program or the Federal-State Marketing Improvement Program (FSMIP) to consider whether a different structure could be more effective. However AMS has performed an evaluation of every project supported through those programs. AMS reviews each project proposal to ensure that project success is defined before grants are awarded, and the impact of the project on the specialty crop industry (SCBG) or the State or region (FSMIP) is quantifiable and measurable. As a result, the outcomes of each project demonstrate the effectiveness of the programs, whose respective goals are to "enhance the competitiveness of specialty crops" (SCBG), and "explore new market opportunities for U.S. food and agricultural products, and encouraging research and innovation aimed at improving the efficiency and performance of the marketing system" (FSMIP).

Ms. Kaptur: Please describe for the record if AMS has any evidence that the Farmers' Market Promotion Program has played any role in the number of farmers markets more than quadrupling since 1994?

Response: The Farmers' Market Promotion Program (FMPP) has funded approximately 130 new direct markets since its inception (including farm stands, mobile markets, and Community Supported Agriculture operations). Although the number of new direct markets funded by FMPP only represents a portion of the increase in the number of farmers' markets being reported since 1994, the types of projects funded under FMPP address issues that can deter development of new market outlets. Examples of projects that may deter development of a new direct market include:

- Promoting marketing and education campaigns to improve the overall market infrastructure and customer experience;
- purchasing a greenhouse, walk-in cooler, pop-up tents, and other marketing materials to increase accessibility to healthy foods;
- promoting an existing EBT project to increase the participation and purchasing power of SNAP/EBT enrollees and improving producers' economic viability at the markets; and
- conducting outreach and consumer training to school groups on farming, nutrition, and healthy eating.

FMPP grants also likely play an indirect role in market expansion by inspiring and motivating other farmers and communities to establish farmers' markets and other direct marketing outlets in their areas.

Ms. Kaptur: Please describe for the record some of the projects funded for Transportation and Market Development Program. What types of entities typically receive this funding?

Response: Projects typically funded, through cooperative agreements, by the Transportation and Market Development Program (1) help AMS gather raw data related to factors affecting costs associated with the movement of bulk agricultural commodities (primarily grain) via four modes of transportation (train, truck, barge, and ocean vessel) and (2) facilitate practical studies and data gathering in the areas of direct marketing along with local and regional food distribution. A few examples of funded projects include:

- Collecting and providing information on rail tariffs, market prices, and primary/secondary rail service markets for AMS' Grain Transportation Report.

- Conducting research through a survey of secondary data sources, interviews with selected customs brokers, freight forwarders, trade associations, carriers, and shippers that describes the market destination and end use of U.S. Grain, soybean, and by-product exports to Mexico by mode of transportation.

- Facilitating workshops that will educate agriculture exporters concerning issues related to transportation and provide a forum for AMS to receive timely information about agriculture transportation concerns, issues, and trends based on continued input from attendees.

- Collaborating on research and data gathering to develop a directory of regional food hubs currently operating or in development in the United States and to assess the scale, scope, and role that regional food hub operations have in the food system.

- Developing food hub educational material to accelerate knowledge transfer to stakeholders.

- Implementing a web-based portal and underlying databases to allow market managers to list their market or update their listing in USDA's National Farmers' Market Directory.

Types of entities that typically receive funding to execute these activities are land-grant universities, other institutions of higher education, non-profit economic development and research organizations, and community based organizations with experience in research, outreach, and technical assistance.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION (GIPSA)

Ms. Kaptur: Please update for the Subcommittee the progress being made in implementing the provisions from the 2008 Farm Bill to protect livestock and poultry producers.

Response: The majority of the 2008 Farm Bill provisions were contained in the final rule that was published on December 9, 2011 (at: http://www.gipsa.usda.gov/Federal%20Register/fr11/12-9-11.pdf). GIPSA held its first industry meeting on the new regulations on January 25th at the International Poultry Exposition in Atlanta, GA with roughly 75 industry representatives in attendance. At the meeting, GIPSA made a formal presentation and hosted a lengthy question and answer session. The meeting was constructive and GIPSA has held a number of additional outreach meetings with poultry growers, swine contractors, and live poultry dealers. GIPSA intends to work closely with live poultry dealers and swine contractors in the implementation of the regulations. Our goal is to obtain a high rate of voluntary compliance through educational outreach activities and regulatory reviews prior to an enforcement action.

One section of the June 22, 2010 proposed rule (§ 201.211 Undue or unreasonable preferences or advantages; undue or unreasonable prejudice or disadvantages) related to the 2008 Farm Bill was not part of the final rule. Congress prohibited USDA from utilizing any funds during FY 2012 on this section.

Ms. Kaptur: Please highlight some of the activities of the Toledo field office of FGIS and any upcoming plans in FY 13.

Response: The Toledo Field Office is responsible for all grain inspection at Great Lakes ports and the Northern Atlantic Seaboard. The Toledo field office currently oversees eighteen laboratories in the U.S. and Canada. The field office monitors and provides supervision to eleven private official agencies and two delegated state agencies licensed by USDA in accordance with the United States Grain Standards Act.

The Toledo field office is also responsible for providing export inspection service of U.S. grain upon request at several export facilities in Quebec, Canada, along the St. Lawrence Seaway. The northernmost duty point is Port Cartier, which is over 1,100 miles from Toledo. This large geographic service area results in frequent travel requirements for Toledo based technical personnel.

The Toledo field office is in the final stages of a modernization project with the major goals of updating laboratories and export elevator automation. When complete, the result will be more efficient use of FGIS personnel, and elimination of the necessity for personnel being stationed in the headhouse of grain elevators. The grain industry has been very proactive in cooperating in this effort. The end result is a safer working environment.

FY 2013 will see a major shift in Toledo Field Office management and administrative personnel due to the impending retirement of the Field Office Manager, Assistant Field Office Manager, and the Certification and Financial Expert. These three personnel have combined service with FGIS of over 100

years. They have facilitated the consolidation of eleven different field offices in eight states and Canada into the current Toledo Field Office circuit.

FY 2013 may see an increase in grain exports in the Port of Toledo due to the completion of a new bulk material handling installation at the Toledo International Docks and a more traditional grain harvest than FY 2012.

TUESDAY, MARCH 20, 2012.

FARM AND FOREIGN AGRICULTURAL SERVICES

WITNESSES

MICHAEL SCUSE, ACTING UNDER SECRETARY, FARM AND FOREIGN AGRICULTURAL SERVICES
BRUCE NELSON, ADMINISTRATOR, FARM SERVICE AGENCY
SUZANNE E. HEINEN, ACTING ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE
WILLIAM MURPHY, ADMINISTRATOR, RISK MANAGEMENT AGENCY
MICHAEL YOUNG, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

INTRODUCTION OF WITNESSES

Mr. KINGSTON. The subcommittee will come to order. This is the ninth of 11 hearings. We only have two more to go and finish up this week. We have had a lot of good productive hearings, had some very good dialogue. None of our hearings have been rushed, although some have been interrupted by votes. We have usually found some common ground in each hearing as we wrestle with our $15.5 trillion debt and understand the constraints that it puts on everybody right now.

Today we will be having a hearing on the agency that probably has the highest visibility of anybody in terms of USDA because it has the vital programs that help farmers, ranchers, and growers produce an abundance of supply of food for U.S. citizens and people all around the world.

I welcome Mr. Michael Scuse, the USDA Under Secretary for Farm and Foreign Agricultural Services; Mr. Bruce Nelson, Administrator of Farm Service Agency; Ms. Suzanne Heinen, Acting Administrator, Foreign Ag Service; William Murphy, Administrator, Risk Management Agency; and the ever present Michael Young, USDA's Budget Director.

OPENING STATEMENT

The fiscal year 2013 President's Budget for Farm and Foreign Agricultural Services' mission area seeks a total discretionary funding level of $3.47 billion, of which $1.62 billion is for the Farm Service Agency programs and $1.77 billion is for the Foreign Agricultural Service Programs. While there are smaller increases and decreases the one major change on the discretionary side is a $66 million reduction in P.L. 480 Food for Peace. As part of the FSA request, $100 million will support mostly farm ownership and operating loans of roughly $1.8 billion. This support will help an estimated 29,600 farmers and ranchers.

You have pointed out in your testimony, which has already been given to us, a number of highlights, the pending closure of two FAS service offices and 131 FSA county offices, leaving 2,113 county offices still open, a reduction of staff since 2003 of 30 percent, record high revenues of U.S. farm exports and proposals to reduce mandatory spending by $32 billion.

There are a number of unanswered questions. One of the questions is why is there a projected drop in the positive balance of trade by 43 percent? So that is going to be something we want to

ask you. We will also want to discuss CRP, which we have had some discussion on already in our NRCS hearings but we know it is really your jurisdiction. We will need a further explanation on the $6 billion increase for the Federal Crop Insurance Corporation fund.

And we will get to your questions right after your testimony. And with that, I will yield the balance of my time. I yield to Mr. Farr. We will go 5-minute rules, you will see the light go on, and depending on how many members are here we kind of play that a little liberally.

Mr. Farr.

Mr. FARR. Thank you very much, Mr. Chairman. Thank you all for coming today. The panel has been recognized and I want to thank you for being here today, for your tireless work and that of your staff to assist the farmers in this country to reach foreign markets and for your critical work to help feed millions of famished people all over the world.

As our Nation and the world continue to face economic uncertainty and international upheaval, the Ag Department Farm and Foreign Agricultural Services play a crucial role in assisting our farmers through the economic turmoil and helping our international partners meet the dire issue of hunger.

In both of these cases the agency is providing key assistance and fundamental resources that are the core of future success for our national economy and our national security. Yet despite the clear importance of their efforts, funding for the programs under the Foreign Agricultural Services have too easily drawn down calls for cuts. Without fully understanding their value, these programs have been also criticized and targeted for political gains.

As a return Peace Corps volunteer, I have seen firsthand what the power of friendship and a helping hand can do to uplift entire communities. Foreign food assistance programs have the capability to show the world an inspiring, uplifting side of America. They also have the added benefit of being cost effective, diplomatic tools that work to build goodwill and reduce the poverty factors that help breed extremism.

Our Nation needs a new guiding principle to drive our foreign policy, one that includes long-term strategies for stability and security. It is clear that the foreign food assistance will not solve all of our international problems, but neither will pure military force. As we work to meet our obligation to get our fiscal house in order, we must weigh the long-term benefits of foreign food assistance programs provide any capability they have to prevent future costly military interventions.

In many cases these food programs serve as the face of the United States in foreign countries and subsequently helps set long lasting views of our country. With that in mind, I look forward to an honest discussion of how we can improve efficiencies that reduce costs and increase the positive impacts on the ground.

Thank you, and I look forward to your testimony. Thank you, Mr. Chairman.

[The statement follows:]

Opening Statement:
Department of Agriculture – Under Secretary for Farm and Foreign Agriculture Services

Thank you Chairman Kingston.

I would like to recognize:

- Mr. Michael Scuse, Acting Under Secretary, Farm and Foreign Agricultural Services, Department of Agriculture
- Mr. Bruce Nelson, Administrator, Farm Service Agency, Department of Agriculture
- Ms. Suzanne E. Heinen, Acting Administrator, Foreign Agricultural Service, Department of Agriculture
- Mr. William Murphy, Administrator, Risk Management Agency, Department of Agriculture; Mr. Michael Young, Budget Officer, Department of Agriculture.

Thank you for being here today, and for your tireless work—and that of your staff—to assist our farmers to reach foreign markets and for your critical work to help feed millions of famished people all over the world.

As our nation and the world continue to face economic uncertainty and international upheaval, the Agriculture Department's Farm and Foreign Agricultural Services is playing critical roles in assisting our farmers through the economic turmoil, and helping our international partners meet the dire issue of hunger.

In both of these areas, this agency is providing key assistance and fundamental resources that are at the core of the future success of our national economy and our national security.

Yet despite the clear importance of their efforts, funding for programs under the Foreign Agricultural Services have to easily drawn strong calls for cuts.

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With that in mind, I look forward to an honest discussion on how we can improve efficiencies that reduce costs and increase the positive impacts on the ground.

Thank you, and I look forward to your testimony.

Mr. KINGSTON. Mr. Scuse.

OPENING STATEMENT

Mr. SCUSE. Thank you, Mr. Chairman. Mr. Chairman and members of the subcommittee, I am pleased to appear before you today in order to present the 2013 budget and program proposals for the Farm and Foreign Agricultural Services mission area of the Department of Agriculture.

As you pointed out, I am accompanied today by administrators of the three agencies that comprise our mission area: Bruce Nelson, the Administrator of the Farm Service Agency; William Murphy, Administrator of Risk Management Agency; and Suzanne Heinen, Acting Administrator of the Foreign Agricultural Service. We are also accompanied by Michael Young, Director of the Office of Budget and Program Analysis.

Mr. Chairman, we appreciate the difficulties of today's budget environment and the need to reduce the Federal deficit. Over the past 3 years this mission area has worked hard to meet the budgetary challenges we face, to do more with less, and to ensure that critical investments in rural America continue. However, now is not the time for further cuts. We now need time to manage these reductions and to streamline our operations wherever possible.

Turning first to Farm Service Agency, the budget request for salaries and expenses reflects our efforts to streamline processes, invest in more efficient systems, and to maximize efficiencies. The budget requests $1.5 billion, the same level provided in 2011 and a net increase of $24 million above the 2012 enacted level. Within this funding level the budget includes $99.8 million to continue the Modernize and Innovate the Delivery of Agricultural Systems, or MIDAS project. The request will also enable FSA to hire 37 additional temporary staff to maintain customer service during peak workload periods. FSA also plays a critical role for our Nation's agricultural producers by providing a variety of direct loans and loan guarantees to farm families who would otherwise be unable to obtain the credit they need to continue their farming operations.

The 2013 budget process proposes a total program level of about $4.8 billion, reflecting credit usage forecasts at the time the budget was developed. In crop year 2011 the crop insurance program provided over $113 billion in protection. Our current projection is that indemnity payments to producers on the 2011 crops will be about $11 billion on a premium volume of about $11.9 billion. Our current projection for the 2012 crop year shows the value of protection will decline slightly to about $106 billion. This estimate is based on the Department's latest estimates of planted acreage and expected market prices for major agricultural crops.

For salaries and expenses of the Risk Management Agency $75 million in discretionary spending is proposed, the same as at the 2012 enacted level. The Foreign Agricultural Service is the lead agency for the Department's international activities.

The 2013 budget is designed to ensure that FAS has the resources needed to continue to represent and advocate on behalf of American agriculture on a global basis, to remove agricultural trade barriers, develop new markets, and enhance the competitive position of U.S. agriculture in a world marketplace. The budget

provides a program level of $183 million, the same amount provided in fiscal year 2012. Within that level of funding the budget includes a decrease of about $10.2 million for headquarters costs. The decrease will be achieved through a combination of a hiring freeze and further reductions to travel and training.

The 2013 budget provides an increase of about $5 million for higher operating costs at the agency's overseas posts, including increased payments to the State Department for administrative costs. The budget also includes funding of $5.6 million for reconstruction and stabilization activities in Afghanistan. We are supporting implementation of the President's strategy for Afghanistan by providing technical experts who serve as agricultural advisers. And for the international food assistance program the budget includes appropriated funding of nearly $1.7 billion, including $184 million for the McGovern-Dole International Food for Education and Child Nutrition Program and $1.4 billion for the Food for Peace Title II grant food assistance programs.

Mr. Chairman, I thank you for the opportunity to present our 2013 budget and program proposals, and I would be pleased to answer any questions that you or other members of the committee may have. Again, thank you.

[The statements of Mr. Scuse, Mr. Nelson, Ms. Heinen, and Mr. Murphy follows:]

Statement by Michael T. Scuse
Acting Under Secretary for
Farm and Foreign Agricultural Services
United States Department of Agriculture
Before the House Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today in order to present the 2013 budget and program proposals for the Farm and Foreign Agricultural Services (FFAS) mission area of the Department of Agriculture (USDA). I am accompanied by the Administrators of the three agencies that comprise our mission area: Bruce Nelson, Administrator of the Farm Service Agency (FSA); William Murphy, Administrator of the Risk Management Agency (RMA); and Suzanne Heinen, Acting Administrator of the Foreign Agricultural Service (FAS). We are also accompanied by Michael Young, Director of the Office of Budget and Program Analysis.

Statements by each of the Administrators providing details on the agencies' budget and program proposals for 2013 have already been submitted to the Committee. My statement will summarize those proposals, after which we will be pleased to respond to your questions.

Mr. Chairman, the FFAS mission area carries out a diverse array of programs and delivers services that support a competitive agricultural system and provide the foundation for prosperity throughout rural America. The programs we deliver to America's farmers and ranchers – price and income support, farm credit assistance, conservation and environmental incentives, risk management tools, and trade expansion and export promotion programs – provide a critical safety net for our producers.

The 2013 budget request for the FFAS mission area reflects the President's Plan for Economic Growth and Deficit Reduction. The Administration remains committed to a strong safety net for farmers and will continue its efforts to strengthen crop insurance and disaster assistance. The President's plan reduces the deficit by $32 billion over ten years by eliminating

direct farm payments, decreasing subsidies to crop insurance companies, and better targeting conservation funding to high priority areas. In addition, the President's plan would also extend the 2008 Farm Bill disaster programs (or similar programs) through the 2017 crop year.

This budget also reflects the Department's Blueprint for a Stronger Service. The Blueprint is key to building a modern and efficient organization that will support the long-term vitality of rural America and the success of American agriculture. The plan takes a realistic view of the needs of American agriculture in a challenging budget climate, and lays out USDA's plans to modernize and accelerate service delivery and improve the customer experience through use of innovative technologies and business solutions. Ultimately, these improvements will help producers and businesses to drive America's economy and respond to 21st century challenges.

We are proud of our work and partnership with America's farmers, ranchers and rural communities. Today, American agriculture is a bright spot in the nation's economy, with record income and exports. Over the past three years, USDA's FFAS Mission Area has worked hard to do more with less, to manage current and future budget challenges, and to ensure that critical investments in rural America continue. Specifically, FFAS has taken a variety of steps to cut costs and improve services, including:

- In 2010, RMA negotiated a new standard reinsurance agreement for the Federal Crop Insurance Program that achieved $4 billion in net savings over 10 years;
- Cut travel, printing and supplies budgets;
- RMA and FSA established 15 common dates (reduced from 70) for farmers and ranchers to report acreage and crop data, reducing burdensome paperwork for farmers and USDA costs.

In 2012, FSA will close 131 county offices across rural America; and FAS will close two foreign offices and reduce staffing in five others. The FSA office closures are being conducted in full compliance with the restrictions imposed by the 2008 Farm Bill. By consolidating offices, FSA is adapting to reduced resources while continuing to provide high quality service from the remaining 2,113 office locations.

In addition, the agencies of this mission area have implemented buy-out and early-out authorities. As a result, all three agencies will be operating, now and into the future, with fewer

staff. For example, FSA projects that its Federal and non-Federal staffing will total 12,691 staff years in 2013, a reduction of over 1,200 staff years from 2011. Since 2003, at the height of implementing the 2002 Farm Bill, staffing levels at FSA have declined by about 5,600 employees, a reduction of over 30 percent.

Although we are presenting a constrained 2013 budget, we believe it provides the resources that are needed to meet our mission area objectives. I fully support the budget requests for salaries and expenses for FSA, RMA, and FAS presented below. Now is not the time for further reductions. With the significant staffing reductions, office closures and other streamlining actions we have taken over the past three years, we now need time to manage these reductions and to streamline our operations wherever possible.

Farm Service Agency

The FSA is the lead agency for delivering farm assistance. FSA provides producers with access to farm programs such as farm ownership and operating loans, disaster assistance, direct and countercyclical payments, commodity marketing assistance loans, and certain conservation programs, such as the Conservation Reserve Program (CRP). The 2013 budget request for FSA reflects the ongoing effort to streamline processes and invest in more efficient systems.

Information Technology Systems

We know the Committee is aware of FSA's long-standing need to upgrade its aging technology, and we would like to thank you for the support this Committee has provided in recent years. Modernizing IT systems will improve FSA's quality of service, operational efficiency, and accountability. The 2013 budget includes $99.8 million for the Modernization and Innovate the Delivery of Agricultural Systems (MIDAS) project. This investment is critical for the project to remain on-time and on-budget.

MIDAS will help deliver farm program benefits to producers more securely, reliably, and rapidly than the current systems. In 2011, FSA designed the core parts of MIDAS and is now building the IT infrastructure, configuring the system, and developing applications. In late 2012, FSA will pilot the first version of MIDAS. It will encompass core information including

farm records, customer data, and acreage reporting with GIS online mapping capabilities. During 2013, FSA will begin to operate the Marketing Assistance Loan program within MIDAS, and will continue to expand the system to encompass additional programs. In addition, FSA is connecting MIDAS to the Department's new financial management system (FMMI) to improve program integrity and payment accuracy.

Salaries and Expenses

The 2013 budget request for salaries and expenses for FSA reflects our focus on streamlining processes, investing in more efficient systems, and examining internal costs to cut out unnecessary spending. The budget requests $1.5 billion from appropriated sources, including credit reform transfers, for a net increase of $24 million above the 2012 enacted level. The increase will provide resources to help support the IT infrastructure modernization needed for MIDAS and will enable FSA to hire 37 additional temporary staff to maintain customer service during peak workload periods, such as program sign-ups. The 2013 salaries and expenses request supports a total of 4,494 Federal staff-years and 8,197 non-Federal-staff years. These staffing levels are essential to enable FSA to handle the workload associated with the broad array of complex programs entrusted to us.

Commodity Credit Corporation

The farm commodity price and income support programs are financed through the Commodity Credit Corporation (CCC), a Government corporation for which FSA provides operating personnel. CCC also provides funding for conservation programs, including the CRP and certain programs administered by the Natural Resources Conservation Service. CCC also funds some export promotion and foreign food aid activities administered by FAS.

CCC outlays have declined from the record high of $32.3 billion in 2000 to $8.9 billion in 2011. Under provisions of current law, those outlays would be approximately $8.7 billion in 2012 and $9.2 billion in 2013. The reductions since 2000 primarily are due to reduced commodity program outlays. These result from relatively high market prices for most major commodities, as well as other factors such as the shift of disaster assistance programs to a separate fund and the elimination of some other earlier emergency economic assistance programs. The slight

increase from 2012 to 2013 reflects 2008 Farm Bill changes which eliminated the option for producers to receive advance direct payments. This change shifts into 2013 some direct payments that would have been paid in 2012.

Conservation Programs

CRP assists farm owners and operators in conserving and improving soil, water, air, and wildlife resources by converting highly erodible and other environmentally sensitive farmland to a long-term resource-conserving cover. Since CRP began in 1985, over eight billion tons of soil has been prevented from eroding. An estimated 200,000 stream miles are currently protected with CRP riparian and grass buffers.

As of January 31, 2012, CRP enrollment stood at 29.7 million acres on over 407,000 farms. In 2011, FSA held a general signup, enrolling 2.6 million acres. With contracts on 6.5 million acres scheduled to expire at the end of Fiscal Year 2012, USDA will hold a general sign-up from March 12 to April 6, 2012. The budget projects enrollment will remain below 30 million acres in 2013 and 2014, before rising back to just below the statutory cap of 32 million acres in 2015.

Through the Transition Incentive Program (TIP) FSA offers retiring landowners an additional two years of CRP annual rental payments provided they transition expiring CRP acres to a beginning or socially disadvantaged farmer to return the land to production using sustainable grazing or crop production methods. Due to high enrollment, the $25 million provided by the 2008 Farm Bill has been exhausted. The program yielded more than 1,500 contracts in 26 states totaling over 250,000 acres.

Farm Loan Programs

FSA plays a critical role for our Nation's agricultural producers by providing a variety of direct loans and loan guarantees to farm families who would otherwise be unable to obtain the credit they need to continue their farming operations. By law, a substantial portion of the direct and guaranteed loan funds are reserved each year for assistance to beginning, limited resource, and socially disadvantaged farmers and ranchers.

The 2013 budget proposes a total program level of about $4.8 billion. Of this total, over $1.6 billion is requested for direct loans and about $3.2 billion for guaranteed loans offered in cooperation with private lenders. These levels reflect credit usage forecasts at the time the budget was developed. We will be able to provide this level of assistance with just $98 million in budget authority compared to about $108 million provided in FY 2012. With this funding, we will be able to serve nearly 30,000 farmers and ranchers.

Risk Management Agency

The Federal crop insurance program represents the primary risk-mitigation program available to our Nation's agricultural producers. It provides risk management tools that are compatible with international trade commitments, creates products and services that are market driven, harnesses the strengths of both the public and private sectors, and reflects the diversity of the agricultural sector.

In 2011, the crop insurance program provided over $113 billion in protection on over 256 million acres. Our current projection is that indemnity payments to producers on their 2011 crops will be about $11 billion on a premium volume of about $11.9 billion. Our current projection for the 2012 crop year shows the value of protection will decline slightly, to about $106 billion. This projection is based on the Department's latest estimates of planted acreage and expected changes in market prices for the major agricultural crops.

The 2013 budget requests an appropriation of "such sums as are necessary" as mandatory spending for all costs associated with the program, except for Federal salaries and expenses. This level of funding will provide the necessary resources to meet program expenses at whatever level of coverage producers choose to purchase. For salaries and expenses of the RMA, $75 million in discretionary spending is proposed, the same level provided in the 2012 Appropriations Act.

Acreage Crop Reporting Streamlining Initiative (ACRSI)

RMA is leading efforts to streamline and consolidate the data that USDA collects from producers. Representatives from RMA, FSA, Natural Resources Conservation Service,

and the National Agricultural Statistics Service have simplified and standardized the acreage reporting process across various USDA programs. ACRSI objectives include: provide producers options to report common data; standardize data requirements across various farm programs; facilitate data sharing between farm programs; publish the relevant data elements, definitions, and schema for government, public, and commercial industry consumption; and consolidate acreage reporting dates across commodities to the extent practical.

ACRSI has already demonstrated results. Before ACRSI, FSA and RMA had more than 70 acreage reporting dates; there are now 15 acreage reporting dates common to both RMA and FSA programs. Funding to develop and maintain the IT infrastructure required for ACRSI is being made available from the crop insurance mandatory account. The Federal Crop Insurance Act (FCIA) authorizes RMA to use funding received through administrative fees collected from crop insurance participants to develop program-related IT systems.

Foreign Agricultural Service

Agricultural trade significantly contributes to the prosperity of local and regional economies across rural America through increased sales and higher commodity prices. USDA estimates that every $1 billion of agricultural exports generates $1.3 billion in economic activity and supports 8,400 American jobs throughout the economy. Therefore, the Department, with the FFAS mission area in the lead, has an important role to play in removing agricultural trade barriers, developing new markets, and enhancing the competitive position of U.S. agriculture in the world marketplace.

U.S. farm exports reached a record $137.4 billion in fiscal year 2011, and the agricultural trade surplus reached a record $42.9 billion. The fiscal year 2012 forecast, for U.S. agricultural exports, was recently revised to $131 billion –the second highest total on record. This estimate is down $1 billion from prior forecasts. In 2012, agricultural exports are expected to contribute a positive trade balance of $24.5 billion to the Nation's economy. For U.S. agriculture to continue to thrive, we must continue to open, expand, and maintain access to foreign markets, where 95 percent of the world's consumers live.

As we work to open new and maintain existing markets overseas, we face many challenges and barriers that must be addressed. An important means for doing so is through monitoring foreign compliance with trade agreements and working to remove unwarranted trade barriers. In the past year, FAS and its people have been instrumental in resolving numerous sanitary, phytosanitary and technical barriers to trade. We've achieved less-restrictive beef agreements with Chile, Egypt, and most recently the United Arab Emirates; opened the Western Australian market to U.S. cherries and the Korean market to fresh Oregon blueberries. We have also reopened the Chinese market to live swine, and the Algerian market to U.S. dairy products. These efforts led to billions of dollars in additional U.S. exports to the world in FY 2011. A major success in the market access arena is U.S. beef exports. Last year, exports of beef and beef products reached an all-time high of $5.4 billion, surpassing the levels exported in 2003, the last year before the detection of bovine spongiform encephalopathy (BSE) that caused a disruption in U.S. trade.

The FFAS mission area also makes a significant contribution to the Department's strategic goal of enhancing global food security. Through foreign food assistance, technical assistance, training, and capacity building activities, we are working closely with other U.S. departments and agencies to address global food insecurity. USDA is well positioned to encourage the adoption of new technologies and production practices that can help increase the availability of food and improve its marketing and distribution.

Salaries and Expenses

FAS is the lead agency for the Department's international activities and is in the forefront of our efforts to expand and preserve overseas markets and foster global food security. FAS carries out its activities through a network of 98 overseas offices and its headquarters staff here in Washington. With its overseas presence, FAS represents American agricultural interests throughout the world.

The 2013 budget is designed to ensure that FAS has the resources needed to continue to represent and advocate on behalf of American agriculture on a global basis and to create new market opportunities overseas. The budget provides a program level of $183 million, the same level provided in the 2012 Appropriations Act. This level of funding is expected to be

sufficient to maintain the agency's overseas presence at current levels. The budget includes a decrease of about $10.2 million for headquarters costs. The decrease will be achieved through the continuation of a hiring freeze and further reductions to travel and training.

In 2012, under the Blueprint, FAS intends to close two overseas offices and reduce staffing at five additional overseas locations. The 2013 budget provides an increase of $5 million for higher operating costs at the agency's overseas posts, including increased payments to the State Department for administrative services provided at overseas posts. FAS has no administrative staff overseas and, therefore, relies on the State Department and other agencies for those services.

Agricultural Reconstruction and Stabilization

The FAS budget includes funding of $5.6 million for the management and support of the Department's participation in reconstruction and stabilization activities. We are supporting implementation of the President's strategy for Afghanistan by providing technical experts who serve as agricultural advisors. Their work is essential for stabilizing the country, ensuring the successful implementation of USDA-managed assistance programs, and developing human capital and institutional capacity at all levels of the Ministry of Agriculture, Irrigation and Livestock, a vital need in a country where 80 percent of the population depends upon agriculture for a livelihood.

International Food Assistance

For the McGovern-Dole International Food for Education and Child Nutrition Program, the 2013 budget provides funding of $184 million, the same level provided in the 2012 Appropriations Act. The requested level is expected to assist as many as 4.3 million women and children during 2013. Over 30 million children throughout the world have now received benefits from the McGovern-Dole program and its predecessor, the Global Food for Education Initiative.

The 2013 budget provides $1.4 billion for Food for Peace Title II food assistance, a reduction of $66 million from 2012 enacted. Title II, which is administered by USAID, provides agricultural commodities as assistance to combat malnutrition, foster sustainable

development, meet famine and other emergency requirements, and support the donation activities of the World Food Program.

Food assistance will also be provided through the Food for Progress program that FAS administers. The 2013 budget includes an estimated program level of $170 million for this CCC-funded program, which supports the adoption of free enterprise reforms in the agricultural economies of developing countries.

Export Promotion and Market Development Activities

The CCC export credit guarantee programs (GSM-102 and Facilities Guarantee) provide payment guarantees for the commercial financing of U.S. agricultural exports. The guarantees facilitate sales to buyers in countries where credit is necessary to maintain or increase U.S. sales. For 2013, the budget includes a program level of $5.5 billion for the CCC export credit guarantee programs.

For the foreign market development programs, the budget includes a program level of $200 million for the Market Access Program. The remaining programs, including the Emerging Markets Program, Foreign Market Development Program, and Technical Assistance for Specialty Crops Program are subject to reauthorization and funding levels are expected to be established in the next Farm Bill.

Mr. Chairman, this concludes my statement. Thank you for the opportunity to present our 2013 budget and program proposals. We look forward to working with you as you review and consider our proposals and will be pleased to provide whatever assistance you may require.

The Administrators and I would be pleased to answer any questions you and other Members of the Committee may have.

FARM SERVICE AGENCY
Statement of Bruce Nelson, Administrator
Before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies

Mr. Chairman and Members of the Subcommittee, I appreciate this opportunity to discuss Farm Service Agency (FSA) issues and funding. Our Fiscal Year (FY) 2013 budget emphasizes a service-oriented agency with a commitment to efficiency, and continued investments in modernizing the agency to the benefit of farmers and ranchers.

AGENCY OPERATIONS

FSA administers many of the programs authorized by the 2008 Farm Bill as well as programs under other authorities. We deliver these programs through 2,244 county level USDA Service Centers, 50 state offices, and an office in Puerto Rico. FSA has headquarters offices in Washington, DC, Kansas City, Salt Lake City, and St. Louis. At the end of FY 2011, FSA's permanent, full-time, end-of-year Federal employment was 4,710. FSA non-Federal permanent employment in USDA Service Centers was 8,370. The total number of Federal permanent full time positions in the Washington, DC headquarters office was 1,399 and the total number of Federal and non-Federal permanent positions in the field offices was 11,681.

Business Processes and IT

As you know, FSA relies on one of the oldest information technology systems within the Federal government, and we recognize that a reliable IT infrastructure will be critical in Fiscal Year 2012 and over the coming years.

FSA is working to (1) maintain and enhance the current infrastructure at a level that supports required operations, services and program delivery; (2) modernize the IT environment

to eliminate the reliance on outmoded technology; and (3) improve the quality, reliability and availability of data to more effectively support FSA programs.

Over the past year, FSA has continued to successfully expand the presence and effectiveness of web-enabled program delivery applications, deploying this technology to deliver a number of 2008 Farm Bill programs and utilizing the new web enabled Crop Acreage Reporting System (CARS) to complete 2011 crop acreage reporting. FSA also began capturing Farm Operating Plans for individual producers in a Web-enabled application.

Additionally, FSA completed the consolidation of geo-spatial assets into a single centralized repository, thereby eliminating dependency on outmoded servers. This will allow FSA to implement payment programs in a more timely fashion and facilitate the eventual integration of geospatial data with enterprise business operations. Efforts also continue to modernize Farm Loan Program (FLP) systems to the Web and retire obsolete technology. FSA has web-enabled 98 percent of all Service Center transactions, and the 50 percent completion of the FLP Data Mart has resulted in substantial Farm Loan System efficiencies.

Finally, FSA continues to make progress on the Modernize and Innovate the Delivery of Agricultural Systems (MIDAS) project. The initial design for MIDAS is completed; the MIDAS program is now in the build phase, where the system is configured, applications are developed, and IT infrastructure is put in place. Additionally, MIDAS is connecting to the Department's new financial management system.

In late 2012, FSA will pilot the first release of MIDAS. In early 2013, the first release of MIDAS will be implemented nation-wide; this initial phase of MIDAS will centralize customer and land data, reduce time for county office employees and farmers to conduct business, and provide a scalable platform to add additional programs to the system.

In addition to MIDAS, FSA has begun upgrading the IT infrastructure, the Common Computing Environment. This entails replacing the outdated components of the infrastructure, many of which have exceeded their expected life cycles.

PROGRAM UPDATE

While producers of many commodities are receiving high prices for their product, producers are also facing an unprecedented level of business risk due to high input costs. Never before in history has it been so costly to plant a crop, nor have the financial risks to agricultural producers associated with crop losses been so high. The new disaster assistance programs authorized by the 2008 Farm Bill provide assistance in such high-risk situations, and under these programs USDA has provided $3.8 billion to more than 200,000 operators since program inception to February 28, 2012. Payments under the Supplemental Revenue Assistance Program (SURE) have accounted for more than $3 billion of this total, followed by the Livestock Forage Program (at $549 million) and Livestock Indemnity Program (at $143 million). Payments totaled $31 million under the Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program and $14 million under the Tree Assistance Program.

The 2008 Farm Bill authorized these programs to cover losses having occurred on or before September 30, 2011. Since these programs expired, the Noninsured Crop Assistance Program (NAP) is the only FSA disaster program providing coverage. The FY 2013 President's Budget proposes extending these critical disaster programs (or implementing similar programs of similar cost) through the 2017 crop year, at a cost of approximately $8.4 billion over ten years.

Other programs comprising the FSA safety net include marketing assistance loans, counter-cyclical payments (CCPs), and the Milk Income Loss Contract (MILC) program for dairy producers. Given the high crop prices of recent years, marketing assistance loan outlays

have been, and are expected to continue to be, minimal. High prices have kept CCPs relatively low as well, and no CCPs are expected for the 2011 and 2012 crops. MILC payments are expected to increase in FY 2012 to $180 million because of declining milk prices in early 2012 and increasing feed costs. Authority for the MILC program ends on September 30, 2012.

The FY 2013 President's Budget includes a proposal to eliminate direct payments. Direct payments are made to producers with program crop base and do not depend on the crop that is currently planted or on current yields or producers. In total, these payments are $4 to 5 billion annually, and account for more than 80 percent of Title I outlays. Although direct payments provide certain added income that is reassuring to lenders, the payments are made even when prices and revenues are strong. Eliminating direct payments would create savings of about $31.1 billion over 10 years.

The ACRE program was first authorized by the 2008 Farm Bill, and is based on revenue risk rather than just price risk. Overall, ACRE participation has been relatively low and ACRE payments have varied significantly. In Fiscal Year 2011, about $430 million in ACRE payments were made, much of which went to wheat producers. We expect Fiscal Year 2012 ACRE payments to be less than $20 million nationally.

There are now 29.7 million acres in the Conservation Reserve Program (CRP), down nearly 20 percent from Fiscal Year 2007. With contracts on 6.5 million acres scheduled to expire at the end of Fiscal Year 2012, USDA recently announced that a new CRP general sign-up began on March 12 and will end on April 6. In addition to CRP general signup, FSA offers year-round "continuous" signup, which now constitutes about 18 percent of the 29.7 million acres currently enrolled. Continuous signup has become a larger portion of overall enrollment, and we are working hard to promote these programs to target acreage with the best conservation

benefit. Most recently, on February 18, Secretary Vilsack announced a new Highly Erodible Land Initiative which will allow up to 750,000 acres of the most highly erodible land to enroll in CRP via continuous sign-up. And on March 2, the Secretary announced a new CRP initiative to restore grasslands, wetlands, and wildlife. The Fiscal Year 2013 President's Budget proposes capping CRP at 30 million acres. This achieves an estimated $977 million in budget savings over 10 years, while maintaining the CRP program at a level where it can continue to deliver substantial environmental benefits.

FSA also began implementation of the Conservation Reserve Transition Incentives Program (TIP) in FY 2010, which offers retiring landowners an added CRP benefit to transition expiring CRP acres to a new or socially disadvantaged farmer -- who enters the land into production using sustainable growing practices. This program has been very successful. Over $20 million of the $25 million statutory limit has already been obligated, and in addition to over 1,500 contracts already obligated, FSA is reviewing over $1 million in pending requests. Due to the magnitude of interest in this program and the number of CRP contracts about to expire, TIP signup was suspended on February 24, 2012 until steps can be put in place to ensure that the statutory limit is not exceeded.

In addition to the mandatory programs noted above, various other programs help producers in times of need. The Emergency Conservation Program (ECP) provides emergency funding and technical assistance for rehabilitation of farmland damaged by natural disasters. As of February 21, 2012, FSA allocated over $102.5 million in carryover and newly appropriated funding for ECP. The most recent ECP funding was the $122.7 million in Robert T. Stafford funding provided through the FY 2012 Appropriations Act. In fiscal year 2010, a total of $91 million and in fiscal year 2011 a total of $28 million was allocated to states to address damage

from significant disasters under ECP. The Emergency Forest Restoration Program (EFRP) helps owners of non-industrial private forest land carry out emergency measures to restore land damaged by a natural disaster. The 2010 Supplemental Appropriations Act provided $18 million for EFRP for expenses resulting from natural disasters that occurred on or after January 1, 2010. The 2012 Appropriations Act provided an additional $28.4 million in EFRP funding targeted to counties that received Major Disaster declarations pursuant to the Stafford Act. Thus far, over $24 million has been allocated to states since the inception of EFRP.

Demand for direct USDA loans declined somewhat in FY 2011 from record levels in FY 2010 as the availability of commercial credit improved. However, with production costs at high levels, loan availability remains tight for beginning producers and those with limited credit. The FSA direct farm loan programs are USDA's largest investment in these producers. In FY 2011, 63 percent of FSA direct lending, just over $1 billion, went to beginning farmers. FSA also assisted beginning farmers with an additional $735 million in credit through loan guarantees in FY 2011. Since FY 2006, FSA has increased its lending total to beginning farmers by 63 percent. The FSA loan portfolio continues to perform well. As of December 31, 2011, the direct loan delinquency rate stood at 4.9 percent. Although commercial lenders view these producers as risky, over 95 percent of them are current on their FSA loans. FSA's guaranteed farm loans are also performing well, with the guaranteed delinquency rate standing at 1.31 percent on December 31, 2011. Nationwide, delinquent bank non-real estate loan volumes trended down during 2011, comprising 2.0 percent of outstanding farm production loans in the third quarter. Loan performance measures for real estate loans also improved, with the share of delinquent bank farm real estate loans easing to 3.5 percent in the third quarter of 2011.

BUDGET REQUESTS

Commodity Credit Corporation

CCC FY 2013 baseline expenditures are projected to be $9.2 billion, an increase from approximately $8.7 billion forecast for FY 2012. The FY 2013 baseline expenditures are estimated to increase primarily due to Farm Bill provisions that shift some outlays from 2012 to 2013 by eliminating the option for producers to receive advance direct payments. In FY 2011, $8.9 billion was expended as compared to a record high of $32.3 billion expended in FY 2000. Commodity prices are expected to remain relatively robust into FY 2013 resulting from increased demand for bio-energy production and strong exports.

CCC is authorized to replenish its borrowing authority, as needed, through annual appropriations up to the amount of realized losses recorded in CCC's financial statements at the end of the preceding Fiscal Year. In FY 2012, the Corporation received $9.5 billion for reimbursement of 2011 losses.

Appropriated Programs

For Farm Loan Programs the Budget proposes a total program level of about $4.8 billion – over $1.6 billion for direct loans and nearly $3.2 billion for guaranteed loans. About $103 million in budget authority will be necessary to provide this level of assistance. These levels reflect credit usage forecasts at the time the Budget was developed. In FY 2012, $108.2 million of budget authority will be used to execute $4.8 billion of direct and guaranteed loans. For Direct Farm Ownership Loans the Budget proposes a loan level of $475 million encouraging beginning farmers to establish more productive farming operations. The FY 2013 amount will provide direct loans to 2,800 borrowers to meet demand. For Direct Farm Operating Loans the Budget proposes a loan level of $1.05 billion to assist family farmers in maintaining productive farming

operations. This level should meet demand for direct operating loans in FY 2013. This funding level will provide direct operating loans to 16,000 borrowers.

For Guaranteed Farm Ownership Loans in FY 2013, the Budget proposes a loan level of $1.5 billion for loans for 4,100 borrowers. The requested loan level is expected to be able to meet the increased demand for this program. For guaranteed farm operating loans we propose an FY 2013 program level of approximately $1.5 billion. The requested amount will provide ownership loans to 6,700 borrowers and provide sufficient resources to meet program demand.

A portion of both direct and guaranteed farm operating and ownership loan funds is targeted to socially disadvantaged borrowers, based on county level demographic data. Although the statutory targets vary by loan program and county, on average, about 14 percent of loan funds are targeted to socially disadvantaged borrowers. In general, FSA exceeds these statutory targets and, in recent years, FSA has served over 18 percent of socially disadvantaged groups.

For Emergency Disaster Loans FSA is requesting $35 million. Funding has historically been provided through supplemental appropriations. However, prior supplemental appropriations are expected to be exhausted in 2012 and funding is requested to ensure that support is available in the event of a natural disaster. In addition, the Budget proposes program levels of $2 million for Indian Tribe Land Acquisition Loans and $60 million for Boll Weevil Eradication Loans.

FSA also requests funding for two farm loan programs authorized under the 2008 Farm Bill. The requested FY 2013 program level for Guaranteed Conservation Loans is $150 million. The Indian Highly Fractionated Land Program is a direct loan program which provides authority to make and insure loans to eligible purchasers of highly fractionated land under the Indian Land Consolidation Act. The requested FY 2013 program level is $10 million and is expected to be adequate to meet program demand.

The 2008 Farm Bill also authorized a pilot program of Individual Development Account Grants to beginning producers with limited financial resources. These grants provide assistance for starting and maintaining a productive farming operation. FSA requests $2.5 million for this pilot program in FY 2013. This level of funding will leverage between $2.5 million to $5 million in matching private sector funding.

For State Mediation Grants the FY 2013 budget requests $4.369 million, an increase of $.61 million over the FY 2012 amount, for grants to 40 States to assist in operating alternative dispute resolution programs that deal with disputes involving a variety of agricultural issues.

FSA Salaries and Expenses

The FY 2013 Budget request for administrative support within FSA reflects our continuing focus on administrative cost savings in light of reductions to FSA's salaries and expenses appropriation. FSA has taken a variety of steps to reduce costs. First, FSA reduced administrative expenses (including travel, supplies, and postage) by more than 30 percent in FY 2011 over FY 2010. This included a voluntary limit on meetings by County and State Committees. In addition, FSA significantly reduced its temporary staff level and projects that total staff levels will total 12,691 in FY 2013, a reduction of 1,230 staff years from 2011.

Finally, USDA has proposed to consolidate 131 FSA county offices in 32 states in 2012. This action was necessary to achieve the reductions laid out in the FY 2010 through FY 2012 appropriations for FSA, while still keeping sufficient staff and administrative resources in place. If the proposed closures take place, 2,113 offices would remain open throughout the U.S.

The FY 2013 Budget requests $1.516 billion from appropriated sources including credit reform transfers, for a net increase of $24.9 million above the 2012 enacted level. The increase will provide $11.8 million to fund critical IT transformation and modernization projects, an

increase of $1.2 million to support 37 additional temporary personnel to provide critical support for peak workload periods, and $11.9 million for increased state and county field office operating expenses, including the full coverage of cost of travel for County Committee and non-Federal staff to perform compliance and other activities for farm programs and replace broken or extremely outdated equipment.

The 2013 Budget supports 4,494 Federal staff years and 8,197 non- Federal staff years. Since 2003, staffing levels at FSA have declined over 30 percent, a reduction of about 5,600 employees. Within these constraints, FSA has successfully delivered new and complex 2008 Farm Bill programs. In 2012, further staff reductions will be achieved through Voluntary Early Retirement Authority and Voluntary Separation Incentive Payments.

The IT request includes an increase of $11.8 million to continue contract services that support--(a) modernization, development and maintenance of applications systems, and (b) deployment support (e.g. data and data base administration, testing and certification, security, etc.) for application systems. These funds will enable FSA to continue to maintain essential program delivery and operations to the field.

The IT request also includes a total of $99,800,000 for MIDAS. This funding level will complete the original $304,700,000 estimate for this project and enable FSA to continue and complete phased deployment of system capabilities to support additional Farm Programs. MIDAS will continue to be closely aligned with other Agency and Department-wide modernization efforts.

Mr. Chairman, this concludes my statement. I will be happy to answer your questions and those of the other Subcommittee Members.

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FOREIGN AGRICULTURAL SERVICE

Statement of Suzanne E. Heinen, Acting Administrator
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies

Thank you, Mr. Chairman and members of the Subcommittee. I am pleased to report to you that agricultural trade is benefiting the U.S. economy and supporting more than one million American jobs in farming and related industries such as processing and transportation. U.S. farm exports reached a record $137.4 billion in fiscal year 2011, and the agricultural trade surplus reached a record $42.9 billion. Agriculture consistently contributes a net trade surplus to our nation's economy.

For U.S. agriculture to continue to thrive, we must continue to open, expand, and maintain access to foreign markets, where 95 percent of the world's consumers live. That's why the U.S. Department of Agriculture's Foreign Agricultural Service (FAS) works around the globe to build new markets, to sustain and expand existing ones, to improve the competitive position of U.S. agriculture, and to ensure food security and build agricultural capacity in fragile and developing markets – the markets of tomorrow.

FAS has primary responsibility within the Department of Agriculture (DA) for developing international markets, providing export financing, negotiating trade agreements, and analyzing and disseminating vital market intelligence and data to agricultural producers and exporters, and lead agency for the Department on food aid and agriculture development. FAS is a global network of agricultural economists, marketing experts, negotiators and trade specialists in

Washington, D.C. and 98 international offices that cover 163 countries. FAS attachés and counselors serving at U.S. Embassies and Agricultural Trade Offices are American agriculture's eyes and ears around the world, providing real-time information on emerging trade and marketing issues, resolving issues that interrupt the normal course of trade, and averting problems before they become barriers that impede exports.

FAS plays a critical role in USDA's efforts to collect, analyze, and evaluate global commodity market intelligence and data for all major agricultural commodities. A comprehensive analysis is published monthly in the *World Agricultural Supply and Demand Estimates* and it is considered to be the most credible, timely, and reliable in the world. Policymakers' ability to make sound decisions about trade policies, market development programs, food security issues, and export assistance activities is dependent on the quality of this underlying analysis. Agricultural markets and key private sector constituents rely on the information to develop and implement domestic and international programs and make key business decisions.

At FAS, our power is in our people. Our success – and U.S. agriculture's success in the international arena –is a direct result of our people's ability to forge relationships across political and cultural boundaries, their skill in negotiating in challenging and complex situations, and their insight in assessing market opportunities and challenges.

For instance, without the power of our people – in partnership with other USDA agencies, the Office of the United State Trade Representative, the Department of Commerce, the White House, Congress and the private sector – we would not have been able to negotiate and implement the new trade agreements with Panama, Colombia, and South Korea. Fully

implemented, these agreements will result in an estimated $2.3 billion in additional agricultural trade and support nearly 20,000 additional domestic jobs.

FAS is playing an active role in negotiating the Trans-Pacific Partnership (TPP). The agreement will address new, cross-cutting issues such as increasing transparency and consistency in regulatory systems to allow U.S. companies to operate more seamlessly in TPP countries.

FAS receives and responds to World Trade Organization (WTO) notifications from foreign countries on sanitary, phytosanitary, and technical measures that affect agricultural trade. In FY 2011, FAS staff reviewed and developed comments on nearly 350 measures by foreign governments that would have significantly affected U.S. exports or violated a major WTO commitment. Through the comment process, FAS not only alerts exporters to expected changes in foreign regulations, but also works to minimize the impact of foreign regulations on U.S. exports.

In the past year, FAS and its people have been instrumental in resolving numerous sanitary, phytosanitary and technical barriers to trade. We've expanded market access for beef in Chile, Egypt, and most recently the United Arab Emirates; and opened the Japanese market to genetically engineered rainbow papaya, the Western Australian market to U.S. cherries and the Korean market to fresh Oregon blueberries. We have also reopened the Chinese market to live swine, and the Algerian market to U.S. dairy products locked in U.S. eligibility to ship plant products to Vietnam, persuaded Saudi Arabia to remove a ban on food coloring, and Taiwan to rescind onerous certification requirements for canned foods. FAS efforts led to billions of dollars in additional U.S. exports to the world in 2011.

A major success in the market access arena is U.S. beef exports. Last year, exports of beef and beef products reached an all-time high of $5.4 billion, surpassing the levels exported in

2003, the last year before trade was disrupted by the detection of bovine spongiform encephalopathy (BSE).

Despite this progress, restrictions still constrain exports to many of our key markets. We continue to actively seek the removal of barriers that prevent U.S. agricultural producers from getting open and fair access to foreign markets. It's because of our people our market access efforts succeed, and that we can promote an open, rules-based international trading system that benefits both consumers and suppliers of agricultural products around the world.

Complementing our market access efforts are a portfolio of export credit and market development programs that help farmers, ranchers, and agribusinesses build and maintain commercial markets for U.S. food and agricultural products in countries worldwide, including new and emerging markets.

Export credit guarantee programs, funded through the Commodity Credit Corporation (CCC) and administered by FAS in conjunction with the Farm Services Agency, facilitate exports to buyers in countries where credit is necessary to maintain or increase U.S. sales. The Export Credit Guarantee (GSM-102) Program, which provides credit guarantees for the commercial financing of U.S. agricultural exports, facilitated sales of $4.1 billion to 39 countries in 2011. The Facility Guarantee Program is designed to expand sales of U.S. agricultural products to emerging markets where inadequate storage, processing, or handling capacity limit trade potential. The program provides payment guarantees to finance commercial exports of U.S. manufactured goods and services that will be used to improve agriculture-related facilities.

FAS also administers a number of CCC-funded programs in partnership with private sector organizations, called cooperators, to promote the development, maintenance, and expansion of commercial export markets for U.S. agricultural commodities and products around

the world. Last year, we partnered with nearly 70 U.S. agricultural organizations through the Market Access Program (MAP) and the Foreign Market Development (FMD) Program. An independent study commissioned in 2010 demonstrated that for every dollar that government and industry invest in market development through MAP and FMD, U.S. food and agricultural exports increase by $35.

Other key programs in our market development toolkit include: the Technical Assistance for Specialty Crops (TASC) program, which funds projects that address sanitary, phytosanitary, and technical barriers that prohibit or threaten the export of U.S. specialty crops; the Quality Samples Program (QSP), which helps agricultural trade organizations provide small samples of their products to potential importers in emerging markets; and the Emerging Markets Program (EMP), which funds technical assistance activities to promote exports to emerging markets including Russia, China, Indonesia, Philippines, Peru, Colombia, Mexico, and the CAFTA countries (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua).

To understand the impact of these programs, consider China, where U.S. agricultural sales have grown by 80 percent over the last three years. Virtually all of FAS' cooperator partners have active programs in China, conducting market research, technical assistance seminars, trade missions, product demonstrations, and more with the support of FAS-administered trade programs. Our joint efforts helped make China the top market for U.S. food, feed, fish, fiber, and forestry products for the first time ever in 2011.

FAS is proud to support global food security and sustainable agricultural production through our international food assistance and capacity building programs. This fiscal year alone, the McGovern-Dole International Food for Education and Child Nutrition Program and the Food

for Progress Program are expected to benefit more than 9.7 million hungry people worldwide. Under the programs, USDA purchases U.S. commodities and donates them to government agencies and private organizations in targeted countries.

The McGovern-Dole Program focuses on low-income, food-deficit countries that are committed to universal education. Participants either use or sell the donated U.S. commodities to support education, child development, and food security. A McGovern-Dole project operating in 533 rural elementary schools in the poorest municipalities in Guatemala has helped 70,000 children attend school and helped feed the families of 22,500 fourth-sixth graders. The project supports children, parents and teachers through take-home food scholarships, daily snacks, school gardens, PTA support, and donations of supplies to improve the learning environment.

Food for Progress recipients in developing countries and emerging democracies sell the commodities and use the funds to introduce and expand free enterprise in the agricultural sector. For example, a Food for Progress program in Honduras trained local farmers in irrigation, fertilization, pest control and crop management and helped them develop business plans and learn essential business skills to improve their processing and marketing capabilities. Participating farmers have increased their production of premium coffee by 70 percent and are selling the coffee for an average of 11 percent more than the local market price.

Title II of the Food for Peace Act (P.L. 480) provides for donations of humanitarian food assistance to needy people in foreign countries in response to malnutrition, famine, and other extraordinary relief requirements, and to meet economic development needs that address food security. The assistance is provided primarily through private voluntary organizations, cooperatives, or international organizations, mainly the World Food Program (WFP) of the

United Nations. The Title II program is administered by the U.S. Agency for International Development (USAID).

The Local and Regional Commodity Procurement Pilot Project, authorized under the 2008 Farm Bill, supports the use of local and regional purchasing to help quickly meet urgent food needs due to food crises and disasters. Grants are provided to private voluntary organizations, cooperatives, and the WFP to undertake procurement activities. During 2011, FAS issued $23 million for procurement projects in Pakistan and six countries in sub-Saharan Africa. An independent, third-party evaluation of the program is underway and a report will be delivered to Congress in July 2012.

In addition to providing food assistance to countries in need, FAS invests in the future of developing countries by helping them strengthen their agricultural institutions and regulatory systems, encouraging compliance with international norms, and fostering adoption of U.S. approaches to agricultural policy and regulatory procedures.

The Cochran Fellowship Program provides training for participants from middle-income countries, emerging markets, and emerging democracies to help improve their countries' agricultural systems and strengthen and enhance trade links with the United States. In 2011, 421 public- and private-sector professionals from 72 countries benefitted from the program.

The Norman E. Borlaug International Agricultural Science and Technology Fellowship Program promotes food security and economic growth by providing research and training opportunities to scientists and policymakers from developing and middle-income countries. In 2011, the program brought 86 public- and private-sector professionals to the United States from Africa, Asia, Eastern Europe, the Middle East, and Latin America.

USDA's work to ensure food security and build agricultural capacity is critical to our national security. In our reconstruction and stabilization work in Afghanistan and other countries, FAS coordinates closely with the Department of State, which sets overall operational and administrative policies. We are supporting implementation of the President's strategy for Afghanistan by providing technical experts who serve as agricultural advisors in the country, as well as a team of Washington-based personnel who provide administrative support for these efforts. Their work is essential for stabilizing the country, ensuring the successful implementation of USDA-managed assistance programs, and developing human capital and institutional capacity at all levels of the Ministry of Agriculture, Irrigation and Livestock, a vital need in a country where 80 percent of the population depends upon agriculture for its livelihood.

BUDGET REQUEST

Salaries and Expenses

The 2013 Budget provides a funding level of $183 million for salaries and expenses, on par with the 2012 enacted level. The budget supports 1,002 staff years.

The Budget recognizes an expected increase of $5 million in costs for the non-discretionary operations of the agency's international offices, based on factors including overseas inflation, exchange rate fluctuations, and an increase in administrative costs shared with other U.S. government agencies overseas under the International Cooperative Administrative Support Services System (ICASS). This estimate is based on Department of State cost growth forecasts. Consistent with the Department's Blueprint for Stronger Service, in 2012 FAS intends to close two overseas offices and reduce staffing at five additional overseas locations.

The FAS Budget also includes $5.6 million for Washington-based support for the Department's participation in reconstruction and stabilization activities in Afghanistan and other countries.

The requested funding for overseas operations and agricultural reconstruction and stabilization will be offset by a decrease of $10.2 million in operating expenses for FAS headquarters offices. This reduction is part of an effort to increase administrative efficiencies in areas such as travel, transportation, supplies, and equipment.

Export Credit Guarantee Programs

The Budget includes an overall program level of $5.5 billion for CCC's export credit guarantees in 2013 as required by statute. Of this, $5.4 billion will be made available under the GSM-102 program and $100 million will be available for the Facility Guarantee Program.

Market Development Programs

For 2013, the Budget assumes $200 million in funding for MAP, the same level provided in 2012. The budget also includes $2.5 million for QSP. The budget baseline does not assume funding for FAS' other CCC-funded market development programs: FMD (currently funded at $34.5 million), TASC (currently funded at $9 million), and EMP (currently funded at $10 million). These programs are set to expire at the end of 2012 and are subject to congressional reauthorization and funding in the new Farm Bill.

Food Assistance and Capacity Building

The 2013 Budget proposes $184 million for the McGovern-Dole program, the same level provided in 2012. The program is expected to assist as many as 4.3 million women and children worldwide in 2013.

The 2013 Budget assumes $170 million in CCC funding for the Food for Progress program, which is expected to support approximately 220,000 metric tons of commodity assistance.

The 2013 Budget provides funding of $1.4 billion for Food for Peace food assistance grants through the P.L. 480 Title II program, which is administered by USAID.

Conclusion

I look forward to working with the Subcommittee to help U.S. agriculture continue to compete successfully in the global marketplace, enhance the food security in the world's most vulnerable countries, and drive the United States' recovery by supporting jobs and economic growth in rural America.

This concludes my statement, Mr. Chairman. I will be pleased to answer any questions.

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE COPORATION

Statement of William J. Murphy, Administrator and Manager before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration and Related Agencies

Chairman Kingston, Ranking Member Farr and members of the Subcommittee, I am pleased to discuss the fiscal year 2013 Budget for the Risk Management Agency (RMA). The Federal Crop Insurance Program is an integral part of the farm safety net. RMA works daily to validate the utility of current insurance products – making certain we have the best protection possible for all of America's farmers and ranchers. RMA works to ensure outreach to small and limited resource farmers, to promote equity in risk sharing, and to guard against fraud, waste, and abuse within the program. In RMA's role as a regulator, it must also ensure the continued integrity and actuarial soundness of the Federal Crop Insurance Program.

We are also aware that in today's economy, it is particularly important that the program be cost effective and give a fair value for the taxpayers' dollar. These days, it seems we all face greater demands, but with fewer resources available to achieve our objectives. We are a strong nation capable of making the shared sacrifices necessary to succeed. Our decisions are tough. Still, the President and Secretary Vilsack have underscored our resolve to work in a leaner environment and to accomplish more with less.

STATUS OF THE FEDERAL CROP INSURANCE PROGRAM

The Federal Crop Insurance Program is helping the men and women who produce America's agricultural products to manage risk in an inherently risky business. For crop year 2011 with 1.1 million policies on 264 million acres, the program provided more than $113 billion in risk protection. Of the $11.7 billion in total premium, USDA subsidized $7.4 billion for farmers, and paid out $10.6 billion in claims to date for lost revenue or damaged crops. In addition, RMA awarded $9.6 million in outreach and risk management education partnership agreements during 2011, which directly supported women, veterans, small and limited resource farmers and ranchers, and other minority producers.

Producers generally have a choice of crop policies with coverage they can tailor to best fit their risk management needs. In many cases, producers can buy insurance coverage for a yield loss, or revenue protection to provide coverage for a decline in yield or price. Today, most producers "buy up" to higher levels of coverage ranging up to 85 percent (smallest deductible) although a low level of catastrophic coverage (CAT) is still available for a nominal fee with the premium fully subsidized. Indemnity payments are usually made within 30 days after the producer signs the claim form.

Producers also have their choice of livestock programs, which are designed to insure against declining market prices of livestock. Coverage in these programs is determined using futures and options prices from the Chicago Mercantile Exchange Group. The crop insurance program has seen an increasing proportion of acres insured at buy up levels over the last decade. The type

of coverage being purchased is also shifting to the more comprehensive revenue coverage. In 2011, revenue coverage accounted for 67 percent of the insured acres, compared to just 33 percent in 2000. In addition, the average coverage level (percent of the total crop covered) for buy up insurance has increased to approximately 74 percent for 2011, compared to 68 percent in 2000.

In crop year 2011, Federal crop insurance was available for approximately 350 commodities, in over 3,141 counties covering all 50 States and Puerto Rico. RMA maintained a participation rate of nearly 84 percent for the ten principal crops in 2011. Many banks now require or at least encourage crop insurance coverage in order to make operating loans to producers. Federal crop insurance has become a fact of life for many farmers.

Improvements to the program have been accomplished in an actuarially sound manner as required by Congress. Over the last two decades, premiums (producer premiums added to premium subsidies) have been sufficient to cover the indemnities paid to producers plus a reasonable reserve, as directed by the Federal Crop Insurance Act.

In line with what Congress has directed RMA to do with respect to this law, we have been working to administer the Federal crop insurance program in a manner that provides effective risk management opportunities to farmers and ranchers in all geographic areas regardless of the size of their operation.

RMA has made a concerted effort to work with private entities under authority provided under section 508(h) of the Federal Crop Insurance Act to expand the availability of crop insurance coverage to a diverse agricultural population. Over the past 2 years, the Federal Crop Insurance Corporation (FCIC) Board of Directors (Board) has approved the following 508(h) product submissions:

- Louisiana Fresh and Processing Sweet Potato, Trend-Adjusted Actual Production History (APH), APH-Olives, and Camelina insurance plans to provide yield based coverage;
- Significant revisions to the Livestock Gross Margin for Dairy Cattle and Swine to improve participation;
- Popcorn Revenue insurance plan to compliment the APH plan currently available;
- Specialty-Trait Soybeans to allow producers of food grade soybeans to insure their production at prices commensurate with market prices for their production;
- Texas Citrus Tree policy enhancements to provide for more comprehensive coverage;
- Annual Forage to cover a lack of rainfall during a specific period of time on crops that are used as annual forage; and
- An option for growers to adjust their APH to account for long-term yield trends, resulting in coverage that better reflects their true productive potential.

In addition, at the request of growers, RMA combined the Plum Crop Insurance Provisions and the Stonefruit Crop Insurance Provisions to expand insurance availability for plums to other states such as Idaho, Oregon and Washington. Sunflower changes were made in 2010 to provide optional units by type, specifically allowing farmers to have separate optional units for their oil

and non-oil sunflowers. Buckwheat insurance coverage was made available to producers in selected counties in the states of Minnesota, North Dakota and Washington.

To address concerns raised by ranchers and several State Departments of Agriculture, the FCIC Board approved the expansion of the Rainfall Index and Vegetation Index Pasture, Rangeland, and Forage program and the Apiculture program into several states. In addition, RMA has worked with the Precision Agriculture Industry to expand the use of precision agriculture by allowing producers to use their acreage and yield monitor records in conjunction with other precision farming records to separate and report production history and for assisting in loss adjustment determinations.

OVERVIEW OF THE 2013 RMA BUDGET PROPOSAL

The 2013 RMA budget proposal for the discretionary Administrative and Operating (A&O) Expense Account is straight-lined from the 2012 level of $74.9 million.

The mandatory Federal Crop Insurance Corporation (FCIC) Fund reflects a $5.96 billion increase which is a result of the timing shifts outlined in the 2008 Farm Bill. In order for the Federal Crop Insurance Program to support risk protection coverage of $97.6 billion in 2013, the funding level proposed for the FCIC Fund is $9.4 billion.

The 2013 Budget reflects the policies recommended in the President's Plan for Economic Growth and Deficit Reduction, which includes four crop insurance proposals that will save an estimated $7.6 billion over 10 years.

The proposal focuses on four elements:

First, premium rates for catastrophic coverage are adjusted to reflect the historical loss experience for this coverage. This re-rating will not impact or affect farmers in any way, but it will provide savings of more than $200 million over 10 years.

Second, the proposal reduces the administrative and operating expense (A&O) payment that is provided to the companies for the implementation and administration of the crop insurance program. Essentially, this proposal further reduces the existing cap on A&O and would save slightly less than 2.9 billion dollars over 10 years.

Third, the President's proposal would reduce the expected return to companies from the sale of crop insurance. In the new Standard Reinsurance Agreement, the target rate of return on retained premium to the companies for the risk they retain is about 14 percent. The agreement is structured to provide about a 14 percent return on retained premium to the companies over time. Based on studies, we believe that roughly a 12 percent return on retained premium is sufficient to adequately support the industry. This would save $1.2 billion over 10 years.

Fourth, the Administration's proposal suggests a premium adjustment for those farmers who are currently purchasing policies where the subsidy to them is more than 50 percent of the premium. This will not affect any producer whose subsidy is at 50 percent or below, but will save $3.3 billion over 10 years.

RECENT KEY ACCOMPLISHMENTS

RE-RATING:

RMA continues to review the methodology for determining fair, equitable, and actuarially sound premium rates for crop insurance. This practice is consistent with sound actuarial principles to assure the best estimate of premium dollars needed to pay future anticipated losses. For crop year 2012, RMA is phasing in rate revisions for corn and soybeans, and on average, adjustments result in overall rate decreases of around 7 percent and 9 percent, respectively. Crops anticipated for crop year 2013 implementation include wheat and cotton.

THE ACREAGE CROP REPORTING STREAMLINING INITIATIVE (ACRSI):

Representatives from RMA, Farm Service Agency, Natural Resources Conservation Service, and the National Agricultural Statistics Service have simplified and standardized the acreage reporting process across various USDA programs. They have developed a common framework for producers to report eligibility and participation information, thereby reducing the reporting burden on producers as well as the administrative and operating costs of the USDA.

ACRSI has already demonstrated results. Before the ACRSI initiative, FSA had 17 acreage reporting dates for 273 crops and RMA had 54 acreage reporting dates for 122 crops. With ACRSI, there are now 15 acreage reporting dates common to both RMA and FSA programs. There are a few exceptions for which it was not possible to establish a common date, though such exceptions are thankfully few. Funding to develop and maintain the IT infrastructure required for ACRSI is being made available from the FCIC Fund. The Federal Crop Insurance Act authorizes RMA to use funding received through administrative fees collected from crop insurance participants to develop program-related IT systems.

CAMELINA:

A new Federal crop insurance program for the energy crop Camelina was approved by the Board in September 2011 and is now available for the 2012 crop year. The new program is based on actual production history, and is available in selected counties in Montana and North Dakota.

LIVESTOCK GROSS MARGIN INSURANCE FOR DAIRY:

Livestock Gross Margin insurance (LGM) is a privately developed insurance product submitted by Iowa Agricultural Insurance Innovations, L.L.C. (IAII) and approved by the Board under section 508(h) of the Federal Crop Insurance Act. LGM is owned and maintained by IAII. In addition to dairy, LGM products owned by IAII are also available for swine and cattle.

Sales of LGM-Dairy were first initiated for the 2009 reinsurance year; just 40 policies earned premium in that first year. In response to dairy producer concerns, the Board approved changes to LGM-Dairy advanced by IAII that became effective in mid-December 2010. The changes included moving the premium billing date to the end of the insurance period and adding graduated premium subsidies.

Premium subsidy originally was not requested for LGM-Swine and LGM-Cattle. Recently, the inclusion of a premium subsidy and moving the premium billing date, along with a concerted effort among industry groups to promote LGM-Dairy, caused a surge in sales. RMA revised the funding allocation for LGM-Dairy, eventually making about $16 million in underwriting capacity available for the product. The $16 million in funding for LGM-Dairy was exhausted in March of 2011. Before the 2011 reinsurance year, expenditures for all livestock products combined had never approached $5 million in any one year.

With the beginning of a new fiscal year in October 2011, new funding became available and sales of LGM-Dairy began anew. In January 2012, RMA ended further sales of LGM-Dairy for 2012 ensuring that some funding would remain available to facilitate sales of the seven other livestock insurance plans. An additional LGM-Dairy sales period may be offered at the end of 2012 if it is determined that sufficient funding remains available.

CONCLUSION

Along with members of the FCIC Board of Directors and all the RMA staff across the country, I recognize that the risk management tools that RMA provides are a critical part of the farm safety net for America's farmers and ranchers. We are also very aware of our responsibility to be good stewards of taxpayer money. By creating and maintaining a Standard Reinsurance Agreement that upholds excellent service to farmers and ranchers, while reducing costs to taxpayers, and by making several other important improvements to the program, we at RMA have acted responsibly with our private sector partners to improve the farm safety net. Again, thank you for the opportunity to participate in this important hearing.

Mr. Chairman, I would be pleased to answer any questions that you and other members of the Subcommittee may have. Thank you.

HISTORY OF 5-YEAR FARM BILL

Mr. KINGSTON. Thank you, Mr. Scuse. In reading your testimony last night, and thinking about some of the questions, I can say that they are just endless. One central question that I had—we covered sports fortunately—one question that I have is do you know the historic reason for Farm Bills to be 5 years? And is it time to rethink that model? And should it be across the board with all USDA programs or should it be more of a crop decision? It is sort of a philosophical question.

Mr. SCUSE. Well, Mr. Chairman, I can't answer your question because I don't know what the historical background as far as the timing for the Farm Bills is, but I think we all realize that the Farm Bills were started to make sure that we had an adequate and cost effective food supply in the United States. But as far as the timing for the 5 years, I don't know the historical reason for that number.

Mr. KINGSTON. I just wonder and I am not trying to go anywhere with this necessarily, but I guess most of these came back to the FDR days and that maybe we should examine it to see if it is obsolete these days or not. And the only reason I say that is the tendency is to pass a 5-year Farm Bill, sometimes delaying it for 6 years and maybe not giving it the oversight that we should and be able to change and address things that we need on a more timely basis.

If I could ask you for the record if you could get somebody to look into the historic reason for the 5 years and is it really necessary to still have a 5-year Farm Bill.

Mr. SCUSE. Be more than glad to do that, Mr. Chairman.

[The information follows:]

Viewed by some as the first Farm Bill, the Agricultural Adjustment Act of 1933 was enacted during the "Great Depression," in part, to reduce surplus agricultural production and restore profitability to farming. Subsequently, parts of this legislation were found to be unconstitutional by the Supreme Court leading to the enactment 5 years later of the Agricultural Adjustment Act of 1938. Ten years passed before enactment of the next major piece of farm legislation, the Agricultural Act of 1948, which was quickly followed one year later by the Agricultural Act of 1949. Much of this early farm legislation consisted of "permanent law" which means it remains in effect today unless set aside by the current Farm Bill.

However, not everyone agrees that the Agricultural Adjustment Act of 1933 was the first Farm Bill. According to the Congressional Research Service (CRS), ten bills between 1965 and 2008 are "generally agreed" to be Farm Bills; ending with the most recent Farm Bill—the Food, Conservation, and Energy Act of 2008. In general, these CRS-recognized Farm Bills authorize agricultural programs for a period of 4 to 5 years, after which the programs expire and need to be reauthorized or replaced by other programs. The conventional wisdom is that this length of time provides a period of "certainty" during which farmers can plan their farming operations without fearing that legislative changes will disrupt their operating decisions. On the other hand, the 5-year time-frame is felt to be short enough that Congress will have an opportunity to change agriculture policy fairly quickly if economic conditions change or the policies enacted in the Farm Bill prove to be inadequate.

FFAS STAFF

Mr. KINGSTON. I actually skipped one of the comments I want to make. We work very closely with a lot of your departments from Risk Management Agency, Foreign Ag Service to FSA and we get nothing but compliments. I think the reason we do is because it is technical assistance partnership rather than we are from the gov-

ernment, we are going to tell you to do it differently and have all kinds of different loops and hoops that you are going to have to go around. When I am in foreign countries I often meet with Foreign Ag Service reps, and I just found them to be great, perfect public servants, very hard working and very dedicated people. When we go on CODELs and we call on them, it is not 9:00 to 5:00. And often I will be tying somebody up and realize when I think about it, it is a Saturday, I hadn't even considered that. But they are always very dedicated. I wanted to point that out.

OFFICE CLOSURES

I also want to point out USDA's leadership in terms of closing offices and reorganization. I wish all the agencies in D.C. would do that. And what RMA is doing in changing 70 reporting dates to 15. I think that kind of thinking we just have to all do as public servants.

Do you know the dates on which you are going to actually close these offices? And when will that savings be realized?

Mr. SCUSE. Well, Mr. Chairman, we have notified Congress, given them the 90-day notification, which was required of us in the Farm Bill. At the end of that 90-day period, then the Secretary will make the final determination on those offices. And we will then determine at which time these offices can in fact be closed. Of course, I think you realize that there will be some costs associated in this fiscal year with closing some of those offices. But, then going forward in years out there will be a savings for these offices.

Mr. KINGSTON. Well, I know you will have push back on the Hill and various areas, so to me the faster you get it done, the better. And we want to support you in that effort. So as far as I am concerned right now we just need to do the whole package. If we start picking and choosing we will never get out of it.

I am almost out of time so I will yield back. First I want to congratulate two of our committee members who just re-upped their job contracts for 2 years, Mr. Nunnelee and Ms. Kaptur. Congratulations to both of you. We are glad to have you back and now we expect you to work tons of overtime.

GEOGRAPHIC IMPACT OF EXPORT PROGRAMS

Mr. FARR. Thank you very much, Mr. Chairman. I have been sitting on this committee for a number of years and represent the central coast of California, which is what we call specialty crop agriculture. I have to admit that it is very hard—not very hard, you don't see the Foreign Agricultural Services on the ground, their presence, it is not one that people discuss. And yet we ship our crops all over the world. Just one county grows $4.2 billion of fresh crops. And I was just wondering as I was reading your testimony, have you ever looked at the geographical impact where you spend most of your efforts, in what States and what parts of those States? Is it spread out all over or is it more with the commodity crops? Because even in the financial tools, not that I understand them all that well, but I think most of our local banks do most of the lending for agriculture in our area.

I am just curious as to the fallout of all your good work. What States and areas of those States that really benefit?

Mr. SCUSE. Congressman, it is not any particular State or region of the United States because our trade programs are targeted not just for the commodities, but for all different types of products, specialty crops as well. Here in the United States, and we work very hard abroad to open markets for commodity crops as well as the specialty crops and as well as the livestock industry. So the funding is used across all the commodities, all the agricultural products across all of the States.

The State Departments of Agriculture each has a marketing division. We work very closely with those in each region to help provide funding through our Market Access Program, through our TASC program, which is Technical Assistance for Specialty Crops, where we go in and look at some of the barriers that speciality crops are facing in foreign countries. We are using that program to break down some of the barriers for specialty crops.

FAS ASSISTANCE WITH CALIFORNIA SPECIALTY CROPS

Mr. FARR. Could you get somebody to just outline for me; for example, take Salinas, California, of where the services that this agency provides affect Monterey County, that region actually, because I know you don't just do one community or one crop. It would be helpful to explain your services to my constituents better if I understood how the rubber hits the ground.

[The information follows:]

The Foreign Agricultural Service (FAS) provides significant assistance to U.S. specialty crop producers, including specialty crops producers in the Salinas/Monterey County area and throughout California's 17th congressional district. USDA's Census of Agriculture shows CA-17 leading the nation in production of lettuce, broccoli, and spinach with significant production of many other specialty crops including strawberries, grapes, and walnuts. Since 2002, the value of U.S. specialty crop exports has risen from just under $8 billion to more than $18 billion in 2012. USDA's ability to expand opportunities through trade agreements, resolving sanitary and phytosanitary (SPS) barriers to trade, and providing market intelligence has been a contributing factor to this impressive growth.

Two FAS-administered programs that provide significant assistance to specialty crops are the Market Access Program (MAP) and the Technical Assistance for Specialty Crops Program (TASC).

In fiscal year 2011, MAP made available $200 million in funds to assist U.S. producers. Under MAP, USDA enters into agreements with non-profit trade organizations to share the costs of certain overseas marketing and promotion activities that develop, maintain, and expand export markets for U.S. agricultural commodities and products. MAP participants may receive assistance for either generic or brand promotion activities. Although MAP benefits all regions of the country through increased exports and support for rural jobs, specialty crop producers remain a key focus. Specialty crop and California MAP recipients in 2011 include: Blue Diamond/Almond Board of California, California Asparagus Commission, California Cherry Advisory Board, California Cling Peach Board, California Fresh Tomato Growers/Florida Tomato Committee, California Kiwifruit Commission, California Pear Advisory Board, California Prune Board, California Strawberry Commission, California Table Grape Commission, California Tree Fruit Agreement, California Walnut Commission, Wine Institute, Sunkist Growers, Inc., Raisin Administrative Committee, Western Pistachio Association, and the Western United States Agricultural Trade Association.

In 2011, TASC made available $9 million in funds to assist U.S. specialty crop producers. The TASC program is designed to assist U.S. organizations by providing funding for projects that address SPS and related technical barriers that prohibit or threaten the export of U.S. specialty crops. TASC proposals are accepted from any U.S. organization, including, but not limited to, non-profit trade associations, universities, agricultural cooperatives, private companies, U.S. government agencies and state government agencies. The following table illustrates participants that have utilized TASC funds to address SPS barriers faced by California producers.

Technical Assistance for Specialty Crops Program Allocations:

Fiscal Year 2010 - California

Participant	Project Title	Amount
Almond Board of California	European Union Health and Port Authorities Seminar and Tour	$24,750
Bryant Christie, Inc.	Maximum Residue Level Database Funding for Specialty Crops and Hawaiian Papayas	$450,662
California Citrus Quality Council	California Navel Valencia Exports to Korea Program, Korea Inspectors' Visit	$124,562
California Department of Food and Agriculture	Minimizing Trade Barriers through Field Surveys for the European Grapevine Moth	$500,000
California Dried Plum Board	Retaining Export and Food Security of U.S. Specialty Crops: Low-Emission Methyl Bromide Fumigation for Quarantine and Pre-Shipment Uses	$1,458,772
California Fig Advisory Board	Encourage Japanese Government To Allow Potassium Sorbate Treatment on High-Moisture Figs	$100,000
California Grape and Tree Fruit League	To Develop Efficacy Data Through a Pilot Systems Approach for Peach Twig Borer for U.S. Stone Fruit to Australia	$54,388
California Pistachio Export Council	Improve Navel Orange Worm Control in Pistachios To Overcome Sanitary and Phytosanitary Barriers in Major Export Markets	$1,195,500
California Specialty Crops Council	Global Maximum Residue Levels Engaging Specialty Crops in Priority Setting, Planning, and Compliance	$98,000

California Strawberry Commission	Spotted Wing Drosophila Impacts in Strawberry Exports	$46,989
California Table Grape Commission	Post-Harvest Control of Light Brown Apple Moth on Fresh Grapes	$90,000
California Table Grape Export Association	Australian Phytosanitary Preclearance Program	$150,000
California Walnut Commission	Development of Technical Brochures	$66,836
Citrus Research Board of California	Mortality of Asian Citrus Psyllid, Diaphorina Citri, in California Citrus During Packaging and Export to Australia	$216,303
USDA, APHIS, Plant Protection and Quarantine and CPHST	A Prototype Electronic Identification Resource To Support Agricultural Commodity Trade: California Table Grapes	$133,907

USDA's Foreign Agricultural Service values the advice and recommendations of California specialty crop producers on trade issues. The Agricultural Technical Advisory Committee (ATAC) for Trade in Fruits and Vegetables provides a forum to ensure that USDA and the Office of the United States Trade Representative receive input from the private sector. The interests of California agricultural producers are well represented by the ATAC members listed below.

Agricultural Technical Advisory Committee for Trade in Fruits and Vegetables:

Name	Company
Julie Adams	Almond Board of California
Dennis Balint	California Walnut Board
Barry Bedwell	California Grape and Tree Fruit League
Susan Brauner	Blue Diamond Growers
Jon Brekken	Seneca Foods Corporation
Reginald Brown	Florida Tomato Exchange

James Cranney	California Citrus Quality Council
George Davis	Porter Creek Vineyards
Matthew Harris	Washington State Potato Commission
John Hoblick	Florida Farm Bureau Federation
Richard Hudgins	California Canning Peach Association
Thomas LaFaille	The Wine Institute
Jeanette Lombardo	Mission Community Bank
John McClung	Texas Produce Association
Katherine Means	Produce Marketing Association
Todd Michael	Michael Farms Inc.
Mark Murai	California Strawberry Commission
Joel Nelson	California Citrus Mutual

FAS Works to Resolve California Maximum Residue Limits Issues with Japan:

In addition to FAS program-related activities, FAS personnel work every day to resolve SPS barriers to the export of U.S. specialty crops. For example, FAS organized and led a tour of California agriculture for officials from Japan's Ministry of Health, Labour and Welfare (MHLW) the week of March 18, 2012 that included stops in the Salinas Valley to meet with fruit and vegetable growers. FAS and California industry were able to share with MHLW information regarding federal, state and local government efforts - coupled with private sector action - to ensure the safe use of pesticides on specialty crops destined for the Japanese market. The MHLW officials expressed confidence in the U.S. government and private sector steps to ensure compliance with Japanese pesticide maximum residue limits (MRLs), thus securing this valuable market for U.S. specialty crop exports ($650 million in 2011 for fresh fruits, vegetables and tree nuts).

FAS has played and will continue to play a crucial role working with the Japanese government to address pesticide MRL violations involving California specialty crop exports to Japan. In this critical role, FAS works directly with relevant stakeholders to ensure that Japanese authorities have the information they need to reduce or eliminate elevated sampling or inspection of California exports following a MRL violation. For example, in 2011, FAS worked directly with a California broccoli producer/shipper following a pesticide MRL violation to gather and present appropriate information to MHLW. FAS assistance resulted in a speedy end to MHLW's elevated sampling and testing for all U.S. broccoli exports.

FAS Assists California Vineyard with a Shipment to the European Union (EU):

FAS works to maintains access to foreign markets for U.S. agricultural products. For example, in September 2011, a shipment of California wine to Italy was detained in an EU port because of a classification error. EU authorities said the wine could not come into the country because it was pink, but labeled as a "white" wine. In coordination with FAS Headquarters, officials at the FAS post in Brussels moved quickly to contact EU authorities, confirming that "white" refers to a production practice, not a color. EU authorities confirmed the U.S. interpretation and released the shipment. The wine was shipped from Blossom Hill Winery in Paicines, California.

LOCAL AND REGIONAL PROCUREMENT PILOT PROGRAMS

Mr. FARR. I understand that the Foreign Agricultural Services has been in charge of coordinating the local regional and procurement pilot that was established in the 2008 Farm Bill, and the field based studies under the pilot were completed last fall. I note the official report on the pilot required by Congress and the Farm Bill is not due to be released for another couple months, but FAS has been reviewing the draft report in recent weeks, and there has been a separate analysis of the pilot conducted by some economist at Cornell University supported by the local regional learning alliance. And based on what you have learned so far, do you think that the LRP pilot was a success? What steps should be taken in the 2012 Farm Bill based on the findings of these recent studies?

Mr. SCUSE. I will let our Administrator answer your question.

Ms. HEINEN. Thank you, Congressman. We did just finish those programs. We had programs in Cambodia and Niger and Guinea Bissau. We are evaluating them. I think—we think the more tools we have, the more effective we can be, and we can apply those tools in the proper place.

Mr. FARR. Does your budget request address those needs?

Ms. HEINEN. It did not address that need because we haven't finished the evaluation and couldn't give you a good evaluation.

Mr. FARR. The recommendations to the Farm Bill, will there be provisions in the Farm Bill addressing those needs? Somebody is shaking their head behind you no.

Mr. SCUSE. That is some information, sir, we can supply to the respective committees.

Mr. FARR. You can, but will, that is the question. Are you going to do that?

Mr. SCUSE. I think we have to finish reviewing the report and the study and see what the impact really and truly has been and then what the needs are.

Mr. FARR. How long will that take?

Ms. HEINEN. Expect that report in June.

Mr. FARR. Pardon me?

Ms. HEINEN. We expect to have that report finished in June.

Mr. FARR. In June, all right. I have some other questions but I will wait until the second round. Thank you very much, Mr. Chairman.

Mr. KINGSTON. Thank you. Mr. Nunnelee.

Mr. NUNNELEE. Thank you, Mr. Chairman. It is always a good idea to accept the congratulations of the chairman, and I will do that. I will never correct the chairman in public, but I will just reference March Madness basketball season. And there are two halves to a basketball game. You don't get to advance to the next round by winning the first half.

Now back to the business at hand.

Mr. KINGSTON. Unless you are in an R14 bracket.

OFFICE CLOSURES

Mr. NUNNELEE. Now back to the business at hand. I really want to commend and congratulate USDA. As far as I am concerned you are one of the agencies of government that has acknowledged that

our Nation is in a serious financial crisis and you are doing your part to lead the way. Unfortunately in this business it seems like no good deed goes unquestioned. So it is my job to at least ask a few questions. We had the Secretary here talking about the blueprint for stronger service. I think you are doing what the Congress has asked you to do. Under Secretary Scuse, in your testimony you say on page 2, and I will quote, in 2012 FSA will close 131 county offices across rural America. I was under the impression we were still in the middle of a 90-day comment window, in which case the Department would review those comments and make a further decision. So I just want to make sure I understand. Have the decisions already made been made and these comments are just for show?

Mr. SCUSE. No, I guess the comment in my written remarks was a bit off mark. We have provided Congress with the 90-day notification. We have gone through the comment period. We held the hearings and in each one of the counties where these offices—we anticipate the closure of these offices. Again Congress has been given the 90-day notification. At the end of the 90-day notification, then the Secretary will make the final determination.

Mr. NUNNELEE. Okay. Let me make sure my understanding is correct. I think my issue is with the 2008 Farm Bill and not so much with your administration. As I understand it, your decisions are made based on criteria, pretty specific criteria that are laid out in the 2008 Farm Bill. And I am concerned that local officers of the FSA had very little, if any, input into those decisions as to which offices to close. Do I understand correctly?

Mr. SCUSE. Yes, sir, you do. We use the criteria for the selection of those 131 offices as set down in the 2008 Farm Bill by Congress.

DATA COLLECTION STREAMLINING

Mr. NUNNELEE. All right. Also an area where I think you are working on streamlining government is the streamlining of the reporting dates movement from 70 to 15. But I am still concerned that there is duplication. As I understand it, even with the streamline process you have got four USDA offices, FSA, RMA, NRCS and NASS, all collecting and inputting data and much of that data is duplicative. So can you give me a rationale why we have got agencies collecting duplicative data and we are asking farmers to submit duplicative data to multiple agencies?

Mr. SCUSE. Congressman, you picked up on something that has been a concern of ours. That is one of the reasons why we have started the Acreage Crop Reporting Streamlining Initiative. Currently our farmers and ranchers have to do two reports, one to the Farm Service Agency and one to the crop insurance agent. In this day and age and with the technology available we shouldn't have to have our farmers and ranchers do dual reporting.

And also—we had—the four agencies that you named, those four agencies actually use different identifiers for a parcel of land. What this initiative also has done has brought those four agencies together, so going forward there will be a single land identifier. So we are trying to streamline that process, make it easier for farmers and ranchers, as well as allow those agencies to do a better job in data collection as well as reporting.

Mr. NUNNELEE. Thank you.
Mr. SCUSE. You are welcome.
Mr. NUNNELEE. I yield back, Mr. Chairman.
Mr. KINGSTON. Ms. Kaptur.

WATERSHED NUTRIENT MANAGEMENT

Ms. KAPTUR. Thank you, Mr. Chairman. Welcome to all of you, great to have you here this morning. Secretary Vilsack just visited our region this past week and was a part of an announcement for a place called the Western Lake Erie Basin, which lies at the western edge of Lake Erie between Ohio and Michigan, and it was important that he come because that particular watershed is gigantic but it is the main source of effluence into Lake Erie that contribute largely off of soybean production to algal blooms in the lake that have now created eutrophic areas that have not been seen for decades. We have a real problem.

And one of the reasons I am mentioning this, I was very happy for the Secretary's visit, through Mr. Under Secretary, the CRP programs and your own important work in Farm and Foreign Ag Services, is to see what else your department might do to bring together the farmers who farm in that watershed and receive all kind of payments, CRP payments. We are not as wed to Federal subsidies for production, low crop production as some other parts of the country, but we have some farmers, about a third, who receive Federal benefits through subsidy programs. And the vast array of Farm Service Agency services that are offered in that Western Erie Lake Basin, we really need a meeting between the farmers and marina owners on the lake because there is a real problem that is coming off the land. And because of the increased rainfall there is more movement of soil and whatever is on the soil and we simply have to find an answer. There are many now toxic forms of algal blooms that are in that lake. It is the shallowest of the Great Lakes and the most abundant. In terms of fish there is a multi billion dollar industry that functions in terms of marinas and fishing and so forth.

I really think really part of the problem is I don't know whether it is the type of fertilizer we use, whether phosphorous loading can be stemmed somehow by the way that we deal with effluent on individual farms creating manufactured wetlands as this stuff flows through. The USDA has been involved with this watershed for an about a decade now, so you know a lot. But there is a problem in the agricultural community in trying to address the runoff.

I am wondering what experience you have around the country. Do you have any watershed you work in where you might develop a process to come out and using the agencies you have, the farmers know them well, for convening between the farmers, the fertilizer salespeople, the marina owners. Want to get them out on that lake and show them what is happening. It is pretty upsetting when you actually see it in August. And it is creating real waves of green that just wash up on shore now, more and more every year.

Do you have examples around the country of where you can bring farmers together effectively? And could you check to see how many farmers are actually enrolled in your programs in this par-

ticular watershed and who aren't and how to get them together, please?

Mr. SCUSE. Yes. And as a former Secretary of Agriculture for the State of Delaware, which quite a bit of the State is in the watershed for the Chesapeake, I do have a little bit of experience in the area of working with our agricultural producers as well as their fertilizer companies to try to look at ways to help them prevent runoff and to do a better job of nutrient managing. We do have some experience.

The State of Maryland also has a great deal of experience in dealing with the Chesapeake watershed and extensively uses the Conservation Reserve Enhancement Program, which is a program that we work with the States to help develop—it goes a long way in protecting a lot of the runoff that comes from the farms into the Chesapeake area. So it is something that I do have some experience with, and we would be more than willing to go up into your area and take a look.

Ms. KAPTUR. We would warmly welcome you. I am sure you have the management capability to see who qualifies for Federal support in different ways and to draw as large a group of people together as possible. There is an NRCS employee out there by the name of Steve Davis, who is based in Findlay, Ohio who has been doing an exceptional job. The NRCS head for the State, Terry Crosby, terrific job but I am telling you it is not enough. Somehow we are not reaching the numbers that we need to. And maybe you have some examples of what you have done in Delaware that could help us, guide us. We need to be a little more expeditious about what is happening. So I would love to have your staff work with ours and figure out a way to do this working with NRCS and get as many farmers as possible involved in the conversation.

Mr. SCUSE. And if we may, how about in the coming weeks if we set up an appointment so you and I can discuss this even further.

Ms. KAPTUR. Thank you.

Mr. SCUSE. And share any ideas and experience that I have.

Ms. KAPTUR. Thank you. Thank you, Mr. Chairman.

Mr. KINGSTON. Ms. Lummis.

Mrs. LUMMIS. Thank you, Mr. Chairman, welcome, sorry. Three hearings this morning. I am on three subcommittees so I am running around like a chicken with my head cut off, but I know you understand.

CONSERVATION RESERVE PROGRAM—CRP

First question is about CRP. What is the justification for the increase in acreage back to 32 million in 2015? The President's budget caps it at 30 or recommends capping it at 30 for fiscal year 2013, and then also 2014, but then increases back to 32 million in 2015. I am just curious about whether the administration supports extending it for 30 million acres going on?

Mr. SCUSE. That is current law and the President's budget request or proposal for the Farm Bill is for a cap of 30 million, but to go up to the 32 that is current law. But the President is requesting a cap at 30 million acres.

Mrs. LUMMIS. So he is just focused on the current fiscal year?

Mr. SCUSE. No. For the next Farm Bill, for the entire length of the Farm Bill to cap that at 30 million acres. Current law, if nothing happens, would go to 32 million.

Mrs. LUMMIS. Ah, I am with you. Thank you, I am with you. That is helpful.

GENERAL AND CONTINUOUS SIGN-UPS

My next question is about continuous sign-up versus the general sign-up for the Conservation Reserve Program. Are there discussions at FSA on moving more towards continuous sign-up? And how does the technical assistance to targeted acres differ from general sign up-projects?

Mr. SCUSE. I will let my Administrator take that question if you don't mind.

Mrs. LUMMIS. Thank you.

Mr. NELSON. Thanks. And as you know, Secretary Vilsack has announced within the last several weeks two new major continuous CRP sign-up initiatives. One focused on highly erodible land, which would allow producers the flexibility of enrolling land with an erodibility index in excess of 20, which means that it is eroding at four to five times tolerance levels on a continuous basis instead of having to wait for the general sign-up.

In addition to that, he has also proposed a million acre initiative of continuous sign-up on grasslands, wetlands and wildlife. So what we are trying to do is to target the benefits or the programs toward the most environmentally sensitive acres. But we are right now in the midst of a general sign-up for CRP, sign-up 43. It is the third one we have held in the last 3 years. There are about six and a half million acres of contracts expiring this September over 68,000 contracts. So we started the sign-up on March 12th and it will end on April 6th. But to your central question, we are attempting to focus and target the program to where we get the biggest bang for the buck and the greatest environmental benefit.

Mrs. LUMMIS. Thank you. One of the benefits of going home for those work periods that we just came off of is how much you learn when you are at home, then we can come back here and discuss with you. One of things that I learned about the sage grouse issue in the High Plains and Intermountain West, is the effect of the massive growth in the raven population. They are preying on the eggs of the sage grouse in a way that is having an enormous impact on sage grouse population. So of course we are trying to keep the sage grouse off the endangered species list because of our work in Wyoming is really a great leader with its Federal partner in trying to prevent sage grouse from being listed. And the ravens are part of this migratory bird program. So to the extent that you are working on this issue with Department of Interior agencies as well, I may want to visit with you further so we can figure out how to address that, but that is just an aside.

TRANSITION INCENTIVE PROGRAM

My next question is about the transition incentive program through FSA. Due to high enrollment the 25 million provided by the 2008 Farm Bill has been exhausted, the program yielded more than 1,500 contracts in 26 States, totaling over 250,000 acres.

What kinds of effects does transitioning land to beginner socially disadvantaged farmers have? And is there a way to ensure sustainable grazing and crop production methods are being implemented by new farmers?

Mr. KINGSTON. The gentlewoman's time has expired, but I will yield the time needed to answer the question on my time, which is now.

Mr. NELSON. Thank you, Mr. Chairman. We believe the transition Incentive Program is one of the very good tools in the tool box to help transition agriculture from generation to generation. My family has been involved in that now for four generations in Montana, back to when my grandparents homesteaded. So these programs like the Transition Incentive Program, the beginning farmer loan program and others are critical, we believe, to help facilitate—because if you look at the average age of farmers in the country, they are about my age, they are getting close to 60. And so we need to be doing what we can to get it in the hands of the next generation. The Transition Incentive Program is, we believe, a great tool to do that.

However, as I indicated in my answer to the previous question, we have got about 68,000 CRP contract holders whose contracts will expire this September who, because of the funding cap on the program, may or may not be able to participate in it prior to the time that those contracts expire.

Mrs. LUMMIS. What was that number? How many contracts?

Mr. NELSON. Something over 68,000, 6.5 million acres and something in excess of 68,000 contract holders.

Mrs. LUMMIS. Thank you.

Mr. NELSON. We believe some of those might be interested in participating.

Mrs. LUMMIS. And thank you, Mr. Chairman.

SIGN-UP OF ERODIBLE LAND

Mr. KINGSTON. Thank you. Just continuing on that line, as you know, Mr. Nelson, CRP really originally was for highly erodible land and now we are doing this continuous sign-up for more targeted highly erodible land. This is a program that does pay farmers not to farm and one of the great criticisms that is out there, and it appears to me that at the 30 million-acre level that there is probably a lot of that land that is not highly erodible. I was wondering if you guys had a breakdown as to what was and what wasn't?

Mr. NELSON. Yes, Mr. Chairman. Of the 24.4 million acres of general sign-up land, 18.7 million acres of that has an erodibility index in excess of 8. So about three-quarters of the general sign-up land. 5.5 million acres of that 18.7 million has an erodibility index in excess of 20, which, as I indicated earlier, means it is eroding four to five times in excess of soil tolerance levels. The other 5.7 million acres of general sign-up land has been entered into the program, enrolled in the program because of high wildlife benefits, high water quality benefits, high air quality benefits, all according to the environmental benefits index, which has been used to evaluate the CRP offers around the country since 1990.

Mr. KINGSTON. On the Transition Incentive Program, does it keep the land in CRP—because I was reading your testimony and

I am not real familiar with the program. It would seem to me it was encouraging people to take it out of CRP and begin cultivating it.

Mr. NELSON. Yes, Mr. Chairman, I appreciate that opportunity to clarify because that is what it does. A producer who has an expiring contract would make an agreement to either sell the land or give the land in a long-term lease to a beginning farmer or socially disadvantaged farmer who in turn agrees to crop the land in a sustainable manner. Back to your question, so it actually is a program where the person who either leases the land on a long-term basis or sells the land on a long-term basis with the CRP contract. It is 2 additional years of CRP payments in return for that transaction with the lessor purchaser of the land.

Mr. KINGSTON. But they would be able to take highly erodible land out of CRP, the new owner, and cultivate it; is that correct?

Mr. NELSON. Yes, but there is the provision that they have to farm it in a sustainable manner.

CRP PROS AND CONS

Mr. KINGSTON. Okay. My concern with CRP is that it does become a land payment issue for people who are doctors or lawyers living in the city. They go out and they buy land and they get CRP, and it offsets their mortgage payment and it is kind of a sweet deal for them. I think in terms of production in agriculture that is something of a concern.

Mr. SCUSE. It may be a concern, Mr. Chairman, but if I may, the benefits for this program over its 24, 25-year life span has been phenomenal; 8 billion tons of topsoil have been saved. We are protecting 200,000 miles of rivers and streams. And each year it sequesters 50 million tons of carbon. That is the equivalent of taking 10 million cars off the road. So that doesn't go on to the outdoor benefits for the sportsman, the outdoor sportsman and enthusiasts. And what it does for those communities that provide all types: hotels, motels, restaurants and everything for those areas that are in CRP for hunters and other enthusiasts. So there has been a tremendous amount of benefits in this program over its 25 years of life.

Mr. KINGSTON. Thank you. Mr. Farr.

Mr. FARR. Just to follow up on that, but why should the taxpayer, if indeed the issue is about sustainability and best use, best management practices, the land says you have the capacity to do this if you farm it correctly using best management practices, why should the government be involved at all? Why don't you just zone it that way and have your local environmental, through habitat management programs, land trusts and things like that, why don't they become involved in it?

Mr. SCUSE. And I understand.

Mr. FARR. I think this is a rip off, there is a lot—California uses the local government zoning authorities to do best management practices and agriculture comes up with it because they don't want to lose that soil. Why should the taxpayers pay not to farm something you shouldn't farm anyway?

Mr. SCUSE. I understand your concern and where you are headed, but having been chairman of a county's planning and zoning

commission, land use, and what you are telling people they can and cannot do with their land is extremely controversial.

Mr. FARR. Sure it is, I was a county supervisor. I sat through those. But the States require the counties have general plans and zoning has to be consistent with the general plans. We are not going to solve this here.

Mr. SCUSE. No.

Mr. FARR. I think that the chairman raises an interesting issue, maybe for a different purpose than I do. I just, if you really get down to sustainability and that has to do with a lot of stuff and California is fighting this all the time with the habitat management and right on private land. Yeah, well, that is the law, we are not going to pay you. We will tax you if you want to put your land into a conservation easement, we can lower your taxes. There are all kinds of management tools but we don't go in there and pay you to not do stupid.

Mr. KINGSTON. Would the gentleman yield?

Mr. FARR. Yes.

CONSERVATION EASEMENTS

Mr. KINGSTON. I am curious about that, a conservation easement versus CRP. Do you know which one costs more and which one is more effective to achieve the goals that we are trying to achieve?

Mr. FARR. Well, conservation easements are essentially bought by land trusts, not by the Federal Government.

Mr. SCUSE. Or sometimes by State governments.

Mr. FARR. State governments, yeah, they can do that. Also what you are trying to do in California because your land is taxed, property taxed, is that if you can enter these contracts you can get a break on your tax, you get a lower tax.

Mr. SCUSE. But to your question about cost, it depends on what part of the United States you are talking about placing a conservation easement on and how long; is that in fact permanent? So there are a lot of variables in figuring out exactly which would be the biggest advantage cost wise. But, again land use is a very touchy subject in many States, and in many States it is extremely difficult to either at the county level or State level to get legislation through to mandate different types of land use.

Mr. FARR. Well, I think it is going to change with lending practices just like you have to have inspections for your homes, you have to have them fire safe and all those other things and you have to have them built to code. There is going to be a code of practices for land use eventually and it is going to be built into the marketing system. I just see California moving that way. And I think we are still the number one ag state and competing with the States that don't have any regulations. So I think it will evolve that way.

CARGO PREFERENCES

I want to ask a question about cargo preferences. The Farm Service Agency commodity operations officials in Kansas City are in charge of procuring commodities for food aid shipments for both USDA and USAID and thus have to deal with meeting cargo preference requirements for shipping U.S. commodities overseas. In the 2000 report on improving the efficiency and effectiveness of U.S.

food aid programs, the GAO questioned whether the annual reimbursement that is provided by the Maritime Administration to cover the additional costs associated with meeting cargo preference rules is adequate.

To your knowledge, have USDA and the Department of Transportation taken steps to address this issue with cargo preference raised by the recent GAO reports that touch on this issue? Are the current costs to the American taxpayer between 150 to 200 million spent annually to compensate USDA for the cost of cargo preference an effective use of these resources?

Mr. SCUSE. There have been several meetings pertaining to cargo preference between AID, the Farm Service Agency, the Foreign Agricultural Service, the Department of Transportation as well as some of the other agencies. There has not been any resolution to the issue, but there have been several meetings held to discuss the report and the issue.

Mr. FARR. Obviously you want to get somewhere with all those meetings. Do you have an idea what might be the outcome?

Mr. SCUSE. At this time, no, I don't, not at this time.

Mr. FARR. Any discussion of the money being spent, whether that is cost effective?

Mr. SCUSE. I would have to go back and reread the report itself, but again we are required for products shipped, so there is a requirement for cargo preference.

Mr. FARR. I will put these questions in writing and you can respond to the committee.

Mr. SCUSE. Okay, thank you.

Mr. KINGSTON. I want to associate myself with that also. I am very interested in that topic.

Mr. Nunnelee.

FSA OFFICE CLOSURES

Mr. NUNNELEE. Thank you, Mr. Chairman. Let's go back to the 90-day window on comments on closing FSA offices. As I understand it the 90-day notification was issued on February the 27th. My quick calculations tell me that 90 days from then would be May 28th, would be the 91st day. So do we already have a list of offices that will be closed on May 28th?

Mr. SCUSE. We have a list of the 131 offices, yes, sir, and your calculation is correct. That is the same day that we came up with as well. But there is a list of those 131 offices.

Mr. NUNNELEE. So they will be closed on May 28th?

Mr. NELSON. No. Congressman, there is a list of offices proposed for closure and on May 28th, the Secretary will take the comments and information that he receives and then make a decision on what, if any, offices of the 131 that have been proposed are going to close.

FARM BILL REAUTHORIZATION

Mr. NUNNELEE. Okay. Let's move on a little bit to the reauthorization of the Farm Bill just to give you the opportunity to comment. If we don't get a Farm Bill and we have to have some type of short-term extension, can you talk about the ramifications on

your agencies and its budget and also on the farmers and ranchers that are affected?

Mr. SCUSE. Congressman, I had the opportunity last week to testify before the Senate Ag Committee and I will respond in a similar manner. It is important that we have a Farm Bill, that we have a Farm Bill this year. Our farmers and ranchers with the cost of production today, which has almost doubled in the last 5 years, in some cases it has more than doubled, they need to be able to plan for next year. Farming is a high cost, high risk business, so they need to know what they are going into.

We would like to see a Farm Bill that is easy to implement. There were some implementation problems with the last Farm Bill with the complexity of some of the programs. We would like to see a Farm Bill that is fair across the United States and across commodities and various types of livestock. This Farm Bill went a long way to help protect our livestock producers. That is the first time that has been done. We would also like to see a Farm Bill that is defensible—defensible to our taxpayers and to our consumers.

We need to be responsible. So those are the three things, but we really would like to see a Farm Bill just for the sake of our farmers and ranchers to know what they are going to be getting into next year so that they can make plans accordingly. It is very difficult for them to make any sort of plans and the financial commitments that have to be made if we don't know where we are headed.

TRANSITION INCENTIVE PAYMENT—TIP

Mr. NUNNELEE. Final question, at least for this round, Ms. Lummis raised the question about the TIP program. I am still learning all of this, let me tell you what I understand about TIP and you just tell me if my understanding is correct. If an existing farmer has land in the CRP and they want to transition to a successive farmer that will pay 2 years of CRP payments. As a condition you take that land out of the CRP program and move it to some other type of farming operation. Is that a general understanding; is that correct?

Mr. NELSON. Yes, Congressman. Just add a couple of things: that we are looking for beginning farmers, socially disadvantaged farmers, who agree to the production using sustainable farming techniques, but your overall understanding is accurate.

Mr. NUNNELEE. Is the primary purpose to get the acreage out of CRP, or is the primary purpose to help transition the farm to the beginning farmer.

Mr. NELSON. Congressman, I am not going to guess what the intent of Congress was, but I look at the word "transition," and I think that pretty much speaks for itself. From that word I take it to mean that the principal purpose of it is to help facilitate getting agriculture into the hands of the next generation of beginning farmers.

Mr. NUNNELEE. Most of the farms that I am aware of in Mississippi are moving from one generation to the next, and so it is an ongoing concern just transitioning to the next generation. And I am just surprised that we have to have incentives to make that happen.

Mr. KINGSTON. Ms. Kaptur.

FSA OFFICE CLOSURES IN OHIO

Ms. KAPTUR. Thank you very much.

I am wondering if any of—the Farm Service Agency, Mr. Nelson, if you have a list of the proposed closures and if there are any in Ohio.

Mr. NELSON. Congresswoman, yes, I do; if you would bear with me, I do. There are several in Ohio.

Ms. KAPTUR. I would appreciate a list of those.

Mr. NELSON. I would be happy to provide that.

[The information follows:]

As part of the Blueprint for Stronger Service, USDA plans to consolidate 131 Farm Service Agency (FSA) county offices in 32 states. More than 2,100 FSA offices remain throughout the United States. In many cases, offices recommended for closure are either not staffed or staffed with just one or two employees and within 20 miles of other offices. See table below.

- The 2008 Farm Bill generally prohibited FSA from closing any office for two years. After this two year period, the 2008 Farm Bill required that FSA first attempt to close offices located less than 20 miles from another office and having two or fewer employees before attempting to close any office located more than 20 miles from the nearest office.

- The closures are anticipated to occur by July 1, 2012; however, the actual closure date for any particular office will depend on a number of factors including the time needed to relocate producer records, office equipment, and any remaining personnel. In addition, certain lease covenants may prevent closing some offices as quickly as desired. Public hearings at each of the proposed closure locations were held in February. Letters notifying the stakeholders of the proposed closures were sent on February 27.

Alabama: None	**Indiana:** Lake County Morgan County St. Joseph County	**Nebraska:** None	**South Carolina:** Allendale County Edgefield County York County
Alaska: None	**Iowa:** Appanoose County Decatur County Union County	**Nevada:** Douglas County	**South Dakota:** Jerauld County Campbell County Jackson County Harding County
Arizona: Pima County	**Kansas:** None	**New Hampshire:** None	**Tennessee:** Anderson County Bedford County Bledsoe County Cannon County Carter County Cocke County Humphreys County Sevier County Trousdale County

Arkansas: Bradley County Fulton County Garland County Izard County Johnson County Lafayette County Logan County Benton County Pulaski County Faulkner County	**Kentucky:** Green County Jackson County Whitley County Bullitt County Lee County	**New Jersey:** None	**Texas:** Delta County Lee County Midland County Mills County Roberts County San Augustine County Shelby County Waller County Andrews County Cass County Hutchison County Rusk County Upshur County Val Verde County Van Zandt County
California: None	**Louisiana:** Bossier County Lafayette County Livingston County Grant County St. Mary County	**New Mexico:** Bernalillo County Santa Fe County	**Utah:** Washington County
Colorado: Huerfano County Boulder County Rio Grande County	**Maine:** Knox-Lincoln County	**New York:** Albany County Saratoga County Yates County Sullivan County	**Vermont:** None
Connecticut: None	**Maryland:** Calvert County	**North Carolina:** Catawba County Chowan County Moore County Warren County Pamlico County Hertford County	**Virginia:** None
Delaware: None	**Massachusetts:** None	**North Dakota:** None	**Washington:** None

Florida: Escambia County Hamilton County Lafayette County Levy County Washington County Highlands County	**Michigan:** Kalamazoo County	**Ohio:** Clark County Meigs County Montgomery County Perry County Carroll County	**West Virginia:** Mineral County Gilmer County Monongalia County Cabell County Nicholas County
Georgia: Baker County Candler County Morgan County	**Minnesota:** Waseca County Pine County Scott County Chisago County Nicollet County	**Oklahoma:** Pawnee County Mayes County	**Wisconsin:** Marinette County
Hawaii: None	**Mississippi:** Benton County Choctaw County De Soto County Itawamba County Lamar County Lawrence County Smith County Yalobusha County	**Oregon:** Polk County Tillamook County Grant County	**Wyoming:** None
Idaho: Owyhee County Payette County Lincoln County Clearwater County	**Missouri:** Morgan County Dallas County Jefferson/Washington County	**Pennsylvania:** Blair County Carbon County Fulton County Mifflin County Perry County Wyoming County Lebanon County	
Illinois: None	**Montana:** Treasure County	**Rhode Island:** None	

Ms. KAPTUR. Thank you.

And the criteria used to select them would be of interest.

FARM LOANS AND URBAN AGRICULTURE OUTREACH

I also wanted to ask Under Secretary Scuse, the farm loan programs based in your testimony, you talk about providing direct loans, loan guarantees to farm families who would otherwise be unable to obtain credit, and you have a focus on beginning, limited resource, and socially disadvantaged farmers in these programs.

I am wondering whether to your knowledge USDA has ever been involved in convening those who are trying to produce food that one could definitely describe as socially disadvantaged. And I am thinking recently to an event I attended in the city of Philadelphia where two walls of this room were actually filled with lettuce, ways of growing lettuce in food-short communities. In Milwaukee there is an organization called Growing Power. In Cleveland, Ohio, the Cleveland Foundation just announced a major new greenhouse production facility to produce 7 million heads of lettuce in the city. And in the heart of Chicago, roofs are being used for production.

To your knowledge, has USDA ever brought together some of these new producers and local food producers to share technology, to share experience? As I find myself going around the country and look at these new production platforms, for instance, new types of drip irrigation systems might exist in one place, but the people in the other place don't know about it. If you are producing tilapia in Cleveland, Ohio, the people in Cincinnati don't necessarily know about it.

Who in your organization thinks about bringing together some of these producers, looking at the programs that you have, sharing the experience, and then rotating it out to a larger audience?

Mr. SCUSE. Several different questions. To the loans, yes, we have had meetings in the past with socially disadvantaged individuals on our programs, all of our USDA programs, and a way to make them available to those individuals. Our credit program is extremely important today, again because of the high cost of production agriculture, and many of our traditional lending institutions today are reluctant to lend money to those that are less than, you know, five-star rating. So it is important that we continue to have these programs available to those approximately 30,000 individuals who cannot obtain credit other places.

As far as the urban aspect to agriculture, the Department started several years ago Know Your Farmer, Know Your Food. This is a way to help urban citizens get involved in agriculture through various means, as well as providing additional food assistance to some of the food banks with the products that they grow in some of our community garden projects.

And as far as who does the outreach for these programs, my experience has been cooperative extension has done a very good job of providing outreach to those individuals or groups that would like to get involved either growing products within an urban area or looking at new types of products to grow. Cooperative extension has done again, in my opinion, an outstanding job in reaching out and helping these individuals in many communities throughout the United States.

Ms. KAPTUR. If you had to pick a lead person at USDA that you think knows the most about this, who would you pick?

Mr. SCUSE. I would have to say Deputy Secretary Merrigan. She has been the champion for Know Your Farmer, Know Your Food and getting agriculture into our urban areas, and has worked very hard the last 3 years. So she, in my opinion, has done an outstanding job with the Know Your Farmer, Know Your Food initiative.

Ms. KAPTUR. In your summary you referenced the crop extension. That would infer the use of land grants, land-grant institutions, and they don't necessarily do the research, they do not do the technology. They certainly don't do the loans.

Mr. SCUSE. No, but the cooperative extension does the outreach to the growers, to the different groups, to the individuals that are interested in doing projects.

Ms. KAPTUR. Thank you.

Mr. KINGSTON. Mrs. Lummis.

Mrs. LUMMIS. Mr. Chairman, Mr. Graves has come in. I would defer to him.

Mr. KINGSTON. Well, Mr. Graves and Mr. Bishop came in on the beginning of the second round, and so the next person is Mr. Bishop and then Mr. Graves.

Mrs. LUMMIS. Okay. Thank you very much. I just broke my Dollar Store reading glasses, so please indulge my holding onto them here.

CROP REPORTING

There are, I think, four USDA subagencies, I will call them, that gather statistics: RMA, FSA, NRCS, and National Ag Statistics Service. And to their credit, they have simplified and standardized the acreage reporting system across those programs from 70 to 15, which is terrific.

Now, we talked to some folks from FSA, and what we know is that RMA and FSA collect similar data on production acreage, and then it is used by insurance agents for crop insurance and so forth. According to a report that we referred to, 98 percent of FSA offices interviewed reported sharing their acreage reports with insurance agents, and their data is often just rekeyed into an insurance agent's database.

My question is this: Can RMA and FSA combine their reporting into one survey? What is the need for four different reporting agencies?

Mr. SCUSE. That is part of the reason why we are doing the Acreage Crop Reporting and Streamlining Initiative so that we only have the one report between FSA and RMA; because we agree, it doesn't make sense. So we are headed down that road so that our farmers and ranchers only need to do one report, and that information can be shared between those agencies.

So there is a difference in some of the surveys that are done with NASS and the information that they are collecting, so it is not necessarily duplicative information, but there is additional information that NASS is also collecting that is important for RMA to look at; yield data and pricing as well. So it is not necessarily duplicative, but——

Mrs. LUMMIS. But they could be combined?

Mr. SCUSE. I don't know that they can actually be combined. NASS does a very important job of looking at the various types of crops grown, giving us early in the year an estimate of how many acres of different crops are going to be grown and all different commodities that we don't currently handle through the Risk Management Agency or the Foreign Agricultural Service.

So there is a need for the work that NASS does as well as the work that RMA and FSA does. But again, we are looking at ways so that we don't do duplicative reporting, and we are helping our farmers and ranchers and, at the end of the day, save money.

PROGRAM STREAMLINING

Mrs. LUMMIS. Do you know how much it would save and what your timeline is for collapsing, hopefully, some of these programs? This is something that I think is long overdue, especially in a time of tight budgets.

Mr. SCUSE. Right now I don't think that we have done a cost analysis or benefit analysis on what the savings will be. Just the savings to our farmers and ranchers who don't have to run from one office to another has got to be fairly impressive in itself.

Mrs. LUMMIS. Amen.

Mr. SCUSE. So, no, but there are other things that we are doing; as an example, the disaster declaration process. Right now it takes us about 89 days for a secretarial declaration to be declared. We are in the process of streamlining that as well. The rule has gone out, and we are waiting for a final. That will take that down from 89 to 25 or fewer days, which will allow us to provide assistance to those farmers and ranchers in declared disaster areas to receive that assistance even sooner. There is a savings there.

EMERGENCY FARM LOANS

Mrs. LUMMIS. I would like with my little bit of time left to transition into the subject you just raised, and that is emergency disaster loans. I see that you are using regular budget authority. How do you see that regular budget authority would assist in your timely administration of emergency disaster loans?

Mr. NELSON. The President's 2013 budget request does include a request for $35 million for emergency loan authority. So there has not been, as I understand it, an appropriation for some time. But with the substantial number of counties that were designated around the country last year, something over 2,200, we know that there is demand out there. And so we believe that $35 million should be sufficient for the program.

Mrs. LUMMIS. Thank you, Mr. Chairman.

Mr. KINGSTON. Mr. Bishop.

Mr. BISHOP. Thank you very much.

Let me welcome all of you. I apologize for my delinquency.

WORLD TRADE ORGANIZATION COTTON ISSUES

I would like to start off in my first round with Ms. Heinen regarding Brazil and cotton. Can you give us an update on where we are with respect to the WTO Brazilian cotton issue, and tell us

whether there are any similar cases on the horizon, particularly in developing countries like Mali?

Mr. SCUSE. If you don't mind, Congressman, I will take that. I was in Brazil in February. We are required with the cotton framework that was signed to meet with Brazil on a quarterly basis, and I participated in the February meeting. We have another meeting coming up in April.

We are keeping the Brazilians informed of the progress on the Farm Bill. In fact, some of them were in town last week and met with several of the committees regarding the WTO case. But, you know, the agreement is in force until the next farm bill is, in fact, passed and signed. But they are working—or they are providing input to the committees about their concerns about some of the current proposals that have been put on the table.

Mr. BISHOP. Okay. As you, I am sure, know, the cotton industry is very supportive of newly proposed Stacked Income Protection Plan, or STAX for short, which is designed to provide a fiscally responsible and effective income safety net for Upton County—Upton cotton producers. It is my understanding, however, that the program will also address positions which were raised by Brazil in the WTO case.

Are you familiar with STAX? Do you agree that it will address future WTO issues with respect to cotton?

Mr. SCUSE. We have been working, Congressman, with the committee membership on the NCC, or National Cotton Council's, proposal. Again, the members of the Brazilian delegation met with the committees last week and expressed some concerns. But we have reached out to the committees and told them that we will provide them any assistance that they need in comments going forward to help find a resolution to the WTO case.

CROP INSURANCE

Mr. BISHOP. Okay. I am going to switch gears a second. I have got a little time left. Many of the crop insurance programs have been idle this year as record commodity prices have boosted farm income to the highest level in decades. There are a few proposals floating around which in essence would replace the direct payment program with what would essentially be a crop loss insurance program, and the administration proposes to expand the use of crop insurance as well as an indirect replacement for the direct payments.

Many of our smaller farmers either don't participate in the crop insurance program—particularly minority farmers and many of the others who do barely break even—due to the cost of the crop insurance. How can we make crop insurance a more cost-effective benefit, particularly to smaller farmers?

Mr. MURPHY. I think a lot of the programs do work for the smaller farmers. We have a program out there right now, Adjusted Gross Revenue, and another one, Adjusted Gross Revenue-Lite, two different programs. They work off the schedule. That becomes an issue at times. A lot of small growers are informed by their accountants to treat this as a hobby rather than a revenue enterprise. That causes problems, and they don't do a schedule out.

So we have done some outreach with them on that. We have worked with some groups on perhaps a new model of insurance. So we have been doing that.

But, I think overall the crop insurance program was extremely active this year. We currently have about $10.4 billion paid out in indemnities, which is a record overall. We haven't seen the revenue portions of the program kick in, but certainly on the yield protections.

Mr. BISHOP. Yeah, but the smaller farmers are having some problems because they complain they can't afford it.

STACKED INCOME PROTECTION PLAN—STAX

Let me jump back before my time runs out. Going back to the STAX program in Brazil, did the Brazilians have problems with the STAX program? Are they familiar with it? Was it something that they would find acceptable and not challenge again with a WTO complaint?

Mr. SCUSE. I was not privy to the conversations that they had with the two committees. I know that they did voice some concern about some of the proposals, but, again, I was not part of those discussion at that particular time. And they will be coming back into town in April where we will have further discussions and work to find a resolution to the case.

Mr. BISHOP. Okay. Will you raise that issue with them?

Mr. SCUSE. Yes.

Mr. BISHOP. Thank you.

Mr. KINGSTON. Mr. Graves.

Mr. GRAVES. Thank you, Mr. Chairman.

Under Secretary, thank you for being here.

FSA ORGANIZATIONAL STRUCTURE

Back to the FSA for a second. Can you explain just the structure? I mean, I guess there is a regional, a State, county. How is it structured across the United States? We hear so much about local offices being closed, but what is the rest of the structure?

Mr. SCUSE. Let me start, and then Bruce can finish up. I will start at the bottom and work my way up. You start at a county office, and you have a staff there. And you also have a county committee that is elected by their fellow farmers or ranchers to serve on the committee and go through some of the issues that they face on a regular basis at the county level. From the county level then we have a State office with a staff.

Mr. GRAVES. In every State?

Mr. SCUSE. In every State a State executive director, SED, that manages the office as well as everything else that goes down into the State. And from there you come up into the Washington level where we have the Deputy Administrators as well as the Administrator, Deputy Under Secretaries and the Secretary or the Under Secretary.

Mr. GRAVES. So from the State level to D.C., there is no regional aspects to it?

Mr. SCUSE. No, there is not a regional. It goes from the State directly to Washington.

Mr. GRAVES. So what are the offices in, say, Kansas City or Salt Lake, I guess I had down?

Mr. SCUSE. Well, we have a regional office in Kansas City that deals with IT. It also deals with our Risk Management Agency where we have staff out there for the Risk Management Agency as well as some other staffing. And again, in some of the other offices in the United States, some of the other agencies will have staff for different functions.

FSA STAFF REDUCTIONS

Mr. GRAVES. And lastly on this subject, so we hear so much about closing local offices. Has there been any discussion about consolidation of the upper tier or elimination of staff or whatever on the upper tier and the bureaucracy side of it as opposed to the boots so close to home?

Mr. NELSON. Well, I appreciate that question because I think it is important to point out that when we have done the staff reduction within FSA, that they have been across the board. So the headquarters offices have been affected as the field has. And one of the other things that we did when we reduced the staff ceilings last year is that we had reduced the number of temporary positions in the field when we got the 2011 fiscal year appropriation last year. And so when we reduced the overall staff ceilings, we gave credit to the field for those temporary staff reductions, which meant that when it came to the reduction of permanent full-time positions, the field took less of the hit than the headquarters level did.

Mr. GRAVES. So it is fair to say that it is not disproportionate in the field compared to the upper tier, the top tier?

Mr. NELSON. Correct.

Mr. GRAVES. Salary-based and all.

PAYMENT ERROR RATES

And then last, if I could, Mr. Chairman, could you share with us for the record what the payment error rate is as a percentage of dollars and the percentage for the FSA?

Mr. NELSON. We would be happy to provide the percentages to you, but I can tell you that in 2011, there were seven programs identified as susceptible to improper payments, and at the end of the year when they were evaluated, all seven of those programs met the requirements of the Improper Payments Elimination and Recovery—IPERA—Act. We are working hard on compliance.

Mr. GRAVES. If you could give us for the record what that percentage of payment error rate and dollars, FSA and CCC.

Mr. NELSON. We will be happy to provide that.

[The information follows:]

Under the Improper Payment Information Act (IPIA), agencies must identify any of their programs that may be susceptible to significant improper payments, estimate the annual amount of improper payments, and submit those estimates to Congress. A program with significant improper payments has both a 2.5 percent error rate for total program outlays and at least $10 million in improper payments. Agencies are still bound by IPIA even with implementation of Improper Payments Elimination and Recovery Act (IPERA).

IPERA requires that if an agency reports an improper payment rate of more than 10 percent for a program or activity, it must be deemed non-compliant by its Inspector General.

As of the FY 2011 IPIA Review Cycle, FSA identified seven programs as being susceptible to significant improper payments. They are as follows:

- Marketing Assistance Loan Program
  - Error Rate - 0.52%
  - Projected Improper Payments - $16 million
- Milk Income Loss Contract Program[1]
  - Error Rate - 2.00%
  - Project Improper Payments - $4 million
- Loan Deficiency Payments (Based on FY 2010 Review Cycle)[2]
  - Error Rate - 0.44%
  - Projected Improper Payments - $0.5 million
- Direct and Counter-Cyclical Payments
  - Error Rate - 0.05%
  - Projected Improper Payments - $2 million
- Conservation Reserve Program
  - Error Rate - 1.77%
  - Projected Improper Payments - $27 million
- Miscellaneous Disaster Programs
  - Error Rate - 2.89%
  - Projected Improper Payments - $7 million
- Noninsured Crop Disaster Assistance Program
  - Error Rate - 8.97%
  - Projected Improper Payments - $8 million

All of the programs reported a projected improper payment rate of less than 10 percent. As a result, all programs were in compliance with IPERA based on performance.

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[1] FSA measured MILC by a random sample of 200 transactions from 28 states from the universe of payments. A full statistical sample was not cost effective due to low outlays and error rates in previous years. FSA and OMB will evaluate MILC activity annually to determine if measurement for a specific fiscal year would be cost effective.

[2] FSA did not measure LDP for FY 2011 due to low outlays. FSA and OMB will evaluate LDP activity annually to determine if measurement for a specific fiscal year would be cost effective.

Performance Highlights:

- Performance highlights for FY 2011 include the following:
  - The Marketing Assistance Loan Program error rate of 0.52% was below its FY 2010 error rate of 0.81% and below its reduction target of 0.81%.
  - The Direct and Counter-Cyclical Payments error rate of 0.05% was below its FY 2010 error rate of 0.96% and below its reduction target of 0.40%.
  - The Noninsured Crop Disaster Assistance Program error rate of 8.97% was below the FY 2010 error rate of 11.65%.
- During FY 2011, FSA briefed and obtained approval from both the USDA Office of the Chief Financial Officer and the Office of Management and Budget regarding a revised and alternative methodology on how to assess FSA's programs that are susceptible to significant improper payments. The methodology included:
  - Traditional Approach: Includes at least 90 percent of fiscal year outlays and at least 11 months of payment activity. Programs affected include the Marketing Assistance Loan Program and the Noninsured Crop Disaster Assistance Program.
  - Proactive Approach: Includes at least 85 percent of fiscal year outlays, based on the first quarter of current fiscal year payment activity. Allows for earlier implementation of corrective actions, impacts county offices much sooner, and lessens demands on County Office Reviewers. Programs affected include the Conservation Reserve Program and the Direct and Counter-Cyclical Payment Program.
  - Program-Focused Approach: Focuses on disaster programs only. Includes at least 11 months of payment activity, includes at least 77 percent of fiscal year outlays, and provides the best opportunity for accurate assessment. All active disaster programs will be assessed using this approach once every three years.
  - Performance Based Approach: Risk is assessed at the National level, is based on a judgmental sample of transactions, and maximizes use of resources (County Office Reviewers). This approach can be applied as deemed necessary. FY 2011 programs affected were the Loan Deficiency Payment Program and the Milk Income Loss Contract Program.

NONINSURED CROP DISASTER ASSISTANCE PROGRAM

Mr. GRAVES. And then quickly, if you could explain the reasons that the noninsured assistance program error rate is so much higher, disproportionately higher, I guess, over the last cycle, over the last year.

Mr. NELSON. Congressman, I can only speculate on that. It is an insurance-type program that is administered by FSA, and I think it is one that we may do a better job in places of the country where we are more active than the others. But it is one that is an important program because under the 2008 Farm Bill, it was a gate to the five disaster programs that were authorized in that legislation. And so it is one that we are working hard on the compliance aspects of.

[The information follows:]

The Noninsured Crop Disaster Assistance Program (NAP) is one of FSA's more complex programs requiring county office and producer interaction throughout the crop year. It is not a program where a producer signs up and receives benefits based on one application. In essence there are five steps to NAP which occur throughout the crop year if disaster is present. A producer must first file an application for coverage and pay the service fee, provide production data to calculate and approved yield, report acreage, file a notice of loss if a disaster occurs, and file an application for payment.

NAP is the only FSA financial assistance program that requires a fee for producers to participate and the level of assistance is significantly limited. As a result, NAP participation varies by county and some counties have minimal participation. Currently NAP is also administered through FSA's legacy System 36 which hinders FSA's ability to have integrated software. Information such as acreage and yields are manually entered rather than being integrated from other automated sources. As a result, errors occur. Beginning with the 2013 crop year, NAP will be fully migrated to the web which will allow a more interactive automation process and should significantly decrease program entry errors.

The NAP error rate decreased from 11.65 percent in FY 2010 to 8.97 percent in FY 2011. Over the past several years due to the high error rate FSA has taken extra steps in providing additional training on calculating approved yields and the importance of accurately recording crops and acreage for which coverage is obtained. Those actions have significantly improved our error rate over the past year. Through additional training and NAP automation moving to the web in 2013, we are working to further reduce payment errors.

Mr. GRAVES. Thank you.

Well, we will look for the on-the-record stuff if you would get it to us. Thank you.

FSA OFFICE OF INSPECTOR GENERAL RECOMMENDATIONS

Mr. KINGSTON. The gentleman's time has expired.

In terms of those error rates, the IG made certain recommendations. And have you complied with all of the recommendations?

Mr. NELSON. Yes, we are working on it.

Mr. SCUSE. I believe that we have complied. I think my understanding is that we have been able to comply with all but, I believe, one of those recommendations so far. But we will provide you that information. But I believe that we have complied with the recommendations from the IG, with one exception.

Mr. KINGSTON. Now, actually I had that there were four areas: That USDA did not always report estimates for high-risk programs; USDA did not report complete information about programmatic corrective actions; USDA did not meet annual production targets; and USDA did not report error rates below specific thresholds. So, and that would just——

Mr. SCUSE. We will get you a response for that. But again, I believe that we have had resolution, but we will provide the committee with the information.

[The information follows:]

Summary of USDA FY 2011 Improper Payments Elimination and Recovery Act of 2010 Compliance Review, OIG Audit Report 50024-0001-11, March 14, 2012
http://www.usda.gov/oig/webdocs/50024-0001-11.pdf

The Office of the Inspector General (OIG) found the Department of Agriculture (USDA) did not fully comply with four of seven Improper Payment Elimination and Recovery Act (IPERA) requirements. USDA did not always report estimates for high-risk programs, report complete information about programmatic corrective actions, meet annual reduction targets, and report error rates below specific thresholds. Below is a summary of the audit findings, recommendations and management decisions.

Summary of IPERA Requirements for Compliance

Description of IPERA Seven requirements Agencies Must Meet to Compliance	OIG FY 2011 Compliance Determination	Reason for OIG Compliance Decision
1. Published a Performance and Accountability Report (PAR) for the most recent FY and posted that report and any accompanying the Office of Management and Budget (OMB) required materials on the agency website.	YES	USDA published and posted a PAR with accompanying materials on the Department's website.
2. Conducted a program specific risk assessment for each program or activity.	YES	IPERA required all programs to be risk assessed after one year of enactment unless OMB approved a continuation of USDA's 3-year cycle. OMB approved USDA's 3-year risk assessment cycle. OCFO provided OIG its risk assessment guidance inventory of programs.
3. Published improper payment estimates for all high-risk programs and activities.	NO	**Noncompliant - 1 program:** FNS' CACFP Family Day Care Homes Meal Claims component.
4. Published programmatic corrective action plans in the PAR.	NO	**Noncompliant - 14 programs:** FNS' CACFP, NSLP, SBP, SNAP and WIC programs; FSA's CRP, DCP, MAL, MILC, MDP and NAP programs; NRCS' FSRI program; RD's RAP program; and RMA FCIC program.
5. Published, and has met, annual reduction targets for each program assessed to be at risk and measured for improper payments.	NO	**Noncompliant - 11 programs:** FNS' CACFP, NSLP, SBP and WIC programs; FSA's CRP, MILC, MDP and NAP programs; NRCS' FSRI program; RD's RAP program; and RMA's FCIC program.
6. Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the PAR.	NO	**Noncompliant - 2 programs:** FNS' NSLP and SBP programs reported estimated improper payment percentages of 15.98 and 24.96, respectively.
7. Reported information on its efforts to recapture improper payments.	YES	USDA reported its efforts to recapture improper payments in Appendix B of the PAR.

Finding 1: USDA Needs to Develop Plans to Meet IPERA Requirements.

USDA did not: (1) publish a gross estimate of improper payments for 1 program, (2) report completion dates or results of all corrective actions for 14 programs, (3) meet annual reduction targets for 11 programs, and (4) publish improper payment rates of less than 10 percent for 2 programs.

(1) USDA did not publish a gross estimate of improper payments for 1 program. The Food and Nutrition Service's (FNS) Child and Adult Care Food Program (CACFP) did not publish estimates of improper payments for the Family Day Care Homes Meal Claims component of the program. This occurred because the agency did not have enough information about the component to provide a gross estimate. FNS is currently planning a project that would assess the feasibility of using information from parent recall interviews to validate claims that family day care providers submit in order to be reimbursed for meals.

(2) USDA did not report completion dates or results of all corrective actions for 14 programs. (FNS' CACFP, Supplemental Nutrition Assistance Program (SNAP), National School Lunch Program (NSLP), School Breakfast Program (SBP) and Women, Infant and Children's (WIC) program; Farm Service Agency's (FSA) Marketing Assistance Loan Program (MAL), Direct and Counter-Cyclical Program (DCP), Conservation Reserve Program (CRP), Milk Income Loss Contract (MILC) program, Miscellaneous Disaster Program (MDP) and Non-insured Assistance Program (NAP); Natural Resources Conservation Service's (NRCS) Farm Security and Rural Investment (FSRI) programs; Rural Development's (RD) Rental Assistance Program (RAP); and Risk Management Agency's (RMA) Federal Crop Insurance Corporation (FCIC) Fund. Component agencies administering the 14 high-risk programs did not always provide dates or results to include in the FY 2011 PAR. Although OCFO guidance requested component agencies to list milestones to reduce improper payments, it did not explicitly request component agencies to submit completion dates and report results.

(3) USDA did not meet FY 2011 reduction targets for 11 high-risk programs (FNS' CACFP, NSLP, SBP and WIC; FSA's CRP, MILC, MDP and NAP; NRCS' FSRI; RD's RAP; and RMA's FCIC). These 11 programs missed their reduction target by an average of 1.21 percent. This occurred because prior to 2011, agencies were not required to meet reduction targets and did not always conduct assessments to determine whether past reduction targets were achieved and FY 2011 reduction targets were realistic.

(4) USDA did not publish improper payment rates of less than 10 percent for 2 programs. FNS' NSLP and SBP reported estimated improper payment percentages of 15.98 and 24.96, respectively. NSLP and SBP significant improper payments resulted from the nature of the program, and FNS' previously limited authority to conduct more thorough reviews and implement measures to tackle some of the causes of errors in the programs.

Recommendation 1. Update OCFO's corrective action plan guidance to require component agencies to submit dates and results related to corrective actions for each cause of improper payments.

Agency Response. OCFO will revise the Departmental Corrective Action Plan (CAP) guidance. The revised guidance will include a table with appropriate columns for specific information on corrective actions for each cause of improper payments. The table will include measurable milestones and

completion dates. In addition, agencies will report quarterly on their progress toward meeting milestones and completing scheduled actions. OCFO will complete this action by June 30, 2012.

Recommendation 2. Direct component agencies to evaluate why reduction targets were not met and implement corrective actions based on the results, and implement a process to assess future reduction targets to determine if they are realistic and achievable.

Agency Response. OCFO will: (1) issue a memorandum to the component agencies if their programs did not meet reduction targets in the FY 2011 PAR; (2) revise guidance to direct component agencies to determine why their reduction targets were unmet; and (3) consult with OMB and component agencies to determine whether or not the future reduction targets are realistic and achievable. OCFO will complete this action by August 31, 2012.

Finding 2: USDA Risk Assessments and Sampling Review Did Not Consider Entire Lifecycle of Payments.

Agency evaluators did not review the entire lifecycle of sampled payments for 2 high-risk programs, the NRCS' FSRI Act programs and RD's RAP during the FY 2011 IPERA review. The RD Single Family Housing (SFH) Guaranteed Loan program may be at risk for significant improper payments because the component agency did not develop adequate guidance for evaluators regarding eligibility for the program during the risk assessment.

Recommendation 3. Direct RD to include payment verification in its RAP sampling review process; or obtain approval from OMB for the exclusion of payment verification from its sampling review process, and document the exclusion in the fiscal year 2012 PAR.

Agency Response. OCFO will: (1) direct RD to include payment verification in its RAP sampling review process, or obtain OMB approval to exclude payment verification from it sampling review process; and (2) revise the USDA IPIA High Risk Program Measurement Plan Guidance to include a table containing primary components of the lifecycle process of payments. This step will ensure that agencies address all key elements, including payment verification. OCFO will complete this action by May 31, 2012.

Recommendation 4. Enhance OCFO's oversight process to include a thorough review of sampled risk assessments to determine compliance with OCFO guidance.

Agency Response. OCFO will develop a more comprehensive review process of USDA's risk assessments to determine compliance with OCFO guidance. This process will include a review of the sampled risk assessments by OCFO's Credit, Travel, and Grants Policy Division with the assistance of the Internal Controls Division. OCFO will complete this action by June 30, 2012.

Recommendation 5. Direct RD to re-assess its SFH Guaranteed Loan program to determine the level of risk susceptible to significant improper payments. Verification of eligibility should be one of the evaluators' drivers.

Agency Response. OCFO will direct RD to perform a risk assessment with a test of transactions on the SFH Guaranteed Loan Program for FY 2012. This test will include verification of eligibility as one of the evaluators' drivers. OCFO will complete this action by June 30, 2012.

Finding 3: Improper Payments Information in the PAR was Inaccurate.

USDA reported inconsistent and improperly supported information concerning 12 of the 16 high-risk programs in the FY 2011 PAR, and did not properly categorize the root causes of improper payments. (FNS' SNAP, CACFP, and WIC; FSA's MILC, MAL, DCP, CRP, MDP, NAP, and Loan Deficiency Payments; NRCS' FSRI; and RMA's FCIC). This occurred because USDA lacked an effective quality assurance process to ensure improper payment information was consolidated accurately in the PAR, and because component agencies with high-risk programs inconsistently applied the guidance used to categorize the improper payments. As a result, when USDA reported to Congress, it provided information about its progress made to prevent and eventually eliminate improper payments that was not always accurate. Federal managers are responsible for applying the internal control standards consistently to meet objectives and assess effectiveness. During our review of improper payment information, we found several discrepancies between supporting documents and the MD&A and appendix sections of the PAR.

Recommendation 6. Implement a second-party quality review process to ensure that information reported in the PAR is properly supported.

Agency Response. OCFO will strengthen its quality control process over the improper payments section of the PAR, including a comparison of the MD&A and appendix, and by completing a second-party quality control review early in the drafting process. The quality control process will also include a review of the improper payments section by the contributing component agencies. OCFO will complete this action by September 30, 2012.

Recommendation 7. Implement controls to ensure that the agencies consistently and accurately categorize improper payments.

Agency Response. OCFO will: (1) request guidance from OMB to better define the three categories of errors and provide examples; (2) coordinate with component agencies to develop a plan to standardize the classification of USDA payment errors within OMB's three categories of root causes; (3) revise the Departmental CAP guidance to include examples of USDA payment errors applicable to each OMB category; and (4) conduct a quality control review of component agencies' submissions for the FY 2012 PAR to ensure payment errors are consistently and accurately categorized. OCFO will complete this action by August 31, 2012.

Recommendation 8. Update OCFO guidance for determining the cause category of an error to include specific examples related to USDA programs.

Agency Response. OCFO will: (1) revise the Departmental CAP guidance to include examples of errors applicable to each OMB category; and (2) conduct a quality control review of component agencies submission for the fiscal year 2012 PAR. OCFO will complete this action by August 31, 2012.

IPERA Remediation Requirements. OCFO will send a memorandum to component agencies' senior management requesting the agencies to address the following remediation requirements. Agency responses will be included in the Departmental plan that the Secretary will submit to Congress describing the actions USDA will take to come into compliance.

IPERA Section (c) REMEDIATION states:

(1) NONCOMPLIANCE.

(A) IN GENERAL. If an agency is determined by the Inspector General of that agency not to be in compliance under subsection (b) in a fiscal year, the head of the agency shall submit a plan to Congress describing the actions that the agency will take to come into compliance.

(B) PLAN. The plan described under subparagraph (A) shall include:

(i) measurable milestones to be accomplished in order to achieve compliance for each program or activity;

(ii) the designation of a senior agency official who shall be accountable for the progress of the agency in coming into compliance for each program or activity; and

(iii) the establishment of an accountability mechanism, such as a performance agreement, with appropriate incentives and consequences tied to the success of the official designated under clause (ii) in leading the efforts of the agency to come into compliance for each program and activity.

(2) NONCOMPLIANCE FOR 2 FISCAL YEARS.

(A) IN GENERAL. If an agency is determined by the Inspector General of that agency not to be in compliance under subsection (b) for 2 consecutive fiscal years for the same program or activity, and the Director of the Office of Management and Budget determines that additional funding would help the agency come into compliance, the head of the agency shall obligate additional funding, in an amount determined by the Director, to intensified compliance efforts.

(B) FUNDING. In providing additional funding described under subparagraph (A), the head of an agency shall use any reprogramming or transfer authority available to the agency. If after exercising that reprogramming or transfer authority additional funding is necessary to obligate the full level of funding determined by the Director of the Office of Management and Budget under subparagraph (A), the agency shall submit a request to Congress for additional reprogramming or transfer authority.

(3) REAUTHORIZATION AND STATUTORY PROPOSALS. If an agency is determined by the Inspector General of that agency not to be in compliance under subsection (b) for more than 3 consecutive fiscal years for the same program or activity, the head of the agency shall, not later than 30 days after such determination, submit to Congress:

(A) reauthorization proposals for each program or activity that has not been in compliance for 3 or more consecutive fiscal years; or

(B) proposed statutory changes necessary to bring the program or activity into compliance.

Mr. KINGSTON. It is not in terms of some of the other programs within USDA or outside of USDA, it is not that the dollars aren't the highest. But it is still something that we are trying to find common ground for everybody, and the error rate is something that——

Mr. SCUSE. Exactly.

Mr. KINGSTON. And then one of the things the IG report says, that USDA did not fully develop internal controls over improper payment reporting, and improper payment estimates can be understated, and USDA may have provided inaccurate information to Congress about the progress.

So I guess that is one of the questions that we have in terms of the GAO report and the IG report, how much compliance in this and what you are doing about it. And that is why it is important.

TRANS-PACIFIC PARTNERSHIP—TPP

Let me ask you another question in terms of the Trans-Pacific Partnership negotiation. As I understand, that would be our fifth largest trading bloc; is that correct?

Mr. SCUSE. It would be large. There are nine countries involved in the TPP currently.

Mr. KINGSTON. And how are those negotiations going? And is the U.S.A. driving it? Are we just kind of partners? What is our role specifically getting this thing going?

Mr. SCUSE. I think we have to view it as a partnership eventually if we are going to actually accomplish the goals and objectives of the TPP and open up trade and have additional trade between the countries that make up the TPP. So it is a partnership. It is ongoing. I don't know, you know, when we will eventually have an outcome. It will be a process that I am sure will take some time because of the countries that are involved in the TPP.

Mr. KINGSTON. In terms of the Colombia and the South Korean and the Panamanian trade agreements, those were left over by the previous administration. Would the TPP be something that this administration is somewhat claiming as their own and championing, or is that also a leftover, ongoing?

Mr. SCUSE. Well, I think that, you know, we are looking at all the trade opportunities that we can have in areas of the world. And if you look at the countries that make up the TPP, some of those have the fastest-growing economies. So we continue to look for trade opportunities wherever they may be. And again, I don't know—you know—how soon we can get an agreement and get a resolution, but we continue to look for new opportunities around the world for trade.

Mr. KINGSTON. The TPP would be the next one, though, right? Potentially, the next FTA to come to Congress?

Mr. SCUSE. Potentially it would be the next agreement to come to Congress.

Mr. KINGSTON. And what is behind that? Not anything specific?

Mr. SCUSE. Not that I am aware of.

Ms. HEINEN. We are also talking with the European Union, probably on not an FTA, but some type of trade arrangement, but it is not sure at this point.

GAO REPORT ON MCGOVERN-DOLE PROGRAM

Mr. KINGSTON. Okay. Let me ask you this while you have the microphone. In terms of the GAO report on McGovern-Dole, GAO expressed concerns with the oversight. They said that the requirements for implementing partners do not ensure consistent reporting and lack performance indicators directly measuring educational process, such as learning and, in some cases, nutrition. What have you done to address those criticisms?

Ms. HEINEN. We very much appreciate the report of the GAO on the McGovern-Dole. We have looked at all of their recommendations, and we have made some significant changes over the course of the last year in having a results-oriented management of that program. We have met with all of the potential partners who implement the program, and we are looking carefully at what they are trying to accomplish. We have asked them to use their common set of indicators so we can compare the programs that are implemented across the field. We are focusing, of course, on some key high issues of increased literacy and improved nutrition, but also a number of other indicators that might be in the field, as well as working with some of the host governments to make sure that they become more involved in the program and eventually would take over some ownership of those programs.

Mr. KINGSTON. You know, success stories and metrics would be very helpful in terms of Congress, because at just about every town meeting that I have, somebody says, why don't you cut foreign aid? And they look at the U.N. voting consistency and they say, "Why are we giving money to countries that vote against us?" And that basket of indicator votes really isn't an accurate picture of our relationship with the country, but if that is all our constituents have to say, "Why are you giving money to X country when they vote with us 15 percent of the time in the U.N."; therefore, if you can show us that, yes, that is true, but that is not the only story, and look at the educational benefits or the trade potential or whatever and going back to the original idea behind foreign aid, that would be very helpful to us.

Ms. HEINEN. We will try to get you some more good examples. We have many.

[The information follows:]

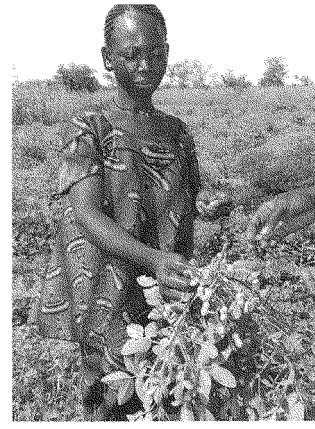
MCGOVERN-DOLE FOOD FOR EDUCATION ***SUCCESS STORY***

United States Department of Agriculture
Foreign Agricultural Service

McGovern-Dole School Feeding Program in Mali Supports School Garden and Nutrition Education

April 2011

A group of schoolchildren wait patiently in line to get their lunch. This ritual takes place in schools all over the world. But for the children in Mali, a country ranked 160 out of 169 of the poorest countries in the world, this may be their one nutritious meal for the day. With the number of chronically hungry people surpassing one billion, a sustainable approach is necessary to answer the call of those in need. USDA's McGovern-Dole Food for Education Program answers that call and works to not only feed the world's hungry, but also improve the nutrition and education of children around the world.



Clemence, a teacher from Ogondougou School, displays the peanuts grown in the school garden to be used as a condiment in the meal provided by USDA (CRS/Carmen Matty-Cervantes).

The McGovern-Dole Program supports education, child development and food security in low-income, food-deficit countries that are committed to universal education. It provides for donations of U.S. agricultural products, as well as financial and technical assistance for school feeding and maternal and child nutrition projects. Currently, USDA funds 36 active agreements with 17 cooperating sponsors in 28 countries, assisting more than five million beneficiaries. To date, the Program has provided meals to more than 22 million children.

Since 2007, Catholic Relief Services, with the help of the McGovern-Dole program, has played a large role in improving the lives of children and their families in Mali, a country with a population of more than 12.5 million. The United

MCGOVERN-DOLE FOOD FOR EDUCATION *SUCCESS STORY*

Nations recently reported that 10 percent of the total population was undernourished and that 38 percent of pre-school aged children are physically stunted. In light of Mali's situation, this McGovern-Dole project has enhanced the welfare of targeted communities through improving access to food and education for children.

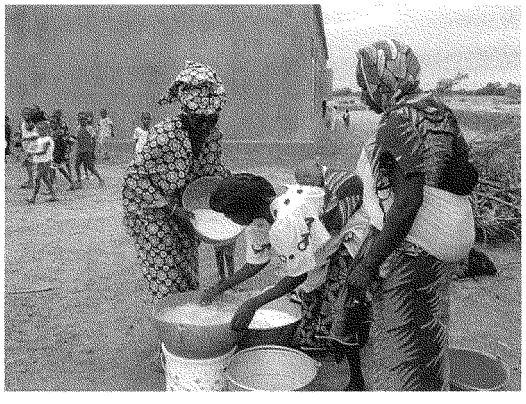


At noon each day, the students line up and eagerly wait for their turn to get their plate full of rice and split peas thanks to USDA (CRS/Carmen Matty-Cervantes).

By the end of the 2010 fiscal year, the CRS/Mali program directly impacted over 45,000 individuals in Mali. In promoting the health of students and teachers, more than 5 million meals, as well as vitamins and medications, were distributed to120 schools.

Nearly 2,000 members of school management committees supported by the program participated in literacy sessions and radio broadcasts about the importance of education. Through these efforts, overall school enrollment in targeted communities has increased from 26 percent to 32 percent for boys and from 39 percent to 55 percent for girls since 2007.

The McGovern-Dole program leverages USDA resources to support Feed the Future. The Program plays a critical role in enhancing the livelihood of Malians and remainsa bright spot in food assistance and education in communities around the world.



Three village women prepare U.S. rice for the student's lunch at Boungel School (CRS/Carmen Matty-Cervantes).

MCGOVERN-DOLE FOOD FOR EDUCATION ***SUCCESS STORY***

United States Department of Agriculture
Foreign Agricultural Service

McGovern-Dole School Feeding Program in Bolivia Improves Children's Health and Academic Performance

February 2010

In Bolivia, more than 162,000 children in 2,240 schools ate what was likely their only meal five days a week thanks to a program funded by USDA's McGovern-Dole International Food for Education and Child Nutrition (McGovern- Dole) Program.



About three-fourths of Bolivia's population survives on two dollars a day and 26 percent of the population is chronically malnourished. Development is hindered by a lack of education, especially among girls, poor agricultural practices and limited infrastructure.

To remedy this situation, USDA donated more than 17,000 tons of wheat, wheat-soy blend, vegetable oil, peas and bulgur valued at more than $4 million to Project Concern International (PCI) under a three-year McGovern-Dole Program agreement starting in fiscal year 2005. The commodities and cash provided by USDA were used by PCI to develop school feeding programs in 65 municipalities in the departments of Cochabamba, La Paz, Oruro and Potosi.

In 21 of the 65 municipalities involving 845 schools, local governments are now fully operating school feeding programs that provide nutritious meals five days a week during the school year. In 22 of the remaining 44 municipalities, children are getting a meal one to three times a week or a small snack. These municipalities need further training and support to fully sustain a school feeding program.

Municipal governments, local communities and parents have told PCI that the school feeding programs have not only benefited the nutrition and health of the participating students, but have also improved the children's school attendance, retention and academic performance. As a result, the majority of municipalities continued to implement some sort of school feeding activity using self-generated resources and foodstuffs despite the fact that the PCI program ended in the

middle of 2008. Over the course of the program, parents became more involved in designing feed rations, contributed their own resources and time, and advocated for continued food distribution and feeding programs with elected officials and municipal governments, fostering increased government support.

In recognition of the successes achieved so far and the desire by the governments and parents in these municipalities to continue school feeding activities, PCI submitted a McGovern-Dole proposal to extend the program another two years to ensure sustainability in the remaining 2,118 schools. USDA approved the proposal, which will provide additional technical support and training to municipal governments to ensure they increase funding for school feeding programs, as well as the private sector and parents to encourage more involvement and food contributions.

LOCAL AND REGIONAL PROCUREMENT PILOT ***SUCCESS STORY***

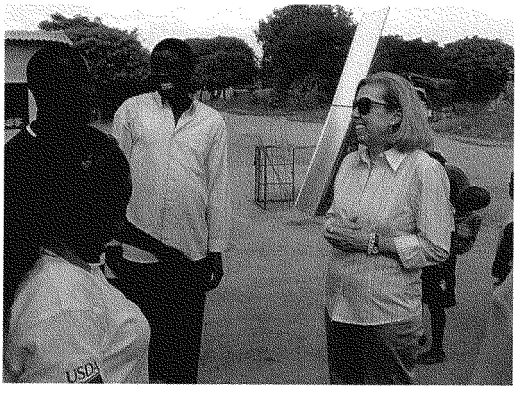
United States Department of Agriculture
Foreign Agricultural Service

Local and Regional Procurement Providing Food Aid, Ensuring Food Security in Zambia

June 2011

It was quite an active week as I represented the USDA at the 10th annual African Growth and Opportunity Act (AGOA) Forum. While in Zambia, I had the opportunity to see firsthand a USDA-funded food assistance program in action. This included a Local and Regional Procurement (LRP) Pilot Project that is providing monthly food baskets to households impacted by HIV/AIDS. LRP is designed to use local and regional purchasing to help meet urgent food needs in developing countries and in areas faced with food crises and disasters.

The Zambia Local and Regional Procurement Program (ZLRP) is a yearlong project providing nutritional food to nearly 10,000 rural households that care for orphans and vulnerable children in Zambia's Chongwe, Chibombo and Mumbwa districts. Land O'Lakes is working with World Vision to implement the project with USDA funding. The food these households receive allows them to leave their crops in the ground until they are fully ready to harvest, and thus are more nutritious. This in turn enables the families more time and energy to pursue other activities to improve their livelihoods and quality of life.



FAS Acting Administrator Suzanne Heinen joins Land O'Lakes representative She Mayo and local farmers at a market in Kafululu, Zambia.

At this market, Land O'Lakes monitors food prices to ensure commodity procurements and distributions do not have a disruptive impact on the market.

LOCAL AND REGIONAL PROCUREMENT PILOT *SUCCESS STORY*

USDA has funded a Local and Regional Procurement (LRP) Pilot Project designed to use local and regional purchasing to help improve the nutrition and quality of life of Zambian households impacted by HIV/AIDS.

My tour also took me to Kafalulu, Zambia. I went to a commodity distribution site and a hydro-powered hammer mill. I met with several individuals directly benefitting from the project. It was wonderful meeting a young widow whose children are benefitting from the improved quality of food they're receiving. Thanks to the rations, the young mother has extra time which she is using to prepare a garden.

When I visited the Zambian Agricultural Commodity Exchange (ZAMACE), where the commodities are purchased through competitive tenders, I saw a local market where Land O'Lakes is monitoring food prices to ensure that commodity procurements and distributions do not have a disruptive impact on the local market. I was charmed by the warm reception we received in the communities, and was impressed to see the level of community involvement. Because all of the food distributed is bought from local farmers, millers and processors, the ZLRP project is strengthening Zambian agribusinesses.

In all, Land O' Lakes and World Vision will distribute 3,600 metric tons of maize meal, 500 metric tons of beans and 200 metric tons of vegetable oil, all from Zambian sources. An estimated 126 metric tons of high-energy protein supplements will also be given to households with children between the ages of six and 24 months. Nearly 60,000 Zambians are expected to receive food aid through this project alone. This is just one of 22 worldwide projects funded through the USDA LRP Project.

As part of this pilot project, an independent evaluation will be conducted to examine the timeliness and efficiency of using LRP as a tool to enhance U.S. Government food assistance programs. The findings of this study will be submitted in a formal report to Congress by June 2012.

The LRP pilot projects are one of the many ways USDA initiatives around the world are feeding those in need, developing agricultural infrastructure and ensuring international food security.

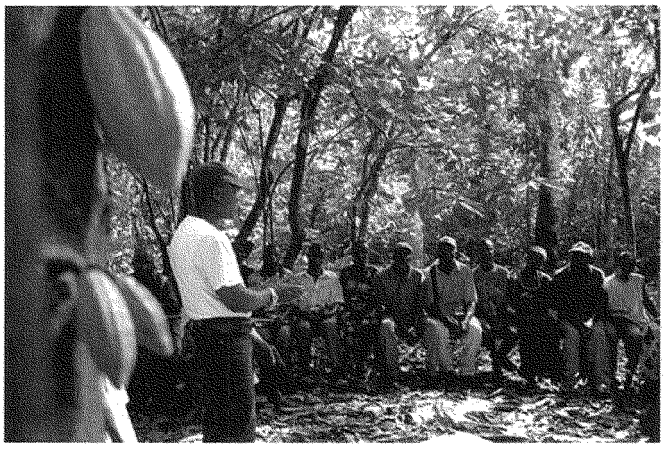
FOOD FOR PROGRESS ***SUCCESS STORY***

United States Department of Agriculture
Foreign Agricultural Service

Food for Progress Program Helps AGOA Countries Integrate into the Global Economy

June 2011

Nations like Liberia have much to gain, as high-level officials from the United States and 37 Sub-Saharan African countries gather in Lusaka, Zambia, for the June 9-10 African Growth and Opportunity Act (AGOA) Forum. Not only is Liberia eligible for AGOA trade preferences, allowing it to export a host of agricultural products to the United States duty-free, but it could receive more than $87 million in U.S. assistance in fiscal year 2011 to strengthen economic growth, which includes its agricultural sector. U.S. trade capacity building and technical assistance places Liberia in a better position than most to take advantage of AGOA trade preferences.



One program that has been used to strengthen Liberian agriculture is the USDA's Food for Progress (FFPr) Program. FFPr targets developing countries and emerging democracies that are committed to introducing and expanding free enterprise in the agricultural sector. Liberia was an excellent candidate for the program having recently overcome 14 years of civil war. In late

A farmer field school in Sanoyea Town, Bong County, Liberia. Photo Credit: ACDI/VOCA.

FOOD FOR PROGRESS *SUCCESS STORY*

2003, many Liberians returned to their communities from refugee camps only to find their farms overgrown and in disrepair from years of neglect.

Such was the case for farmers Smith Donso and Edwin Flomo. Initially, neither knew what to do, but later each learned about the Livelihood Improvement for Farming Enterprises (LIFE) program. LIFE is but one project under a global public-private partnership called the SUCCESS Alliance (Sustainable Cocoa Enterprise Solutions for Smallholders). LIFE focuses on teaching smallholder farmers modern cocoa-growing techniques to improve cultivation, production, and marketing. It also shows them how to diversify their crops so they will have a year-round income. Alliance partners include the USDA, the U.S. Agency for International Development (USAID), the World Cocoa Foundation, Mars, Inc., and local partners, with the private voluntary organization ACDI/VOCA as the implementing partner.

In fiscal year 2007, the USDA's FFPr helped fund the LIFE program. Under FFPr, the USDA donated 9,000 metric tons of rice and 1,000 metric tons of flour valued at $6.7 million (including commodity, freight, and administrative costs) to ACDI/VOCA, which sold the commodities in the Liberian market and used the proceeds to train farmers on better farming practices, nursery development, and cocoa tree rehabilitation.

In 2010, the USDA's Foreign Agricultural Service (FAS) evaluated the impact of FFPr on the LIFE program and found that FFPr had helped LIFE substantially raise cocoa farmers' incomes. Farmers who took the LIFE training learned how to price and sell their cocoa more effectively, resulting in doubled earnings compared with those who did not take the training.

The benefits of this program extend beyond the farms. When Liberian farmers earn more income from the sale of their crops, they can feed their families and their villages, and trade with neighboring countries. The positive effect, Liberia's economy will grow and the country will become more food secure. These conditions also will serve as a foundation for peace and further economic opportunity.

Thanks to these successes and the fact that agriculture accounts for 76.9 percent of Liberia's $977 million (2010 est.) GDP (official exchange rate), the USDA again allocated FFPr funds estimated at $9.7 million to ACDI/VOCA in fiscal year 2010 to help support LIFE II.

FOOD FOR PROGRESS ***SUCCESS STORY***

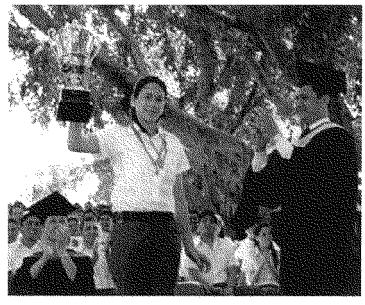
United States Department of Agriculture
Foreign Agricultural Service

Honduran Woman's Educational Goals Become a Reality with Help from USDA's Food for Progress Program

December 2010

Since she was a little girl, Alba Jeanette Collart Dinarte dreamed of going to school and obtaining a college education. Alba is from Honduras and the odds were against her. With an estimated per capita gross domestic product of $1,800, Honduras is one of the poorest countries in the Western Hemisphere, with about 65 percent of the population living in poverty.

Still, Alba was determined not to give up on her dream. She excelled in her studies and, at age 17, received the exciting news that she had been admitted to the Zamorano Pan American School of Agriculture. Although Alba's family was not financially able to pay for her studies, Alba enrolled anyway in the hope of somehow obtaining a scholarship.



Alba Jeanette Collart Dinarte hoists the Golden Cup awarded to her for best academic achievement at Zamorano. Photo Credit: Andrea Perry, Donor Communications Manager, Zamorano.

During Alba's second year of college, the scholarship she had been hoping for became a reality. In May 2005, Zamorano and USDA signed a Food for Progress (FFPr) agreement in which USDA provided more than 9,000 metric tons of wheat to the college. Zamorano sold the U.S. wheat in Honduras and used the $1.6 million in proceeds to fund scholarships in 2006 and 2007 for 143 Honduran students—more than half the Honduran student population. These individuals would have

"Zamorano gave me the attitude and perseverance to achieve practically anything I can imagine.

been unable to continue their education without the scholarship. Overall, 34 percent of the recipients were women, and Alba was one of them. The financial assistance Alba's family received from this USDA scholarship program enabled them to pay her tuition expenses.

She was able to complete her studies at Zamorano and graduated in 2007, receiving the highest honor the college bestows on its graduating students: the Golden Cup for best academic achievement. Alba had a 3.36 grade-point average and obtained a bachelor's degree in agribusiness management. In addition, during her fourth year of studies at Zamorano, Alba had the opportunity to intern at Wageningen University in the Netherlands.

Alba's high academic achievement and determination led to a graduate assistantship at Texas A&M University, where she obtained a master's degree in agricultural economics in December 2009. Alba is currently pursuing a doctorate degree at Texas A&M. She plans to return to Honduran Woman's Educational Goals Become a Reality with Help from USDA's Food for Progress Program"Zamorano gave me the attitude and perseverance to achieve practically anything I can imagine." She plans to return to Honduras when she finishes her studies and hopes to contribute to sustainable agricultural initiatives in her country.

This FFPr project will have a significant impact on Honduras over the mid- and long-term. Many of the individuals who graduate from college, thanks to this program, are dedicated, energized, and talented young professionals, who are ready to contribute to public- and private-sector rural development in Honduras.

The FFPr program is administered by USDA's Foreign Agricultural Service and is authorized by the Food for Progress Act of 1985.

Mr. KINGSTON. Thank you.

Mr. Farr.

Mr. FARR. Mr. Chairman, I would like to yield to Ms. DeLauro.

Ms. DELAURO. I want to thank my colleague Mr. Farr. Thank you for yielding time.

And my apologies to the panel. Two hearings at one time, and I serve as ranking on Labor-H, and I have the NIH there. So thank you very much, and thank you again for giving the time.

CHINESE POULTRY EQUIVALENCE

Under Secretary, I spoke a bit about this issue during the subcommittee's hearing with Dr. Hagen and FSIS. Can you tell me what role is the Foreign Agricultural Service playing in the equivalency issue related to China? Will you be discussing this at your upcoming trade mission to China? I see that your program area is mentioned multiple times in the agency's most recent report on this issue, personally something I find not only troubling, but a bit confusing, given your clear emphasis on American exports, which seems to have no role in the determination of a country's equivalency.

Is there any feeling or belief that the issue of opening our market to poultry process or slaughter in China is connected to opening the Chinese market to American beef products? What happens if we declare China equivalent, and their market is still closed to our beef? What will we give them next?

I feel like I am watching Charlie Brown where Lucy has a football and pulls it away from Charlie Brown just before he kicks it. We seem to have a constantly moving target here. So if you could address those issues: Your role in equivalency, and will you be discussing this at your trade mission, and the issue of opening up our markets to processed and slaughtered chicken from China.

Mr. SCUSE. Thank you, Congresswoman.

As far as our role for equivalency, that is clearly the roll of FSIS. We all at USDA take food safety and health and safety of our consumers with the utmost importance. So as far as the equivalency, that is FSIS' purview and not the Foreign Agricultural Service's or mine.

Ms. DELAURO. Is FSIS on the mission with you?

Mr. SCUSE. No, they are not.

Ms. DELAURO. Why is that?

Mr. SCUSE. There have been technical discussions with FSIS staff in China in the past, and we believe that Administrator Almanza will be going to China in the next few weeks.

Ms. DELAURO. To do what?

Mr. SCUSE. To review the information, as well as probably do plant inspections, and to look at where they are as far as the equivalency issue is right now.

Ms. DELAURO. Let me ask you this question. How many plants are there in China that we are dealing with here in terms of this equivalency issue?

Mr. SCUSE. I can't answer that question because, again, it is the Food Safety and Inspection Service.

Ms. DELAURO. They couldn't answer the question either.

Let me ask you then what percentage or what number of plants are going to be inspected?

Mr. SCUSE. Again, I can't answer that question because it is FSIS' purview, and I have not seen a list.

Ms. DELAURO. So that terms of this mission that you are undertaking, they are not part of it? They couldn't answer the question about how many plants as well. And we all know that the plants—that it is not just the plants that are inspected. And we have seen unbelievable results from the plants that have been inspected. Those would have shut down plants in the United States, and that is it not my view, but the witnesses' who were here.

But there is no answer to number of plants, number of plants to be inspected, and they are not on this mission in terms of—I don't know what the nature of the negotiations are going to be here or what will come forward, but FSIS, who has the responsibility for the determination, is not part of this mission with the opportunity to do what needs to get done to see whether or not we would move to equivalency or not. It is troubling, very, very troubling to me as to where we are going on this issue. What happens if we declare China equivalent, and their market is still closed to our beef?

Mr. SCUSE. Well, again, those are discussions that we will be having with the United States Trade Representative's office as well as the Chinese.

TRADE MISSION

There are many issues, trade issues, that we have right now, many American agricultural products that we would like to get into China. So this trade mission is not just about equivalency and poultry. We are taking 39 U.S. companies with us, hopefully, to open markets for those 39 companies. There are 30 companies going with us to the food show at Shanghai hopefully to do business there with the Chinese in that area. And then Ambassador Siddiqui and Department Under Secretary Vetter and I will be going to meet with the Chinese Government on other trade-related issues as well. It is not just about poultry.

Ms. DELAURO. I understand the trade, but I want to know what the level of discussion is around food safety in those trade negotiations with 30, 39 companies, and whether or not the issue of food safety is of the uppermost importance when we are dealing with our trade missions.

Thank you, Mr. Chairman.

Mr. KINGSTON. Thank you. And will you be around for another round?

Ms. DELAURO. I don't know, because I have to find out what is going on over there.

Mr. KINGSTON. If you don't need to leave, we will ask unanimous consent to give you another 3 minutes if you need to. Just figure it out and let us know.

Ms. DELAURO. I will just take another minute if I can.

Mr. KINGSTON. Are there any objections?

Mr. BISHOP. No objections.

Ms. DELAURO. Thank you, my colleagues. You are very kind to me.

Mr. BISHOP. Wouldn't dare.

Ms. DELAURO. I love you, Sanford.

Mr. SCUSE. Sitting too close.

TRADE AGREEMENTS AND FOOD SAFETY

Ms. DELAURO. Again, I am very, very interested. We have trade agreements that have already been signed into law. And I will be quite frank with you, I believe that the food safety issues are pretty far down the list when we are dealing with what is the nature of our trade agreements.

Now, you don't deal with seafood, but the fact of the matter is with TPP coming up, we are going to look at what is coming from Asia, from Malaysia, from Vietnam, from China, et cetera, where we have a record, long record, of contaminated product coming into the United States. I will just be clear about seafood. Shrimp is farmed in China. Think about what they are swimming in, and that is going to be an open door and coming to the United States.

FSIS ought to be an integral part of what we are doing when we are looking at whether or not there is going to be equivalency, which we know opens the floodgates. It is not just the plants that are inspected. It then becomes every plant, and neither agency knows how many plants there are or how many plants are going to be inspected. I think that speaks volumes as to our emphasis and our priority about the food safety in the United States, and I would hope you take that under advisement.

I am going to continue to beat this drum, Mr. Secretary, because once we change after their treaties are signed, we can't go to change them around, because it goes to the WTO for adjudication, and then we are looking as if we are protectionists. I am a protectionist as far as the public health of the people of this country and what comes into the United States.

Thank you, Mr. Chairman.

Mr. KINGSTON. Thank you.

Mr. Nunnelee. Actually it was Ms. Kaptur's turn. Ms. Kaptur, if you want to go.

Ms. KAPTUR. Thank you.

I was just interested in the foreign agricultural arena. Before I say that, let me just say that in the budget summary and annual performance, the initial pages talk about the great success of agriculture and the tremendous surplus of exports, our exports over imports, and the number of jobs now being created in rural America. Those are all really wonderful accomplishments. I wish we could say that for every department of the government. I wish the Department of Commerce could show us good trade figures for manufacturing and other sectors where those markets remain closed.

I wish we could use the power of agriculture to open up some of these markets in places like China, where a Cherokee Jeep costs $85,000 in the Chinese market and less than half that here. So one really looks at what closed markets do to jobs in this country.

FOOD FOR PROGRESS PORTS

But I wanted to ask a question relating to the shipment of Food for Progress commodities and other products that may be being moved from the United States abroad. Where the Department has

any discretion, do you attempt to ensure that all coasts, including the Saint Lawrence Seaway, are included for bids in those shipments?

Ms. HEINEN. All bids are definitely considered in those shipments.

Ms. KAPTUR. Could you provide the committee over the last, oh, 3 years the ports from which commodities left so we could see whether any actually made their way through the Saint Lawrence Seaway? That would be very interesting to look at.

[The information from USDA follows:]

Free Alongside carriers can submit offers to sail out of the Saint Lawrence Seaway, but we have not received any such offers over the last three years. Commodities for all international food aid programs, including Food for Progress (FFP), have sailed out of U.S. Gulf Coast, East Coast or West Coast ports.

U.S. ASSISTANCE IN UKRAINE AGRICULTURE

Ms. KAPTUR. The other question I had of Foreign Agricultural Service was in the nation of Ukraine in particular, is the Department involved in any way in the very difficult process of transformation from large holdings to small-holder agriculture there? Do we have any presence at all at this point?

Mr. SCUSE. That question just came at a great time. I just met with the Minister of Agriculture from the Ukraine on—what day was it? Friday morning. And we had a very long discussion, and that was—a request was, you know, could we help provide some information, because their agriculture is very fragmented like in other areas, other countries in that part of the world. So there were, you know, some questions asked, and it was a very good meeting, and we agreed to provide some assistance for them or some information for them on that.

There was a great deal of interest on biofuels, alternative energy, because that is a country that is 100 percent dependent on foreign oil. So we are looking into ways to help the Minister, but it was a very good meeting.

Ms. KAPTUR. Thank you very much, Mr. Secretary, and that emphasis is—there could be no more important emphasis, in my opinion, in that country than energy independence, and anything we can do there, you certainly have this Member's interest and support.

Also, I would just like to point out to whatever extent you can be an influence, women feed that country. Almost 70 percent or more of the production there is done by women in small villages who get no attention and—by that government. And I don't know what our country can actually do in that regard, but I think additional exchange programs, working with organizations here in Washington such as the U.S.-Ukraine Foundation, and there are other groups that are attempting to make a difference there. But I think if you could just see the role of women and small holders and help with fresh fruits and vegetables—we should send Sam Farr over there on a mission—but to help them upgrade their ability to grade and separate, to dry, to package.

They really have organic agriculture; it is just not at Western standards. But they have a gold mine there for the world, and I would just encourage you to see the women because it has been—

I have tried in Ukraine now since I was first elected to Congress, and we became able to do more in the 1990s, but just work finding ways to link to the women producers is a real stretch. So I would urge your consideration there, and anything we can do to help, please let us know. Thank you.

Mr. SCUSE. The Minister did ask if there would be interest in signing a cooperative agreement between the two Departments of Agriculture. So we asked the Minister to send us something to take a look at. But again, it was a very good meeting, and I enjoyed the Minister's company. It was very good.

Ms. KAPTUR. Thank you.

Mr. KINGSTON. Mr. Nunnelee.

SAFETY NET FOR FARMERS

Mr. NUNNELEE. Thank you, Mr. Chairman.

Mr. Nelson, you talked about how if we would eliminate direct payments, we could save about $31 billion over 10 years. With all the problems that direct payments may cause, they do give some assurance to lenders. And so I guess my first question would be if the authorizing committee does make the decision to eliminate direct payments, do you have any thoughts as to what is the preferred method of risk management and giving lenders assurance?

Mr. NELSON. Congressman, crop insurance is part of it, and the partnership that the Under Secretary and my colleague Mr. Murphy had talked about between our two agencies with that program, and common acreage reporting, is a way to achieve some efficiency there.

But as part of the President's 2013 budget proposal, in addition to proposing the elimination of the direct payments, it also proposes the extension of the five disaster programs that were included in the 2008 Farm Bill, the authorization for which expired last September 30th. And so those programs extended protection for the first time to the livestock industry on a permanent basis through the Livestock Forage Program, and the Livestock Indemnity Program, and the Livestock Incentive Program, as well as the Tree Assistance Program for our orchard folks, and then the SURE Program.

So again, we believe the safety net is crop insurance and the extension of those programs or similar programs of a similar cost that we would look forward to working with you and the authorizing committee on.

Mr. NUNNELEE. And I hear from agriculture lenders about restrictions that have been placed on them by their regulators and their inability to make loans that they feel are good and reasonable loans. I hear from farmers and ranchers about their inability to access credit through the commercial market. And so I have to ask if we do eliminate direct payments, do you foresee FSA coming to this committee to ask for additional money for loan programs?

Mr. SCUSE. You know, it is really hard to answer that question because we don't know what the future is going to bring for agriculture. I think we all have seen the last 25 or 30 years where there has been a tremendous downturn in pricing, which then increases the need for financing for our producers. And again, because of the current cost of production, if we saw a substantial de-

crease in pricing today, it would put not all of—not all, but many of our producers in need of credit that they may not be able to obtain from a traditional lending institution. So that question is very difficult to answer.

But again, we want a program, a farm bill that is going to be safe and provide farmers and ranchers with a good safety net.

Mr. NUNNELEE. As difficult as it is for you to answer, it is difficult for us as we grapple with those tough decisions. We have got to deal with serious budget problems in this Nation, but we also have got to make sure that we have a sustainable food supply.

Mr. SCUSE. And that is the issue. We have to make certain that we have a sustainable food supply. We have the safest and most abundant, cost-effective food supply to be found anywhere in the world, and we want to make sure that we continue that. We have the best farmers and ranchers to be found anywhere in the world.

But again, we are at a point now in our budget and with our deficit where we have got to be able to defend the decisions that are made to our taxpayers. So when you look at the savings from direct payments and, you know, currently the questions are why are we paying farmers these direct payments when we have commodity prices at such a high level? So, again, it is very difficult to go out and defend some of these programs to the taxpayers, but we understand your concern about if we eliminate that, what is the next step?

Mr. NUNNELEE. The answer may be outside of your jurisdiction. It may be to let the commercial lenders make the loans they would like to make in the first place.

Mr. KINGSTON. Mr. Bishop.

SOCIALLY DISADVANTAGED FARMERS

Mr. BISHOP. Thank you very much.

Let me shift. A portion of the risk and guaranteed farm operating and ownership loan funds is targeted to socially disadvantaged borrowers based on county-level demographic data. Although targets vary by the loan program and the county, on average about 14 percent of the loan funds are targeted to socially disadvantaged borrowers. And a key performance measure for the farm credit programs is the percentage of beginning farmers, racial and ethnic minority farmers and women farmers that are financed by FSA.

Can you tell us what the percentage of loan funds and the dollar amount that were actually targeted and received by socially and disadvantaged farmers last year? If you have it available, can you also provide specific data for the States of Georgia, California, Connecticut, Wyoming, Washington, and Mississippi? And if you don't have it be available, if you could submit it for the record, I would appreciate that.

Mr. NELSON. Congressman, we would be happy to submit that State-Specific data for the record.

[The information follows:]

Of the total 2011 direct lending of $1.6 billion, $286 million or 17.54% was obligated for socially disadvantaged farmers and ranchers; of the total guaranteed lending of $3.1 billion, $279 million, or 8.8% was obligated for socially disadvantaged farmers and ranchers. Data for select states is shown in the table below.

FARM LOAN PROGRAMS
SOCIALLY DISADVANTAGED (SDA) OBLIGATIONS REPORT
FY 2011 AS OF SEPTEMBER 30, 2011

STATE	Total Direct SDA Loans No.	Total Direct SDA Loans $ amount	SDA Loans as percent of total Direct Loans	SDA Loans as percent of total Direct $ Dollars	Total Guaranteed SDA Loans No.	Total Guaranteed SDA Loans $ amount	SDA Loans as percent of total Guaranteed Loans	SDA Loans as percent of total Guaranteed $ Dollars
California	249	$12,200,000	54.01%	39.04%	99	$41,265,000	47.30%	46.90%
Connecticut	8	625,000	42.11%	57.60%	6	2,031,000	30.00%	46.40%
Georgia	141	12,672,000	29.56%	25.58%	1	1,100,000	1.00%	1.00%
Mississippi	107	3,863,000	32.82%	26.83%	7	2,873,000	8.90%	8.40%
Washington	135	10,793,000	40.79%	35.30%	18	6,106,000	9.30%	11.10%
Wyoming	15	745,000	17.05%	8.51%	4	502,000	5.50%	2.25%
All other states	4,426	245,034,000	20.80%	15.00%	685	225,609,000	6.50%	7.10%
TOTAL SDA	5,081	285,932,000	23.88%	17.54%	820	279,486,000	7.80%	8.80%
TOTAL Farm Loans	21,278	1,630,117,000			10,491	3,141,943,000		

SDA obligations as percentage of all loan obligations is 11.85%.

Mr. NELSON. For the program as a whole, as you indicated, our target for the socially disadvantaged producers is 14 percent. And in fiscal year 2011, we actually made 18 percent of our loans to SDA producers.

And on beginning farmers, about 63 percent, or $1 billion-plus, of our direct loans were made to beginning farmers in 2011, and about $735 million of guaranteed funds were made to beginning farmers in 2011.

IMPACT OF PROGRAM REDUCTIONS

Mr. BISHOP. Thank you.

As you know, FSA supports delivery of farm credit, disaster assistance, commodity programs as well as the conservation programs. In a sense, FSA has really become a lifeline for small farmers in so many ways, particularly in terms of operating conservation, ownership loans. Last year all of us wanted to know what would be the impact of the program reductions which were imposed on the Department for fiscal year 2011 and fiscal year 2012. Now that we are here a year later, can you tell us exactly what the impact has been of those actions that were taken by Congress last year on your current activity?

Mr. NELSON. Well, we have done everything we can within the budget constraints to continue to try to deliver good service to the producers out there, because that is a priority regardless of what our budget is. We did take steps to work with USDA to develop a 2-year budget plan not only to stay within our 2012 budget, but to be sustainable into 2013. Included in that was continued investment in the MIDAS Project because it is absolutely critical with fewer employees out there that we provide our employees with 21st century computer tools and provide our producers with better direct access to programs through the Internet.

In addition to that, we cut back our overhead expenses over 30 percent, we reduced the number of temporary employees substantially, and reduced our personnel ceilings 12.5 percent. And as you know, we proposed the closure of 131 offices not as a first step, but as a last step. We only did that after we had taken all the other steps, and because we are simply having trouble staffing all of our offices now with the reduced staffing levels.

So what we are trying to do is get our employees and offices that have more staff and then, through MIDAS and other IT upgrades, give them the tools they need so that they can be a lot more efficient in serving our customers, our farmers and ranchers.

IMPACT OF PROGRAM ELIMINATIONS

Mr. BISHOP. The FSA county officers and their employees administer the direct payment program as well as the other functions. Most of them managing the direct program and related activity is their primary function. Should Congress agree with the administration's proposal to eliminate the direct payments, how do you see the role of the FSA personnel changing or being modified? And if those programs are eliminated, it would substantially reduce their workload, wouldn't it? With respect to MIDAS, it would also have some new infrastructure that this year we will complete the $304,700,000 package, but it will eliminate a lot of the stuff that

was funded to facilitate the distribution of funds under those direct payment programs, wouldn't it?

Mr. KINGSTON. Let me yield the gentleman a minute of my time.

Mr. SCUSE. Thank you.

Just because we eliminate one program, the direct payment program, that doesn't necessarily mean that we are going to have a decrease in the workload for the county office structure. And we do not know what is going to be in the next farm bill. We don't know at this point in time.

Mr. BISHOP. But that is what you are proposing.

Mr. SCUSE. Yes, but we don't know what else will be in the farm bill. So it is hard to say what the workload in these offices will, in fact, be when we don't know what it is going to take to implement the next farm bill.

Again, as Bruce pointed out, we have substantially reduced our workforce. So it is not like that we have the same number of individuals that we had even last year or the year before. So we are doing things, we are doing more work, we are doing it with fewer people. But just the elimination of one program, I don't know that that will have a major impact on our county office staff until we actually see what the next farm bill——

Mr. BISHOP. Are you talking about more than one program; we were not talking about several programs being proposed by the administration to be——

Mr. SCUSE. No. The President has asked for the five disaster programs that ceased September 30th, for those programs to be included, or similar programs, in the next farm bill. Okay?

Mr. BISHOP. Thank you, Mr. Chairman.

EXPORT INCREASES AND DECREASES

Mr. KINGSTON. Thank you.

Mr. Secretary, in your testimony you said that we had $137 billion in ag exports for 2011, which produced a positive balance of trade, about $43 billion, but that is projected to drop to $25 billion this year. What is the reason for that drop?

Mr. SCUSE. Well, there is a number of factors, because of weather-related issues in other parts of the world, increased production in some parts of the world. We may lose market share. I use China as an example. China was a major buyer for soy beans this past year. We were the main supplier. Will that continue? You know, there is some uncertainty there. Some commodities, we have seen a decrease in the price of those commodities in the last year as well.

So when you look at competition as well as pricing, that attributes for the bulk of the reduction. If we make this projection, which I am confident we will, that will still be our second largest year for trade that we have ever had. So trade is extremely important to our economy, not just the farm economy, but what it does for jobs, because for every billion dollars in trade, that supports approximately 8,400 jobs. So it is not only important to the ag sector, but for what it does to job creation.

Mr. KINGSTON. What will that do to food prices when the positive balance drops that much domestically?

Mr. SCUSE. You mean our trade balance?

Mr. KINGSTON. No. Will it affect the price of food here domestically on any level?

Mr. SCUSE. Well, it depends what the drop is. We are seeing some commodities—I will use milk as an example. We are seeing milk come down from an all-time high of around $22 a hundred. Milk has now decreased to about $18.50. We are seeing some decrease in the soybean prices and corn prices compared to last year, decrease in cotton price this year versus last year. So we are seeing some of these commodities come down. I think pork, the pork price has also come down, although beef price remains high at this time. So, you know, we could see some reduction if we have a continuation of decline in our commodity prices.

Mr. KINGSTON. One hundred thirty-seven billion. Do you have a chart? Is that unusually high, or how does that look in the last 10 years?

Mr. SCUSE. The $137 billion, it surpassed our record, our last previous record, by $20 billion.

Mr. KINGSTON. And when was that?

Mr. SCUSE. 2010.

Mr. KINGSTON. And, say, what was it in 2005?

Mr. SCUSE. I would have to get that information to you.

Mr. KINGSTON. If you could get those numbers for us, I think it would be interesting.

Mr. SCUSE. I think we actually have a chart that will show you what the trade has been for the last few years.

[The information follows:]

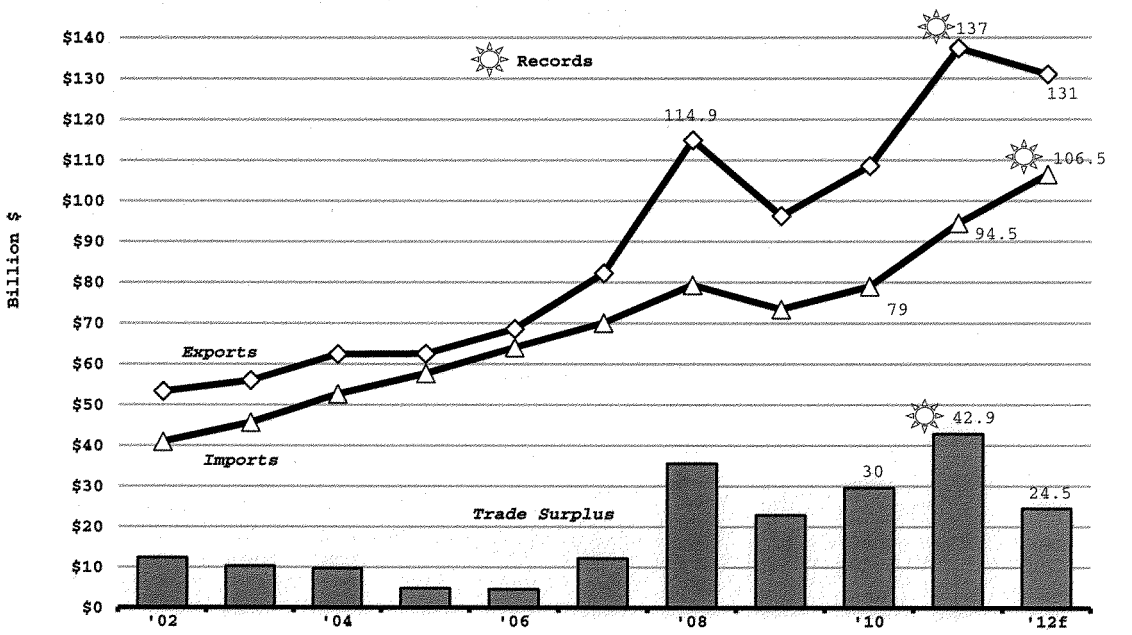
In FY 2005, U.S. agricultural exports totaled $62.5 million. Data on exports, imports, and surpluses for actual FY 2002 through FY 2011 and the FY 2012 forecast (f) are submitted for the record.

U.S. Agricultural Trade

(FY 2002 - FY 2011 plus FY 2012 Forecast)

U.S. AGRICULTURAL TRADE EXPORTS, IMPORTS, & SURPLUS (Billion $)											
	FY02	**FY03**	**FY04**	**FY05**	**FY06**	**FY07**	**FY08**	**FY09**	**FY10**	**FY11**	**FY12f**
EXPORTS	$53.3	$56.0	$62.4	$62.5	$68.6	$82.2	$114.9	$96.3	$108.6	$137.4	$131.0
IMPORTS	41.0	45.7	52.7	57.7	64.0	70.1	79.3	73.4	79.0	94.5	106.5
SURPLUS	12.3	10.3	9.7	4.8	4.6	12.2	35.6	22.9	29.6	42.9	24.5

U.S. Agricultural Trade



TRADE BARRIERS

Mr. KINGSTON. Also, when the Secretary was here, he testified that the number of sanitary and phytosanitary barriers to trade had increased 131 percent, from 650 to over 1,500 last year. You were involved with 350 of them and resolved 115 of them. Are you seeing this as a trend—that is, just as we have more of these trade agreements, people are going to claim phytosanitary issues in order to—for protectionist issues? What are you seeing?

Mr. SCUSE. I don't know that they are directly related to trade agreements. We do know that unfortunately in some cases these countries are making decisions that are not based on sound science, and that is one of the reasons we were able to find a positive resolution for some of these. But I think fear. I think there is some concern about safety of products entering different countries, and unfortunately some of it may be protectionist. But again, we asked for the decisions to be based on sound science.

Mr. KINGSTON. Is the USTR helping and being supportive on this?

Mr. SCUSE. Most definitely, Mr. Chairman. I think that right now USTR and USDA are working more closely together than they ever have in the past. Between myself and my deputy, Deputy Under Secretary Darci Vetter, we are working very closely with Ambassador Siddiqui at USTR as well as other members at USTR to help break down—not only break down some of these barriers, but help us facilitate, get more products into other countries that we don't currently have.

Mr. KINGSTON. Thank you.

Mr. Farr.

MONETIZATION OF COMMODITIES

Mr. FARR. Thank you, Mr. Chairman.

I am concerned with the monetization of U.S. food aid commodities. As you probably know, the private voluntary organizations is running the development projects under Title II, the Food for Peace Program, often sell U.S. food commodities in local markets. They use the proceeds to finance activities in the project other than direct feeding. As I understand the recent GAO report found this to be relatively inefficient means of providing resources to such activities, especially since the USDA has no standards as to how much the private voluntary organizations should sell their commodities for in local markets. I am wondering if you are looking at any reforms in this area, such as setting standards as to how much revenue should be directly generated from the monetization transactions under the approved Food for Progress Program.

Ms. HEINEN. Thank you, Congressman Farr. We are, of course, looking at Food for Progress and we do monetization that's the—which the program has given to us. We think there were some considerations in some of the transactions.

Mr. FARR. Was the program set up to sell the food or was the program set up to——

Ms. HEINEN. The program is set up that we use commodities, donate commodities and then those commodities can be sold, monetized, and the proceeds used to do agricultural development in

some of these countries. So we are trying to strengthen the agricultural infrastructure in some of these countries or in other cases help small producers become more self-sufficient in some of these markets. So we are using that mechanism. Those are the funds we have as our commodities.

Mr. FARR. Were we getting low balled on what they sell it for, what they are selling it for?

Ms. HEINEN. No, we do try to make sure we get the best possible price.

Mr. FARR. Have we set any standards for that as to who they sell to and what reforms are needed in this area?

Ms. HEINEN. We do analysis in the market of what the pricing is. There was some differences in how we do ours and how AID does theirs. We require a contract before the commodity leaves. So that has led to some possible reductions in prices and so we are looking at all of those.

Mr. FARR. But the GAO report says USDA had no standards.

Ms. HEINEN. We do have standards. We look to see what the usual marketing requirements are in that country to make sure that we are not flooding the market or unduly disrupting the markets. We look at prices in those markets. But, of course all these programs can always be strengthened and we are looking at ways to do a better job.

Mr. FARR. When do you announce your better ways to do a better job?

Ms. HEINEN. It is a continual process, but some of the programs, the things that I talked about with McGovern-Dole we are looking for in the request, the proposals. We look for types of indicators they will use, we look at the types of sales procedures they will use. We look at the programs that the country—the implementers will use. Every aspect of the program.

Mr. FARR. Of the things you are looking at and you are recommending some changes, when will we see those?

Ms. HEINEN. We can provide you a list of the things we look at when we review the proposals.

Mr. FARR. Do you respond to the GAO report on the lack of standards?

Ms. HEINEN. We did respond to the GAO report and we can give you our response as well.

[The information follows:]

USDA continues to use several steps in its oversight process to monitor the cost efficiency of monetization under the Food for Progress program. Implementing organizations are required to monetize commodities at price levels consistent with reasonable, local market prices. At the beginning of the food aid process, USDA compares the expected price in the grant proposal with the local market price and updates the analysis before executing the grant agreement with the implementing organization. USDA requires organizations to conduct public invitations for bids, which provides the best competition. Barring collusion or other market-distorting practices, public invitations should produce prices that are consistent with those of the local market.

In response to the GAO report on monetization and to enhance the monitoring of monetization transactions, USDA adjusted FY 2011 grant agreements to require grantees to consult with USDA and seek approval prior to completing sales contracts. The process allowed USDA and the grantee to identify low cost-recovery rates and make any operational adjustments to try to improve the cost-recovery rate. The added requirements in the grant agreements allow USDA to approve grantees' sales advertisements, offers from buyers, and the selection of offers.

Forecasting cost-recovery rates is challenging because of the unpredictability of transportation costs that are affected by fuel and labor costs and the availability of ships and space for commodities. USDA has worked with implementing organizations to conduct multiple invitations for freight when rates are higher than expected. USDA and USAID have also combined some freight buys to achieve volume discounts. Using these strategies, where appropriate, may increase cost efficiency in monetization.

USDA and USAID are exploring options for setting benchmarks or indicators for the sales of U.S. food aid and are discussing the nature and coordination of market assessments. USDA will communicate regularly with USAID to review market assessments from U.S. Government and independent sources and reach out to its attachés and country teams to obtain needed market information. These efforts will include marketing analyses by USDA and USAID; estimating supply and demand and the need for food aid; and evaluating price and market impacts after the monetization is complete.

USDA provided the following response to GAO when the report was released in June 2011.

USDA Response to GAO Report 11-636, "*Funding Development Through the Purchase, Shipment, and Sale of Commodities is Inefficient and Can Cause Adverse Market Impacts.*"



JUN 1 0 2011

United States Department of Agriculture

Farm and Foreign Agricultural Services

1400 Independence Ave, SW
Stop 1034
Washington, DC
20250-1034

Mr. Thomas Melito
Director, International Affairs and Trade Team
United States Government Accountability Office
441G Street, N.W.
Washington, D.C. 20548

Dear Mr. Melito:

The U.S. Department of Agriculture (USDA) appreciates this opportunity to respond to the Government Accountability Office (GAO) draft report "Funding Development through the Purchase, Shipment, and Sale of Commodities is Inefficient and Can Cause Adverse Market Impacts" (GAO-11-636). The report provides valuable insights regarding the monetization of U.S. commodities for development projects in the Food for Progress and Food for Peace programs. Many of the recommendations are consistent with our understanding of monetization and will be useful in ongoing efforts to generate cash development resources and improve program management.

General Comments

This GAO report and recommendations will help USDA improve overall program management. The Department will be able to manage, monitor, and evaluate the monetization process better, particularly by focusing resources on achieving higher prices for the monetized commodities, and by better coordinating our resources with those of the U.S. Agency for International Development (USAID).

In the report, GAO uses the spread between the final monetization sales price and USDA's total costs as a means to measure efficiency. This definition of efficiency is clearly intuitive and easily calculated to provide useful information for program administrators.

However, there are additional benefits not captured by this definition of efficiency. In addition to the economic benefits of development projects funded by monetization, these sales can encourage commercial markets for agricultural products and enhance the sophistication of participants in the market. This is an especially important outcome in countries that receive funding from the Food for Progress program. In fact, many countries in the Former Soviet Union and Africa received this market-building benefit as they were taking steps toward private enterprise.

Participants in USDA monetizations also often benefit from the sales process itself. Unlike cash grants and food aid distributions, monetizations are market-mediated, encourage the development of private sector institutions, and can stimulate the emergence of a competitive domestic food distribution channel. USDA is aware of many instances where the monetization of a U.S. product helped developing country traders enter into new markets and use more sophisticated trading instruments such as letters of credit, credit insurance, and other risk management tools.

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Two examples provide insight into the benefits of monetization. In Kenya, a U.S.-based private voluntary organization monetized wheat in 2005 that provided funds for an agricultural development project. Follow-on commercial sales of wheat were recorded in both 2010 and 2011. Millers in Kenya reported that they became familiar with the quality of imported wheat through food aid monetizations and grew to understand its superior milling characteristics. A second example is from Afghanistan, where soybean oil was provided through a 2006 government-to-government agreement. Afghan buyers of U.S. soybean oil participated in an open auction managed by a professional monetization agency. These auctions exposed Afghan traders to a competitive bidding process, in which that they had no previous experience. This ancillary benefit, while certainly difficult to calculate, was not captured in the GAO report.

Costs of Monetization

The Department has been actively exploring ways to reduce the cost of food aid shipments, including those designated for monetization. One example is a food aid agreement with the Government of the Philippines (GOP) that required the GOP to pay for the cost of ocean transportation. Through this, the Food for Progress program realized approximately $1.3 million in freight savings. USDA also reviews commodity selections and specifications to make sure that commodities fit the market and mesh with the traditional standards in the market. During the procurement process, USDA looks for shipments that can be combined so that volume discounts can be obtained. USDA's implementing organizations regularly re-tender for ocean freight when the offers are considered to be high or when ship availability is an issue.

Joint Development of an Agreed upon Benchmark to Determine a Reasonable Market Price

As recommended in the report, USDA will work with USAID to develop improved benchmarks for reasonable local market prices. Setting ranges for reasonable local market prices is challenging given the lack of market information in many recipient countries. Under current practices, implementing organizations regularly survey the local market and establish price ranges. The use of public tenders and establishment of floor prices provide safeguards which limit disruptions to local production and markets.

In this report, GAO uses the Import Parity Price (IPP) to identify the extent to which a monetization transaction is a normal commercial transaction in a market setting. The use of IPP is relevant when comparing like products to each other; for example, comparing locally produced rice in Nigeria to rice imported from Liberia, on similar terms of delivery, quantity, and quality.

However, this methodology has limitations when comparing a product shipped from the United States to one locally produced or imported from a nearby market. The quality of the product from the United States will usually be higher and would command a premium

price in a developed market. Obtaining that price premium in less developed markets is difficult.

In its grant agreements, USDA requires sales contracts and financing arrangements to be in place before a commodity can be purchased in the United States. These requirements reduce credit and contractual risks. While this benefits implementing organizations, it is accomplished by having the buyer absorb additional price risk during the time between the execution of the sales contract and financing, and the actual delivery of the commodity. Buyers often offer reduced prices to compensate for this greater price risk.

Monitor Food Aid Sales Transactions to Ensure that the Reasonable Market Price is Achieved

Regarding the monitoring of food aid sales transactions, USDA will work with its network of attachés and enhance its reporting system to improve the monitoring of market prices. Since January 2010, USDA has hired four new staff members in order to devote more resources to reviewing project reports and conducting site visits. USDA has also tripled the number of site visits to monetization projects since 2009, and has established a target of assessing each project in the field at least once every two years. USDA also has developed a field monitoring guide for staff in order to standardize the results of monitoring trips. USDA will work to establish a systematic process for choosing which projects to visit, and will finalize its monitoring guidance.

As noted by GAO, USDA will complete its Food Aid Information System (FAIS) by the end of this fiscal year. This system will enable USDA to manage its food assistance programs and coordinate interactions with food assistance program participants. Future program participants will be required to submit all required reports through FAIS. FAIS will allow USDA track reported results against the requirements in the grant agreements. With FAIS and additional staff, USDA will be able to monitor program implementation and engage more quickly with implementing organizations.

Improve Market Assessments and Coordinate to Develop Them in Countries Where Both USDA and USAID May Monetize

USDA will work with USAID to ensure that coordinated monetization objectives are achieved. USDA is impressed by the quality and overall depth of analysis provided by the Bellmon Estimation for Title II (BEST) project, funded by USAID. We will continue to encourage USDA program participants to review the BEST studies where applicable. Further, USDA will conduct an ad-hoc analysis of its own to identify opportunities to improve cost recovery. We will focus additional resources for monitoring and evaluation on coordination with USAID on monetization.

Conduct Market Impact Evaluations after Monetization Transactions Have Taken Place

USDA and USAID will explore options for market impact evaluations. Currently, USDA requires all participants to describe in detail the outcomes of their monetization transactions in twice-a-year mandatory reporting. Further, USDA revised its regulations in 2008 to require mid-term and final evaluations of its programs. USDA will consider adding market impact requirements to its policy guidance for these evaluations. Currently USDA is administering a pilot project on Local and Regional Procurement, which requires extensive tracking of market impacts. Lessons learned from that pilot and the upcoming third-party evaluation will be incorporated into the Food for Progress program where appropriate.

USDA again thanks GAO for its review of monetization and appreciates many of its finding and recommendations. All GAO comments and recommendations will be taken into account as USDA works to finalize all needed policies and procedures.

Sincerely,

Michael T. Scuse
Acting Under Secretary
Farm and Foreign Agricultural Services

Mr. FARR. That would be most helpful.

CROP INSURANCE AND CONSERVATION

Let me switch for a moment. What we are hearing from the Farm Bill, it looks like Congress will probably be moving away from direct payments and towards more reliance on crop insurance. As I understand, we used to have a policy where farmers would be required to implement soil conservation measures or risk being dropped from the crop insurance, but the 1996 Farm Bill removed that.

I believe in your testimony, Mr. Murphy, you noted that the crop insurance has become a fact of life for many farmers. I want to know if there has been any discussion recently about whether this soil conservation requirement should be reinstated? What is your feeling on that? In light of earlier discussion we had about loss of soil and soil conservation, are we going to make that a requirement?

Mr. SCUSE. We believe that conservation is extremely important for our farmers and ranchers to practice. And in most cases our farmers and ranchers across the country are in fact practicing good conservation practices. If you look at the amount of land that is in CRP and some of the other practices that we have available for protection, I think our farmers and ranchers are doing a pretty good job. But again we do support good strong conservation practices.

Mr. FARR. Wouldn't it be smart to move that in, since you control the insurance program, to really make best management practices a way, an incentive for getting cheaper insurance? We have fire insurance at our house and other kinds of insurance that we have to buy. There is always incentives to get fire alarms or in a lot of the rural areas just to get Fire Department fire insurance. Can't we incorporate best management practices that we are advocating on one hand with implementation of the farm insurance program particularly as we are going to move away from a lot of direct subsidies that we have been giving the commodities programs to ensure that you get smart?

Mr. SCUSE. Well, you know, that is a very good discussion for, you know, for the Farm Bill and going forwards.

Mr. FARR. Are you going to be an advocate of that?

Mr. SCUSE. Again, it is a good discussion between the administration and the committees on just what direction we do need to go in the next Farm Bill.

USDA ROLE IN FARM BILL PROPOSALS

Mr. FARR. Mr. Chairman, we have had many panels here. It just seems to me that USDA is almost not going to be taking a position on the Farm Bill. The responses have been incredibly weak about what their role is going to be.

Mr. SCUSE. We made a commitment to provide assistance to both committees. Last fall when the committees were working we provided the assistance when requested by the committees. We are providing assistance going forward to the committees currently. Again, if you look at Brazil cotton, we are working with the committees to provide assistance to them.

Mr. FARR. Why are you a resource, why aren't you an advocate for this? I can't imagine the Justice Department or the Energy Department or the Transportation Department not being an advocate on those bills, essentially giving your version of what it should be?

Mr. SCUSE. I think, you know, when we are provided with an opportunity to comment on a direction that the House and Senate is wanting to go in the next Farm Bill, we provide our comments to them at that time, what we believe will and will not work and the difficulties in implementing some of these programs.

Mr. FARR. My time is up, but I am not finished.

Mr. KINGSTON. Mr. Bishop.

OUTREACH TO NEW FARMERS

Mr. BISHOP. Thank you very much. Let me move back to the new farmers and the Office of Advocacy and Outreach. The Secretary recently announced a proposal to create some 100,000 new farmers over the next few years. And I would think that that would probably be broad support for that in Congress, particularly given the fact that our current farmer base is aging. According to the census data, the average farmer rose from 52 in 1987 to pretty close to 60 now. But I am concerned that in order to reach this lofty goal of 100,000 we are going to have to do more outreach than is currently being done. And to reach out to some demographics that we haven't really effectively open—the Department hadn't really opened its arms particularly to FSA.

So for young women, young Hispanics, young Native Americans and young returning military veterans, as well as rural African Americans who might possibly be interested in a farming career, what special efforts does the Department plan to implement to attract and to keep these individuals interested in farming? And are the current resources that have been dedicated to the Office of Advocacy and Outreach—I think it is $19 million in grant funding—is that adequate?

Last Friday I was invited to participate in a massive fund-raising effort that has now become an annual event in Georgia with the Future Farmers of America because States all across the country don't have the money to fund the Future Farmers of America program with the youngsters in high schools and the 4-H programs. Is that a part of the outreach effort for the young farmers programs, the new farmers, is that going to be included in the 100,000 outreach effort? What is the Department proposing to do to get this 100,000 new farmers?

Mr. NELSON. Congressman, we have been working in FSA on programs in FSA related to this series. As a matter of fact I am headed back to a meeting on it this afternoon and we are working with the Office of Advocacy and Outreach very closely on this. And frankly we could use some help in this area, particularly in urban agriculture. That is not a traditional area that FSA has served. And while our programs are agricultural and not rural or urban, that doesn't necessarily mean we have all the expertise in reaching out to urban agriculture and so we could use some help there. And you all are in a pretty good position to advise us on that and help us on that.

Let me talk about some programs in particular. As you know, we target 75 percent of our direct farm ownership loans to beginning farmers. We target 50 percent of our direct operating loans and 40 percent of all guaranteed loans. And I believe in a previous response I gave you some of the figures on how successful that has been. The limit is simply the amount of dollars that we are able to lend.

I do want to make one point about the Farm Loan Program here that I haven't been able to make, and that is the taxpayers get an extraordinary good value out of that program, because for $100 million of budget authority we are able to do $4.8 billion of lending to producers around the country, and that is because our delinquency rates are low, our loss rates are low. We achieve that kind of 48 to 1 leverage. But we also have changed our experience requirements under the farm loan programs so that we can take a much broader range of experience into consideration in determining whether a person should get a loan or not, because we recognize there are more backgrounds than we have traditionally looked at that would qualify people to be in agriculture. We are looking at the Farm Storage Facility Loan Program as potentially beneficial in these areas, because a lot of these new producers are involved with production of perishable or semi-perishable commodities, and it is expensive to have the kind of equipment that you need to handle those commodities and this program can help.

Mr. BISHOP. Let me give you an example. I have a dentist friend who has been a dentist for 30 years and he is not happy practicing dentistry any more. He is just tired of the red tape connected with the reimbursements, and so he has been farming on the side as a hobby. He has got about 75 acres and is enjoying it. And he is interested in stopping his practice of dentistry and farming full time. And he wants to know well, what is there for me that—what kind of assistance can I get from USDA? I would be a new farmer, this would be a new venture for me, but I have been doing it and having fun for the last 10 years. I think I would like to do that full time and not worry about coming to town to the office every morning.

Mr. NELSON. Congressman, I don't know whether the dentist would be able to meet the test for credit on the Farm Loan Program or not, because as you know the folks to be eligible for that program have to be turned down for commercial credit. But some of the other things that I had mentioned like farm storage facility——

Mr. BISHOP. They would have to be turned down for commercial credit?

Mr. NELSON. Yeah.

Mr. BISHOP. He tells me that he was for expanding his dental office.

Mr. NELSON. I am not quite sure that is a test for credit that we are looking for, Congressman.

But the Under Secretary mentioned something earlier about extension. We have had meetings with extension very recently where we are going to in FSA, together with our sister agencies, NRCS, Risk Management Agency and Rural Development, going to start working more closely with the 1890s institutions out there in your

part of the country, with the 1994 land grants out in my part of the country, and we have more land grant institutions in my home State of Montana than anyplace in the country. So we look forward to working with you on that, Congressman.

Mr. BISHOP. Thank you, thank you.

WORLD CONTRIBUTIONS OF INTERNATIONAL FOOD AID

Mr. KINGSTON. Ms. Heinen, I just wanted to ask a few questions about the Food Aid Program, and I have seen the statistics, you may know it offhand, but how much of the world food aid comes from America? And I believe second is maybe EU collectively, then Japan and then Australia, I am not certain, but do you have that breakdown? And if you don't, if you could just provide it?

Ms. HEINEN. I apologize, I don't have that right now.

[The information follows:]

In fiscal year 2011, the United States provided $2.1 billion of food assistance to 82 countries which funded nearly 2 million tons of food to help feed more than 53 million people. The $2.1 billion covers the commodity, freight, and administrative costs of the program.

USDA does not have complete information on other countries' food aid donations. The World Food Programme (WFP) publishes information on donations received. The United States was the largest single country donor to WFP, providing four times more than the next largest donor, Canada. The following table shows the countries' contributions to the WFP, the share of the contributions, and rankings in calendar year 2011.

Rank	Country	Contribution ($)	Percentage (%)
1	United States	1,240,594,079	34%
2	Canada	298,630,489	8%
3	Japan	281,862,580	8%
4	European Commission	258,586,793	7%
5	Germany	194,673,290	5%
6	United Kingdom	143,876,892	4%
7	Australia	141,715,282	4%
8	UN CERF*	126,152,447	3%
9	Sweden	97,492,347	3%
10	Private Donors	86,099,627	2%
	Rest of World	809,465,526	22%
	Total Contributions to WFP	$3,679,149,352	100%

*United Nations' Central Emergency Response Fund

Mr. KINGSTON. It is okay, it is pretty impressive—50, 51, 52 percent and the second place is in the 20s and it is appalling some of the countries who are oil rich who don't participate in it.

Do you have a list of the countries that get P.L. 480 and the countries that get McGovern-Dole?

Ms. HEINEN. Yes, we do. We can provide that.

[The information follows:]

U.S. Agency for International Development
Food for Peace, Title II
Fiscal Year 2011 Countries

Afghanistan	Madagascar
Algeria	Malawi
Bangladesh	Mali
Burkina Faso	Mauritania
Burundi	Mozambique
Cameroon	Nepal
Central African Republic	Niger
Chad	Pakistan
Colombia	Philippines
Congo (DRC)	Rwanda
Cote de Ivoire	Sierra Leone
Djibouti	Somalia
Ecuador	Southern Sudan
Ethiopia	Sri Lanka
Guatemala	Sudan
Haiti	Tanzania
India	Uganda
Kenya	West Bank/Gaza
Laos	Yemen
Liberia	Zambia
Libya	Zimbabwe

USDA's McGovern-Dole International Food for Education Program Fiscal Year 2011 Awards

Burkina Faso	Bangladesh
Guinea-Bissau	Nepal
Liberia	Guatemala
Kenya	Haiti
Mali	Nicaragua
Malawi	Republic of Congo
Senegal	Laos

JUSTIFICATION OF FOOD AID TO COUNTRIES

Mr. KINGSTON. Yes, if you could. And do you have, aside from that, any footnotes on the country and our relationship, getting back to my previous question that if a country has a low U.N. rating, why are we giving food aid to it or what the relationship is?

Ms. HEINEN. Mr. Chairman, I think it really depends on the type of food aid that you are talking about. If it is emergency food aid where we think that there are people starving and this is really USAID's programs, but I think that the question of their relationship with us is less important than saving the starving people who may not have any control over their government and may be suffering under their government anyway. Where we have more discretion, we are doing more development food aid. We definitely look at the type of government they have and the relationship and more and more we are looking at their policies and in trying to work with the government's programs where we see progressive programs in those governments to try to augment those to try to help them bring themselves out of poverty and out of the need for food assistance.

Mr. KINGSTON. Well, then eliminating the emergency aid, you do have a list? You do have comments on the countries themselves?

Ms. HEINEN. We can provide you definitely the list of where we provide food aid. The non-emergency is the USDA program.

[The information follows:]

USDA's Food for Progress Program
Fiscal Year 2011 Grant Awards

Country	Implementing Organization	Value ($Mil.)	Description
Bangladesh	Small Enterprise Assistance Funds	$20.0	This program aims to expand trade and markets by investing in established small and medium-size enterprises in aquaculture and livestock production. The program also invests in food preservation and warehousing systems.
	Winrock International	$7.0	This program will increase agricultural productivity and trade by providing technical assistance in the aquaculture, horticulture and livestock subsectors and by establishing producer groups and forging public-private partnerships.
Benin	Partners for Development	$6.0	Program objectives are to increase agricultural productivity and expand markets for vegetables by providing technical assistance in production and improving post- harvest handling and value chain development.
Burkina Faso	International Relief and Development	$9.1	The organization plans to enhance the competitiveness of the sesame and fonio value chains in Burkina Faso. The organization will increase access to financial, credit and business development services to support the objective.
El Salvador	Government of El Salvador	$14.5	The program has multiple tools to expand trade. Funding will help the government to strengthen the capacity of the private sector, small and medium-size farmers and agribusinesses, and the food and agricultural regulatory and inspection offices. The program will help eliminate trade barriers, improve food safety, and construct infrastructure that supports agriculture and the transport and storage of food.
Haiti	FINCA International	$9.2	This program aims to assist rural agricultural communities by introducing and expanding financial services.
	Inter-American Institute for Cooperation on Agriculture	$7.3	The organization will build sanitary and phytosanitary capacities of Haiti and the Dominican Republic to expand markets and trade.
Honduras	Government of Honduras	$11.4	This program aims to improve agricultural productivity and trade by introducing new technologies, investing in infrastructure, strengthening agri-food chains and gathering market information.
Jordan	Government	$19.0	The donation of wheat helped the government to continue to deliver low-cost bread to eligible recipients in Jordan.

Country	Implementing Organization	Value ($Mil.)	Description
Kenya	TechnoServe	$18.1	This program aims to increase productivity and trade in the poultry sector by enhancing access to financial services for smallholder poultry farmers and by developing and improving poultry value chains.
Liberia	Land O Lakes	$17.1	The program is expanding trade in goat production, processing and marketing.
Malawi	Land O Lakes	$14.5	The organization plans to improve agricultural production, nutrition, and trade by strengthening farmer organizations, agribusinesses, and support services.
Philippines	Catholic Relief Services	$13.6	This program should increase agricultural production in high-value crops (coffee, rice, and fresh vegetables) and expand those markets by enhancing agricultural value chains and implementing a collective marketing campaign.
Uganda	Mercy Corps	$9.5	This program will enhance smallholder farmer production and profitability and expand trade. The organization will improve agribusinesses in the input and output markets and expand access to rural financial services.
	National Cooperative Business Assns.	$10.0	The program objectives are to improve and increase productivity in maize and beans and improve and increase markets by enhancing manufacturing links and tools.
Total		$186.3	

USDA's McGovern-Dole International Food for Education Program Fiscal Year 2011 Awards

Country	Implementing Organization	Value ($Mil.)	Description
Burkina Faso	Catholic Relief Services-United States Conference of Catholic Bishops (CRS)	$15.8	The project estimates 200,000 beneficiaries. This was accomplished by school meals, literacy training and local capacity building.
Guinea-Bissau	International Partnership for Human Development, Inc. (IPHD)	$17.9	The project estimates 105,000 beneficiaries. This was accomplished by school meals health interventions, and development of Parent Teacher Associations.
Guinea-Bissau	International Partnership for Human Development, Inc. (IPHD)	$1.8	The project estimates 5,000 beneficiaries. This was accomplished by providing school children with a new micronutrient fortified product.
Liberia	World Food Programme	$6.4	The project estimates 339,000 beneficiaries. This was accomplished by school meals and the essential package*.
Kenya	World Food Programme	$9.4	The project estimates 703,000 beneficiaries. This was accomplished by school meals, the essential package*, and government capacity building.
Mali	Catholic Relief Services- United States Conference of Catholic Bishops	$24.0	The project estimates 8,000 beneficiaries. This was accomplished by school meals, health and nutrition education and school gardens.
Malawi	World Food Programme	$8.3	The project estimates 339,000 beneficiaries. This was accomplished by school meals and the essential package*.
Republic of Congo	International Partnership for Human Development, Inc.	$16.5	The project estimates 110,000 beneficiaries. This was accomplished by school meals, malaria prevention, water and sanitation projects, and local capacity building.

Country	Implementing Organization	Value ($Mil.)	Description
Senegal	Counterpart International, Inc.	$9.0	The project estimates 76,000 beneficiaries. This was accomplished by school meals, maternal and child health care, de-worming and Vitamin A interventions, and school gardens.
Laos	World Food Programme	$10.0	The project estimates 573,000 beneficiaries. This was accomplished by school meals, the essential package*, and government capacity building
Bangladesh	World Food Programme	$30.0	The project estimates 350,000 beneficiaries. This was accomplished by school meals, the essential package*, and government capacity building.
Nepal	World Food Programme	$6.0	The project estimates 180,000 beneficiaries. This was accomplished by school meals and the essential package*.
Guatemala	Asociacion SHARE de Guatemala	$25.0	The project estimates 170,000 beneficiaries. This was accomplished by school meals, teacher training, and providing educational supplies and materials.
Haiti	Haiti Vision, Inc.	$4.6	The project estimates 20,000 beneficiaries. This was accomplished by school meals, school infrastructure improvements, and school gardens.
Haiti	World Food Programme	$5.98	The project estimates 315,000 beneficiaries. This was accomplished by school meals, the essential package*, and government capacity building.
Nicaragua	Food For The Poor, Inc.	$14.8	The project estimates 210,000 beneficiaries. This was accomplished by school meals, de-worming, water and sanitation projects and school gardens.
Total		$205.5	

*The essential package includes: basic education; promotion of girls' education; potable water and sanitary latrines; health, nutrition, and hygiene education; systematic deworming; micronutrients supplementation; HIV and AIDS interventions; psychosocial support; malaria prevention; school gardens; and improved stoves. WFP conducts the essential package in conjunction with WHO, FAO, and UNICEF.

USDA's Local and Regional Procurement Pilot Program
Fiscal Year 2011 Awards

Country	Implementing Organization	Value ($Mil.)	Description
Cameroon	World Food Program	$2.2	This was an emergency drought response project that targeted 216,000 people for general distributions, 82,600 acutely malnourished children under five, and 41,300 pregnant and lactating women for supplementary feeding. Maize, sorghum and beans were purchased on the local market.
Kenya	World Vision	$1.9	This was an emergency response project that provided rations to 20,000 people affected by drought. All households had at least one acutely malnourished child. Food rations included maize, maize meal, red beans, vegetable oil and salt purchased on the local market.
Mozambique	World Food Program	$3.5	The project responded to an emergency caused by drought. About 92,000 people received maize and beans purchased in local and regional markets during the lean season.
Niger	Catholic Relief Services	$4.5	This was an emergency voucher-for-work project under which the organization provided food vouchers to 147,000 people affected by drought. Vouchers were redeemable on the local market for millet, corn, sorghum, beans and vegetable oil. Recipients constructed or rehabilitated community assets in return for the vouchers.
Pakistan	World Food Program	$5.7	This emergency response targeted 616,000 people displaced by flooding. Households received rations of wheat flour, pulses, vegetable oil, and salt. Those with children ages 2-12 also received high-energy biscuits and those with children under age 2 received ready-to-use supplementary

Country	Implementing Organization	Value ($Mil.)	Description
			foods. Commodities were purchased on the local market.
Uganda	World Vision	$3.96	This was a development voucher-for-work project that benefitted 49,140 chronically food-insecure returnees in northern Uganda. The food vouchers were redeemable during the lean season for sorghum, rice, maize, maize meal, beans, and vegetable oil. Recipients constructed or rehabilitated homes for chronically ill or HIV/AIDS-affected individuals in return for vouchers.
Zimbabwe	United Methodist Committee on Relief	$1.6	This was an emergency response project under which approximately 32,000 beneficiaries received rations consisting of white maize, beans and Vitamin-A fortified cooking oil during the lean season. Commodities were purchased on the regional market.
Total		$23.4	

Mr. KINGSTON. What I am looking for are the editorial comments in terms of why we are providing aid to a country and what is the taxpayer justification of this? Do you have that?

Ms. HEINEN. It is not something that USAID would do in isolation. I think the evaluation of a country's policies is really the purview of the State Department, but whenever we do food aid programs we communicate with our colleagues in the State Department and U.S. Agency for International Development and combined we talk about type of governments and the kinds of questions I believe that you are asking.

Mr. KINGSTON. You do have those notes? This isn't a hard question, it is not a tricky question, but if we are giving money to Ukraine——

Ms. HEINEN. Yes, we make some evaluation of countries and their governments.

Mr. KINGSTON. Go ahead.

Mr. FARR. Just asking if an editor called you and asked you why is this food program important, what would you tell them? You are not going to have a chance to say I will get back to you. What is the purpose of the program? That is what you are asking. The general, why?

Ms. HEINEN. The purpose of the programs are those purposes that Congress has given us for these food programs to provide to bring these countries into a more developed state.

Mr. BISHOP. Would the gentleman yield?

Mr. KINGSTON. Yes.

Ms. HEINEN. And Food for Progress, it is more explicit and in that program we definitely do look at countries that are working towards democracy. So it is part of our consideration because that is in the legislation.

Mr. FARR. That is a bureaucratic answer.

ROLE OF STATE DEPARTMENT IN FOOD AID

Mr. BISHOP. Can I just ask, are your aid programs driven by the State Department? And our foreign policy as opposed to a directive from Congress to you; do you interpret your mission as carrying out the policy of the State Department utilizing the resources of food and agricultural products as opposed to carrying out a mission or directive from Congress just simply on agriculture?

Ms. HEINEN. We do our own evaluation of each proposal we receive, but we also communicate with our colleagues in government to make sure that there is a coordination.

Mr. BISHOP. I recall when South Africa gained its independence and they had elections we had a bilateral commission and all of the agencies in our government partnered with an agency in South Africa and Agriculture was one of them. And that was to further the relationship and to enhance the development of South Africa as a new country. I would assume—and that was driven I assume by the State Department, not just because the Agriculture Department decided they wanted to do it, but because the President and the State Department decided they wanted to do that.

Mr. SCUSE. The P.L. 480 program is a program that is run by AID. So they are the ones that are responsible for running the P.L. 480 program.

Mr. BISHOP. I was in Southeast Asia in Laos many years ago, a decade ago and the ambassador there, Wendy, I forget her last name, had been a Peace Corps person and she was utilizing, trying to utilize all the resources she could to train the folks in Laos to plant something other than poppies and was having some success. But she was complaining that she didn't have enough technical assistance coming from the foreign agriculture stuff from AID to do that. She was simply the ambassador, but she was actually on her hands in her overalls assisting them in doing that. Again that was State Department driven in her capacity as the ambassador. Wendy Chamberlain I think her name was.

Ms. HEINEN. We often get requests from ambassadors to help them, and to the extent we have resources we try to work with them to promote diplomacy through food I suppose.

Mr. BISHOP. When I was on the Intelligence Committee we went to North Korea. It was right after they had a significant drought. We were trying to get them to not sell missiles to rogue countries. And they were trying to ask us to help them with food because, you know, they couldn't feed their people as a result of their drought. Basically all they had to sell were their missiles. So if we would help them with the food and buy their missiles, then they wouldn't sell them to the people we didn't want them to sell them to. I am just saying that aid was all policy, foreign policy driven. And in Iraq and the countries that we have been involved in, there has been an integration of the military role with the State Department and capacity building, which agriculture is a major part, being able to feed the people. I mean, it seems like it is all intertwined, but from listening to you it seems it is being driven by them and not you, which is fine, but I think that is the question I think.

Mr. KINGSTON. Yeah, because on P.L. 480 it is USAID is the driver?

Ms. HEINEN. Yes.

CRITERIA FOR FOOD AID

Mr. KINGSTON. Now as I remember in the Foreign Aid Act, or whatever it was, back in the 1940s or post war, there were three reasons, one to get rid of our surplus, one was to create trade opportunities and partners, and the other one was humanitarian purposes. Was there another reason? There may have been four, I remember those three. But Food for Progress in McGovern-Dole is 100 percent you without USAID?

Ms. HEINEN. Correct.

Mr. KINGSTON. What I would like to know is what do your notes—how do you evaluate? For example, Bangladesh on Food for Progress gets $27 million and on McGovern-Dole gets $30 million. Under McGovern-Dole Burkina Faso gets a little short of $16 million. They are great, very, very pro U.S. allies. Republic of Congo isn't, they get $16 million. How is that decision made?

Ms. HEINEN. When we do a solicitation for proposals every year and we look at both the quality of the proposals and the possibilities of success in the country and a number of other factors, the appropriateness of the commodity. There are a whole list of factors which I think Mr. Farr has asked for that we will give you. But it is a combination of the proposals that we receive, although we

do indicate ahead of time countries that we are particularly interested in seeing proposals being put forward. There are many factors that go into it but we are looking for where we think we have success and where we have good programs to offer.

Mr. KINGSTON. I think what we would like to see is what are those factors.

Ms. HEINEN. Okay.

[The information follows:]

Food for Progress Priority Countries

Authorized by the Food for Progress Act of 1985, the Food for Progress (FFPr) program provides for the donation of U.S. agricultural commodities to developing countries committed to introducing and expanding free enterprise in the agricultural sector. Donated commodities are monetized (sold on the local market) and proceeds are used to support agricultural development activities.

The FFPr program supports projects that contribute to improved agricultural productivity and expanded trade of agricultural products. Food for Progress programs have trained farmers in animal and plant health, improved farming methods, developed infrastructure (such as roads, electricity, and irrigation systems), established and strengthened producer cooperatives, provided microcredit, and developed agricultural value chains.

Priority country status in fiscal year 2011 was determined based upon the following criteria: (1) country per capita income was lower than $3,975 (World Bank); (2) the country had greater than 20 percent prevalence of stunting in children under the age of 5 (World Health Organization); (3) the country had a political freedom indicator of "free" or "partly free," as determined by the Freedom House; (4) the country did not have, or had limited, civil conflict that could impede implementation of the program; (5) the country had USDA Post coverage and an ability to monitor agreements; and (6) the provision of food aid would not disrupt the country's markets. The criteria ensure that USDA meets the statutory requirements to support developing countries, emerging democracies, and ones that are introducing or expanding free enterprise elements in their agricultural economies. The statute also requires that FFPr donations do not produce negative impacts on the local market or farmers. Having USDA coverage in a recipient country helps to ensure that program monitoring and compliance are sufficient. USDA also provides guidance regarding development project priorities in each country and the need to link projects with the country's investment or development plan. In FY 2011, USDA selected the following as its priority countries: Afghanistan, Bangladesh, Benin, Burkina Faso, Haiti, Kenya, Liberia, Malawi, Mongolia, Philippines and Uganda.

Food For Progress Project Proposal Evaluation Criteria

FFPr projects within recipient countries are conducted by nonprofit charitable organizations, cooperatives, the United Nations World Food Program, foreign governments, and other international organizations. USDA invites proposals for projects and evaluates them according to the following criteria: (1) the extent to which the proposal addresses goals, describes plans for implementing the program, and assesses the economic needs of country; (2) the organization's experience in implementing past or current food aid related programs; (3) the organization's capability and effectiveness in implementing previous food aid programs; (4) integration of program design into host government and other USG strategies and activities; (5) sustainability of the program; (6) appropriateness of the commodities and absence of negative impact on local markets; and (7) experience handling the distribution or monetization of commodities and the processing, storage and handling of commodities.

McGovern-Dole Priority Countries

The McGovern-Dole International Food for Education and Child Nutrition Program promotes literacy, child development, and food security for some of the world's poorest children. Named in honor of Ambassador and Senator George McGovern and Senator Robert Dole, the McGovern-Dole Program provides donations of agricultural commodities and financial and

technical assistance for school feeding and maternal and child nutrition projects in low-income, food-deficit countries that are committed to universal education.

In FY 2011, priority country status was determined based upon the following criteria: (1) country per capita income was lower than $3,975 (World Bank); (2) the country had greater than 20 percent prevalence of stunting in children under the age of 5 (World Health Organization); (3) the country had an adult literacy rate below 80 percent; (4) the country was a net food importer; (5) the government had pre-existing commitments to education; (6) the country did not have, or had limited, civil conflict that could impede implementation of the program; and (7) the country has USDA Post coverage and an ability to monitor agreements. The criteria ensure that USDA meets the statutory requirements to reduce hunger, improve literacy, prevent negative impacts on the local market or farmers, and have viable plans to graduate and sustain the programs. The last criterion is critical to program management by ensuring that program monitoring and compliance are sufficient. In FY 2011, USDA selected the following countries as program recipients: Afghanistan, Bangladesh, Benin, Burkina Faso, Ethiopia, Haiti, Lao PDR, Mali, Nepal, Nicaragua, Pakistan, and Rwanda.

McGovern-Dole Project Proposal Evaluation Criteria

McGovern-Dole projects in recipient countries are conducted by nonprofit charitable organizations, cooperatives, the United Nations World Food Program, and other international organizations. USDA invites proposals for projects. Proposals are selected based upon several criteria, including the following: (1) the overall quality of the proposal, with details addressing goals of the program, implementation, and situational analysis; (2) experience and organizational capacity of the submitting organization; (3) inclusion of a plan that addresses sustainability and graduation from the program; (4) appropriateness of the commodity proposed; and (5) involvement of local institutions and communities in implementing the project and coordination with the host government and U.S. Government (USG) strategies.

Local and Regional Procurement Priority Countries

The 2008 Farm Bill directed USDA to implement a $60 million local and regional food aid procurement pilot project (USDA LRP Project) in developing countries during FYs 2009 - 2012. Commodity Credit Corporation (CCC) funding was authorized to carry out the project in the following amounts: $5 million for 2009; $25 million for 2010; $25 million for 2011; and $5 million for 2012. The primary purpose of the USDA LRP Project was to examine the timeliness and cost of using local and regional procurement as a tool to expedite the delivery of U.S. Government food assistance to individuals who have been affected by natural disasters and other food crises. A portion of the funding must also be used to support development activities that help meet food needs during non-emergencies.

Countries categorized as "Least Developed," "Other Low Income" and "Lower Middle Income" on the current Organization for Economic Cooperation and Development List of Official Development Assistance Recipients were eligible to receive funding under the USDA LRP Project. This flexibility enabled USDA to provide emergency food assistance where it was needed most. This also ensured that USDA received a diverse array of proposals to choose from in order to fulfill Farm Bill requirements regarding projects implemented in "food surplus regions," "food deficit regions" (that are carried out using regional procurement methods), and "multiple geographical regions." The only two countries to receive assistance under the USDA LRP Project that were not "Least Developed" or "Other Low Income" were Guatemala and Nicaragua.

Between FYs 2009 - 2011, USDA provided about $52 million for LRP programs in 19 countries in sub-Saharan Africa, Asia and Central America. More than 60 percent of the funding was provided to emergency programs.

Local and Regional Purchase Project Proposal Evaluation Criteria

Private voluntary organizations, cooperatives, and intergovernmental organizations such as the United Nations World Food Program were eligible to apply to receive an award under the USDA LRP Project. Proposals were selected based upon several criteria, including the following: (1) experience implementing food assistance programs; (2) a strong justification for the need for food assistance in the proposed recipient country; (3) an explanation of why local or regional procurement is an appropriate response, including why local or regional procurement is preferred over in-kind food aid; (4) a sound beneficiary targeting strategy; (5) the full support of the host country government and local communities targeted to receive assistance; (6) a detailed procurement plan including an explanation of the types and quantities of commodities that will be purchased, the location(s) where they will be purchased and the steps the organization will undertake to ensure the quality and safety of the commodities; (7) a description of the size and composition of the ration that will be distributed to each type of beneficiary; (8) an explanation of the steps that will be undertaken to ensure that the purchases do not have any adverse impacts in either the source markets or in areas where they will be distributed; (9) a monitoring and evaluation plan that describes the organization's capacity to provide ongoing monitoring of market impact and program performance; and (10) an appropriate exit strategy. Organizations that received funding include Mercy Corps, Catholic Relief Services, International Relief and Development, Land O'Lakes International Development, Fabretto Children's Foundation, World Vision, the United Methodist Committee on Relief and the United Nations World Food Program.

Mr. KINGSTON. Because not twisting your words around, but it would appear to me from what you just said, if Congo has a better proposal then they are going to get a better consideration than an ally like Burkina Faso, which I think was the fourth poorest country in the world 2 or 3 years ago and now it has moved itself up. It has been a great success story. So I don't understand. Maybe it is time to cut it back, but maybe it is time to embrace it more. But I would have a hard time explaining to a constituent why Bangladesh is getting more money than Burkina Faso. And you know, Rotary Club couldn't answer that question and you guys couldn't either.

Mr. FARR. I would like to see a Rotarian that knew both of those countries.

Mr. KINGSTON. Pakistan gets Food for Progress and you know a lot of our constituents don't want Pakistan to get anything, but I am sure they also get P.L. 480 and other aid. Haiti is on here. People would certainly know where they are. Jordan gets $19 million. And Jordan I think, outside of Israel, is the second wealthiest per capita in the Middle East, is it not?

Ms. HEINEN. There was a special request for Jordan to move those—

Mr. KINGSTON. What special request?

Ms. HEINEN. The administration asked us to do that, but they paid for some of it to transition themselves through difficulties in the Middle East.

Mr. KINGSTON. Who paid for it?

Ms. HEINEN. We paid for the commodity and Jordan paid for the shipping.

Mr. FARR. They have a lot of refugee camps.

Mr. KINGSTON. Jordan is a great ally, but I think just to—Uganda is on here but not Rwanda right next door to them. Why would Rwanda not be on there?

Ms. HEINEN. Rwanda is actually higher income at this point, but as I said, each year we have limited resources. We are capped at $40 million on the shipping side. So each year we put forward a list of those countries that we have particular priority for. And we try to rotate them to some extent. We have also tried to work with the administration on the Feed the Future Initiative this year. So some of those countries may have been given a little bit higher priority.

Mr. KINGSTON. Let me tell you another theoretical question of the Rotary Club that would be hard to answer. Mr. Farr may be right in terms of the intellectual interest of a Rotarian club member. Actually having been a Rotarian and supporting wiping out polio all over the world, the Rotary Club does an absolutely excellent job. But Zimbabwe gets $1.6 million under that new pilot program from last year. You are familiar with that? It is the local and regional food procurement pilot project. Here is a country we are supporting a boycott of, correct? Does that make sense? How do you say we are boycotting this country but we are giving them $1.6 million in aide and Mugabe isn't exactly a Boy Scout. And the likelihood of his administration siphoning off a lot of that money is very

high. And it is also a country that I believe at one time was a poultry exporter and was a huge market basket for the world. How do we explain that?

Mr. BISHOP. Mr. Chairman, do they give that directly to the government or do they give it to NGOs in the country?

Mr. KINGSTON. That will be a question I also want to ask you. I think that is an absolutely relevant question, because again going back to our friends in Pakistan, how much of that money would be siphoned off by the government and how much of it is not?

Mr. FARR. Mr. Chairman, perhaps when we finish our series we ought to have a follow-up hearing just on this discussion. I think a broader array of panelists, not only the Department but bringing in those that are in the 150 account and the State Department and Foreign Operations, because I think it is the soft side of our diplomacy we never hear about and we need to know more about that and how they interact. The issues you brought up between Peace Corps volunteers and USDA and the food programs and the agricultural training. I think we need to get our arms around it. They are all in different silos and if they are administered abroad in those silos it is even more difficult to respond to the needs. So I would very much suggest we try to do that.

Ms. HEINEN. We would be happy to do that.

Mr. KINGSTON. I think that is an excellent idea. And we are kind of open mic here, but I would like you to answer the question about Zimbabwe.

Ms. HEINEN. As Mr. Bishop suggested, we are working with NGOs and trying to bring about some changes, trying to help some populations who are bringing about some changes. So we would not have given that money to Zimbabwe's government, although we have seen some progress in Zimbabwe in recent years and we would encourage that progress. But I would——

NON-GOVERNMENTAL ORGANIZATIONS

Mr. KINGSTON. Do you have a list of NGOs that went to?

Ms. HEINEN. The ones that we funded, absolutely, yes.

[The information follows:]

In fiscal year (FY) 2011, FAS provided $1.6 million to the United Methodist Committee on Relief (UMCOR) under the USDA Local and Regional Procurement Pilot Project to support food aid programming in Zimbabwe. UMCOR was the only FAS-funded non-governmental organization (NGO) operating in Zimbabwe in FY 2011.

Mr. KINGSTON. Tell you a story, I may have mentioned it last year. I was in Zimbabwe and we went to see a program that was in a man's backyard that was teaching him how to grow vegetables in his backyard. And I couldn't help but—it just struck me—the absurdity. A 75-year-old man and college kids, NGOs, running around telling him how to grow vegetables in his backyard as if he was just born. There were seven NGOs in a space smaller than this room. Across the street from him was a barber outside who was cutting hair and a great entrepreneur there and thinking how ironic, if all seven NGOs show up the same day there is not enough room for everybody in the backyard and here is an entrepreneur right around the street totally being ignored. And you just have to wonder, are you getting the bang for your buck on that cashflow going out?

Let me yield, I know I have been talking a lot.

Ms. HEINEN. If I could only comment on that to say we are trying to build systems in the USDA programs and build markets and for the most part we understand your concern. And we have been working really hard with USAID to make sure we don't have NGOs crossing paths like that.

Mr. FARR. Thank you, Mr. Chairman. I just want to say something, and it is my last comment. It is more of a comment to you or observation of being here in Congress for almost 20 years and that is that this city, nobody does nice in this city, people aren't nice, it isn't where nice wins. You have to hit people over the head with a 2 by 4, because there are so many things going on that it is the only way you get their attention. I think we are seeing that the Federal Government is about to go through major transitions, particularly this whole how do we cut, squeeze and trim dramatically in the modern era. Part of that comes up, well then how can we bust a lot of these silos, how can we get a better bang for our buck.

And what bothers me is the President proposes in his budget a number of mandatory program changes, that doesn't bother me. He is going to eliminate direct payments by bringing that down by $31 billion, he is going to make various changes in the crop insurance of $7.6 billion cut, cap on the conservation reserve program at 30 million acres and almost a billion dollar cut, extend mandatory disaster assistance which is an increase in cost of about $8 billion in cost.

My comment is that the panels that have been here like yourself have been extremely passive in your advocacy role. I mean you are the technicians, you are the people that know how these silos and the programs in them work, Congress doesn't. You can tell by the questions we ask. Sometimes we know a lot about something, but there is so much here there is no way we could learn it all.

USDA ROLE IN FARM BILL PROPOSALS

I am just saying if you have a chance with a Farm Bill, you have to get in there and stir it up. Otherwise it is going to be the special interests in this town that write it. Special interests, there is nothing wrong with them but that is their role to be special interests. That doesn't necessarily mean you are going to run an entire complicated Department of Agriculture which does everything you can imagine without an incredible advocacy of those who have been in the trenches to understand how to make it better. Everybody says well, if they ask us we will comment. That is not your role. My predecessor was Leon Panetta. I don't think Leon sits around and waits for somebody to ask him something. He comes in and says this is what is going to happen, why we need to do it. You have got to be an advocate, you have got to be proactive. I would hope that you will take your knowledge and experience and see where we do dumb, dumb things in government and clean it up and be smart, because if you can't do it there is no way Members of this Congress on their own will do it. It takes teamwork. Remember the President proposes, we dispose, but you got to propose, you got to propose. I don't see this Department's leadership wanting to pro-

pose on this Farm Bill. They are waiting to say, well, we are going to see what you are going to do with it.

That is my closing comment. I say if we don't take advantage now when we have to go through a lot of our changes, we will never have another chance in decades.

Mr. SCUSE. I think, Congressman, that the Secretary and President both have made it clear what we would like to see in the next Farm Bill. The Secretary has made it clear that we need a very strong conservation component in the next Farm Bill. We need a very strong safety net in the next Farm Bill. We need to look at ways that we can help that next generation get involved in agriculture. When you look at the President's proposal——

Mr. FARR. But that is nothing specific, it is a general statement.

Mr. SCUSE. It is not specific, but what we have said is we are willing to work with those committees and provide the assistance to make sure that these things will work.

Mr. FARR. Who is going to initiate, that is the question. Who is the initiator?

Mr. SCUSE. We already are working with the committees. We started working with the committees last fall. So we are providing that assistance to look at things. I mean we don't want a situation where we have a Farm Bill that is extremely difficult to implement like the last Farm Bill was to implement. I believe in the last Farm Bill we had to implement 15 new programs and we had to rewrite 17 existing programs. And of those programs that we had to implement some were very, very complex. ACRE and SURE would be two examples. So they weren't easy to write the programs for, they weren't easy to implement, or easily understood by our farmers and ranchers.

So again, the President said he would like to see us reauthorize those disaster programs that expired last September or similar programs. So that is being I think fairly specific that we need to continue down that road to help in those areas or livestock producers.

Mr. FARR. In today's hearing the chairman asked a lot of questions and the answer is we don't know, we will get back to you. You ought to be coming in here selling us what we need to do to change things, not just saying we don't know. That is not the way you get a good Farm Bill or a good foreign policy or a good food program written.

Mr. SCUSE. Duly noted.

Mr. KINGSTON. Mr. Bishop.

Mr. BISHOP. I am done. Thank you very much, but I would just associate myself with Mr. Farr's remarks and with the chairman's because I would think that it would be the role of the administration to advocate the policy because all of us here in our respective position want to improve the quality of life and you have a specific mission to do it for agriculture, both domestic and abroad, but we need to have partners in advocacy.

CRP CONTINUOUS SIGN-UP

Mr. KINGSTON. Let me close with one question to you that you can just handle for the record, but the Prairie Pothole Program on the continuous sign-up that you are doing for CRP seems to have a lot of overlap with the Fish and Wildlife initiative on there. They

have announced a $79 million initiative in rental payments, North Dakota farmers, actually, $66 million to South Dakota and it just looks to me like there is going to be a duplication because we are trying to protect the same acres. I don't need an answer now, but for the record we would like it know where this program is separate and again are we trying to protect the same acres or is there a difference?

Mr. NELSON. Congressman, could I just ask a question and make sure I understand your question? Are you asking about the Secretary's announcement of the continuous sign-up proposal last month, not the highly erodible land initiative, but the other one devoted to wetlands and wildlife?

Mr. KINGSTON. Yes.

Mr. NELSON. Thank you.

[The information follows:]

USDA and the U.S. Fish and Wildlife Service (USFWS) are not targeting the same land. USDA is restoring wetlands and grasslands with the Conservation Reserve Program by targeting marginal cropland, while the primary target for USFWS conservation is existing grasslands. Both agencies and Ducks Unlimited use USFWS science to identify and target their programs in a manner that has the maximum benefit to waterfowl and other wildlife.

In March of 2012, USFWS made an announcement that it is coordinating with Ducks Unlimited to dedicate about $30 million to permanent easements and acquisition projects to protect habitat in the prairie pothole region (PPR) that is critical to sustaining populations of waterfowl and other wetland-dependent species. This region, which has been identified as the top waterfowl production region in North America, supports hundreds of thousands of square miles of nesting habitat for millions of waterfowl. Many local economies throughout the United States depend upon abundant waterfowl populations for hunting and other wildlife-associated recreation. Current crop prices and land values have led to increased wetland drainage and grassland conversion to row crop agriculture. These changes significantly reduce the ability of the region to support waterfowl and other grassland dependent migratory birds. The Administration is committed to dedicating a portion of program and acquisition funds available under existing authorities to protect as much of this habitat as possible in order to ensure the future sustainability of the nation's waterfowl/wildlife resources. Federal funds available for land acquisition and for habitat restoration are modest compared to the need and the size of the ecoregion supporting these wildlife populations, and the Administration works to maximize the efficient use of available funds to both protect lands and to assist private landowners in dedicating a portion of their holdings to this habitat.

Similar types of habitat are being targeted for conservation (wetland/grassland complex in the PPR), but USDA and USFWS are not doing the same thing on the same acres. Each is using different tools to meet landowners' needs with a common conservation goal in mind. The FSA is using short-term agreements through CRP, while FWS easements provide more permanent protection. These voluntary programs/initiatives provide the landowner with options for conservation that address their particular situation and management objectives. The focus on the PPR is the result of past and ongoing habitat loss due to conversion to cropland. For example, in North Dakota, CRP enrollment had declined 993,000 acres since 2007, and in South Dakota the decline was 452,000 acres.

Mr. KINGSTON. I can clarify it in writing if that is better for you.
Mr. NELSON. I appreciate that. Thank you, sir.

FOOD AID

Mr. KINGSTON. Ms. Heinen, let me just say in terms of the foreign aid question where constituents are very, very frustrated if they are convinced that we give foreign aid to countries who consistently vote against us in the U.N. and consistently undermine us. I used to live in Ethiopia and have a lot of interest in what is going on in the continent of Africa. Most of those countries, even ones like—well, Botswana does vote with us, but Rwanda doesn't vote that much with us in the U.N. So our constituents, their own knowledge of our relationship is limited to that U.N. voting consistency record. Then their suspicion appears to be correct that we are giving money to countries who are against us. That is why it is real important for us to understand why you make certain decisions on the money that you do have the power over. And also we would like to know more and I think Mr. Farr's question about an additional hearing on just the way the food aid is, is good.

This committee last year had asked for a report of some of the positive developmental relations and you had listed two very positive stories of what is going on in Mozambique with poultry. I think we need to hear those stories so we can tell that to our constituents.

Just an aside, have you ever read Dark Star Rising, the book?
Ms. HEINEN. No.

Mr. KINGSTON. It was—Mr. Farr would be interested—a Peace Corps writer who had been there in the 1960s and felt like so much of what they had worked for did not get anywhere. He went back in recent times and had a journal traveling from Cairo to Cape Town, and it was very interesting revisiting places he had gone to 30 to 40 years prior. But that is what our goal is here. We are not trying to undermine foreign aid as much as we are trying to understand it, but I can promise you Mr. Bishop and I know that there will be amendments on the floor of those who want to eliminate it completely. So if we can't say well, here is why these things are done, then those amendments are going to have a lot stronger case.

So with that, Mr. Bishop, unless you have anything else, I am finished. Well, this concludes the committee meeting.

Farm Service Agency

Questions Submitted by Mr. Kingston

PAYMENT ERROR RATES

Mr. Kingston: What is the payment error rate, both as a percentage and in dollars, for FSA?

Response: As of the FY 2011 Improper Payments Information Act (IPIA) review cycle, FSA has identified seven programs as being susceptible to significant improper payments. The programs and corresponding data on error rates are as follows.

[The information follows:]

- CCC Marketing Assistance Loan Program
  - Error Rate - 0.52%
  - Projected Improper Payments - $16 million (M)

- CCC Milk Income Loss Contract Program
  - Error Rate - 2.00%
  - Project Improper Payments - $4million

- CCC Loan Deficiency Payments (Based on FY 10 Review Cycle)[1]
  - Error Rate - 0.44%
  - Projected Improper Payments - $0.5million

- CCC Direct and Counter-Cyclical Payments
  - Error Rate - 0.05%
  - Projected Improper Payments - $2million

- CCC Conservation Reserve Program
  - Error Rate - 1.77%
  - Projected Improper Payments - $27million

- Miscellaneous Disaster Programs
  - Error Rate - 2.89%
  - Projected Improper Payments - $7million

- CCC Noninsured Crop Disaster Assistance Program
  - Error Rate - 8.97%
  - Projected Improper Payments - $8million

[1] FSA did not measure LDP for FY 2011 due to low outlays. FSA and OMB will evaluate LDP activity annually to determine if measurement for a specific fiscal year would be cost effective.

Mr. Kingston: What is the payment error rate, both as a percentage and in dollars, for CCC?

Response: The information is provided for the record.

[The information follows:]

Agency	Program	Error Rate	Projected Improper Payments
FSA-CCC	Marketing Assistance Loan Program	0.52%	$16 Million
FSA-CCC	Milk Income Loss Contract Program	2.00%	$4 Million
FSA-CCC	Loan Deficiency Payments	0.44%	$0.5 Million
FSA-CCC	Direct and Counter-Cyclical Payments	0.05%	$2 Million
FSA-CCC	Conservation Reserve Program	1.77%	$27 Million
FSA-CCC	Miscellaneous Disaster	2.89%	$7 Million
FSA-CCC	Noninsured Crop Disaster Assistance Program	8.97%	$8 Million

Mr. Kingston: Provide a table that shows all USDA payment error rates, by agency, for fiscal years 2010 and 2011.

Response: The information is provided for the record.

[The information follows:]

USDA
2010 - 2011 Improper Payment Error Rates

Agency	**Program**	**Results Reported in FY 2010**	**Results Reported in FY 2011**
FSA-CCC	Marketing Assistance Loan Program	0.81%	0.52%
FNS	Supplemental Nutrition Assistance Program	4.36%	3.81%
FNS	National School Lunch Program	16.28%	15.98%
FNS	School Breakfast Program	24.87%	24.96%
FNS	Women, Infants and Children	1.17%	4.13%
FNS	Child and Adult Care Food Program	0.99%	1.53%
FSA-CCC	Milk Income Loss Contract Program	0.66%	2.00%
FSA-CCC	Loan Deficiency Payments	0.44%	N/A
FSA-CCC	Direct and Counter-Cyclical Payments	0.96%	0.05%
FSA-CCC	Conservation Reserve Program	1.20%	1.77%
FSA-CCC	Miscellaneous Disaster Programs	4.60%	2.90%
FSA-CCC	Noninsured Assistance Program	11.65%	8.97%
FS	Wildland Fire Suppression Management	0.00%	0.00%

Agency	Program	Results Reported in FY 2010	Results Reported in FY 2011
RD	Rental Assistance Program	1.39%	1.48%
RMA	Federal Crop Insurance Corporation Program Fund	6.05%	4.72%
NRCS	Farm Security and Rural Investment Act Programs	0.41%	0.80%
	USDA Total	**5.37%**	**5.37%**

IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT (IPERA)

Mr. Kingston: The Improper Payments Elimination and Recovery Act (IPERA) of 2010 requires the OIG to determine whether USDA was compliant with IPERA annually starting in fiscal year 2011. OIG determined that USDA did not fully comply with four of seven requirements:

- USDA did not always report estimates for high risk programs;
- USDA did not report complete information about programmatic corrective actions;
- USDA did not meet annual reduction targets; and
- USDA did not report error rates below specific thresholds

OIG has determined this non-compliance has occurred because the Chief Financial Officer, who is responsible for USDA's improper payment reporting process, has not fully developed its reporting process to ensure that its reports include all required information about improper payments, and that USDA needs to meet its reduction targets.

Specifically, OIG found that program evaluators were not always comprehensive in their risk assessments and sampling, and did not always categorize errors properly. These problems occurred because USDA has not fully developed internal controls over improper payments reporting. Consequently, USDA's improper payment estimates may be understated, and USDA may have provided inaccurate information to Congress about the progress made to prevent and eliminate improper payments.

What is FSA/CCC/RMA doing to address the OIG concerns about improper payment reporting?

Response: The information you reference is contained in the "U.S. Department of Agriculture, Fiscal Year 2011 Improper Payments Elimination and Recovery Act of 2010 Compliance Review" issued March 14, 2012 by the Office of the Inspector General.

This was a USDA level audit led by the Office of Chief Financial Officer. When FSA became aware of the draft report, FSA contacted representatives of the USDA Office of the Chief Financial Officer to request a meeting to discuss the recommendations contained in the report. As a result of FSA's efforts, the USDA OCFO has agreed to meet with FSA to:

Review the entire audit report including all findings, recommendations, and management responses; and

Submit specific questions regarding the audit report to be used as a basis for discussion and meeting with the OIG. The questions will be provided to OIG at the time the meeting is scheduled so OIG can be prepared to address and discuss the questions.

FSA has been asked to provide questions to the USDA OCFO no later than April 6, 2012.

While there are no specific recommendations for RMA in the IPERA Compliance Review, RMA continues to work with OCFO and OIG to improve its review and reduction of improper payments and address prior recommendations to improve the sampling process. This is a continual process and we are working together to address the OIG concerns about improper payment reporting.

Mr. Kingston: How confident are you about the numbers that have been reported in the first IPERA report on payment error rates?

Response: The numbers that FSA reported in the FY 2010 IPERA report were generated using robust statistical sampling methods. FSA took a statistically representative sample of program payments nation-wide to estimate error rates for each of its high risk program areas. The general statistical sample design for this review in the County Operations Review Program is a stratified two-stage random sampling scheme where counties are selected in the first stage and program payments are selected in the sampled counties in the second stage. A 90 percent two-sided confidence level is used for all the statistical estimates in these reviews.

IT MODERNIZATION

Mr. Kingston: This committee provided an additional $66.5 million for MIDAS in fiscal year 2012 and with this funding FSA is able to begin configuration, training, deployment, hosting and operations for the Initial Operating Capability. When will MIDAS achieve this Initial Operating Capability? Provide a comprehensive overview of MIDAS implementation, including timelines, cost by fiscal year, appropriations by fiscal year, purchases (hardware/software), personnel (permanent, temporary, contract), travel, training, etc.

According to the budget, the FSA is requesting an increase of $11.9 million to fund IT transformation and modernization projects. How much of the $11.9 million budgeted increase is for MIDAS?

Response: The 2012 enacted level of MIDAS funding enables FSA to begin the MIDAS system configuration, training, deployment, hosting and operations for the Initial Operating Capability (IOC). The IOC includes phased deployments of the functionality that support the following: Acreage Reporting, Farm Records, Marketing Assistance Loans, and the Service Center Information Management System (SCIMS).

FSA plans to deploy "Release 1.0" of the Initial Operating Capability in the first quarter of FY 2013. This will provide functionality around Acreage Reporting, Common Processes, and Farm Records. Additional functionality, including support for Marketing Assistance Loans, will be released in the second quarter of FY 2013, and followed by a series of regular iterative releases, with each supporting one or more farm programs over the following months.

The 2013 Budget includes a total of $99,800,000 for MIDAS. This funding level will complete the original $304,730,000 estimate for this project and enable FSA to continue and complete the design, configuration, and phased deployment of system capabilities to support additional Farm Programs.

Funding and Costs (including all purchases, personnel, travel and training, etc.) by Fiscal Year are outlined in the table below.

[The information follows:]

Farm Service Agency
Modernization (MIDAS)
(Dollars in Thousands)

	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012	FY 2013	TOTAL
Modernization (MIDAS)						
FSA S&E Base	$1,000	$2,600	$21,412	$50,000	$107,500	$182,512
FSA S&E Increase	0	23,230	0	57,500	-7,700	73,030
FSA S&E Carryover	0	1,600	23,667	4,921	0	30,188
American Recovery and Reinvestment Act (ARRA)	5,056	13,944	0	0	0	19,000
Total, Modernization (MIDAS)	**6,056 a/**	**41,374 a/**	**45,079**	**112,421 b/**	**99,800 c/**	**304,730**

a/ The FY 2009 ARRA total obligation amount changed from $5,600,000 to $5,056,000 and the FY 2010 ARRA obligation changed from $13,400,000 to $13,944,000. The reason for the change was due to an IT contract de-obligation from FY2009. These funds were re-obligated in FY 2010.

b/ The total new FY 2012 funding is $107,500,000 of which $50,000,000 is in the Salaries and Expenses (S&E) Base and $57,500,000 is an increase from within the overall FSA S&E appropriations level for FY 2012.

c/ A decrease of $7,700,000 to the Base Funding of $107,500,000 provides $99,800,000 in FY 2013 to continue implementation of MIDAS.

- For FY 2009, the total MIDAS funding and costs of $6,056,000 were comprised of $750,000 for hardware and software and $5,306,000 for contractor/support services.

- For FY 2010, the total MIDAS funding and costs of $41,374,076 were comprised of $4,314,408 for hardware and software, $34,921,293 for contractor/support services, $850,000 for personnel, $5,000 for travel and $1,283,375 for training.

- For FY2011, the total MIDAS funding and costs of $45,078,473 were comprised of $2,198,642 for hardware and software, $38,824,328 for contractor/support services, $3,803,253 for personnel, $232,440 for travel and $19,810 for training.

- For FY 2012, the total MIDAS funding and costs of $112,421,143 are comprised of $15,372,597 for hardware and software, $88,723,713 for contractor/support services, $4,004,833 for personnel, $320,000 for travel and $4,000,000 for training.

- For FY 2013, the total MIDAS funding and costs of $99,800,000 are comprised of $17,000,000 for hardware and software, $68,255,038 for contractor/support services, $4,906,300 for personnel, $638,662 for travel and $9,000,000 for training.

The increase of $11.8 million is to fund FSA IT transformation and modernization projects. However, none of the $11.8 increase is for the MIDAS project. The increase will be used to continue contract services that support: (a) non-MIDAS modernization, development and maintenance of applications systems (e.g. Geographic Information Systems (GIS), National Agriculture Imagery Program (NAIP), Cotton Systems, etc.), and (b) deployment support (e.g. data and data base administration, testing and certification, security, etc.) for application systems. These funds will enable FSA to continue to maintain essential program delivery and operations to the field.

Mr. Kingston: Provide a copy of all vendor contracts for MIDAS implementation for the record.

Response: There are five contracts that have been issued to date in order to support the MIDAS project. Each contract is a necessary component of the acquisition strategy for MIDAS. The five contracts and vendors are outlined below.

- Enterprise Resource Planning (ERP) PMO (Deloitte) - Extends the Government staff by adding experience and expertise in Program Management and Organizational Change Management for large-scale ERP implementations in the public and private sector. Deloitte adds analytical capability that protects the Government from relying solely on the System Integrator for decision support.

- System Integrator (SRA International), Task Order 3 - Continues the work that the Systems Integrator began in earlier task Orders to build a solution consisting of data, business processes, software, and hardware that will meet our requirements.

- Independent Verification & Validation [IV&V] (Capgemini) - Further protects the Government's investment by validating that the technology satisfies our business requirements and that we are implementing the technology correctly.

- Enterprise Software License (Carahsoft/SAP) - Allows the Government to purchase licenses from the commercial software vendor which serves as the centerpiece of our integrated business solution.

- SAP Services (Carahsoft) - Provides the Government with access to targeted and as-required technical support and training directly from the software vendor whose SAP software is the centerpiece of our integrated business solution.

The award documents associated with each active contractor task order are provided for the record.

Response: The information is provided for the record.

CLERK'S NOTE: The data listing is too voluminous to print, and is on record in Committee files.

Mr. Kingston: How much is needed in fiscal year 2013 for IT modernization/MIDAS?

Response: In FY 2013 the IT modernization/MIDAS will require $99.8 million. This funding level will complete the original $304,700,000 estimate for this project and enable FSA to continue and complete the design, configuration, and phased deployment of MIDAS.

Mr. Kingston: What are the out-year costs to maintain MIDAS?

Response: Based on the original estimates from FY 2007, which are currently reflected in the MIDAS Business Case (OMB-300), the out-year costs range between $21 million to $26 million (including staff dollars). The out-year costs are over and above the $304.7 million estimated for the design, development and deployment of MIDAS.

However, due to ongoing efforts to integrate with other Department projects and potentially leverage the Department-wide SAP footprint, the long term Operations & Maintenance (O&M) strategy for MIDAS has not been finalized. Once final agreements are reached, an efficient long term O&M strategy and the associated costs for MIDAS will be finalized.

EMERGENCY LOAN PROGRAM PROPOSAL

Mr. Kingston: There is a proposal in the 2013 budget request to fund $1.3 million in emergency loan subsidy budget authority and a $34.7 million direct emergency loan level. In prior years, emergency loans were funded through the use of carryover funds as opposed to new or additional budget authority. Per the FSA budget justification, the carryover is likely to be depleted in 2012. Which accounts resulted in the carryover in prior years and why is the carryover likely to be depleted in FY 2012?

Response: During FY 2008, FSA was able to utilize the Secretary's interchange authority to provide $12.1 million in additional subsidy for emergency loans. This transfer was made in anticipation of increased demand due to the devastating mid-west floods that year, but the demand did not meet expectations. Therefore, FSA has continued to use carryover balances from this funding for the emergency loan program since that time. However, due to the significant weather events that occurred across the Nation in 2011, it is projected that the funds will be fully depleted in 2012. Therefore, we are requesting funding for emergency loan subsidy in the amount of $1.3 million budget authority. This level of funding is estimated to provide about $35 million in emergency loans in FY 2013. No additional funding has been provided for emergency loans since the 2008 transfer.

Mr. Kingston: On page 22-59 of the justification, there is a table showing projected obligations for the emergency loan program in 2012. Can you explain why the projections indicate a much higher projected obligation rate for the emergency loan program in FY 2012 than the actuals for FY 2010 and FY 2011 or the projected level for FY 2013?

Response: During calendar year 2011 the United States suffered an unusually high number of wide-spread natural disasters. These occurrences destroyed both annual crops and capital items needed to sustain agriculture production. Consequently, expected demand for emergency loans is projected at a high level.

TRANSITIONING BORROWERS TO PRIVATE CREDIT

Mr. Kingston: The 2008 farm bill directed USDA to establish a plan and promulgate regulations to promote the transition of borrowers to private commercial credit in the shortest period of time practicable. What is the status of this regulation? How many producers did FSA transition in FY 2011?

Response: A Final Rule implementing the graduation provisions of the 2008 Farm Bill was published on January 28, 2011 and became effective on February 28, 2011. In FY 2011, 2,712 FSA Farm Loan Program (FLP) borrowers transitioned to private credit. This represents about 4 percent of the direct loan portfolio. The graduation rate normally ranges from 3 to 6 percent annually, depending on economic factors such as commodity prices, land values, and interest rates.

FSA LOAN PROGRAMS

Mr. Kingston: Why do FSA's loan programs have a subsidy cost?

Response: Fiscal year 1992 and subsequent FSA loans are subject to cost estimation methods stipulated by the Federal Credit Reform Act of 1990 (Credit Reform). For direct loans, the components of the subsidy cost generally consist of estimated defaults, the net effects of prepayments, and the cost of financing the loans (the differential between the borrower's interest rate and the government's cost of money). For guaranteed loans, the components generally consist of defaults offset by fees. The interest rate differential does not affect guaranteed loans unless the government subsidizes the borrower's interest rate. The table below shows the components of subsidy by loan type in the 2013 budget.

	PB 2013 Presidents Budget ACIF Subsidy Rates				
	Subsidy components (%)				
	Total Subsidy	**Financing Subsidy**	**Default Subsidy**	**Subsidy Reduction for Fees**	**All Other components**
Direct Loans					
Direct Farm Operating	5.57	1.45	4.73	0	-0.61
Direct Farm Ownership	4.24	1.67	5.02	0	-2.45
Emergency	3.8	-4.82	8.58	0	0.04
Indian Land Acquisition	-14.85	-14.85	0	0	0
Boll Weevil Eradication	-2.54	-2.07	0.02	0	-0.48
Indian Highly Fractionated Land	1.73	-9.06	11.14	0	-0.35
Guaranteed Loans					
Operating Unsubsidized	1.19	0	2.52	-1.34	0
Ownership	-0.07	0	1.25	-1.32	0
Conservation	-0.28	0	1.04	-1.32	0

Mr. Kingston: How many loans in each FSA loan program are delinquent?

Response: As of February 29, 2012, 21,150 direct loans are delinquent out of a total of 123,967 direct loans outstanding, and 1,338 guaranteed loans are delinquent out of 55,210 outstanding.

Mr. Kingston: What is the delinquency rate on FSA loan programs?

Response: As of February 29, 2012, 6.2 percent of the direct loan dollars outstanding, and 1.4 percent of the guaranteed loan dollars outstanding, were delinquent. It is important to note that the majority of FSA direct loans have a single annual payment which is due on or about January 1st. As a result, delinquency rates are highest in January and are reduced over time through technical assistance, aggressive servicing, and use of collection tools. Loan delinquencies that cannot be cured are moved into liquidation within a matter of months.

Mr. Kingston: What is FSA doing to reduce the delinquency rate on direct loans?

Response: The direct loan delinquency rate is at a historic low. It has been reduced from 20 percent in FY 1996 to 6.2 percent in FY 2011. FSA makes full use of its statutory and regulatory authorities to collect direct loans and help borrowers become successful. The Agency works closely with direct borrowers and provides technical assistance to help them make sound financial decisions. FSA uses a state of the art financial analysis tool used by many commercial farm lenders, the web-based Farm Business Plan, to evaluate borrower finances and make credit decisions. Restructuring, reamortization, deferral, and write-down are all used to assist borrowers so that they can continue to farm and repay FSA and other creditors. FSA makes extensive use of administrative and Treasury Offsets, as authorized by the Debt Collection Improvement Act (DCIA), to collect debt when accounts become 90 days delinquent. FSA is striving to maintain the rate at the present historically low levels. FSA has established program performance goals, including goals for reducing and maintaining low delinquency rates. Agency employees with farm loan program responsibilities are held accountable for reaching program goals; their performance standards are linked to goal accomplishment.

Mr. Kingston: How many loans in each FSA loan program have defaulted?

Response: Because of the way the authorizing statutes require FSA to resolve delinquencies; FSA does not distinguish between delinquency and default. FSA considers the default rate to be the delinquency rate. As of February 29, 2012 there are 21,150 direct loans delinquent out of a total of 123,967 direct loans outstanding, and 1,338 guaranteed loans delinquent out of 55,210 outstanding. However, we would note that in FY 2011, direct loan losses were only 1.7 percent of the total portfolio, and guaranteed losses were only 0.5 percent of the total portfolio.

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Mr. Kingston: What is the status of those loans that have defaulted?

Response: Traditionally, most FSA direct loan installments are due on January 1st of each year. As a result, delinquencies are highest during the first few months of the year and decline through the remainder of the year as borrowers become able to pay delinquent installments or have installments restructured through loan servicing procedures. Because of the very structured loan servicing process prescribed in the authorizing statute, delinquencies are either cured or the account is moved into liquidation in a matter of months.

Mr. Kingston: Please describe the 7 different servicing methods FSA provides to producers. How many of these servicing options is a producer eligible to receive per loan? Do the servicing options ever extend the term of a loan beyond the relevant term limit?

Response: It is important to note that these servicing actions are not automatic. A realistic cash flow projection must reflect the ability to pay installments resulting from the servicing actions for any of these adjustments to occur. A description of direct loan servicing alternatives is as follows:

1. Interest rate reduction - The existing interest rate on a loan may be reduced to a lower rate if a lower rate is currently being charged on that type of loan. Within the practical consideration that rates might remain static, this can be done an unlimited number of times in conjunction with Primary Loan Servicing.

2. Rescheduling - Chattel type loans can be rescheduled for up to 15 years from the date of rescheduling. This can be done an unlimited number of times in conjunction with Primary Loan Servicing.

3. Reamortization - Real Estate type loans can be rescheduled for up to 40 years from the date of the original promissory note. This can be done an unlimited number of times in conjunction with Primary Loan Servicing.

4. Deferral - Payments on loans may be partially or completely deferred for up to five years. This can be done an unlimited number of times in conjunction with Primary Loan Servicing.

5. Write-down - Debt is forgiven in cases where FSA will receive an equal or greater net return on the loans by reducing the debt and continuing with the account than it would realize through foreclosure. Borrowers are limited by statute to one instance of write down, but may receive write down on multiple loans in that instance. Borrowers who receive debt forgiveness may not receive additional FSA credit other than annual production loans.

6. Disaster Set-Aside (DSA) - Farmers who operate in designated disaster areas can have one payment moved to the end of the loan. There is a limit of one DSA per loan unless the loan is restructured through Primary Loan Servicing and then one installment may again be considered for DSA if there is another disaster.

7. Conservation Contract - The Conservation Contract program provides debt cancellation for a borrower in exchange for a Conservation Contract on land owned by the borrower. This can be done an unlimited number of times per loan, if new conservation measures are implemented on different real estate parcels.

Mr. Kingston: Please describe FSA's policies and procedures for collecting on delinquent loans and those in default.

Response: The authorizing statute requires FSA to follow a very specific process and schedule when a direct loan borrower becomes delinquent. Borrowers are notified of their rights to primary loan servicing programs at any time, but must be notified of these rights once an account is 90 days delinquent. Most borrowers pay the delinquency if they are able, or request Primary Loan Servicing and Disaster Set Aside (if applicable). A borrower may not have payments adjusted through primary loan servicing unless realistic cash flow projections indicate that the borrower will be able to meet the revised payment schedule. If the delinquency cannot be cured through primary loan servicing, the borrower may voluntarily liquidate the security property and pay the loan, or FSA will proceed to accelerate the account and foreclose on collateral. FSA uses all offset authorities to collect delinquent loans. When an account becomes 90 days delinquent, it is referred for administrative offset of FSA payments, and referred to the Department of Treasury for the Treasury Offset Program (TOP) against any other Federal payments.

Mr. Kingston: Please provide a ten-year table, including fiscal year 2003 through fiscal year 2012, showing the subsidy rate for all FSA direct and guaranteed loan programs.

Response: The information is provided for the record.

[The information follows:]

USDA - Farm Service Agency
Agricultural Credit Insurance Fund (ACIF) Subsidy Rates (FY 2003 - FY2013)

ACIF Subsidy Percentages	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Farm Ownership:											
Direct	11.61	22.08	5.35	5.12	4.19	4.45	6.35	4.08	6.92	4.80	4.24
Unsub - Guaranteed	0.75	0.54	0.53	0.48	0.58	0.40	0.33	0.37	0.38	-0.01	-0.07
Farm Operating:											
Direct	17.25	14.42	10.09	9.95	11.69	12.69	11.79	4.74	6.06	5.63	5.57
Unsub - Guaranteed	3.17	3.33	3.23	3.03	2.47	2.42	2.49	2.34	2.33	1.74	1.19
Subs Guaranteed	11.80	12.77	13.31	12.50	10.07	13.34	13.79	14.06	13.83	N/A	N/A
Indian Land Acqusition	8.95	-0.78	5.27	4.01	21.15	3.15	6.29	-37.37	-6.53	-13.89	-14.85
Boll Weevil Eradication	-2.70	-6.07	-5.68	-18.09	1.90	-0.27	-0.56	-1.14	-2.09	-2.16	-2.54
Emergency	20.39	13.83	12.94	10.94	11.77	11.15	14.22	3.69	10.49	5.01	3.80
Conservation:											
Direct								2.31	2.99	N/A	N/A
Guaranteed								0.37	0.38	-0.01	-0.28

Mr. Kingston: Please provide a table for each FSA direct and guaranteed loan program showing the number of borrowers, the number of loans with outstanding balances, the number of delinquent loans, the total amount outstanding, the total amount delinquent and the percentage delinquent by number of loans and by total amount.

Response: The information is provided for the record.

[The information follows:]

Loan Program (as of 02/29/12)	Number of Borrowers	Number of Loans	Number of Delinq. Loans	Total Outstanding ($ in millions)	Total Amount Delinq. ($ in millions)	Percent Delinq. Loans	Percent Delinq. Amount
Direct Operating	43,684	73,975	13,033	$3,154.6	$246.3	17.6	7.8
Direct Farm Ownership	32,696	37,496	4,088	$4,085.4	$86.2	10.9	2.1
Direct Emergency	6,932	10,690	3,481	$561.7	$129.3	32.6	23.0
Direct Economic Emergency	970	1,240	451	$83.0	$30.4	36.4%	36.7%
Direct Soil & Water	517	566	97	$7.6	$1.4	17.1%	18.1%
Guaranteed Economic Emergency	4	4	0	$0.2	$0	0.0%	0.0%
Guaranteed Farm Ownership	25,300	30,035	601	$7,993.9	$79.9	2.0%	1.0%
Guaranteed Operating	16,284	25,175	737	$3,723.9	$79.0	2.9%	2.1%

Mr. Kingston: Please update the table showing the farm loan outstanding balances and delinquency totals by state.

Response: The information is provided for the record.

[The information follows:]

As of 02/29/12	Direct Loans:		Guaranteed Loans:	
State Name	Total Outstanding	Total Amount Delinquent	Total Outstanding	Total Amount Delinquent
ALABAMA	$51,393,005	$2,796,887	$222,455,103	$2,072,917
ALASKA	6,884,739	929,318	0	0
ARIZONA	30,684,694	4,539,545	52,556,761	403,592
ARKANSAS	239,800,308	34,915,961	540,912,093	26,160,807
CALIFORNIA	178,622,025	40,787,336	211,651,719	9,452,552
COLORADO	85,458,790	2,589,346	178,974,120	1,012,655
CONNECTICUT	5,466,593	297,204	31,418,957	1,297,824
DELAWARE	3,442,608	0	16,811,796	316,163
FLORIDA	66,054,809	7,249,969	57,664,487	3,507,224
GEORGIA	151,394,211	21,312,729	324,980,289	8,855,305
HAWAII	16,642,912	494,087	15,900,627	1,571,176
IDAHO	100,390,421	2,203,348	182,594,019	899,333
ILLINOIS	239,381,730	2,431,215	553,579,374	1,006,841
INDIANA	139,066,020	2,013,626	426,472,341	5,491,536
IOWA	488,652,086	7,182,285	645,246,964	1,667,718

As of 02/29/12	Direct Loans:		Guaranteed Loans:	
State Name	Total Outstanding	Total Amount Delinquent	Total Outstanding	Total Amount Delinquent
KANSAS	363,305,835	4,165,963	271,175,025	2,551,722
KENTUCKY	265,953,797	8,269,305	267,919,278	4,226,260
LOUISIANA	108,649,429	18,525,143	208,687,372	6,187,642
MAINE	43,113,248	2,993,956	22,840,954	695,186
MARYLAND	15,358,077	1,652,877	41,486,996	161,746
MASSACHUSETTS	44,496,268	5,110,266	30,410,993	374,193
MICHIGAN	235,718,643	10,767,907	459,244,129	6,785,478
MINNESOTA	396,810,153	6,611,063	661,203,792	4,444,428
MISSISSIPPI	79,932,870	21,084,865	115,421,539	3,544,533
MISSOURI	218,617,377	2,251,669	447,144,999	1,786,915
MONTANA	135,856,298	8,291,558	215,676,699	1,773,149
NEBRASKA	421,091,030	4,472,418	530,477,602	647,362
NEVADA	13,768,041	972,630	26,451,245	37,756
NEW HAMPSHIRE	18,247,678	1,340,001	6,903,202	19,894
NEW JERSEY	24,375,188	4,337,609	41,101,600	800,397
NEW MEXICO	45,712,768	4,004,636	64,586,039	1,279,613
NEW YORK	207,192,895	20,264,611	270,689,895	2,992,351
NORTH CAROLINA	114,776,601	16,311,374	324,907,178	7,126,589
NORTH DAKOTA	272,632,088	23,205,566	294,986,089	129,006
OHIO	108,883,457	2,695,140	776,989,406	1,216,294
OKLAHOMA	483,376,465	22,348,655	369,381,474	15,623,863
OREGON	91,211,409	3,541,265	138,065,328	5,721,492
PENNSYLVANIA	274,532,861	4,311,480	188,354,217	1,150,677
PUERTO RICO	233,999,554	100,163,983	10,445,794	2,876,603
RHODE ISLAND	7,635,001	768,392	4,855,422	0
SOUTH CAROLINA	113,483,678	11,474,839	197,594,854	1,534,063
SOUTH DAKOTA	326,410,712	2,419,409	339,312,155	806,330
TENNESSEE	155,750,805	10,301,225	127,950,926	1,874,512
TEXAS	360,384,024	27,439,681	299,836,144	6,101,633
UTAH	138,161,377	1,926,262	75,418,521	1,312,217
VERMONT	69,029,743	977,458	104,239,130	492,295
VIRGINIA	115,897,020	4,854,174	134,162,350	149,030
WASHINGTON	90,762,827	5,543,180	151,666,367	5,822,192
WEST VIRGINIA	72,501,625	1,460,951	27,802,320	48,339
WISCONSIN	526,906,213	10,025,927	935,178,141	4,616,716
WYOMING	30,830,654	1,720,704	74,198,594	306,418
TOTAL	8,028,700,662	506,348,996	11,717,984,421	158,932,539

Mr. Kingston: Please provide a table showing the number of loans with delinquencies of less than 3 months, between 3 and 6 months, between 6 months and 1 year, and greater than 1 year for each FSA direct and guaranteed loan program.

Response: Delinquency aging is based on the borrower's entire direct loan account so FSA does not have information for each loan program, aging data for the specific categories that were requested is not available. The following table provides delinquency aging for direct loan borrowers.

[The information follows:]

Direct Loan Program (as of 02/29/2012)	
Past Due Category	Number of Borrowers
1 to 30 Days	959
31-89 Days	4,156
90 Days to 1 Year	1,361
Greater than 1 Year	4,105
Total	10,581

NOTE: FSA does not maintain delinquency aging information on guaranteed loans since the Agency doesn't maintain daily accounting records. (Guaranteed lenders are required to provide updated information on delinquent accounts every 60 days.)

Mr. Kingston: Please provide a table showing each FSA direct and guaranteed loan program and the loan losses by amount and percentage for FY 2008 through FY 2011.

Response: The information is provided for the record.

[The information follows:]

Direct Farm Loans Written Off Operating Loans Fiscal Years 2008 - 2011 (Dollars in Thousands)			
Fiscal Year	Beginning Principal	Losses Paid (Principal and Interest)	Losses as Percent of Beginning Principal
2008	$2,280,055	$47,159	2.1
2009	2,241,990	33,364	1.5
2010	2,694,210	28,278	1.4
2011	3,118,091	79,585	2.6

Direct Farm Loans Written Off Farm Ownership Loans Fiscal Years 2008 - 2011 (Dollars in Thousands)			
Fiscal Year	Beginning Principal	Losses Paid (Principal and Interest)	Losses as Percent of Beginning Principal
2008	$2,724,553	$14,133	0.5
2009	2,869,295	7,977	0.3
2010	3,128,672	10,267	0.3
2011	3,579,960	18,414	0.5

Direct Farm Loans Written Off Emergency Loans Fiscal Years 2008 - 2011 (Dollars in Thousands)			
Fiscal Year	Beginning Principal	Losses Paid (Principal and Interest)	Losses as Percent of Beginning Principal
2008	$798,769	$30,193	3.8
2009	715,251	4,720	0.7
2010	650,120	27,396	4.2
2011	585,191	19,744	3.4

Direct Farm Loans Written Off Economic Emergency Loans Fiscal Years 2008 - 2011 (Dollars in Thousands)			
Fiscal Year	Beginning Principal	Losses Paid (Principal and Interest)	Losses as Percent of Beginning Principal
2008	$133,465	$7,769	5.8
2009	110,337	2,923	2.6
2010	92,940	1,495	1.6
2011	77,729	7,248	9.3

Direct Farm Loans Written Off Soil and Water Loans Fiscal Years 2008 - 2011 (Dollars in Thousands)			
Fiscal Year	Beginning Principal	Losses Paid (Principal and Interest)	Losses as Percent of Beginning Principal
2008	$16,370	$373	2.3
2009	12,694	59	0.5
2010	11,017	195	1.8
2011	9,002	165	1.8

Guaranteed Farm Loans Written Off Operating Loans Fiscal Years 2008 - 2011 (Dollars in Thousands)			
Fiscal Year	Beginning Principal	Losses Paid (Principal and Interest)	Losses as Percent of Beginning Principal
2008	$3,329,305	$18,907	0.6
2009	3,088,052	19,532	0.6
2010	3,144,036	31,852	1.0
2011	3,436,754	28,528	0.8

Guaranteed Farm Loans Written Off Farm Ownership Loans Fiscal Years 2008 - 2011 (Dollars in Thousands)			
Fiscal Year	Beginning Principal	Losses Paid (Principal and Interest)	Losses as Percent of Beginning Principal
2008	$5,606,791	$10,779	0.2
2009	5,838,427	15,758	0.3
2010	6,242,447	22,846	0.4
2011	6,916,301	23,586	0.3

Guaranteed Farm Loans Written Off Economic Emergency Loans Fiscal Years 2008 - 2011 (Dollars in Thousands)			
Fiscal Year	Beginning Principal	Losses Paid (Principal and Interest)	Losses as Percent of Beginning Principal
2008	$1,525	$818	53.6
2009	433	-13	-2.9
2010	334	-76	-22.8
2011	217	0	0.0

NOTE: Negative losses indicate recoveries exceeded losses for the period.

Mr. Kingston: Please update the farm loan programs obligations report by state provided last year for FY 2011 and FY 2012 through 2/28/2012.

Response: The information is provided for the record.

[The information follows:]

FARM SERVICE AGENCY
FARM LOAN PROGRAMS OBLIGATIONS REPORT
FY 2011 as of September 30, 2011
(dollars in thousands)

State	Direct OL		Guaranteed OL		Direct FO		Guaranteed FO		Emergency		Total No.	Total $ Amt.
	No.	$ Amount	No.	$ Amount	No.	$ Amount	No.	$ Amount	No.	$ Amount	All Loans	All Loans
ALABAMA	269	12,874	24	2,512	20	3,039	83	41,907	2	380	398	60,712
ALASKA	16	556	0	0	1	220	0	0	0	0	17	776
ARIZONA	184	10,690	31	15,223	13	3,240	8	3,772	0	0	236	32,925
ARKANSAS	418	32,907	262	72,973	37	6,691	140	84,727	84	10,399	941	207,697
CALIFORNIA	425	24,162	147	55,712	36	7,092	62	32,099	1	33	671	119,098
COLORADO	218	12,297	91	17,425	39	6,657	53	21,711	0	0	401	58,090
CONNECTICUT	18	805	13	1,498	1	280	7	2,873	0	0	39	5,456
DELAWARE	7	622	3	130	3	800	4	1,310	1	266	18	3,128
FLORIDA	227	15,786	36	7,043	9	1,795	18	5,774	11	2,088	301	32,486
VIRGIN ISLANDS	2	55	0	0	0	0	0	0	0	0	2	55
GEORGIA	432	40,227	181	48,661	45	9,306	92	51,027	3	180	753	149,401
HAWAII	104	1,848	3	128	4	995	4	1,993	0	0	115	4,964
WPT	5	189	0	0	1	125	0	0	0	0	6	314
IDAHO	401	21,435	217	44,902	30	5,848	54	18,890	0	0	702	91,075
ILLINOIS	229	15,076	135	29,413	215	34,441	360	147,261	0	0	939	226,191
INDIANA	101	7,579	176	25,836	129	22,899	270	115,190	0	0	676	171,504
IOWA	1,053	54,084	268	60,220	344	57,680	256	103,499	2	538	1,923	276,021
KANSAS	643	41,551	167	30,599	255	33,463	93	25,392	0	0	1,158	131,005
KENTUCKY	1,114	43,148	156	19,747	124	20,086	138	47,133	23	1,190	1,555	131,304
LOUISIANA	280	20,886	214	68,383	8	1,043	19	6,537	5	460	526	97,309
MAINE	75	3,253	5	648	7	1,043	5	1,067	0	0	92	6,011
MARYLAND	28	2,973	6	230	2	133	8	6,631	0	0	44	9,967
MASSACHUSETTS	76	3,552	11	614	13	2,593	14	4,126	4	304	118	11,189
MICHIGAN	364	21,190	235	39,899	105	16,255	165	54,364	10	1,595	879	133,303
MINNESOTA	794	51,459	326	73,933	209	39,385	223	84,749	0	0	1,552	249,526
MISSISSIPPI	321	13,594	53	18,202	5	804	25	15,821	0	0	404	48,421
MISSOURI	483	19,328	254	41,920	180	25,252	300	96,831	6	265	1,223	183,596
MONTANA	225	17,497	130	24,574	57	9,969	77	31,913	2	660	491	84,613
NEBRASKA	1,234	70,379	195	46,558	201	38,510	139	61,215	0	0	1,769	216,662
NEVADA	57	3,622	9	2,401	8	1,711	9	3,743	0	0	83	11,477
NEW HAMPSHIRE	20	1,031	6	725	3	520	2	100	0	0	31	2,376
NEW JERSEY	48	2,164	20	2,405	5	896	16	5,164	19	2,366	108	12,995
NEW MEXICO	89	5,607	30	5,145	31	5,010	18	6,725	3	76	171	22,563
NEW YORK	218	15,374	107	21,453	37	7,526	61	19,775	2	129	425	64,257
NORTH CAROLINA	340	25,961	139	23,810	23	3,730	133	67,938	30	2,149	665	123,588
NORTH DAKOTA	296	22,859	169	37,968	90	13,271	41	15,224	8	1,414	604	90,736
OHIO	191	6,747	190	22,345	125	15,423	772	199,136	1	8	1,279	243,659
OKLAHOMA	902	49,307	146	37,870	262	43,487	116	47,416	0	0	1,426	178,080
OREGON	261	16,395	81	19,803	28	6,315	33	13,798	3	53	406	56,364
PENNSYLVANIA	450	27,350	82	12,062	53	12,083	50	19,993	3	658	638	72,146
PUERTO RICO	125	6,047	5	596	37	4,344	5	725	0	0	172	11,712
RHODE ISLAND	18	875	0	0	4	560	0	0	0	0	22	1,435
SOUTH CAROLINA	334	27,247	78	12,613	20	2,951	58	25,351	17	1,457	507	69,619
SOUTH DAKOTA	784	42,033	186	32,177	126	25,054	150	60,368	0	0	1,246	159,632
TENNESSEE	453	27,324	84	28,023	49	6,731	61	24,465	3	164	650	86,707
TEXAS	1,103	68,350	252	76,982	137	22,328	61	31,779	6	468	1,559	199,907
UTAH	463	23,277	30	7,543	52	8,890	40	14,772	0	0	585	54,482
VERMONT	78	3,928	54	6,962	7	1,242	45	14,478	2	278	186	26,888
VIRGINIA	236	17,923	69	16,920	35	6,662	66	28,175	39	3,877	445	73,557
WASHINGTON	312	26,192	150	41,665	19	4,379	43	13,091	0	0	524	85,327
WEST VIRGINIA	279	7,449	7	905	24	2,757	8	3,198	1	10	319	14,319
WISCONSIN	928	56,204	322	68,283	191	32,584	459	210,865	7	1,145	1,907	369,081
WYOMING	75	5,989	50	10,235	13	2,762	22	11,978	0	0	160	30,964
NATIONAL TOTAL	17,806	1,049,257	5,605	1,235,874	3,472	580,860	4,886	1,906,069	298	32,610	32,067	4,804,670

FARM SERVICE AGENCY
FARM LOAN PROGRAMS OBLIGATIONS REPORT
FY 2012 as of February 29, 2012
(dollars in thousands)

State	Direct OL		Guaranteed OL		Direct FO		Guaranteed FO		Emergency		Total No. All Loans	Total $ Amt. All Loans
	No.	$ Amount	No.	$ Amount	No.	$ Amount	No.	$ Amount	No.	$ Amount		
ALABAMA	150	5,984	9	702	13	1,879	38	14,909	0	0	210	23,474
ALASKA	7	408	0	0	0	0	0	0	0	0	7	408
ARIZONA	94	3,520	6	3,185	2	480	5	1,214	0	0	107	8,398
ARKANSAS	221	19,655	104	34,465	22	3,546	50	29,179	10	969	407	87,814
CALIFORNIA	215	14,654	61	23,862	17	3,239	25	14,018	1	423	319	56,196
COLORADO	121	6,821	19	4,053	22	3,698	18	10,015	0	0	180	24,588
CONNECTICUT	10	526	5	365	1	300	3	2,195	1	389	20	3,775
DELAWARE	4	276	0	0	1	224	5	2,781	0	0	10	3,281
FLORIDA	101	7,393	17	4,970	12	2,300	5	1,527	0	0	135	16,191
VIRGIN ISLANDS	0	0	0	0	0	0	0	0	0	0	0	0
GEORGIA	213	21,285	50	16,880	17	3,241	15	8,763	4	203	299	50,372
HAWAII	30	525	0	0	1	83	1	1,083	0	0	32	1,691
WPT	3	16	0	0	0	0	0	0	0	0	3	16
IDAHO	193	12,118	63	13,374	16	3,198	32	13,958	0	0	304	42,648
ILLINOIS	164	12,210	37	8,142	141	22,196	138	50,311	0	0	480	92,859
INDIANA	65	5,039	60	14,871	65	11,004	81	24,923	0	0	271	55,836
IOWA	784	44,637	87	18,675	232	38,357	91	36,561	1	6	1,195	138,236
KANSAS	281	17,658	46	7,207	118	15,879	35	8,695	0	0	480	49,439
KENTUCKY	647	25,850	36	6,942	59	9,633	47	15,336	0	0	789	57,761
LOUISIANA	115	8,338	90	26,924	3	304	5	668	3	214	216	36,448
MAINE	34	1,611	4	278	4	784	1	440	0	0	43	3,113
MARYLAND	8	744	4	983	6	1,525	4	2,376	0	0	22	5,628
MASSACHUSETTS	43	2,701	4	889	4	1,192	2	741	3	591	56	6,114
MICHIGAN	148	9,725	68	9,938	43	6,149	51	16,458	0	0	310	42,269
MINNESOTA	432	28,611	72	15,146	102	17,350	65	20,757	3	118	674	81,981
MISSISSIPPI	149	6,815	11	2,429	7	1,117	12	5,560	0	0	179	15,921
MISSOURI	273	14,409	71	15,643	94	13,281	88	27,397	1	24	527	70,755
MONTANA	168	10,317	42	8,590	24	4,624	26	11,207	0	0	260	34,737
NEBRASKA	784	47,761	37	5,368	127	25,088	54	24,602	0	0	1,002	102,819
NEVADA	39	1,617	0	0	2	258	1	80	0	0	42	1,955
NEW HAMPSHIRE	9	529	1	107	0	0	1	205	0	0	11	841
NEW JERSEY	28	1,964	3	320	1	150	2	615	7	916	41	3,966
NEW MEXICO	57	3,686	8	1,481	11	2,065	8	2,887	3	261	87	10,380
NEW YORK	84	5,742	30	3,494	15	2,370	23	6,983	10	1,476	162	20,065
NORTH CAROLINA	160	12,946	29	3,779	11	2,156	33	18,032	16	1,311	249	38,222
NORTH DAKOTA	175	14,655	42	10,588	38	4,794	14	5,446	5	405	274	35,888
OHIO	116	5,363	54	5,277	86	11,910	265	61,712	0	0	521	84,262
OKLAHOMA	390	21,139	57	12,889	115	17,186	48	16,951	3	274	613	68,438
OREGON	147	8,841	28	7,138	12	2,974	19	6,644	2	194	208	25,790
PENNSYLVANIA	170	10,639	33	4,591	28	5,733	12	4,052	1	500	244	25,515
PUERTO RICO	49	2,531	1	100	14	1,992	0	0	0	0	64	4,623
RHODE ISLAND	5	173	0	0	0	0	1	575	0	0	6	748
SOUTH CAROLINA	216	18,291	24	7,864	8	1,436	25	6,820	6	344	279	34,755
SOUTH DAKOTA	479	29,013	62	11,361	69	10,684	42	17,946	0	0	652	69,004
TENNESSEE	214	13,069	22	5,912	31	4,992	21	9,106	0	0	288	33,079
TEXAS	528	34,629	76	27,011	72	11,270	17	9,139	37	2,422	730	84,470
UTAH	253	11,726	8	1,750	23	3,582	17	8,397	0	0	301	25,454
VERMONT	33	1,887	14	1,539	4	630	11	2,512	0	0	62	6,568
VIRGINIA	109	8,202	18	3,274	23	4,023	15	5,941	0	0	165	21,440
WASHINGTON	167	13,960	52	14,126	10	2,533	7	3,521	0	0	236	34,140
WEST VIRGINIA	130	3,937	1	45	13	1,826	5	1,108	0	0	149	6,917
WISCONSIN	397	22,986	70	11,923	91	16,118	132	62,807	0	0	690	113,834
WYOMING	34	2,273	13	2,265	8	1,823	8	4,738	0	0	63	11,098
NATIONAL TOTAL	9,446	579,405	1,649	380,712	1,838	301,173	1,624	601,889	117	11,039	14,674	1,874,218

For each FSA direct and guaranteed loan program, please provide a table by state showing the number of loans made and the amount to beginning farmers.

Response: The information is provided for the record.

[The information follows:]

FARM LOAN PROGRAMS BEGINNING FARMER OBLIGATIONS REPORT
FY 2011 AS OF SEPTEMBER 30, 2011

State	Direct OL		Guaranteed OL		Direct FO		Guaranteed FO		Total Loans	
	No.	$ Amount	No.	$ Amount	No.	$ Amount	No.	$ Amount	No.	$ Amount
Alabama	83	4,808,000	6	574,000	11	1,466,000	28	14,624,000	128	21,472,000
Alaska	11	356,000	0	0	1	220,000	0	0	12	576,000
Arizona	58	6,977,000	13	6,760,000	8	2,235,000	2	945,000	81	16,917,000
Arkansas	215	20,859,000	137	35,365,000	22	4,421,000	46	25,853,000	420	86,518,000
California	107	11,034,000	41	11,997,000	21	4,215,000	16	7,384,000	185	34,630,000
Colorado	110	7,719,000	22	3,214,000	31	5,346,000	17	5,101,000	180	21,380,000
Connecticut	9	334,000	3	375,000	1	280,000	0	0	13	989,000
Delaware	4	349,000	1	15,000	3	800,000	4	1,310,000	12	2,474,000
Florida	107	8,291,000	11	1,143,000	8	1,495,000	9	2,074,000	135	13,003,000
Virgin Islands	0	0	0	0	0	0	0	0	0	0
Georgia	277	30,626,000	77	16,570,000	34	6,759,000	49	29,658,000	437	83,613,000
Hawaii	22	465,000	1	25,000	1	220,000	2	649,000	26	1,359,000
WPT	3	180,000	0	0	1	125,000	0	0	4	305,000
Idaho	188	14,132,000	80	9,742,000	24	4,793,000	12	2,168,000	304	30,835,000
Illinois	145	10,669,000	48	8,690,000	180	28,318,000	114	25,164,000	487	72,841,000
Indiana	52	4,134,000	43	4,344,000	107	18,564,000	88	25,889,000	290	52,931,000
Iowa	703	37,833,000	81	14,446,000	276	44,757,000	76	21,598,000	1,136	118,634,000
Kansas	313	17,657,000	31	3,303,000	193	25,267,000	26	4,064,000	563	50,311,000
Kentucky	547	24,296,000	67	8,758,000	81	14,276,000	50	14,926,000	745	62,256,000
Louisiana	132	14,762,000	104	22,414,000	3	485,000	4	1,875,000	243	39,536,000
Maine	38	2,009,000	1	60,000	4	709,000	0	0	43	2,778,000
Maryland	11	834,000	2	48,000	1	133,000	6	4,226,000	20	5,241,000
Massachusetts	43	1,487,000	0	0	7	1,700,000	3	1,644,000	53	4,831,000
Michigan	185	11,153,000	65	6,672,000	83	12,266,000	57	13,422,000	390	43,513,000
Minnesota	474	30,636,000	93	15,215,000	164	30,537,000	56	13,410,000	787	89,798,000
Mississippi	131	7,832,000	22	6,787,000	3	562,000	16	11,278,000	172	26,459,000
Missouri	208	12,225,000	60	9,202,000	155	20,544,000	106	20,661,000	529	62,632,000
Montana	128	10,446,000	46	6,905,000	47	8,410,000	31	8,840,000	252	34,601,000
Nebraska	796	46,910,000	44	9,897,000	145	27,422,000	27	7,414,000	1,012	91,643,000
Nevada	35	3,214,000	5	1,071,000	8	1,711,000	4	1,283,000	52	7,279,000
New Hampshire	11	455,000	0	0	3	481,000	0	0	14	936,000
New Jersey	25	1,162,000	5	380,000	5	896,000	6	2,076,000	41	4,514,000
New Mexico	42	2,955,000	17	2,154,000	24	3,970,000	7	1,263,000	90	10,342,000
New York	97	6,270,000	21	1,684,000	28	5,543,000	9	2,068,000	155	15,565,000
North Carolina	158	11,619,000	55	9,693,000	16	2,846,000	57	30,122,000	286	54,280,000
North Dakota	162	13,122,000	68	14,397,000	65	9,441,000	16	4,602,000	311	41,562,000
Ohio	64	3,717,000	21	1,696,000	99	11,920,000	148	28,202,000	332	45,535,000
Oklahoma	424	21,687,000	27	7,141,000	191	31,958,000	41	17,264,000	683	78,250,000
Oregon	140	7,537,000	22	3,544,000	18	4,368,000	8	2,739,000	188	18,188,000
Pennsylvania	221	12,444,000	28	3,220,000	40	8,848,000	14	4,687,000	303	29,199,000
Puerto Rico	49	2,580,000	3	346,000	26	3,115,000	1	264,000	79	6,305,000
Rhode Island	4	180,000	0	0	4	560,000	0	0	8	740,000
South Carolina	196	16,273,000	18	2,187,000	10	1,897,000	29	13,382,000	253	33,739,000
South Dakota	469	30,102,000	57	10,171,000	93	18,214,000	26	6,783,000	665	65,270,000
Tennessee	225	14,502,000	23	4,753,000	37	5,008,000	31	10,577,000	316	34,840,000
Texas	460	33,146,000	65	15,404,000	97	15,848,000	19	9,448,000	641	73,846,000
Utah	244	13,322,000	7	1,973,000	42	7,025,000	6	557,000	299	22,877,000
Vermont	34	1,638,000	19	1,488,000	4	620,000	10	1,604,000	67	5,350,000
Virginia	94	6,160,000	14	2,857,000	24	3,965,000	19	7,502,000	151	20,484,000
Washington	146	14,047,000	44	9,672,000	17	3,991,000	10	1,982,000	217	29,692,000
West Virginia	108	3,076,000	0	0	16	1,633,000	5	1,690,000	129	6,399,000
Wisconsin	516	27,403,000	81	10,622,000	134	23,133,000	79	20,174,000	810	81,532,000
Wyoming	41	3,512,000	17	2,121,000	10	2,281,000	6	3,473,000	74	11,387,000
National Total	9,085	589,336,000	1,716	309,315,000	2,626	435,617,000	1,396	435,919,000	14,823	1,770,187,000

FARM LOAN PROGRAMS BEGINNING FARMER OBLIGATIONS REPORT
FY 2012 AS OF FEBRUARY 29, 2012

State	Direct OL		Guaranteed OL		Direct FO		Guaranteed FO		Total Loans	
	No.	$ Amount	No.	$ Amount	No.	$ Amount	No.	$ Amount	No.	$ Amount
Alabama	48	2,886,360	4	225,807	8	1,169,000	8	2,879,589	68	7,140,756
Alaska	0	0	0	0	0	0	0	0	0	0
Arizona	23	2,118,800	3	2,794,000	2	480,000	0	0	28	5,392,800
Arkansas	118	13,858,210	60	19,320,294	12	2,074,950	22	13,411,868	212	48,665,322
California	48	5,577,710	16	3,472,839	10	1,921,500	10	3,914,400	84	14,886,449
Colorado	60	4,026,300	2	163,000	14	2,329,100	6	1,695,050	82	8,213,450
Connecticut	2	64,700	1	150,000	1	300,000	0	0	4	514,700
Delaware	1	46,000	0	0	1	224,000	0	0	2	270,000
Florida	43	3,249,570	3	642,300	4	762,500	1	40,000	51	4,694,370
Virgin Islands	0	0	0	0	0	0	0	0	0	0
Georgia	150	15,848,400	29	7,810,570	12	2,153,130	4	2,816,000	195	28,628,100
Hawaii	9	261,700	0	0	1	83,000	0	0	10	344,700
WPT/ Guam??	2	14,500	0	0	0	0	0	0	2	14,500
Idaho	108	8,688,240	31	5,457,745	11	2,181,250	6	2,230,500	156	18,557,735
Illinois	101	8,515,726	15	2,567,500	111	17,888,720	63	16,829,616	290	45,801,562
Indiana	38	3,866,050	17	2,701,740	53	8,720,600	29	7,074,080	137	22,362,470
Iowa	583	36,034,332	34	4,990,665	182	29,504,209	39	9,805,491	838	80,424,697
Kansas	135	8,421,190	24	3,430,300	85	11,306,560	21	3,529,255	265	26,687,305
Kentucky	322	15,831,950	11	1,814,370	34	6,523,850	16	6,379,813	383	30,549,983
Louisiana	81	5,246,350	48	11,229,492	3	304,200	1	151,000	113	16,931,042
Maine	8	610,000	0	0	1	238,600	0	0	9	848,600
Maryland	4	405,250	2	331,300	5	1,285,000	3	1,562,000	14	3,583,550
Massachusetts	22	1,214,400	0	0	1	300,000	0	0	23	1,514,400
Michigan	86	5,625,110	28	3,187,600	28	4,136,710	22	4,080,355	164	17,029,775
Minnesota	248	18,012,170	28	4,573,742	67	11,415,545	24	4,430,800	367	38,432,257
Mississippi	64	4,405,690	9	1,662,729	3	632,000	7	3,974,001	83	10,674,420
Missouri	136	10,402,730	35	8,140,304	70	9,714,220	33	7,033,485	274	35,290,739
Montana	95	6,790,840	16	2,800,300	20	3,837,850	15	5,409,927	146	18,838,917
Nebraska	558	34,358,060	16	2,388,240	91	18,462,230	21	7,087,550	686	62,296,080
Nevada	16	1,326,850	0	0	1	72,000	1	80,000	18	1,478,850
New Hampshire	4	290,900	0	0	0	0	1	205,000	5	495,900
New Jersey	16	679,500	0	0	1	150,000	0	0	17	829,500
New Mexico	30	1,649,880	5	1,221,000	9	1,687,550	4	951,400	48	5,509,830
New York	38	2,392,250	5	532,500	10	1,421,050	3	765,000	56	5,110,800
North Carolina	79	6,305,610	12	1,486,344	5	954,000	4	3,075,000	100	11,820,954
North Dakota	112	10,016,440	15	2,644,300	26	3,366,890	5	1,311,915	158	17,339,545
Ohio	45	3,315,300	13	1,089,600	53	8,772,435	68	11,881,067	189	25,058,402
Oklahoma	190	9,719,730	12	1,592,250	65	9,922,060	12	2,209,700	279	23,443,740
Oregon	85	5,119,980	8	1,304,300	6	1,623,600	2	420,000	101	8,467,880
Pennsylvania	93	5,700,540	9	926,658	14	3,058,100	4	1,235,000	120	10,920,298
Puerto Rico	22	1,303,340	0	0	13	1,921,630	0	0	35	3,224,970
Rhode Island	1	30,000	0	0	0	0	1	575,000	2	605,000
South Carolina	132	11,925,081	4	437,365	6	1,137,500	10	3,037,300	152	16,537,246
South Dakota	324	21,616,000	20	3,666,420	51	8,089,510	17	5,977,240	412	39,349,170
Tennessee	109	8,084,080	8	1,650,000	18	2,974,550	9	2,772,500	144	15,481,130
Texas	229	18,654,260	22	5,954,681	46	6,987,910	4	1,687,000	301	33,283,851
Utah	109	5,826,720	5	604,703	15	2,362,750	4	1,177,000	133	9,971,173
Vermont	16	1,002,400	3	97,150	3	565,000	6	655,100	28	2,319,650
Virginia	46	3,771,080	10	1,421,000	13	2,183,635	6	2,381,250	75	9,756,965
Washington	76	7,437,970	15	3,093,017	10	2,532,500	0	0	101	13,063,487
West Virginia	64	1,544,740	0	0	11	1,501,250	1	110,000	76	3,155,990
Wisconsin	231	12,960,550	19	2,137,159	64	11,650,300	31	9,600,105	345	36,348,114
Wyoming	21	1,673,360	3	648,000	5	1,170,100	4	3,316,000	33	6,807,460
National Total	5,161	358,686,699	620	120,361,284	1,285	212,143,044	548	157,757,357	7,614	848,948,384

Mr. Kingston: For each FSA direct and guaranteed loan program, please provide a table by state showing the number of loans made and the amount to socially disadvantaged farmers.

Response: The information is provided for the record.

[The information follows:]

FARM LOAN PROGRAMS SOCIALLY DISADVANTAGED OBLIGATIONS REPORT
FY 2011 AS OF SEPTEMBER 30, 2011

State	Direct OL		Guaranteed OL		Direct FO		Guaranteed FO		Total Loans	
	No.	$ Amount	No.	$ Amount	No.	$ Amount	No.	$ Amount	No.	$ Amount
Alabama	105	2,840,000	4	461,000	7	887,000	19	10,033,000	135	14,221,000
Alaska	3	83,000	0	0	0	0	0	0	3	83,000
Arizona	116	4,885,000	13	9,045,000	9	2,430,000	2	894,000	142	17,254,000
Arkansas	105	5,370,000	13	2,525,000	15	3,063,000	27	14,880,000	160	25,838,000
California	232	9,164,000	70	27,642,000	17	3,036,000	29	13,623,000	348	53,465,000
Colorado	64	2,008,000	1	500,000	7	1,150,000	2	515,000	74	4,173,000
Connecticut	7	345,000	3	210,000	1	280,000	3	1,821,000	14	2,656,000
Delaware	0	0	1	15,000	0	0	2	940,000	3	955,000
Florida	86	4,602,000	4	461,000	3	825,000	5	1,419,000	98	7,307,000
Virgin Islands	2	55,000	0	0	0	0	0	0	2	55,000
Georgia	130	10,400,000	18	3,463,000	11	2,272,000	19	10,135,000	178	26,270,000
Hawaii	92	1,552,000	0	0	4	995,000	1	1,100,000	97	3,647,000
WPT	5	189,000	0	0	1	125,000	0	0	6	314,000
Idaho	111	2,583,000	2	251,000	6	1,143,000	0	0	119	3,977,000
Illinois	20	115,000	0	0	7	988,000	6	1,293,000	33	2,396,000
Indiana	8	383,000	5	1,292,000	8	1,686,000	11	4,819,000	32	8,180,000
Iowa	117	1,943,000	1	10,000	12	1,854,000	6	1,634,000	136	5,441,000
Kansas	96	2,922,000	2	130,000	26	3,451,000	8	1,913,000	132	8,416,000
Kentucky	171	4,737,000	6	1,045,000	20	2,785,000	6	1,945,000	203	10,512,000
Louisiana	114	8,179,000	74	26,307,000	3	480,000	3	1,310,000	194	36,276,000
Maine	28	1,092,000	1	280,000	2	305,000	0	0	31	1,677,000
Maryland	7	574,000	1	17,000	1	133,000	3	2,738,000	12	3,462,000
Massachusetts	10	380,000	3	111,000	3	775,000	2	585,000	18	1,851,000
Michigan	67	2,843,000	6	637,000	19	2,644,000	17	3,259,000	109	9,383,000
Minnesota	94	3,552,000	2	370,000	14	2,028,000	3	428,000	113	6,378,000
Mississippi	104	3,302,000	5	1,890,000	3	561,000	2	983,000	114	6,736,000
Missouri	109	1,861,000	21	2,729,000	19	2,444,000	30	9,960,000	179	17,014,000
Montana	77	3,788,000	13	3,291,000	12	2,442,000	7	2,195,000	109	11,716,000
Nebraska	176	5,370,000	2	207,000	14	2,671,000	3	925,000	195	9,173,000
Nevada	15	597,000	0	0	0	0	0	0	15	597,000
New Hampshire	3	100,000	0	0	2	224,000	0	0	5	324,000
New Jersey	14	369,000	0	0	1	300,000	2	1,467,000	17	2,156,000
New Mexico	40	1,784,000	3	205,000	14	1,761,000	2	259,000	59	4,009,000
New York	22	1,172,000	7	1,864,000	12	2,526,000	1	270,000	42	5,832,000
North Carolina	75	4,068,000	17	3,128,000	9	1,367,000	17	9,190,000	118	17,753,000
North Dakota	53	1,934,000	8	1,581,000	7	1,119,000	5	2,476,000	73	7,110,000
Ohio	47	358,000	5	674,000	30	3,819,000	41	11,418,000	123	16,269,000
Oklahoma	468	20,014,000	27	6,326,000	149	24,412,000	49	21,580,000	693	72,332,000
Oregon	53	2,924,000	8	2,409,000	7	1,387,000	4	1,030,000	72	7,750,000
Pennsylvania	93	5,816,000	6	741,000	12	2,403,000	0	0	111	8,960,000
Puerto Rico	123	5,959,000	5	596,000	37	4,344,000	5	725,000	170	11,624,000
Rhode Island	5	82,000	0	0	4	560,000	0	0	9	642,000
South Carolina	80	5,826,000	11	930,000	10	1,271,000	10	7,556,000	111	15,583,000
South Dakota	152	5,725,000	16	2,129,000	8	1,818,000	6	2,692,000	182	12,364,000
Tennessee	72	2,705,000	3	835,000	9	1,196,000	6	1,476,000	90	6,212,000
Texas	397	14,864,000	8	3,484,000	57	7,435,000	13	7,868,000	475	33,651,000
Utah	61	1,834,000	0	0	7	1,578,000	1	132,000	69	3,544,000
Vermont	8	258,000	0	0	1	46,000	3	641,000	12	945,000
Virginia	49	2,250,000	2	265,000	8	1,488,000	6	3,354,000	65	7,357,000
Washington	124	7,940,000	9	3,338,000	11	2,853,000	9	2,768,000	153	16,899,000
West Virginia	57	1,101,000	0	0	3	253,000	0	0	60	1,354,000
Wisconsin	128	4,960,000	7	584,000	27	3,817,000	7	2,717,000	169	12,078,000
Wyoming	14	636,000	4	502,000	1	109,000	0	0	19	1,247,000
National Total	4,411	178,393,000	417	112,480,000	670	107,539,000	403	167,006,000	5,901	565,418,000

FARM LOAN PROGRAMS SOCIALLY DISADVANTAGED OBLIGATIONS REPORT
FY 2012 AS OF FEBRUARY 29, 2012

State	Direct OL		Guaranteed OL		Direct FO		Guaranteed FO		Total Loans	
	No.	$ Amount	No.	$ Amount	No.	$ Amount	No.	$ Amount	No.	$ Amount
Alabama	60	1,319,460	0	0	3	274,000	8	2,552,534	71	4,145,994
Alaska	4	290,710	0	0	0	0	0	0	4	290,710
Arizona	61	839,790	2	1,230,000	1	180,000	0	0	64	2,249,790
Arkansas	58	2,144,710	2	1,152,900	8	1,350,050	7	5,954,000	75	10,601,660
California	122	5,732,050	29	12,851,599	11	2,262,650	9	3,560,000	171	24,206,299
Colorado	32	738,770	1	41,750	4	534,800	3	1,744,050	40	3,059,370
Connecticut	3	120,000	1	25,000	1	300,000	0	0	5	445,000
Delaware	0	0	0	0	0	0	1	1,119,000	1	1,119,000
Florida	36	1,319,910	4	1,080,000	5	890,250	1	318,000	46	3,608,160
Virgin Islands	0	0	0	0	0	0	0	0	0	0
Georgia	64	5,582,760	3	962,440	8	1,233,570	3	2,466,000	78	10,244,770
Hawaii	29	511,920	0	0	1	83,000	1	1,082,930	31	1,677,850
WPT	3	16,200	0	0	0	0	0	0	3	16,200
Idaho	32	592,960	6	251,696	2	515,000	3	966,000	43	2,325,656
Illinois	15	247,070	1	175,000	3	687,000	2	591,900	21	1,700,970
Indiana	14	361,600	2	30,000	2	271,200	0	0	18	662,800
Iowa	75	1,588,190	0	0	12	1,987,030	4	369,714	91	3,944,934
Kansas	44	1,770,850	0	0	11	1,450,910	5	443,100	60	3,664,860
Kentucky	105	2,763,070	1	20,000	12	1,890,500	5	964,000	123	5,637,570
Louisiana	47	2,299,450	21	6,407,280	2	234,200	3	234,100	73	9,175,030
Maine	8	160,000	0	0	2	423,600	0	0	10	583,600
Maryland	0	0	0	0	2	470,000	3	1,562,000	5	2,032,000
Massachusetts	4	190,000	0	0	0	0	1	441,000	5	631,000
Michigan	16	406,380	0	0	2	127,500	1	140,000	19	673,880
Minnesota	49	1,945,650	1	500,000	8	1,373,920	1	146,328	59	3,965,898
Mississippi	40	1,204,710	0	0	3	406,000	1	817,525	44	2,428,235
Missouri	67	1,429,420	8	1,158,500	5	786,750	6	3,008,000	86	6,382,670
Montana	65	2,835,880	4	954,000	4	526,000	5	1,352,250	78	5,668,130
Nebraska	87	2,178,240	0	0	5	1,239,100	0	0	92	3,417,340
Nevada	12	428,480	0	0	0	0	0	0	12	428,480
New Hampshire	1	40,000	0	0	0	0	1	205,000	2	245,000
New Jersey	8	281,500	2	280,000	0	0	0	0	10	561,500
New Mexico	34	1,592,570	0	0	5	1,048,500	1	950,000	40	3,591,070
New York	6	145,750	1	88,000	2	318,500	1	230,000	10	782,250
North Carolina	23	1,236,680	3	286,178	1	9,000	4	2,195,318	31	3,727,176
North Dakota	20	453,080	1	125,000	0	0	0	0	21	578,080
Ohio	30	545,390	2	275,075	13	1,745,870	24	4,594,916	69	7,161,251
Oklahoma	183	6,671,430	12	1,718,950	67	10,534,720	12	3,213,550	274	22,138,650
Oregon	31	1,142,800	0	0	2	595,000	0	0	33	1,737,800
Pennsylvania	32	2,437,300	0	0	8	1,475,700	0	0	40	3,913,000
Puerto Rico	47	2,472,540	1	100,000	14	1,991,630	0	0	62	4,564,170
Rhode Island	2	60,000	0	0	0	0	1	575,000	3	635,000
South Carolina	46	3,000,540	0	0	1	132,500	9	2,352,520	56	5,485,560
South Dakota	91	5,104,200	9	1,371,330	12	2,124,290	2	436,000	114	9,035,820
Tennessee	35	1,570,170	1	303,000	6	929,700	6	1,714,500	48	4,517,370
Texas	161	4,789,720	2	319,000	20	2,976,500	1	596,000	184	8,681,220
Utah	39	410,210	0	0	2	239,500	1	227,000	42	876,710
Vermont	4	213,000	0	0	0	0	1	45,000	5	258,000
Virginia	29	1,672,000	0	0	7	983,150	3	1,339,000	39	3,994,150
Washington	69	4,344,550	6	1,657,000	4	937,000	0	0	79	6,938,550
West Virginia	28	581,050	0	0	4	607,500	0	0	32	1,188,550
Wisconsin	54	3,129,250	3	245,000	10	1,408,300	3	478,500	70	5,261,050
Wyoming	4	81,220	1	230,000	2	574,000	1	265,000	8	1,150,220
National Total	2,129	80,993,180	130	33,638,698	297	48,128,390	144	49,249,735	2,700	212,010,003

Mr. Kingston: Please provide a ten-year funding history of the down payment loan program.

Response: The information is provided for the record.

[The information follows:]

Down Payment Loans	
Fiscal Year	Amount Obligated
2002	$5,078,637
2003	8,103,520
2004	6,455,626
2005	6,138,460
2006	4,825,083
2007	4,723,240
2008	13,144,965
2009	133,678,735
2010	170,004,815
2011	175,235,587
2012	106,756,169

NOTE: FY 2012 data is as of 02/29/2012.

Mr. Kingston: How many producers received down payment assistance through this program in fiscal years 2008 through 2011 and how many are estimated to receive it in fiscal year 2012?

Response: The information is provided for the record.

[The information follows:]

Down Payment Loans	
Fiscal Year	Number of Loans
2008	123
2009	977
2010	1,225
2011	1,221

The total number of down payment loans that will be made in FY 2012 cannot be estimated, but as of 02/29/2012, there were 710 down payment loans.

Mr. Kingston: What is the average amount in down payment assistance provided to producers?

Response: The average amount of a down payment loan was $106,870 in FY 2008; $136,826 in FY 2009; $138,779 in FY 2010; and $143,518 in FY 2011. So far in FY 2012, the average down payment loan is $150,361.

CCC EXPENDITURES

Mr. Kingston: According to the table on pages 24-13,14 of the explanatory notes, CCC expenditures for the Market Access Program for each of fiscal years 2010 - 2013 are in excess of the authorized level of $200,000,000. Why?

Response: CCC net expenditures for all the FAS-administered and CCC financed export programs are based on an outlay spendout rate. In the case of the Market Access Program (MAP) a three-year spendout rate is assumed to estimate future expenditures; however, the actual spendout rate may change from year to year. Accordingly, actual expenditures in any given year may be higher or lower than the authorized level. The following table shows the relationship between the authorization and spendout rates.

[The information follows:]

	Authorized	Expenditures								
Fiscal Year	Level ($ in millions)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012 E	FY 2013 E	FY 2014 E	FY 2015 E	Total
2008	200.0	32	146	22						200
2009	200.0		32	146	22					200
2010	200.0			32	146	22				200
2011	200.0				32	146	22			200
2012	200.0					32	146	22		200
2013	200.0						32	146	22	200
Total	NA	32	178	200	200	200	200	168	22	

Mr. Kingston: According to the table on pages 24-13,14 of the explanatory notes, CCC expenditures for Change in Working Capital goes from -$168,702,000 in fiscal year 2011 to $250,000,000 in fiscal year 2012. What is the reason for this change? Generally speaking, what are the reasons for the significant changes that occurred from fiscal year 2010 - 2013 in this line?

Response: The fiscal year 2011 figure reflects actual expenditures while the 2012 and 2013 figures are estimates. The CCC Change in Working Capital in estimated fiscal years is an allowance for contingencies (unanticipated increases in net expenditures). The CCC Change in Working Capital in actual years is a combination of undistributed expenditures and receipts and change in accounts payable versus accounts receivable. We know what the daily or monthly CCC net expenditure or receipt activity is and this information is reported to Treasury on a monthly basis. However, due to a lag in accounting records, at fiscal year-end not all outlays or receipts can be associated with a CCC program or programs. The CCC working capital fund is used to properly record these outlays and receipts in the correct fiscal year until such time as the year-end accounting records can be finalized and the outlays and receipts allocated to their appropriate CCC program activity.

Mr. Kingston: According to the table on pages 24-13,14 of the explanatory notes, CCC expenditures for All Other was $94,943,000 in fiscal year 2010, and $213,988,000 in fiscal year 2011. Please provide a breakout for the individual items that make up this category and expenditure amounts.

Response: The information is provided for the record.

[The information follows:]

CCC FY 2013 President's Budget
ANALYSIS OF "ALL OTHER" EXPENDITURES
(THOUSANDS OF DOLLARS)

	FY 2010 ACTUAL	FY 2011 ACTUAL
TECHNICAL ASSISTANCE FOR EMERGING MARKETS	$9,087	$4,163
FAS SECTION 11 SALARIES AND POSTIONS SUPPORTING CCC PROGRAMS	10,000	0
NASS SECTION 11 CCC REIMBURSABLE AGREEMENTS	2,800	2,800
AMS SECTION 11 CCC REIMBURSABLE AGREEMENTS	25	755
GIPSA SAMPLING AND TESTING	262	1,144
DOI SECTION 11 SUPPORT AGREEMENT	0	922
MISCELLANEOUS SECTION 11 CCC REIMBURSABLE AGREEMENTS	121	0
PIGFORD II LEGAL COUNSEL EXPENSES	0	3,000
CCC SECTION 4 AUDIT COSTS	1,818	2,102
CCC/FAS SECTION 11 AND SECTION 4 REMOTE SENSING	2,249	4,707
SECTION 11 FAS INFORMATION RESOURCE AGREEMENTS	5,000	20,021
SECTION 11 AMS COTTON CLASSING REIMBURSABLE AGREEMENT	400	400
HAZARDOUS WASTE CLEANUP	4,027	4,260
BOLL WEEVIL PROGRAM	0	95
APPLE LOAN PROGRAM	0	45
SECTION 4 VESSEL LOADING OBSERVATION	988	632
SECTION 4 ONLINE MARKETING SERVICES	2	2
ASPARAGUS PRODUCERS PAYMENTS	0	14,759
TECHNICAL ASSISTANCE AND CAPACITY BUILDING FOR BRAZIL	71,125	147,300
OTHER SECTION 4 ACTIVITIES	350	6,881
MISCELLANEOUS EXPENDITURES/RECEIPTS	-13,311	0
TOTAL, OTHER EXPENDITURES	**94,943**	**213,988**

Mr. Kingston: According to the Object Class table on page 24-15, why does the Transportation of Things increase by $147,259,000 in the fiscal year 2012 estimate?

Response: As detailed on Page 110 of the OMB Budget Appendix Document for fiscal Year 2013, CCC obligations in fiscal years 2012 and 2013 includes

a $140,000,000 estimate (contingency) for Bill Emerson Humanitarian Trust Non-Commodity Costs which are transportation related. In addition, there is also an increase of $8,110,000 in estimated CCC Food for Progress transportation obligations partially offset by an $851,000 decrease in transportation expenses associated with CCC commodities.

Mr. Kingston: What is the annual cost to cover the contracts that the CCC has with the commercial warehouse operators for the storage of Government-owned commodities?

Response: Storage costs paid by CCC were $3.5 million and $210,322 thousand in FY 2011, as CCC had virtually no inventory. The costs to administer the storage agreements in FY 2011 for Cotton, Processed Commodities, Peanut, Sugar and Uniform Grain and Rice Storage Agreements (a total 6,461 agreements), was $1,390,636.50.

Mr. Kingston: Provide a table for the record that shows the location of each facility along with the annual cost for each facility.

Response: CCC does not rent warehouse space to store its commodities. Instead, CCC enters into various storage agreements (Grain and Rice, Sugar, Processed Commodities, Cotton and Peanuts) under which CCC only pays the warehouse operator when there are CCC-owned commodities in store. At this time, CCC is not accruing storage charges, as it has no inventory. The Farm Service Agency's website provides locations of facilities that have storage agreements with CCC. This information may be accessed at: http://www.fsa.usda.gov/FSA/webapp?area=home&subject=coop&topic=was.

Mr. Kingston: Provide a table for the record that shows CCC owned inventories by commodity, and by location.

Response: CCC does not currently own any commodity inventories.

CCC SUBSIDIZING BIO-BASED JET FUEL

Mr. Kingston: According to the explanatory notes, the CCC will make available up to $171,000,000 to subsidize the production of bio-based jet fuel. How many bio-based jet fuel producers are there in the U.S.?

Response: There are only a few firms that have been making a small amount of the fuel for research purposes. A recent article in the "Oil Price Information Service" mentions five producers with the capability of making bio-based jet fuel.

Mr. Kingston: Where are they located? How much bio-based jet fuel have they produced?

Response: The information on the five producers and planned production is provided for the record.

[The information follows:]

1) Dynamic Fuels, a joint venture between Syntroleum and Tyson Foods, plans to make 450,000 gallons for the Navy using animal oil and algal oil as feedstock under contracts awarded November 30, 2011. They are located in Geismar, Louisiana.

2) Sustainable Oils is located in Bozeman, Montana and was awarded three contracts with camelina as the feedstock: August 31, 2009 award for 40,000 gallons with the Navy; September 15, 2009 award for 100,000 gallons with the Air Force; and July 26, 2010 award for 34,950 gallons with the Army.

3) Solazyme is located in San Francisco, CA and was awarded a 1,500 gallon contract with the Navy on September 1, 2009, using algal oil as the feedstock.

4) Honeywell UOP was awarded a 100,000 gallon contract with the Air Force on September 15, 2009, using tallow as the feedstock. UOP was awarded a 4,500 gallon contract with the Army on September 30, 2011, using camelina as the feedstock.

5) Gevo is located in Silsbee, Texas and was awarded a 7,000 gallon contract with the Air Force on September 23, 2011, using alcohols.

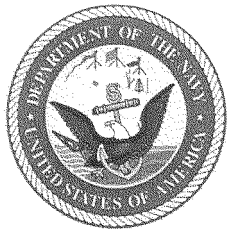
Mr. Kingston: What is the overall cost to U.S. taxpayers to subsidize the production of bio-based jet fuel? How did the USDA arrive at $171,000,000?

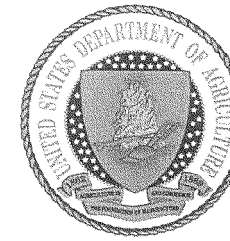
Response: Under the Memorandum of Understanding executed by the Department of Navy, the Department of Energy and the Department of Agriculture, the three Departments agreed to fund this initiative at an aggregate of $510 million over three years, with the aggregate amount divided equally among the three Departments and each Department contributing approximately $170 million.

Mr. Kingston: Provide a copy of the agreement, for the record, that USDA entered into with the Department of Navy and Department of Energy.

Response: A copy of the Memorandum of Understanding executed in June 2011 is provided for the record.

[The information follows:]





MEMORANDUM OF UNDERSTANDING

BETWEEN

THE DEPARTMENT OF THE NAVY

AND

THE DEPARTMENT OF ENERGY

AND

THE DEPARTMENT OF AGRICULTURE

On 30 March 2011, President Barack Obama directed the Parties to work with private industry to create advanced drop-in biofuels that will power both the Department of Defense and private sector transportation throughout America.

This Memorandum of Understanding (MOU) by and between the Department of the Navy (DON), Department of Energy (DOE), and the Department of Agriculture (USDA), hereafter referred to as the Parties, is entered into to initiate a cooperative effort by the Parties to assist the development and support of a sustainable commercial biofuels industry and to foster mutual cooperation of the parties to achieve the goals and objectives further described herein.

I. Background

A robust advanced drop-in biofuels market is an essential element of our national energy security. Energy security for the Nation requires unrestricted, uninterrupted access to affordable energy sources to power our economy and our military. Traditional fossil-fuel based petroleum is derived from crude oil that has increasingly challenging market and supply constraints. Chief among these is limited, unevenly distributed, and concentrated global sources of supply. America's growing dependence on foreign sources of crude oil undermines foreign policy objectives and comes at an ever increasing impact to the Nation's trade imbalance. In recent

years, the cost of imported oil has exceeded $300 billion per year. Advanced biomass-derived transportation fuels that use a domestic, renewable feedstock provide a secure alternative that reduces the risks associated with petroleum dependence.

Enhanced reliability of fuel supplies through diversification to advanced drop-in biofuels is also essential to sustain the U.S. military's mission capabilities, which are at risk due to potential disruptions of crude oil supplies. Accordingly, the DON has adopted a goal of, by 2020, replacing one-half of conventional petroleum-based fuel use with domestically sustainable fuel alternatives. Only a handful of production facilities for renewable jet fuel and diesel will operate in the foreseeable future. Current processes for producing advanced drop-in biofuels are expensive, and the resulting high cost of the end product continues to limit demand. Military and civilian end users of fuel have clear strategic incentives to adopt renewable drop-in fuels, but adoption is only possible when those fuels become cost-competitive.

Given the current economic environment, significant start-up risks, and competitive barriers posed by the firmly established crude oil markets, industry will not assume all of the uncertainty and risk associated with providing a commercially viable production capability for advanced drop-in biofuels. Therefore, it is necessary that the Federal Government cooperates with industry to create a strong demand signal and to make targeted investments to achieve the necessary production capacity required for a robust domestic advanced drop-in biofuels industry. Without these efforts, the Parties believe adequate production capability would not otherwise be established in a timely manner.

The objective of the initiative described herein is the construction or retrofit of multiple domestic commercial or pre-commercial scale advanced drop-in biofuel plants and refineries with the following characteristics:

- Capability to produce ready drop-in replacement advanced biofuels meeting military specifications at a price competitive with petroleum;
- Geographically diverse locations for ready market access; and
- No significant impact on the supply of agricultural commodities for the production of food.

II. Intent of Financial Participation

Under this MOU, the Parties will endeavor to fund this initiative at an aggregate of $510 million over 3 years, with that aggregate amount divided equally among the Parties. Although the timelines and means through which the Parties will contribute to the initiative are subject to change, the following chart outlines the Parties' funding objectives for contributions:

	DPA ($M)	CCC ($M)	Total ($M)
DOE	$170	--	$170
USDA	--	$170	$170
DON	$170	--	$170
Total	$340	$170	$510

A. The above funding objectives are subject to the availability of funds and subject to each Party's right to terminate this MOU as set forth below in section (X). No provision of this MOU shall be construed to require provision of resources in violation of the Anti-Deficiency Act, 31 U.S.C. 1341, *et seq.*, or any other applicable statute or regulation.

B. The objective is to transfer funds in accordance with:

- The Defense Production Act (DPA), (50 U.S.C. App. 2061 *et seq*);
- The Commodity Credit Corporation (CCC) Charter Act (15 U.S.C 714 *et seq*);
- The Economy Act (31 USC 1535); and/or
- Other appropriate authority.

C. Each Party agrees to assume liability for its own risks associated with activities undertaken in this MOU. Nothing in this MOU constitutes a guarantee by any Party of any obligation assumed by any other Party or of an agreement by any Party to indemnify another Party for any liability arising out of activities undertaken in this MOU.

D. The Parties' current vision is for a coordinated/simultaneous release of a solicitation offering capital investment and production support funding that could be executed under the DPA, 50 U.S.C. App. 2061 *et seq*. Title III authority and/or the CCC Charter Act (15 U.S.C. 714(c)).

III. Interagency Coordination

An Executive Steering Group (ESG) will be established by and among the Parties to execute this MOU.

A. The ESG will provide oversight and guidance to the initiative. ESG representatives will coordinate decisions with leadership of the respective Parties, including application of funding under DPA Title III, CCC, or other appropriate authority for the advanced drop-in biofuel initiative efforts.

B. The first order of business of the ESG will be to articulate its structure and duties and develop a Plan of Actions and Milestones covering the timeframe through contract award(s).

C. An Integrated Product Team (IPT) comprised of the Parties, Office of Secretary of Defense (OSD), Pacific Command (PACOM), Defense Advanced Research Projects Agency (DARPA), and other organizations as designated by the ESG members will be established by the ESG to work in coordination with the DPA Title III program in accordance with Section 711 of the DPA (50 U.S.C. App. § 2093) with the goal of development and release of a solicitation to industry by the end of calendar year 2011.

D. The ESG is authorized to establish other IPTs as appropriate.

IV. Term

This MOU shall be effective when signed by the authorized representatives of all Parties. Unless terminated by any Party as provided in section X, it shall remain in effect until the completion of all obligations of the Parties hereto.

V. Authority and applicable law

A. The Department of the Navy enters into this MOU pursuant to 10 U.S.C. section 5013(b)(4).

The Department of Energy enters into this Agreement under the authority of section 646 of the Department of Energy Organization Act (Pub. L. 95-91, as amended; 42 U.S.C. § 7256).

The Department of Agriculture enters into this Agreement under the authority of section 5(e) of the CCC Charter Act, 15 U.S.C 714c(e).

B. Nothing in this MOU alters the statutory authorities of the Parties.

C. This Agreement in no way restricts any of the Parties from participating in any activity with other public or private agencies, organizations, or individuals.

VI. Use and Release of Technical Data, Protection and Security of Information

A. The Parties intend that the information and data exchanged in furtherance of the activities under this MOU will be exchanged without Federal-use restrictions unless required by law or regulations or otherwise agreed to by the Parties for specifically-identified information or data.

B. The Parties agree that they will take appropriate measures to protect proprietary, privileged, classified, or otherwise confidential information that may come into their possession as a result of this MOU.

C. Release of information associated with joint activities carried out under this MOU will appropriately recognize each Party and will be coordinated between the respective Parties in advance of the release.

VII. Intellectual property

Rights in inventions made as a consequence of, or in direct relation to, the performance of activities under this MOU will be administered in accordance with the Parties' respective governing laws and policies. In the event an invention is made jointly by employees of the Parties or an employee of a Party's contractor, the Parties will consult and agree as to future actions toward establishment of appropriate intellectual property protection for the invention.

VIII. ***Dispute resolution***

The Parties may consult on any matter arising out of this MOU. An issue concerning the interpretation or implementation of the terms of this MOU shall first be referred to the points of contact for the Parties. If they are unable to come to agreement on any issue, the dispute will be referred to the MOU signatories or their designated representatives for resolution.

IX. ***Modifications***

This MOU may be modified upon the mutual written consent of all Parties. Modifications must be signed by the original signatories to the MOU, or their designees or successors. No oral statement by any person shall be interpreted as modifying or otherwise affecting the terms of this MOU.

This Agreement is strictly for internal management purposes for each of the Parties. It is not legally enforceable and shall not be construed to create any legal obligation on the part of the Parties. This Agreement shall not be construed to provide a private right or cause of action for or by any person or entity.

All agreements herein are subject to, and will be carried out in compliance with, all applicable laws, regulations, and other legal requirements.

X. Termination

Any Party may terminate this MOU at any time, with or without cause and without incurring any liability or obligation to the terminated Parties, by giving the other Parties at least thirty (30) days prior written notice of termination.

In consideration of the foregoing, the undersigned hereby execute this MOU.

XI. Approvals

The following individuals have authority to sign this Agreement on behalf of their respective agencies:

Ray Mabus Secretary of the Navy	Steven Chu Secretary of Energy	Thomas L. Vilsack Secretary of Agriculture
Date: June 22, 2011	Date: 6/23/11	Date: 6/20/11

Mr. Kingston: Did the USDA-OGC offer a legal opinion on this issue?

Response: The Office of General Counsel was an early participant in discussions concerning the initiative and cleared the Memorandum of Understanding.

Mr. Kingston: Why is there no existing viable commercial source for the large-scale production of such fuel? Would the economics of developing such a source and production scale have anything to do with no such existing viable commercial source being available?

Response: Current processes for producing advanced drop-in biofuels are expensive, and the resulting high cost of the end product continues to limit demand. Military and civilian end users of fuel have clear strategic incentives to adopt renewable drop-in fuels, but adoption is only possible when those fuels become cost-competitive. Given the current economic environment, significant start-up risks, and competitive barriers posed by the firmly established crude oil markets, industry will not assume all of the uncertainty and risk associated with providing a commercially viable production capability for advanced drop-in biofuels without a certain market. Therefore, it is necessary that the Federal Government cooperates with industry to create a strong demand signal and to make targeted investments to achieve the necessary production capacity required for a robust domestic advanced drop-in biofuels industry. Without these efforts, we believe adequate production capability would not otherwise be established in a timely manner.

Mr. Kingston: Is the $171,000,000 captured in the "CCC payments made directly to producers" table? If so, which line is it captured in? If not, why not?

Response: The $171,000,000 is not captured in the "CCC payments made directly to producers" table because CCC will be making the payments directly the Department of Navy and not to the jet fuel producers. These costs are captured on the "Bio-Based Fuel Production" line in the table on pages 24-14 of the CCC FY 2013 Explanatory Notes.

Mr. Kingston: Does the CCC have the authority to make food purchases for donations to food banks? If so, what is the authority? Has the USDA used this authority since 2008?

Response: Most of the procurements made by the Farm Service Agency for Food and Nutrition Service (FNS) domestic feeding operations, including food banks, are funded through FNS appropriations. CCC has additional limited authority to purchase commodities outside traditional food assistance programs. The following provides a list of such authorities:

- Section 1501 of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) authorized the Dairy Product Price Support Program, under which the Secretary of Agriculture is required to purchase milk, butter and cheddar cheese from the market when prices are low. Once these products are in CCC inventory, CCC uses various outlets to dispose of the products, including donating products to domestic feeding programs, including food banks, in accordance with Section 17 of the Commodity Distribution Reform Act and WIC Amendments of 1987. This authority was used to donate approximately $60 million of cheese in early 2010.

- Section 5 of the CCC Charter Act provides CCC authority to purchase commodities. Once purchased, other statutory authorities provide the outlets for disposing of such inventories. Specific authorities in the CCC Charter Act that relate to purchasing commodities include:

  - Supporting the price of agricultural commodities through loans, purchases, payments and other operations;
  - Procuring commodities for sale to other Government agencies, foreign governments, and domestic, foreign, or international relief or rehabilitation agencies, and to meet domestic requirements;
  - Removing and disposing of, or aiding in the removal or disposition of, surplus agricultural commodities; and
  - Increasing the domestic consumption of agricultural commodities by expanding or aiding in the expansion of domestic markets or by developing or aiding in the development of new and additional markets, marketing facilities, and uses for such commodities.

RMA/FEDERAL CROP INSURANCE CORPORATION FUND

Mr. Kingston: What is the reason for the $561,000,000 beginning-of-year balance in the Federal Crop Insurance Corporation Fund for fiscal year 2012 that is shown in the project statement on p. 23-17? Does the FCIC Fund typically carry an end-of-year balance in excess of $550,000,000? Why?

Response: The Federal Crop Insurance Corporation Fund retains approximately $540,000,000 annually as the value of capital used to establish the Corporation. In addition, it retains approximately $21,000,000 annually in contingency funds held in the event that FCIC is required to address insolvency on the part of an Approved Insurance Provider. FCIC is required to maintain the capital that established the Corporation based on the FCIC Act and that amount is the same from year to year. In addition, the Contingency funds are collected from Approved Insurance Providers and gradually increases each year. The Contingency Fund is authorized under section 516(c) of the Act (7 U.S.C 1516(c)).

Mr. Kingston: Provide a detailed breakout of the $74,500,000 and $67,500,000 Federal Crop Insurance Act Initiatives for fiscal years 2010 and 2011 as shown in the project statement. How will the $58,500,000 be spent in fiscal years 2012 and 2013?

Response: [The information follows:]

FEDERAL CROP INSURANCE ACT INITIATIVES

	FY 2010 ACTUALS	FY 2011 ACTUALS	FY 2012 ESTIMATES	FY 2013 ESTIMATES
SECTION 515 - PROGRAM COMPLIANCE AND INTEGRITY	$19,000,000	$13,000,000	$4,000,000	$4,000,000
SECTION 516 - FUNDING (POLICY CONSIDERATION AND IMPLEMENTATION)	1,734,049	3,453,502	3,500,000	3,500,000
SECTION 522 - RESEARCH AND DEVELOPMENT	19,982,327	19,409,542	20,000,000	20,000,000
SECTION 523 - PILOT PROGRAMS	2,329,758	19,987,548 *	21,000,000	21,000,000
SECTION 524 - EDUCATION AND RISK MANAGEMENT ASSISTANCE	9,999,999	9,999,821	10,000,000	10,000,000
TOTAL	$53,046,133	$65,850,413	$58,500,000	$58,500,000
UNOBLIGATED	21,453,867	1,649,587	0	0
GRAND TOTAL	$74,500,000	$67,500,000	$58,500,000	$58,500,000

* The increase in spending from 2010 to 2011 was related to an increase in demand for the Livestock Gross Margin Pilot Program.

Mr. Kingston: Provide a detailed breakout of the $20,000,000 in Program Related IT for fiscal year 2012. What is RMA buying with these funds? What is the plan for the $20,000,000 expenditure for this purpose in fiscal year 2013?

Response: In fiscal year 2012 RMA is purchasing data, contractor labor, and special services with the funds. This includes $12.1M for the development or enhancement of systems that support manual underwriting; consolidated collection and dissemination of acreage data for RMA, FSA, NASS and NRCS through the Acreage Crop Reporting Streamlining Initiative (ACRSI); development and dissemination of actuarial rates, prices, and products to private sector partners; and web-based tools for producers and others to make informed decisions about potential risks and risk management/insurance product offerings to counteract risks. The system maintenance costs of legacy and re-engineered actuarial systems used by actuaries, underwriters, and statisticians to develop rates, prices, and product offerings for the delivery of the crop insurance program will cost about $3.7 million. Infrastructure and security support directly related to systems maintained and developed with program funds will cost about $3.4 million. The purchase of data from other agencies that directly supports development of rates and prices and for administering area based plans of insurance for the crop insurance program will cost about $0.8 million.

In 2013 RMA will purchase data and contractor labor with the funds. This includes the final phase of development for enhancement of systems that support manual underwriting and consolidated collection and dissemination of acreage data (ACRSI) for RMA, FSA, NASS and NRCS for $9.8M. In addition, $6.3 million is needed to provide for ongoing maintenance of actuarial systems as well as maintenance of systems supporting the ACRSI developed in 2012, and maintenance of the Consolidated Information Management System used to collect and disseminate producer data between RMA, FSA, and private industry partners. Data is also shared with NASS. Infrastructure and security support directly related to systems maintained and developed with

program funds will be $3.1 million. The purchase of data from other agencies that directly supports development of rates and prices and area based plans of insurance for the crop insurance program will be $0.8 million.

Mr. Kingston: What is the purpose of the $75,000,000 adjustment that is shown for fiscal year 2013 in the project statement shown on p. 23-17?

Response: The $75,000,000 adjustment shown for fiscal year 2013 in the project statement is due to a decision by the Administration to continue language contained in the FY 2012 Appropriations Act which prohibits implementation of the good performance refund initiative.

PROPOSED LEGISLATION

Mr. Kingston: RMA is proposing fiscal year 2013 savings of $225,100,000 in the crop insurance program that will lower producer premium subsidy two percentage points for policies where the government subsidizes more than 50 percent of the premium. When will the legislation be submitted? How did the program arrive at this savings estimate? If this legislation were to be submitted, and enacted, how long would it take the RMA to revise rules/regulations to make this change? What are the circumstances where the government currently subsidizes more than 50 percent of the premium? What is the date that this legislation would have to be enacted in order to produce savings of $225,100,000 in fiscal year 2013, or would RMA be able to achieve these savings regardless of date of enactment? What are the estimated savings in each of the out-years 2-10?

Response: The proposal to lower premium subsidy rates by two percentage points for policies with current subsidy levels in excess of 50 percent was transmitted to the Congress in September, 2011 as part of the President's Plan for Economic Growth and Deficit Reduction and is contained in the President's Budget, which was submitted to Congress February 13, 2012. The savings were estimated by comparing baseline costs assuming no change in subsidy rates against a revised baseline assuming subsidy rates were reduced two percentage points. In calculating the revised baseline, some savings were assumed to be lost as some producers changed their coverage levels due to higher costs. The premium subsidy rates are part of the insurance contract offered to eligible producers and represent a contractual obligation of the Federal government. Any changes to the premium subsidy rates would be subject to the contract change date applicable to each of the insurance policies offered by the Federal Crop Insurance Corporation. Once the contract change date for a policy has passed, no changes to the premium subsidy rates applicable to that policy are possible until the subsequent crop year. The two major contract change dates are June 30 for fall-seeded crops (e.g., winter wheat) and November 30 for spring seeded crops (e.g., corn). Thus, legislation would have to be enacted in advance of June 30, 2012 for RMA to implement the premium subsidy reduction for the 2013 crop year fall seeded crops and in advance of November 30, 2012 for 2013 spring seeded crops. To meet these dates, the Corporation would need to have legislation enacted at least 45 days in advance of the contract change date.

The premium subsidy rates are contained in section 508(e) of the Federal Crop Insurance Act. The premium subsidy rates for policies that provide coverage for individual losses are provided for the record.

[The information follows:]

	Coverage Level								
Unit Type	CAT	50%	55%	60%	65%	70%	75%	80%	85%
Basic Unit	100%	67%	64%	64%	59%	59%	55%	48%	38%
Optional Unit	100%	67%	64%	64%	59%	59%	55%	48%	38%
Enterprise Unit	80%	80%	80%	80%	80%	80%	77%	68%	53%

For area-based plan, the premium subsidy rates are as follows:

	Coverage Level					
Plan	CAT	70%	75%	80%	85%	90%
GRP	100%	59%	59%	55%	55%	51%
GRIP	n/a	59%	55%	55%	49%	44%

In the President's Budget, savings from the reduction in premium subsidy rates are estimated to be $3.3 billion over 10 years. The estimated saving in each of the out years is provided for the record.

[The information follows:]

SAVINGS FROM DEFICIT REDUCTION
(In millions of dollars)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Total
Premium Subsidy	225.13	257.28	319.12	331.79	336.55	346.35	353.66	360.69	366.82	372.70	3,270.09

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS

Mr. Kingston: The crop insurance program Geographic table shows $3,872,595,000 and $3,719,817,000 of undistributed obligations for fiscal years 2010 and 2011. Please provide a table that breaks these costs down by Delivery Expenses, FCIA cost, Interest, Underwriting (gains/losses), and other expenses for each of fiscal years 2010 and 2011.

Response: [The information follows:]

Undistributed Obligations
Federal Crop Insurance Corporation Fund
(Dollars in Thousands)

	2010 Actual	2011 Actual
FCIC FUND:		
Delivery Expenses	$1,371,195	$1,383,342
Federal Crop Insurance Act Initiatives	53,046	64,712
Underwriting Gain/Losses	2,448,354	2,271,763
Total, Undistributed Obligations	$3,872,595	$3,719,817

Mr. Kingston: Provide a comprehensive description of what is included in "other expenses".

Response: "Other expenses" represent a compilation of monthly settlements with the Approved Insurance Providers, escrow, off-setting collections, or debts from CAT fees, overpaid indemnities, or judgments.

Mr. Kingston: What is the reason that these undistributed obligations cannot be broken out by state?

Response: Undistributed costs reported on the Geographic Breakdown of Obligations and Staff Years exhibit of the FY 2013 Explanatory Notes include delivery expenses and underwriting gains paid to reinsured companies, Federal Crop Insurance Act Initiatives - such as risk management education agreements, and interest. RMA has not historically distributed these costs in the budget due to complexity and timing issues. However, as a requirement of the Federal Funding Accountability and Transparency Act of 2006, RMA now reports and distributes delivery expenses and grants/agreements only by state and fiscal year. You may locate this information on www.usaspending.gov. RMA will attempt to include these distributed costs in future budgets.

Mr. Kingston: Why does the estimate for fiscal year 2012 estimated undistributed obligations show a steep drop to $78,500,000 from fiscal year 2011 actuals of $3,719,817,000, and then a sharp increase to $2,738,898,000 in fiscal year 2013?

Response: Fiscal year 2012 estimated undistributed obligations show a steep drop to $78,500,000 from fiscal year 2011 actuals of $3,719,817,000, and then a sharp increase to $2,738,898,000 in fiscal year 2013 due to changes mandated in the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). The 2008 Farm Bill requires that RMA delay payment of delivery expenses and underwriting gains from fiscal year 2012 to fiscal year 2013. In fiscal year 2012 the undistributed obligations include only the Federal Crop Insurance Act Initiatives. No delivery expenses or underwriting gains will be paid in 2012 and the large increase in fiscal year 2013 reflects the costs deferred in 2012.

Mr. Kingston: Why does the estimate for fiscal year 2012 estimated indemnities show a sharp increase to $11,022,150,000 from fiscal year 2011 actuals of $6,045,508,000, and then a decrease to $10,821,624,000 in fiscal year 2013?

Response: RMA crop year losses are split over two fiscal years. For estimating purposes, about 65 percent of prior crop year indemnities are paid in the current fiscal year. Because the majority of crop year 2010 losses (.56 loss ratio) were paid in FY 2011, the actual reported was very low.

In crop year 2011, there were significant losses due to flooding, hurricanes, drought and tropical storms (90 loss ratio to date). For example, as of January 2012, total indemnities due to Missouri Basin and Mississippi floods were $2.5 billion and Hurricane Irene and Tropical Storm Lee losses totaled $153.3 million. These, and other crop year 2011-2012 indemnities, are reflected in FY 2012 estimates.

For FY 2013, loss estimates were based on USDA Agricultural Baseline projections which include indicators such as price, acreage, and participation data and are based on a 1.0 loss ratio.

Mr. Kingston: Federal crop insurance is available to producers through private insurance companies that market and service policies and also share in the risk. Provide a ten-year table for the record, to include fiscal year 2011 actuals, that shows how much the government has lost and how much private insurance companies have lost.

Response: Fiscal year performance data is not available, therefore the data can only be provided in reinsurance year. The information is provided for the record.

[The information follows:]

REINSURED COMPANY FINANCIAL PERFORMANCE
2002 - 2011 REINSURANCE YEARS
AS OF 1/6/2012

YEAR	GROSS PREMIUM	GROSS LOSSES	GROSS GAIN/(LOSS)	FCIC SHARE OF NET GAIN/(LOSS)	COMPANY SHARE OF NET GAIN/(LOSS)
2002	$2,911,719,345	$4,061,673,078	($1,149,953,733)	($1,102,643,998)	($47,309,735)
2003	3,436,193,855	3,257,720,570	178,473,285	(210,406,100)	388,879,385
2004	4,186,487,785	3,292,725,788	893,761,997	203,257,143	690,504,854
2005	3,945,480,648	2,341,070,214	1,604,410,434	689,437,760	914,972,674
2006	4,709,426,476	3,551,300,989	1,158,125,487	336,171,280	821,954,207
2007	6,547,314,311	3,465,111,454	3,082,202,857	1,510,357,545	1,571,845,312
2008	9,832,211,282	8,719,142,791	1,113,068,491	17,489,131	1,095,579,360
2009	8,949,113,936	5,216,435,730	3,732,678,206	1,435,014,516	2,297,663,690
2010	7,593,752,513	4,239,211,702	3,354,540,811	1,434,666,985	1,919,873,826
2011(Est)	11,887,567,237	8,520,452,362	3,367,114,875	1,215,683,545	2,151,431,330
TOTAL	63,999,267,388	46,664,844,678	17,334,422,710	5,529,027,807	11,805,394,903

Source: 1989 - 2010: Reinsured Company Financial Performance Report
2011: Budget Estimates

IMPROPER PAYMENT RATE

Mr. Kingston: The payment error rate for crop insurance was 4.72 percent (weighted average) based on crop year policy samples in 2007, 2008, and 2009. What is the dollar value of improper payments based on this rate?

Response: As reported to the Department's Office of the Chief Financial Officer, that error rate applied to the 2009 crop year would represent $246.6 million of the paid indemnities totaling $5.2 billion.

Mr. Kingston: Were these samples based on a statistical model, or some other model?

Response: RMA Compliance reviews 250 to 300 random policies per year in conjunction with the National Program Operation Reviews (NPOR) of selected reinsured companies. This selection does not follow a true statistical model, but the observations obtained on the random policy selections provide a good representative sample of the policy population. The results of our reviews continue to fall within the anticipated error rate based on the size, complexity, and large number of attributes tested for in the population.

Each year RMA tests one third of the reinsured companies and then rolls the results forward when each cycle is completed to create a rolling average error rate for the program. RMA has completed its reviews of the 2010 crop year and anticipates a further decrease in the error rate for the 2012 Performance and Accountability Report (PAR).

Mr. Kingston: Provide a detailed review of what the RMA has done in each of the last three fiscal years to improve program integrity in the crop insurance program.

Response: RMA has a stated strategy of continually improving program internal controls to ensure payments are correct. The agency continues to acquire insurance related weather and geo-spatial data to improve the loss adjustment process. For example in 2011, a system was developed to capture hail events and map them so that hail claims outside of specified ranges could be reviewed. RMA efforts in this area include a strategic partnership with Oregon State University to access and use their weather data system known as, Parameter-elevation Regression on Independent Slopes Model (PRISM). This is the same system recently used by USDA-ARS to update the U.S. Hardiness Zone Map. RMA is currently testing the ability to make this comprehensive weather data tool available to the reinsured companies for use in claims administration.

RMA works with the Farm Service Agency to check on policyholders identified through data-mining as having insurance experience that is anomalous to their peers. The annual spot-check list continues to identify 1,500 to 2,500 policyholders annually for FSA to monitor during the crop year and continues to effectively reduce the subsequent expected claims from this group once they have been identified. As a result of the renegotiation of the Standard Reinsurance Agreement (SRA) in 2010 effective for the 2011 crop year, the reinsured companies agreed to spot check a lower limit group of producers that were excluded from previous FSA lists due to restricted resources. Further, for 2012, the reinsured companies have taken on even more responsibility for the spot check list to offset additional FSA resource restrictions.

Although RMA continues to find that fraud is only a small component of the overall error rate, the Compliance staff dedicates a significant amount of its resources to assist USDA's Office of Inspector General (OIG) investigative staff when fraudulent activity in the program is identified. This cooperative effort has resulted in a number of successful prosecutions, ensuring the general policyholder population understands that fraudulent activity will be aggressively pursued to ensure program integrity.

As reported in the 2011 IPIA Corrective Action Plan, RMA is working on the following ongoing projects to improve overall program integrity and reduce error rates Information Technology Modernization (ITM), Comprehensive Information Management System (CIMS), and Compliance Database Modernization Project (CDMP).

The first phase of the ITM program, which focused on actuarial and policy acceptance systems, was used beginning with the 2011 crop year filing process. Program planning and requirements analysis phases are being completed. Compliance launched and is using the Compliance Activities and Results System (CARS), and the Comprehensive Information Management System (CIMS) is delivering new geographical and production data to approved insurance providers as planned. RMA continues its information technology

systems to support new products and increased liability coverage. When fully deployed, it will more easily accommodate potential changes or initiatives within the crop insurance program and provide improved edits and controls on company provided program data to further control improper payments.

Since 2004, RMA and the Farm Service Agency (FSA) have been working jointly on the CIMS project to provide an information system that gives RMA, FSA, and other USDA agencies, as well as approved insurance providers, a tool to access data; assist in timely identifying reporting errors; reduce fraud and abuse vulnerabilities; and improve overall program integrity in their respective programs. On February 6, 2009, the companies were provided access to CIMS information. The companies will be able to use this information to reduce costs associated with data collection by having electronic access to FSA data versus an "in person" visit to the USDA county office. CIMS also assists users with identifying inconsistencies between producer-reported RMA and FSA program information as part of the required cross program reconciliation requirement.

The Compliance Database Modernization Project, also known as the Compliance Activity Reporting System (CARS) project, was completed and launched in June 2009. The system improves the interface with program data systems. In addition, the agency continues to implement the electronic exchange of findings and responses to the reinsured companies. As of June 2011, twelve reinsured companies have been given access for electronic exchange of documents with the Compliance staff.

In addition to Compliance efforts stated above, program adjustments described below continue to improve program integrity in the crop insurance program.

RMA implemented a new apple crop insurance policy for the 2010 crop year. One of the main changes was to add policy provisions to ensure only apple acreage that qualifies for fresh apple coverage is insured at the fresh apple price election. Under the new policy, if an apple producer can provide verifiable production records that demonstrate at least 50 percent of their apple production was sold as fresh apples in one or more of the previous four crop years, all of their apple acreage would be eligible for fresh apple coverage. The price election for fresh apples is much higher than the price election for processing apples, so it was imperative for RMA to ensure that only acreage qualifying for fresh apple coverage is insured at the fresh apple price election.

RMA has proposed a new peach policy for the 2013 crop year. This will add policy provisions to ensure only acreage that qualifies for fresh peach coverage is insured at the fresh peach price election. Under the proposed policy, if a peach producer can provide verifiable production records that demonstrate at least 50 percent of their peach production at the unit level was sold as fresh peaches in one or more of the previous four years, then such acreage would be eligible for fresh peach coverage. The price election for fresh peaches is much higher than the price election for processing peaches, so it is imperative to make sure only acreage qualifying as fresh peach coverage is insured at the at the fresh peach price election. The proposed policy also adds language to clarify the value of peach production to count for claims purposes. Since an 'on tree' price is used to establish liability, the same 'on tree' price should be used for claims purposes.

RMA has proposed a new fresh market tomato policy for the 2013 crop year to change the Minimum Value Option (MVO) provision due to unfavorable loss

experience and alleged program abuse. Under the current policy, there are two MVO choices, MVO I and MVO II, and both options reduce the minimum value price per carton that is used to value production to count under the base policy. Historically, the MVO II price is significantly less than the MVO I price, and it is alleged that the MVO II price has resulted in excessive losses. This is because tomatoes that have been slightly damaged due to rain are valued at the MVO II price for claims settlement; however, producers are often able to salvage or market such production in excess of the MVO II price. Under the new policy, only one MVO price will be offered and the MVO II price will no longer be available.

RMA implemented a new tobacco policy beginning with the 2010 crop year to combine the previous quota tobacco and guaranteed tobacco policies. In the combined policy, major changes were made to address persistent problems with the quality adjustment methodology for tobacco. Tobacco producers now have to incur a 25 percent price loss before any loss due to poor quality is paid, which is consistent with other crop insurance policies. In addition, beginning with the 2012 crop year, RMA requires that any burley and flue-cured tobacco damaged due to an insured cause of loss, must be graded by the Agricultural Marketing Service (AMS) to be eligible for quality adjustment. Adjustments of production count are based on the AMS grade, and the price received for damaged tobacco is no longer used for quality adjustment.

Mr. Kingston: What is the payment error rate, both as a percentage and in dollars, for RMA?

Response: As reported to the Department's Office of the Chief Financial Officer, the most recent PAR cited a 4.72% error rate that would represent a $246.6 million error in 2009 crop year of a total $5.2 billion in indemnities paid. Both numbers will decrease for the upcoming FY 2012 PAR because indemnities paid in 2010 declined by over $700 million and the observed error rate percent based on the 2010 sampling should also decline. The dollar error is expected to rise for 2011 because the losses paid for 2011 crops were over $10 billion.

IMPROPER PAYMENT RATE

Mr. Kingston: What are the reasons that the Noninsured Assistance Program error rate is so high? What are you doing to address this payment error rate?

Response: The Noninsured Crop Disaster Assistance Program (NAP) is one of FSA's more complex programs requiring county office and producer interaction throughout the crop year. It is not a program where a producer signs up and receives benefits based on one application. In essence there are five steps to NAP which occur throughout the crop year if disaster is present. A producer must first file an application for coverage and pay the service fee, provide production data to calculate and approved yield, report acreage, file a notice of loss if a disaster occurs, and file an application for payment.

NAP is the only FSA financial assistance program that requires a fee for producers to participate and the level of assistance is significantly limited. As a result, NAP participation varies by county and some counties have minimal participation. Currently NAP is also administered through FSA's legacy System 36 which hinders FSA's ability to have integrated software. Information such as acreage and yields are manually entered rather than being

integrated from other automated sources. As a result, errors occur. Beginning with the 2013 crop year, NAP will be fully migrated to the web which will allow a more interactive automation process and should significantly decrease program entry errors.

The NAP error rate decreased from 11.65 percent in FY 2010 to 8.97 percent in FY 2011. Over the past several years due to the high error rate FSA has taken extra steps in providing additional training on calculating approved yields and the importance of accurately recording crops and acreage for which coverage is obtained. Those actions have significantly improved our error rate over the past year. The additional training along with NAP automation moving to the web in 2013, we are working to further reduce payment errors.

Mr. Kingston: What is the difference between Improper Payment Rate and Payment Error Rate?

Response: Improper Payment Rate - represents the "Projected" percentage of total outlays that were improper.

Payment Error Rate - represents a "Projected" level of improper payments based on the statistical sample results.

CONSERVATION RESERVE PROGRAM (CRP)

Mr. Kingston: CRP's continuous sign up program now accounts for 18 percent of all acres enrolled in the program. Currently, USDA is offering two special continuous sign up initiatives. The first seeks to enroll 750,000 acres of the most highly erodible croplands to encourage the planting of wildlife-friendly, long-term cover. The second seeks to enroll one million acres to preserve grasslands, wetlands, and upland bird and pollinator habitat.

Since land enrolled through the continuous program receives higher rental rates than land enrolled through general sign ups, how much of CRP's funding baseline is directed to it?

Response: The President's budget projects that continuous signup outlays will account for about 38 percent of CRP outlays in fiscal year 2013.

Mr. Kingston: How much funding is set aside for the highly erodible land initiative?

Response: USDA does not set aside specific funding amounts for this or the other initiatives. Acreages are typically allocated to states, and these allocations are taken into consideration when decisions about general signup acceptances are made.

Mr. Kingston: How much funding is set aside for the grassland and wetland habitat initiative?

Response: USDA does not set aside specific funding amounts for this or the other initiatives. Acreages are typically allocated to states, and these allocations are taken into consideration when decisions about general signup acceptances are made.

Mr. Kingston: Why does USDA have to pay more for land enrolled through continuous sign ups?

Response: There are several reasons why continuous signup lands cost more than general signup:

- Continuous signup enrollment is more concentrated in the Midwest where land rents are higher, while general signup is more concentrated in plains states where land rents are lower.
- Continuous signup cover practices cost more than general signup on average, because more design, engineering, and earth moving are needed to implement continuous signup practices.
- Many continuous signup practices are eligible for additional incentive payments. These payments are provided to overcome obstacles to enrollment of small parcels of land that require much up-front planning and increased maintenance costs.
- Additional incentive payments are usually provided under the Conservation Reserve Enhancement Program (CREP), a Federal-State partnership in which States contribute 20 percent of project funding. Most CREP projects are targeted to specific conservation practices in limited geographic areas in order to better achieve desired results, often water quality improvement. To get the necessary participation rates, higher payments are provided. It is also the case that continuous signup lands provide greater environmental benefits on a per-acre basis than general signup lands.

Mr. Kingston: What were the administrative paygo requirements for these initiatives?

Response: FSA used funds supplied by the budgetary savings achieved by the 2010 Standard Reinsurance Agreement to cover the paygo requirements for the 1,000,000-acre grassland, wetland, and wildlife initiative. The highly erodible lands initiative does not provide incentives above those provided for general signup acres; therefore, no paygo offsets were required.

Mr. Kingston: The 2008 farm bill set aside $100 million in CRP for mid-contract forest-management practices, including thinning and prescribed fire. The purpose was to improve wildlife habitat on CRP acres planted to softwood pines.

How many acres of CRP trees in the Southeast have been thinned? How many have been burned?

Response: Our payment data indicates that in the Southeast since 2008, management activities have been carried out on 161,000 acres. This includes thinning on 53,000 acres, prescribed burning on 60,000 acres, and forest stand improvement on 48,000 acres.

Mr. Kingston: How much funding has been dedicated to these purposes?

Response: Since 2008, USDA made cost-share payments of $703,000 for prescribed burning, and $272,000 for forest stand improvement. No cost-share payments have been recorded for tree thinning.

Mr. Kingston: What actions has USDA taken to educate, provide incentives, and otherwise encourage forest management practices?

Response: Since the mid-1990s, FSA has been working with the southern forestry and wildlife communities to encourage greater application of customary forest management activities, such as thinning and prescribed burning occurring on lands enrolled in the CRP to enhance soil, water, and wildlife benefits. To this end, FSA has partnered with several state forestry agencies, state fish and wildlife agencies, and non-governmental organizations that provide additional outreach and assistance to agricultural producers and landowners. For example, technical assistance provided by wildlife biologists in the Georgia Department of Natural Resources, Wildlife Resources Division to CRP participants also enrolled in Georgia's Bobwhite Quail Initiative has enhanced habitat for northern bobwhite on CRP land and elsewhere.

FSA has also worked with the National Institute of Food and Agriculture, other USDA agencies, land grant universities, and the forestry community to highlight the economic benefits of reduced tree planting densities at establishment, thinning more trees per acre (particularly during the second thinning), and prescribed burning at frequent intervals to benefit those species dependent on pine savannah type habitat.

CRP cost-share and incentive payments have proven effective in establishing CRP conservation covers. CRP financial incentives include payments made available at contract signing and practice installation.

Prior to 2008, FSA assessed a reduction from the CRP annual rental payment in the year in which income was derived from timber sales on CRP land.
Following passage of the 2008 Farm Bill, FSA eliminated the payment reduction for those CRP participants following their conservation plans and conducting tree thinning and other customary forestry practices to improve the condition of the resource.

Mr. Kingston: What barriers has USDA encountered in trying to meet congressional intent?

Response: There has been reduced economic activity in the forestry sector. Southern pine pulpwood stumpage is at approximately the same level in 2012 as it was in 2002. Southern pine chip-n-saw and sawtimber stumpage prices have declined by 30 percent over the same period. Cost-share assistance alone has not proven to be an effective incentive to compensate for stable to declining forest market conditions and encourage more thinning of pines under CRP contract.

Mr. Kingston: Are current cost share incentives sufficient to encourage significant increases in management of CRP pines?

Response: Cost share for the CRP pines is not an effective incentive because there is no out-of-pocket expense to the producer, and no cost-share can be earned. Generally, contractors perform thinning for the land owner and pay the land owner based on the market value of the trees removed. Producers are unlikely to incur costs to conduct pre-commercial thinning when they can wait a few years and be paid for the harvested timber. Thinning that is occurring is generally done according to traditional forestry standards, and the pine stands are not thinned heavily enough to open the tree canopies to provide for suitable understory development and enhanced wildlife habitat.

CONSERVATION RESERVE PROGRAM AND
U.S. FISH AND WILDLIFE SERVICE CONSERVATION PROGRAM

Mr. Kingston: The U.S. Fish and Wildlife Service and Ducks Unlimited recently agreed to collaborate on a plan to protect tens of thousands of acres in the Prairie Pothole Region from farming or other development. Under the agreement, the Fish and Wildlife Service will use up to $30 million of funding from the Migratory Bird Conservation Fund to purchase parcels of land or buy conservation easements in North and South Dakota. USDA also recently announced a special initiative through CRP's continuous signup program for the Prairie Pothole Region. As of February 2012, there are 2.4 million acres enrolled in CRP in North Dakota and 1.1 million enrolled in South Dakota. On an annual basis, USDA is paying $79 million in rental payments to landowners in North Dakota and $66 million to landowners in South Dakota. Are USDA and the Fish and Wildlife Service doing the same thing and trying to protect the same acres? Why?

Response: USDA and U.S. Fish and Wildlife Service are focusing on different acreage in the prairie pothole region (PPR) and using different tools to meet landowners' needs with a common conservation goal in mind. USDA is restoring wetlands and grasslands with CRP by targeting marginal cropland, while the primary target for USFWS conservation is existing grasslands. USDA is using short-term agreements through CRP, while FWS is pursuing permanent easements and land acquisition projects. These differing approaches enable landowners to choose the option that best fits their situation and management objectives. Both agencies and Ducks Unlimited use USFWS science to identify specific acreage (?) and target their programs to deliver maximum benefit to waterfowl and other wildlife.

Protecting habitat in the PPR is critical to sustaining populations of waterfowl and other wetland-dependent species. This region supports hundreds of thousands of square miles of nesting habitat for millions of waterfowl. Many local economies depend upon abundant waterfowl populations for hunting and other wildlife-associated recreation. Current crop prices and land values have led to increased wetland drainage and grassland conversion to row crop agriculture.

Mr. Kingston: How much is the continuous initiative for the Prairie Pothole Region expected to cost?

Response: Outlays for the 300,000-acre Prairie Pothole Duck Nesting Initiative are estimated to average $20 million per year. However, the initiative does not increase CRP costs overall, because the Prairie Pothole acreage replaces other acres that would have been enrolled in the general or continuous CRP sign up.

FOREIGN AGRICULTURAL SERVICE

TRADE PROMOTION - SUCCESSFUL STRATEGY MOVING FORWARD?

Mr. Kingston: In your written testimony, you note that "[f]or U.S. agriculture to continue to thrive, we must continue to open, expand, and maintain access to foreign markets, where 95 percent of the world's consumers live." You tout the record revenue of $137.4 billion in U.S. farm exports at the end of fiscal year 2011, but you also go on to say that the most recent estimates for FY 2012 will see a drop in the positive balance of trade from $42.9 billion in FY11 to $24.5 billion in FY 12.

What is the explanation for the 43 percent drop in the positive balance of trade? How does this represent a successful trade strategy?

Response: On May 31, USDA will release its trade update forecast. Fiscal Year 2012 U.S. exports are projected to be $134.5 billion and imports are projected at $107.5 billion. The projected 37 percent drop in the FY 2012 agricultural trade surplus is the result of increased agricultural imports and slightly lower agricultural exports. As a result of the continuing U.S. economic recovery, U.S. consumers have greater buying power, and imports are forecast to reach a record high of $107.5 billion (up $13 billion from FY 2011). At the same time, agricultural exports in FY 2012 are projected to remain strong at $134.5 billion, the second-highest level ever. While many sectors of our economy are running trade deficits, American agriculture will run a trade surplus as it has for nearly 50 years. The productivity of American farmers and ranchers - as well as that of workers and manufacturers in a wide array of agriculture-related enterprises - is helping return the U.S. economy to robust health.

Mr. Kingston: On the plus side, you have told us that every $1 billion in farm exports generates $1.3 billion in economic activity and supports 8,400 American jobs. Does this estimate also translate into billions of dollars in less economic activity and thousands of fewer jobs when export dollars drop? As noted in your testimony, export dollars will decrease by $6.4 billion.

Response: The economic and job multipliers vary and are calculated each year by USDA's ERS in a report titled, "Agricultural Trade Multipliers: Effects of Trade on the U.S. Economy." The long-term trend for U.S. agricultural exports continues to be one of expansion, and FY 2012 exports are forecast to reach the second highest level on record. Again, this will contribute in a very meaningful and significant way to supporting American jobs. According to ERS in 2010, U.S. agricultural exports supported approximately 907,000 jobs. USDA is committed to promoting U.S. agricultural exports and supporting American job growth.

Mr. Kingston: I appreciate a more efficient workforce, especially one that can produce more with less. However, sometimes I need to double check to see if we are cutting in the right place. Since your goal here is to open and expand access to foreign markets for U.S. producers, can you afford to cut 18 FTE in trade promotion or 21 FTE for trade policy without having a negative impact on our ability to increase market share of U.S. producers?

Response: In anticipation of budget cutbacks, FAS is leveraging both internal and external resources to increase efficiency and reduce negative impacts to our mission. Internally, we are instituting new processes, such as Enterprise Governance, to improve coordination across the agency and better focus resources on core mission activities. This new structure enhances the efficiency, transparency, and inclusivity of the decision making process for key activities and funding issues so that FAS can best serve U.S. agriculture. At the same time, we are using all available authorities to limit the impact of budget reductions on staff levels. For example, the extension of the authority to use CCC program funds, as specified in the FY 2012 Consolidated and Further Continuing Appropriations Act for the salary costs of managing FAS' market development programs helps ensure program integrity and effectiveness. Externally, we are working in conjunction with other USDA agencies and U.S. Government partners in trade promotion and trade

policy to leverage resources. FAS coordinates USDA efforts on trade agreement negotiation and enforcement, capitalizing on the strengths and technical expertise of other USDA agencies, such as the Animal and Plant Health Inspection Service and the Food Safety and Inspection Service; our industry partners and stakeholders; international organizations and standards-setting bodies; and academia. Through such coordination, FAS has built an effective team to ensure U.S. farmers, ranchers, and the agricultural sector fully receives the intended benefits with of all of our trade agreements.

NON-TARIFF TRADE BARRIERS

Mr. Kingston: Your testimony also speaks to the Department's efforts to eliminate non-tariff trade barriers. FAS is quoted as saying they "reviewed and commented on 350 measures by foreign governments that would have significantly affected U.S. exports." We heard the Marketing and Regulatory Program mission area a few weeks ago talk about their work in helping to resolve 115 sanitary and phytosanitary trade issues. This all sounds like great progress, but I keep going back to a statement by Secretary Vilsack in February where he said that:

"In the last 10 years, the number of sanitary and phytosanitary barriers we have had to deal with has increased from roughly 650 to close to 1,500 last year." This is an increase of over 131 percent.

While your mission area is doing some great work to deal with trade barriers, the Secretary is telling us of a much bigger problem. How can USDA possibly catch up with this increasing number of trade barriers at the current rate? Specifically, are you coordinating the efforts of all of your public and private resources to deal with this problem?

Response: Sanitary and phytosanitary barriers are a significant challenge to trade. FAS' approach towards resolving these barriers include: 1) early involvement on foreign draft measures, 2) monitoring existing notification procedures, and 3) leveraging new technology. Through each of these, FAS coordinates closely with a broad spectrum of stakeholders. It is important to note that the increasing number of measures does not necessarily equate to an increase in trade-disruptive measures,but reflects overall growth in world trade and a growing number of countries that participate in the WTO notifications systems.

In regard to early involvement, FAS coordinates a thorough assessment of the impact of proposed and actual foreign measures on U.S. stakeholders. To accomplish this, FAS relies on its established network of overseas offices, relationships with industry groups and the expertise of our regulatory partners and "sister" agencies. FAS overseas attaches and personnel in Washington regularly engage with industry to track foreign measures even before they are in the draft stage. This provides U.S. stakeholders with the opportunity to ensure that the foreign measures are crafted to be the least trade restrictive.

Regarding the use of existing notification procedures, FAS staff also review all SPS measures reported to the World Trade Organization in order to assess their potential impact on trade. In addition, FAS identifies foreign measures that have not been reported to the WTO for comment. In such cases, we encourage those trading partners to formally report the measures, but also provide comments on those measures through other means.

Regarding new technology, to increase industry involvement while reducing the burden on the private sector, FAS is currently beta testing a web-based system to provide easier private sector access to proposed foreign measures. On a weekly basis, FAS sends notifications to any industry stakeholders expressing an interest to inform them of newly reported measures and to solicit their comments on potential trade impact.

Mr. Kingston: These barriers have the potential to stunt farm exports as well as limit the growth in both wealth and jobs across the U.S. What support is USDA getting from USTR in handling these issues?

Response: FAS offices and U. S. Trade Representative's Office of Agricultural Affairs have a long history of close daily interaction and coordination. Our two teams form an excellent combination of technical and seasoned trade policy experts who have consistently shown the capability to respond quickly to potential or actual trade barriers and achieve results. USTR can elevate issues in the event of technical impasses, and also uses its Trade Policy Coordination Authority to advance discussions with a wide range of stakeholders and to provide a broader trade policy perspective in the resolution of agricultural trade policy issues.

Mr. Kingston: What is the current process for USDA to resolve a non-tariff trade barrier? Specifically, how is FAS notified of such situations and what steps does the Agency take to resolve unfair agricultural trade practices in foreign countries? What steps does FAS take proactively to reduce agricultural trade barriers? Is USDA increasing or decreasing funding for any activities in support of this effort to reduce non-tariff trade barriers? What is the impact of any such changes to resources?

Response: FAS receives information on current and potential trade barriers from various sources and addresses and elevates them in a systematic manner. The main sources of information on foreign trade barriers include: industry, the World Trade Organization (WTO) notifications system, FAS overseas staff, and U.S. Government regulatory agencies. FAS proactively engages bilaterally and multilaterally to resolve potential trade barriers, implementing a systematic approach, which includes: addressing draft measures before they become laws or regulations; raising issues at the technical level; raising issues bilaterally with senior foreign officials in Washington as well as overseas via our posts; raising issues in international forums, such as the WTO; seeking consultations; and, in some cases, resolving the issue through a dispute settlement process. FAS focuses much of its effort on preventing the establishment of non-tariff trade barriers by participating in standards development and carrying out trade and scientific capacity building programs in emerging markets to promote science-based decision-making and greater use of international standards. These programs foster the development of trade-friendly regulations in these markets and minimize future trade barriers for U.S. agricultural exports. Funding for the support activities reducing non-tariff trade barriers remains at a current services level. FAS will continue to develop cost-saving strategies to ensure that efficient deployment of these activities continues.

TRANS-PACIFIC PARTNERSHIP NEGOTIATIONS

Mr. Kingston: This past November, the U.S. and the eight other countries (Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, and Vietnam) involved in the Trans-Pacific Partnership negotiations announced a

broad outline of an agreement that is expected to enhance trade amongst these countries. The Administration projects that this trade bloc would constitute America's fifth-largest trading partner and involve an additional 500 million consumers. What lead role has USDA taken in these negotiations on behalf of U.S. farm exports?

Response: Since the beginning of the Trans-Pacific Partnership (TPP) negotiations, USDA has played an active role in all aspects of the negotiations related to agriculture, focusing on Market Access, Rules of Origin, Sanitary and Phytosanitary (SPS) Measures, Technical Barriers to Trade (TBT), Capacity Building, Competition, and Regulatory Coherence, among other areas. Recognizing that U.S. agricultural exports face not only tariff barriers, but also non-tariff barriers, USDA is focused on increasing market access in TPP countries by promoting strong provisions in the text on SPS, TBT, and regulatory coherence. In addition to contributing to TPP chapter negotiations, USDA is working closely with USTR to address outstanding bilateral SPS and TBT issues with its TPP partners on the sidelines of the TPP meetings. For example, with Vietnam, we continue to press for a quick resolution to their current white offal ban for which Vietnam has yet to provide a scientific justification. With Malaysia, we are pressing for a resolution of a requirement for import permits for U.S. beef and poultry halal products.

Mr. Kingston: Does the FY 2013 budget include any additional support for the recent passage of the three free trade agreements with Korea, Colombia and Panama or the Trans-Pacific Partnership negotiations?

Response: FAS is USDA's lead agency to ensure trade agreements are implemented and enforced per the text of the specific agreements. FAS staff who were actively involved in negotiating these free trade agreements (FTAs) have now been redeployed to monitor and enforce the outcomes of the FTAs and to negotiate TPP. For example, staff are working hard to address commodity-specific issues with Colombia and tariff rate quota administration with Panama to ensure our U.S. producers have the greatest access possible. In addition, the $200 million authorized for the Market Access Program (MAP) in FY 2013 provides support for the market development efforts of over 70 industry group partners known as Cooperators. The majority of Cooperators use MAP funds for activities to fully take advantage of the market opening provisions that were negotiated on their behalf. Finally, FAS' discretionary funding request also includes increased allocations for overseas Posts to use for activities that support FAS Country Strategy Statements for FTA countries.

Mr. Kingston: Please update the Subcommittee on the progress towards implementing the Free Trade Agreements with Korea, Panama and Columbia. What resources will be devoted to support of each agreement in fiscal years 2012 and 2013?

Response: FAS is actively involved in the implementation, monitoring and enforcement of these agreements. FAS staff continues to work closely with the Office of the U.S. Trade Representative (USTR) to review proposed regulations in meetings with trade officials from all three FTA countries. The Korea agreement went into force on March 15, 2012, and FAS staff is currently monitoring implementation and providing support to agricultural exporters by proactively providing detailed information and answering stakeholder questions as they arise. FAS staff continues to work closely with USTR regarding implementation of the Colombia and Panama agreements. In

recent months, a combined FAS and USTR team traveled to Colombia and Panama to discuss detailed implementation issues. This is being done with existing resources. Again, the vast majority of Cooperators use Market Access Program (MAP) funds for activities to advance implementation of the three FTAs, which are critical to their overall market development strategies.

MCGOVERN-DOLE INTERNATIONAL FOOD FOR EDUCATION

Mr. Kingston: Last July, the GAO issued a report critical of the McGovern-Dole International Food for Education Program. In particular, GAO expressed concerns about the oversight of the program. As an example, they said that "requirements for implementing partners do not ensure consistent reporting and lack performance indicators directly measuring educational progress, such as learning, and, in some cases, nutrition."

Please provide the Subcommittee with an explanation of what USDA is doing to address concerns about the McGovern-Dole Food for Education program raised by the Government Accountability Office. Has USDA changed its oversight of the non-profits implementing the programs?

Response: USDA takes program management very seriously and recognizes the essential role that proper monitoring and evaluation plays in providing oversight of current programs, improving the quality of future programs, and measuring results. Over the past four years, in addition to addressing GAO concerns, USDA has taken several actions to make improvements, including increasing the number of site visits, requiring implementing partners to submit mid-term and final evaluations of projects, incorporating results-oriented management (ROM) procedures, and improving technology to better capture and analyze performance data.

The GAO recommended that USDA establish a systematic monitoring process that includes analyzing and reporting on a pre-selected set of indicators that directly measure the program's progress towards its objectives. During the past two years USDA dedicated additional resources to review project reports and conduct site visits. As a result, USDA has increased the number of site visits by three-fold since 2009 and has established a target of assessing each project in the field at least once every two years. USDA also has developed a field monitoring guide for staff in order to standardize the results of field monitoring trips. In FY 2012, USDA instituted a systematic process for choosing which projects to visit and will finalize its monitoring guidance by the end of September 2012.

USDA previously included a set of pre-selected indicators in its McGovern-Dole program agreements; however, through the ROM process, USDA has developed new and robust performance indicators for learning and health. As of FY 2012, USDA identified a common set of indicators on which all program participants will be required to report. These common indicators will permit more effective program management, an assessment of program impact, and comparisons of performance across programs. USDA now requires performance monitoring plans from program participants. The first reporting cycle for the new performance indicators will be November 2012.

In March 2011, USDA launched its new Food Aid Information System (FAIS), an integrated online application through which USDA manages its food assistance programs and coordinates with program participants. USDA has invited program participants to several training sessions. All program participants are required to submit reports in FAIS. The new FAIS allows USDA to easily

compare and contrast different elements of McGovern-Dole program reporting to facilitate discussions regarding project challenges, opportunities, and corrective actions.

USDA is committed to building a sustainable culture of program accountability and transparency that fosters learning from experience. To support this, in 2009 the Department changed its regulations to require mid-term and final evaluations on projects. USDA also issued a monitoring and evaluation policy in July 2011 that outlines the purpose of monitoring and evaluation, the range of methods used to monitor and evaluate programs (including experimental and quasi-experimental methods, roles and responsibilities of USDA and program stakeholders), and the ways in which evaluations will be used and disseminated to inform decisions regarding program management and implementation.

Mr. Kingston: Has USDA done anything to change performance goals for the McGovern-Dole program? If so, please explain.

Response: For FY 2012, FAS established two new, high-level performance goals for the McGovern-Dole Program: 1) improved literacy of school-age children and 2) increased use of health and dietary practices. FAS will measure improvements in literacy by reviewing results from student tests, surveys, and government statistics from the recipient country. Health and dietary practices commonly used in the school feeding environment include activities such as, de-worming, malaria nets, education about hand washing, and improved facilities for water and sanitation in the school. Program participants will select activities in this area that respond to the needs in recipient schools. Results from the performance reports will measure progress in the use of health and dietary practices. The new goals are part of a new comprehensive Results-Oriented Management (ROM) system implemented in the FY 2012 solicitation cycle. USDA's adoption of the results-based approach is strengthening the delivery of more efficient and effective food assistance programs through a greater focus on results and accountability of taxpayer resources. This approach also provides a platform for more meaningful program evaluations and opportunities to learn which interventions work well and which ones do not.

Through this ROM system and associated initiatives, USDA expects to improve its ability to measure the impact of the McGovern-Dole Program by: 1) clarifying program strategy; 2) identifying expected results; 3) linking measurable indicators to results; and 4) mapping program objectives and results back to the Agency's strategic plan. In turn, implementing partners are expected to report on achievements and performance results semiannually. Mid-term and final evaluations of the projects will be conducted. The mid-term evaluation will be due 18-24 months after the grant begins. Results from the final evaluation will be due about 4 years from the start of the grant.

As part of the ROM process, USDA developed program result frameworks for these goals and measurable indicators, which it shared with stakeholders. The frameworks are key tools in communicating the intent of USDA's food assistance programs both internally and externally. Food assistance program results frameworks are also used in support of the "whole-of-government" effort to coordinate across U.S. Government agencies to focus on results rather than process and activities.

Mr. Kingston: As it relates to McGovern-Dole, the Explanatory Notes point out that of the total amount of funding - last year we appropriated $184 million - 40 percent goes towards commodity expenses and the remainder goes towards program implementation and administrative expenses. Has USDA determined whether or not this ratio meets the needs of the program or has the Department determined that there should be more commodity purchase and less program implementation or vice versa?

Response: The McGovern-Dole Program is focused on promoting primary education and reducing the incidence of hunger. USDA looks closely at each applicant's proposed budget, activity descriptions, and ration size in order to determine which proposals will achieve the best results and have the highest chance of achieving the program goals. The breakdown for each type of expense varies widely from agreement to agreement and according to each project's needs. The ratio of commodity funding to program implementation funding and administrative expenses varies depending on what is purchased and where it is sent as well as the operating environment of the country and type and number of program activities. In FY 2011, commodity costs represented about 41 percent of the total McGovern-Dole funds obligated. Of the remaining 59 percent, 23 percent was obligated for transportation, storage and handling. Support for activities (e.g. teacher training, school sanitation, de-worming) in recipient countries represented 18 percent and an additional 18 percent was used for program participants' and the agency's administrative and personnel costs to implement the programs. These costs included staff salaries, office space and equipment, and monitoring and evaluation.

PROJECTIONS FOR THE GRAIN TRADE

Mr. Kingston: USDA's recently released 10-year baseline report projects that the Ukraine, Brazil and the European Union will shape the world corn market in the next decade. U.S. exports during that time will decline. The U.S. has had large and record-breaking corn crops over the past few years, and U.S. farmers are expected to plant the biggest corn crop since World War II in 2012.

What factors regarding U.S. producers and production influenced this forecast? Why do you expect to see U.S. exports decline while exports from the Ukraine, European Union and Brazil will rise?

Response: USDA's recently released 10-year baseline report projects U.S. corn exports to decline only as a percentage share of an expanding global market, not in absolute volume terms. In fact, U.S. export volumes are projected to consistently rise, year over year, for the entire 10-year period. Rising global import demand, fueled primarily by China's expanding livestock and poultry sectors, is projected to support global corn prices, which would provide the incentive to both U.S. and foreign producers (Ukraine, Brazil and the European Union) to expand their production relative to less profitable crops and exports. The United States is projected to remain, by far, the worlds' dominant supplier with greater production and ample exportable supplies.

CLIMATE CHANGE

Mr. Kingston: The President's Fiscal Year 2013 budget request makes little to no mention of the Agency's work on climate change activities. How much does FAS plan to spend on climate change activities in fiscal years 2012

and 2013 and how much did it spend in fiscal year 2011? Why is this a priority within FAS at a time when export support appears to be on the decline?

Response: FAS represents USDA in international organizations on climate change matters in order to ensure that USDA and U.S. Government positions and agricultural trade objectives are effectively represented and defended. In FY 2011 FAS spent about $298,800 in salaries and benefits and about $45,000 in travel on climate change activities. In FY 2012 FAS expects to spend about $299,800 in salaries and benefits and about $20,000 in travel on climate change related activities. In FY 2013 FAS expects to spend about $180,000 on salaries and benefits and about $20,000 in travel on climate change related activities. The expected FY 2013 decline in salaries and benefits devoted to climate change reflects the end of a two-year fellowship that supported one FAS staff member whose time was devoted to this issue. Despite this decline, FAS will continue its work in this arena to ensure that international agreements and measures to mitigate against climate change are: based on science and evidence-based results; no more trade restrictive than necessary; and, consistent with other international agreements and standards.

TRADE MISSION TO CHINA

Mr. Kingston: In a few days, Secretary Vilsack will lead a team of more than 40 U.S. companies and representatives from six states to China in an attempt to expand existing markets, open up new markets, or re-open closed markets. I can understand the interest in China especially since the U.S. and China are the world's two largest agricultural producers and that China became the number one market for U.S. agricultural goods in 2011. Just last month, Chinese Agriculture Minister Han and Secretary Vilsack signed a Plan of Strategic Cooperation designed to guide the two countries' agricultural relationship in the next five years.

The economic potential for such a strategic relationship is enormous, but how can USDA ensure a level playing field when the U.S. seems to have trade problems with China on a number of other fronts?

Response: There are obvious trade issues with China, which USDA raises at every bilateral opportunity. Of particular concern is China's continued ban on U.S. beef, its anti-dumping duties on U.S. poultry products, and asynchronous review of biotech products, which unnecessarily delays product approval. USDA senior principals are engaging with their Chinese counterparts to address these issues, whether it be Secretary Vilsack raising them with his counterparts at the Ministry of Agriculture and General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) in Chengdu at the November 2011 U.S.-China Joint Commission on Commerce and Trade (JCCT) or during Acting Under Secretary Scuse's March 2012 agricultural trade mission to China. Our strategy is to advocate for China's adoption of science-based standards and encourage the Chinese to see the benefits of trade across the entire agricultural trade portfolio, not on individual products. China tends to seek balance on a commodity-by-commodity basis, and this tactic of reciprocity forces both our governments to expend huge amounts of energy addressing specific technical issues rather than the larger trade agenda.

To get beyond seemingly intractable issues, we successfully proposed and implemented an overall U.S.-China Agricultural Symposium, held in February 2012. The Symposium underscored the depth of our bilateral agricultural

trade relationship and established a partnership around trade and cooperation with China to create a more open, secure market for U.S. exports. At the Symposium, we signed a 5-Year Plan of Strategic Cooperation to codify our interest in a cooperative approach to issues of mutual concern. We are seeing immediate effects of this warming relationship, with the Chinese for the first time considering a pilot joint review process for biotech products, through which we expect to find ways to shorten the overall time required for review and approval. In addition, USDA and other agencies continue to be fully engaged on market access issues in various forums, including the World Trade Organization and related international standard setting bodies.

Mr. Kingston: Also, what can USDA do to ensure that the U.S. advantage in many areas of research and technology are not shifted to China in this arrangement?

Response: The 5-year Plan of Strategic Cooperation includes language that provides appropriate protection of intellectual property rights in its cooperative activities, while promoting mutual benefits in agriculture. All rights and obligations under existing bilateral and multilateral agreements to which the U.S. and China are party are explicitly recognized. The areas of exchange and cooperation are centered on challenges facing both China and the United States, particularly food security, food safety, and sustainable agriculture. While the Plan emphasizes the promotion of science-based policies, adherence to international standards, and enhanced communication, our goal is for it to enhance U.S. agricultural exports.

Mr. Kingston: As the U.S. ramps up exports to China, is USDA increasing its staff footprint in the country? If so, is it working with FDA as that agency expands its presence?

Response: USDA's emphasis on China is apparent in the amount of resources we dedicate to our bilateral relationship. USDA has its largest foreign presence in China, with thirteen Foreign Service Officers representing FAS and Animal and Plant Health Inspection Service (APHIS) officers, as well as more than forty local employees based in five Chinese cities. Over the past few years we have expanded our presence to new cities in the interior such as Shenyang and Chengdu, where Secretary Vilsack attended JCCT meetings in November and where FFAS Under Secretary Michael Scuse recently led a U.S. Agricultural Trade Mission. This expanded presence allows us to communicate daily with Chinese officials and traders, and assist our exporters when problems arise.

In addition to our recent U.S. - China Agricultural Symposium, we participate in the Executive branch's standing bilateral trade and economic forums, including the JCCT and the U.S.-China Strategic and Economic Dialogue (S&ED), to advocate for the concerns of American farmers and ranchers. USDA officers in China work hand-in-hand with their FDA counterparts in China, always aware that while we have different missions—with USDA focusing on export promotion and FDA ensuring the safety of U.S. food imports—substantial synergies exist between our two organizations.

FOOD AID AND ENTREPRENEURISM

Mr. Kingston: Last year, you may recall me talking about the book "Dead Aid" and the problems with the U.S. providing decades of aid to developing countries only to see some of these same countries never improve their economic status. In February, USDA delivered a report to the Subcommittee in

response to a request we made in the FY 2012 Conference Report on the matter of shifting more focus on aid programs to self-sustainability. I was pleased to read about the success story in Mozambique with the use of the Food for Peace Title II development programs and Food for Progress. There are two good examples of how the U.S. can work with a developing country to grow their own poultry or livestock industry and allow them to become less dependent on emergency food aid.

How can USDA do more to work with partners like US AID to expand this model of success?

Response: USDA is actively engaged in the whole-of-government approach to development. For example, through the Administration's Feed the Future Initiative, USDA is bringing its agricultural and trade expertise into discussions with USAID, the Millennium Challenge Corporation, other U.S. Government agencies, private voluntary organizations, and recipient governments. This holistic approach leverages USDA resources and helps ensure more effective programming for addressing long-term agricultural development needs.

For the Food for Progress Program (FFPr), USDA is actively working to engage private sector stakeholders with FFPr implementing partners to contribute market-focused know-how to achieve sustainability. In FY 2012, for example, USDA will fund a Senegal program with Shelter for Life (SFL) that will directly link with the Millennium Challenge Corporation's (MCC) compact with Senegal. MCC's goal will be achieved through the rehabilitation of major national roads and strategic investments in irrigation and water resource management infrastructure. The projects will reduce poverty and invest in economic growth by unlocking the country's agricultural productivity and expanding access to markets and services. Monetized proceeds will pay for the construction and repair of 100-150 kilometers (KM) of road that will connect farms to the roads that MCC sponsors. In addition, for every KM of feeder road that is built, 2 KM of drainage systems will also be built to help address the issue of water management and soil conservation. The efforts of the road and drainage systems reconstruction projects also complement the work of the United States Peace Corps, whose focus in the South is on restoration of mangroves.

USDA is also working with private sector partners under FFPr. For FY 2012, USDA and its implementing partner, Mercy Corps (MC), will work with smallholder sorghum farmers in Uganda to improve their capacity to market and sell their products in both domestic and regional markets. As part of this initiative, MC will link producer groups with East African food producers. The company will purchase program beneficiaries' produce, supporting increased incomes to farmers. In Tanzania, USDA and Catholic Relief Services (CRS) will work with smallholder maize farmers in Tanzania to introduce soybean intercropping. USDA and CRS are linking these farmers to Seaboard Corporation and other private buyers to forge business partnerships for the purchase of the soybeans grown by these smallholder farmers.

U.S. AGRICULTURE EXPORT STRATEGY

Mr. Kingston: FAS is charged as the lead USDA agency for the U.S. agriculture export strategy. In particular, what did the Agency do differently in fiscal year 2011 or what does it plan to do differently this year, next year and into the future to facilitate agricultural exports?

Response: FAS recognizes that the global marketplace is constantly shifting and dynamic, and is committed to implementing an export strategy that advocates for our U.S. farmers and ranchers in this changing marketplace. Each year, FAS takes into account the opportunities from the evolving export environment, including: new technologies; large and growing trade partners such as China; emerging export opportunities such as those facilitated by the free trade agreements with Korea, Panama and Colombia; and, challenges arising from contracting resources.
Fifteen years ago, FAS had most of its overseas resources in Europe; today we have a much larger presence in Asia and Latin America. Annually, FAS reviews its staffing overseas in an effort to keep exports flowing without restrictions to the markets that constitute a significant outlet for the majority of our exports. Our staff in these countries develop and maintains relationships with ministries of agriculture, allowing us to deal with trade irritants as they arise, and enable us to prioritize issues.
FY 2011 was a banner year for agricultural exports with events such as the ratification of the free trade agreements (FTAs) with Colombia, Korea and Panama, and a successful first-time Agricultural Symposium with our Chinese counterparts. These events are paving the way for tremendous new opportunities for U.S. agricultural exports in the years to come. For example, in 2012, FAS staff that were actively involved in negotiating the three FTAs are now redeployed to monitor and enforce the outcomes. For example, staff are working hard to address commodity-specific issues with Colombia and tariff rate quota administration with Panama to ensure our U.S. producers have the greatest access possible. Finally, we are taking advantage not only of emerging growth markets, such as Indonesia and Peru, but addressing the challenges of new technologies, such as biotechnology and cloning to advocate for our producers. Sustainable agriculture criteria are likely to become the newest form of trade barriers, and we are already addressing this issue on every front possible.

Mr. Kingston: Please provide a detailed description of FAS' Country Strategy Support Fund, examples of activities supported, and funding level for fiscal years 2010 through 2012 to date.

Response: The Country Strategy Support Fund (CSSF) is for use exclusively by FAS overseas offices to conduct activities that support FAS strategic priorities in specific markets. Last year, CSSF funding was used in more than 65 countries, and for activities ranging from support for market access goals to increasing market intelligence to promoting trade capacity building and improving food security. CSSF turns small investments into large trade opportunities. FAS/Taiwan invested $3,700 to organize and accompany ten buyers to the Produce Marketing Association show in Orlando in October 2010, who then continued on a visit to the fruit industry in the Pacific Northwest. The trip resulted in $2 million in immediate sales for U.S. fruit exporters. In the past year, CSSF has also been used for a number of food security seminars and studies on food security. One seminar in Mexico offered education to border officials that preserved the $2 billion market for U.S. meat and poultry.

Annually, FAS overseas posts submit CSSF funding proposals to a FAS review committee for consideration. The committee determines recommendations for allocation based on criteria, including: quality of the Post-submitted Country Strategy Statement (CSS), alignment with the FAS Strategic Plan, market export potential and access priorities, historic funding levels, past CSSF allocation management, and available funding. FAS analysts provide a market-by-market trade report on export potential to the committee to assist

with the review. Special weight is given to Posts' relative importance in achieving the President's National Export Initiative (NEI) goals and FAS Trade Action Plan (TAP) priorities. Committee recommendations are sent to the FAS Administrator who approves country allocations annually. CSSF funding for FY 2010-2012 is provided for the record.

[The information follows:]

CSSF Funding

Fiscal Year	**2010**	**2011**	**2012**
Funding Level	$2 million	$1.5 million	$2 million

AGRICULTURAL POLICY ADVISORY COMMITTEE (APAC)

Mr. Kingston: Please provide the Subcommittee with a summary of activities for the Department's involvement with the 35 member Agricultural Policy Advisory Committee (APAC) and the six Agricultural Technical Advisory Committees (ATACs), including all meeting dates, agenda items, and total resources for both fiscal year 2011 and 2012 to date.

Response: USDA and the Office of the U.S. Trade Representative met with the APAC and all the ATACs six times during FY 2011. USDA also renewed the charters, and solicited for and appointed new members to all seven committees.

In November 2010, USDA issued a *Federal Register* Notice initiating the renewal of the charters for the agricultural trade advisory committees and requesting nominations for membership. The charters were renewed in June 2011, and 148 members were appointed in September. For FY 2012 USDA has allocated $174,850 for the operation of the seven trade advisory committees. For FY 2011, total resources utilized were $148,028.

Advisory Committee Meetings are summarized in the following table.

[The information follows:]

FY 2011

DATE	TOPICS DISCUSSED
12/2/2010	CONFERENCE CALL - Processed Foods ATAC - Bilateral and multilateral issues to be discussed at the WTO committees on Sanitary and Phytosanitary Measures and Technical Barriers to Trade
1/13/2011	MEETING - All Committees - World Trade Organization (WTO) Doha Round negotiations - the Food Safety Modernization Act - the Trans-Pacific Partnership negotiations (TPP) - Pending free trade agreements (FTAs) with Korea, Colombia,and Panama - Mexico trucking dispute - Update on WTO dispute settlement cases - negotiations related to the accession of Russia to the WTO
2/2/2011	CONFERENCE CALL - All Committees - FDA Food Safety Modernization Act
3/2/2011	CONFERENCE CALL - All Committees - Update on Doha Negotiations
3/3/2011	CONFERENCE CALL - Processed Foods ATAC - TPP negotiations - Bilateral market access issues for processed products
4/1/2011	CONFERENCE CALL - All Committees - WTO Doha Negotiations(Dec 2008 text)
4/15/2011	CONFERENCE CALL - All Committees - Trans-Pacific Partnership negotiations - Update on pending Free Trade Agreements with Korea, Colombia, and Panama - cross-border trucking dispute with Mexico - Update on WTO and Doha negotiations.

FY 2012

DATE	TOPIC DISCUSSED
12/6/2011	MEETING - All Committees - Orientation for new members - Annual ethics training - TPP negotiations - Implementation of the Korea, Colombia and Panama FTAs - Farm Bill update - WTO Ministerial - Russian accession to the WTO - Food Safety Modernization Act - WTO dispute settlement cases.
2/27/2012	CONFERENCE CALL - Processed Foods ATAC - Bilateral and multilateral issues to be discussed at the WTO committees on Sanitary and Phytosanitary Measures and Technical Barriers to Trade - TPP negotiations - Bilateral market access issues for processed products - Food Safety Modernization Act
3/6/2012	CONFERENCE CALL - Fruits & Vegetables ATAC - Bilateral and multilateral issues to be discussed at the WTO committees on Sanitary and Phytosanitary Measures and Technical Barriers to Trade - TPP negotiations - Bilateral market access issues for fruits and vegetables - Food Safety Modernization Act
4/4/2012	MEETING - All Committees - Use of USTR's secure advisors website - TPP negotiations - USTR's new Trade Enforcement Center - FTA implementation - U.S.-EU High Level Working Group - Updates on WTO dispute settlement cases

DATE	TOPIC DISCUSSED
4/27/12	CONFERENCE CALL - Animals & Animal Products ATAC - U.S. Bovine spongiform encephalopathy (BSE)case

Mr. Kingston: Please provide a summary of accomplishments by APAC over the past year.

Response: Over the past year, the APAC has provided crucial advice on topics, such as U.S. strategy for the World Trade Organization (WTO) Doha Round negotiations; priorities for implementation of the free trade agreements with Korea, Colombia and Panama; objectives for the Trans-Pacific Partnership negotiations; objectives for the negotiations with Russia on its accession to the WTO; objectives for the U.S.-EU High Level Working Group; and advice regarding the new Interagency Trade Enforcement Center and proposals for a new consolidated trade agency.

The APAC's advice and input on the negotiations and issues mentioned above is an important factor in USDA and USTR deliberations as they conduct U.S. trade policy. Two specific examples demonstrate the importance of these issues for U.S. agriculture.

As recommended by the APAC, implementing legislation for the Korea, Colombia and Panama Trade Promotion Agreements was presented to Congress in the Fall of 2011 and signed into law on October 21, 2011. These agreements eliminate tariffs on U.S exports and are expected to expand U.S. agricultural exports by over $1.3 billion. The agreement with Korea entered into force on March 15, 2012 and the Colombia agreement entered into force on May 15, 2012. Consultations on implementation of the Panama agreement are not yet concluded.

The APAC's advice was also an important factor in negotiations to finalize the terms of Russia's accession to the World Trade Organization (WTO) in December 2011. The final terms ensure that there will be meaningful tariff reductions, favorable tariff-rate quotas (TRQs) for key meat products and that Russia adopts a WTO-consistent legal framework to ensure consistency with WTO sanitary and phytosanitary (SPS) rules. Russia's membership in the WTO is expected to become effective by the end of August, 2012 once it completes its national ratification procedures.

FOOD AID AND LONG-TERM APPROACH TO LOCAL SUSTAINABILITY

Mr. Kingston: FAS is involved in three primary programs that support food aid or food security - (1) McGovern-Dole Food for Education; (2) Food for Peace Title II grants; and (3) Food for Progress. USDA proposes a $66 million reduction to the Food for Peace Title II program. Please explain the rationale behind this proposed reduction and its potential impact.

Response: USAID administers the Food for Peace Title II program and closely monitors food aid needs in food-deficit countries. In consultation with USAID, the Administration requested $1.4 billion for P.L. 480 Title II food assistance in 2013. Despite difficulties in predicting future humanitarian needs, the Administration believes that a $1.4-billion funding

level is sufficient to be able to respond to the expected situations in regions, such as East Africa, the Sahel, and South Asia. The Bill Emerson Humanitarian Trust is also available to meet unanticipated emergency needs through the Title II program. The Trust holds $311 million and may be utilized for unforeseen food aid needs.

Mr. Kingston: Please explain to me what USDA's long-term plans are for international food assistance. In particular, what is USDA or its sister agencies plan to increase agricultural sustainability in these under-developed countries such as the Agency's recent efforts with Mozambique - that is, local entrepreneurship, local or regional growers and shippers, etc.?

Response: USDA long-term plans for its food assistance programs are to produce lasting impacts and sustainability that will reduce the need for additional food aid over the long term. USDA will continue to support projects over 3-5 year periods under the Food for Progress or McGovern-Dole programs. Under the Food for Progress program, USDA uses proceeds of monetized commodities to support initiatives that increase rural incomes and enhance food security by improving agricultural productivity, supporting agribusiness development and expanding the availability of financial services. Under the McGovern-Dole program, our focus is to support education, child development and food security for many of the world's poorest children, with the aim of establishing programs that work toward sustainability.

To accomplish these goals, USDA leverages its food aid programs with other development-related activities and encourages the development of local capacity to continue the projects after the USDA funding ends. Key objectives are to promote the establishment of market-driven institutions and policies, strengthen the private sector, and foster human capital development. USDA's food aid programs are also tied to the principles and strategies of the Administration's Feed the Future Initiative. Through this process and through coordination with other agencies, such as USAID, USDA ensures that food aid programs are aligned with broader initiatives and are consistent with the country-based investment plans.

USDA is committed to seeking sustained development outcomes, and fostering, as a top priority, the next generation of emerging markets by enhancing our focus on broad-based economic growth and democratic governance. One example of our approach is Mozambique. USDA has focused on the full value chain approach to increase production yields and quality, linking producers to markets, and building the capacity of institutions to meet international standards to improve food safety and facilitate two-way trade. USDA used the Food for Progress program to have our implementing organization, Technoserve, create a formal poultry association, establish standards for inputs and poultry production and processing, provide technical assistance to producers, improve access to microfinance, and teach business development and management services. Cargill and the University of Minnesota also provided technical assistance in livestock management and food safety. Further information on USDA's food assistance and its work in Mozambique is included in our report required by Conference Report 112-284 accompanying H.R. 2112, the Consolidated and Further Continuing Appropriations Act, 2012 (P.L. 112-55).

Mr. Kingston: The USDA has invested approximately $60 million in the Local and Regional Procurement Pilot Project. When will USDA release its assessment of the program? Prior to the full assessment, what can USDA

conclude to date on the positives and negatives of such a program if it extended beyond the pilot phase?

Response: After the independent evaluator completes a satisfactory evaluation, USDA will release a full, independent evaluation of the Local and Regional Procurement (LRP) Pilot Project in June 2012. Management Systems International (MSI) is conducting the evaluation.

Although the evaluation report is not final, USDA has seen the following positives:

1. There is tremendous interest among private voluntary organizations (PVOs) and intergovernmental organizations in using LRP to support development outcomes;
2. LRP can be an effective complement to in-kind food aid programs and may be used to enhance the sustainability of those programs;
3. LRP can be used to improve dietary diversity and nutritional intake;
4. LRP can help to increase the incomes of small-holder farmers and small-scale traders;
5. Private-sector linkages may be strengthened through LRP;
6. LRP can be used to help develop and support commodity exchanges;
7. Over the long-term, LRP can potentially lead to improved access to and availability of food;
8. Training and capacity-building programs for commodity suppliers that are implemented through LRP projects can lead to improvements in food quality and safety;
9. Under certain circumstances, the delivery of locally or regionally purchased commodities may be faster and more cost-effective than in-kind food aid; and
10. There is no evidence, to date, to indicate that projects implemented under the USDA LRP Pilot had a negative impact on producers or low-income consumers in source markets.

USDA also identified several challenges in the LRP Pilot:

1. Grantees need to maintain alternate procurement plans that can quickly be put into place in the event of market volatility, production deficits or commodity price increases for staple foods;
2. The potential for suppliers to default on their obligations is a risk;
3. Market impact can be difficult to assess, when information is limited;
4. Obtaining timely commodity-testing services in the countries is difficult; and
5. Because producers are new to market-driven supplies, care must be taken to ensure that output remains high and domestic market needs are also being met.

MARKET ACCESS PROGRAM AND THE FOREIGN MARKET DEVELOPMENT PROGRAM

Mr. Kingston: FAS manages the $200 million program called Market Access Program designed to promote and market U.S. goods to foreign countries or regions for small and medium sized companies. Can you inform the Subcommittee what controls you have in place to make sure that this program is serving those companies that really need it? What process do you have in place to verify plans for each cooperator?

Response: Large for-profit companies are ineligible by statute from promoting their brands using MAP funds. All small businesses are eligible to

apply for and receive MAP funds to promote their brands, and all for-profit companies that apply to receive MAP funding through the State Regional Trade Groups are required to certify that they meet the Small Business Administration's definition of a small company. MAP participants that have branded programs provide hands on training to every small company that is inexperienced in exporting, and they walk such companies through the application process. Each program participant submits a United Export Strategy (UES), which is an application for all USDA market development programs, an implementation plan and a program reimbursement tool. A program participant can only be reimbursed for program expenditures that are contained in the approved UES. Compliance, Security and Emergency Planning Division reviews all reimbursement claim documentation against approved activities.

Mr. Kingston: Please list any cases and summarize the circumstances of fraud, waste or abuse associated with MAP or FMD grants over the past three years.

Response: All program expenditures regularly undergo physical on-site reviews by FAS' compliance staff, and most program participants are subject to annual audits in accordance with the Office of Management and Budget's Circular A-133. No cases of fraud, waste, or abuse associated with MAP or FMD grants have been discovered over the past 3 years. Both programs generally operate on a reimbursable basis. This provides a significant measure of funds control since program payments are not released until after an allowed expenditure already has been made. The online reimbursement process is highly automated, with secure access features and records of all transactions that make fraud, waste, or abuse more difficult to accomplish. Both MAP and FMD are audited annually as part of the CCC Financial Statements and neither program has any history of improper payments.

Mr. Kingston: Please inform the Committee of the funds obligated under the Foreign Market Development Program from fiscal years 2008 to estimated 2012 and estimated 2013. Provide a description of recent success with this program, including any specific metrics.

Response: Under the Foreign Market Development (FMD) Program, program participants known as Cooperators received reimbursements totaling approximately $34.8 million, $33.9 million, $32.1 million, and $33.8 million in fiscal years 2008, 2009, 2010, and 2011, respectively. Two new Cooperators applied for and received funding under the program for FY 2012. The projected activities from 24 Cooperators are estimated to exceed $36.5 million in expenditures for FY 2012 and FY 2013.

[The information follows:]

FY 2008 - 2013 FMD Participants
($ in thousands)

Participant	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Almond Board of California	0	0	0	0	$300,000
American Hardwood, Plywood, Softwood, and SFPA	$2,764,177	$3,336,252	$3,530,482	$3,001,753	2,547,946
American Peanut Council	740,695	634,050	737,985	674,759	602,879
American Seed Trade Association	47,375	228,499	228,073	235,592	202,749
American Sheep Industry Association	186,792	158,091	183,479	173,194	156,436
American Soybean Association	6,924,682	6,653,799	7,273,160	7,135,883	5,392,480
Cotton Council International	4,491,078	4,187,329	5,052,334	4,864,937	4,177,125
Cranberry Marketing Committee	0	0	0	0	200,000
Leather Industries of America	163,768	140,165	162,157	164,147	159,007
Mohair Council of America	14,223	0	15,768	9,454	15,865
National Hay Association	62,179	56,625	78,325	85,988	47,179
National Renderers Association	984,234	860,410	945,818	899,268	801,198
National Sunflower Association	284,360	263,372	259,748	270,698	254,498
North American Millers Association	58,679	57,511	60,797	25,582	58,086
U.S. Dairy Export Council	695,441	640,575	752,301	639,159	553,909
U.S. Dry Bean Council	114,886	131,461	138,264	111,214	108,828
U.S. Grains Council	5,528,241	4,730,977	4,342,466	4,708,771	3,877,364
U.S. Hide, Skin and Leather Association	93,460	144,545	155,983	105,289	89,600
U.S. Livestock Genetics Export, Inc.	704,699	663,100	763,923	719,393	606,524
U.S. Meat Export Federation	1,861,763	1,780,090	1,846,115	1,730,671	1,426,798
U.S. Wheat Associates	5,392,923	6,658,416	4,178,916	5,402,892	5,149,923
USA Dry Pea and Lentil Council	205,838	176,735	185,694	168,863	166,014
USA Poultry and Egg Export Council	1,699,756	1,468,921	1,613,144	1,424,627	1,266,251
USA Rice Federation	1,480,751	1,529,077	1,645,068	1,564,842	1,532,000
TOTAL	$34,500,000	$34,500,000	$34,150,000	$34,116,976	$29,692,659

*FY 2012 allocations to date. These will likely increase. FY 2013 cannot be estimated - allocations are made in response to applications.

Recently reported FMD-funded accomplishments include: USA Dry Pea and Lentil Council's Pakistani trade mission of cool season pulse buyers' visit to U.S. production areas resulted in $3.8 million in sales; U.S. Hide, Skins and Leather Association's participation in the Asia Pacific Leather Fair in Hong Kong resulted in $21 million in on-site sales and $114 million in projected sales; and U.S. Dairy Export Council's Milk Protein Concentrate technical seminar in the Philippines resulted in a $2.4 million sale to a Philippine processed cheese manufacturer.

Through the use of FMD-funded baking seminars in Peru, U.S. Wheat Associates demonstrated to end-users that their product requirements can be met with blended U.S. origin wheat, at a lower overall cost. This has been an effective marketing strategy for U.S. Wheat Associates; they reported that U.S. wheat exports to Peru in crop year (June-May) 2010/2011 reached 1 MMT, valued at $274 million, about double the previous year. Over the past 10 years, the National Sunflower Association used FMD-funded trade advertisements, newsletters, trade shows, seminars, and trade servicing in Spain to establish U.S. sunflower seed kernels as a popular snack. U.S. sunflower seed exports to Spain were valued at nearly $276 million over the 10-year period, making Spain the top market for U.S. confection sunflower seeds.

CODEX ALIMENTARIUS

Mr. Kingston: Please summarize FAS' involvement with Codex Alimentarius, including any type of support and coordination within the past year.

Response: FAS personnel participate in the U.S. delegations to the majority of Codex Committee meetings, both the Commission and the various subject committees. Early interventions by FAS in the development of Codex work plans, guidelines, and recommended standards serve to assure that agricultural exporter interests are well-represented. FAS helps keep issues within the human-health-science purview of Codex, and helps ensure trade-relevant factors are addressed. There are often suggestions by various nations to incorporate other inappropriate considerations, such as consumer preferences, national legislation constraints, or animal welfare concerns into Codex standards. The inclusion of factors beyond the scope of Codex results in standards getting stalled or delayed. Further, FAS personnel help ensure that appropriate technical and practical production methods and information is considered in Codex standards and guidelines. Early interventions are much more effective in advancing U.S. interests than attempts to modify work that has progressed to near final adoption.

FAS works in coordination with the U.S. Codex office to host workshops to engage with delegates from other countries. The workshops allow a dialogue with the delegates, an examination of technical issues, and a chance to explain the rationale for U.S. positions on pending standards. It is clear that the workshops have prompted some nations to change previously held positions to positions that align with those of the United States. In 2011, FAS, in collaboration with the U.S. Codex Office, organized and provided experts for workshops held in Latin America and Africa, and conducted an African Delegate Mentoring Program in Washington D.C. In 2012, FAS conducted similar workshops in Latin America, Asia, and Africa, targeting delegates of various Codex Committees.

FAS also assists the U.S. Codex office to interact with targeted countries through the efforts of FAS overseas officers and by identifying the decision makers who determine national positions for Codex. FAS overseas officers also meet with senior foreign technical and policy level experts and Codex delegates to advocate for U.S. positions and to align critical multinational support.

FAS uses its contacts with industry to help assure that industry perspectives are considered in the development of Codex standards both at the standard development stage, and while advocating U.S. positions in Codex meetings.

POULTRY TRADE WITH INDIA

Mr. Kingston: Please summarize the current case involving poultry trade with India. What are the circumstances and what is FAS doing to eliminate this particular non-tariff trade barrier? What is the potential size of the export market for U.S. poultry in India versus current sales if any?

Response: Since 2006, India has banned the importation of various U.S. agricultural products, including poultry meat, eggs, and live swine. The purported basis for the ban is to prevent the entry and establishment of avian influenza (AI). This measure is inconsistent with a number of India's obligations under the World Trade Organization (WTO) *Agreement on the Application of Sanitary and Phytosanitary Measures.* The United States has raised concerns with India repeatedly, including at WTO meetings and in bilateral discussions, to no avail. On March 6, 2012, the United States officially requested consultations with India over its ongoing AI ban as a first step in a WTO dispute. The Foreign Agricultural Service estimates that current trade loss as a result of India's measure is approximately $15-50 million annually, with up to $30 million worth of that loss stemming from lost poultry meat sales. A successful outcome of the dispute with India may also lead to trade gains in other countries that are currently maintaining unscientific AI bans.

PRESENCE IN FOREIGN COUNTRIES

Mr. Kingston: For the record, please provide the Committee with a table listing the countries where FAS has an office or permanent presence and the numbers of FAS employees and the number of non-FAS employees per country. Also, please specify a listing of other countries covered by the permanent office. Note any plans for expansion to future offices. Lastly, has any office closed in the past five years? If so, please provide an explanation as to why.

Response: The information is provided for the record.

[The information follows:]

Table 1: Permanent Offices, Staffing and Country Coverage

POSTS		FAS Staffing			
Country	Post Location	Number of Foreign Service positions	Number of Locally Employed Staff positions	Parent Post	Satellite Posts
Afghanistan	Kabul	2	4		
Albania	Tirana			Italy	
Algeria	Algiers	1	2		
Angola	Luanda		1	South Africa	
Anguilla				Caribbean Basin Agricultural Trade Office (CBATO)	
Antigua & Barbuda	St. John's			CBATO	
Argentina	Buenos Aires	2	5		Paraguay, Uruguay
Armenia	Yerevan			Russia	
Aruba				CBATO	
Austria	Vienna		2	Germany	
Australia	Canberra	1	3		New Zealand
Azerbaijan	Baku			Turkey	
Bahamas				CBATO	
Bahrain				UAE	
Bangladesh	Dhaka		2	India	
Barbados				CBATO	
Belarus	Mensk			Russia	
Belgium	Brussels			Netherlands	
Belgium	Brussels(USEU)	4	7		
Belize	Belize City			Guatemala	
Benin	Cotonou			Nigeria	
Bermuda				CBATO	
Bolivia	La Paz			Peru	
Bosnia and Herzegovina	Sarajevo		1	Italy	
Botswana	Gaborone			South Africa	

POSTS		FAS Staffing			
Country	Post Location	Number of Foreign Service positions	Number of Locally Employed Staff positions	Parent Post	Satellite Posts
Brazil	Sao Paulo (Agricultural Trade Office (ATO)	1	5	Brasilia	
Brazil	Brasilia	3	3		
Brunei	Bandar Seri Begawan			Malaysia	
Bukino Faso	Ouadadougou			Senegal	
Bulgaria	Sofia		2		Romania,
Burma (Myanmar)	Rangoon		1	Thailand	
Burundi	Bujumbura			Kenya	
Cambodia	Phnom Penh			Vietnam	
Cameroon	Yaoundé			Nigeria	
Canada	Ottawa	2	4		
Canada	Toronto		1	Ottawa	
Caribbean	Miami,Florida	2			Anguilla,
Chad	N'Djamena			Senegal	
Cayman				CBATO	
Chile	Santiago	1	4		
China	Beijing (ATO)	1	7	Beijing Ag	
China	Beijing	6	10		Mongolia
China	Guangzhou	1	8	Beijing Ag	
China	Shanghai	2	9	Beijing Ag	
China	Chengdu	1	4	Beijing Ag	
China	Shenyang	1	4	Beijing Ag	
Colombia	Bogota	2	5		
Costa Rica	San Jose	2	5		Nicaragua,
Cote d'Ivoire	Abidjan			Senegal	

POSTS		FAS Staffing			
Country	Post Location	Number of Foreign Service positions	Number of Locally Employed Staff positions	Parent Post	Satellite Posts
Croatia	Zagreb		1	Italy	
Czech	Prague		1	Poland	
Denmark	Copenhagen			Netherlands	
Djibouti, Rep of	Djibouti			Ethiopia	
Dominica				CBATO	
Dominican Republic	Santo Domingo	1	5		Haiti, Jamaica
Ecuador	Quito		2	Peru	
Egypt	Cairo	3	5		Israel, Lebanon, Jordan, Syria, Yemen, Libya
El Salvador	San Salvador		2	Guatemala	
Eritrea	Asmara			Ethiopia	
Ethiopia	Addis Ababa	1	2		Djibouti,
Estonia	Tallinn			Poland	
Finland	Helsinki			Netherlands	
France	Paris	2	3		United
Gambia, The	Banjul			Senegal	
Georgia	Tbilisi			Turkey	
Germany	Berlin	1	3		Austria,
Ghana	Accra		1	Nigeria	
Grenada				CBATO	
Guadeloupe &				CBATO	
Guatemala	Guatemala City	2	4		Belize, El
Greece	Athens			Italy	
Haiti	Port-au-Prince			Dominican Republic	
Honduras	Tegucigalpa		2	Guatemala	

POSTS		FAS Staffing			
Country	Post Location	Number of Foreign Service positions	Number of Locally Employed Staff positions	Parent Post	Satellite Posts
Hong Kong	Hong Kong	1	6		Macau
Hungary	Budapest		1	Germany	
Iceland	Reykjavik			Netherlands	
Indonesia	Jakarta	2	7		
India	New Delhi	3	8		Bangladesh,
India	Mumbai	1	3		
Iraq	Baghdad	1	3		
Ireland	Dublin			France	
Israel	Tel Aviv		3	Egypt	
Italy	Rome (USUN)	1	2		
Italy	Rome	1	4		Greece,
Jamaica	Kingston		1	Dominican Republic	
Japan	Osaka (ATO)		3	Tokyo Ag	
Japan	Tokyo	4	7		
Japan	Tokyo (ATO)	1	5	Tokyo Ag	
Jordan	Amman		1	Egypt	
Kazakhstan	Astana		1	Russia	
Kenya	Nairobi	2	4		Malawi,
South Korea	Seoul (ATO)	1	6	Seoul Ag	
South Korea	Seoul	3	6		
Kosovo	Pristina			Bulgaria	
Kuwait	Kuwait			UAE	
Kyrgyzstan	Bishkek			Turkey	
Latvia	Riga			Poland	
Lebanon	Beirut			Egypt	
Lesotho	Maseru			South	
Liberia	Monrovia			Nigeria	
Libya	Tripoli			Egypt	
Lithuania	Vilnius			Poland	

POSTS		FAS Staffing			
Country	Post Location	Number of Foreign Service positions	Number of Locally Employed Staff positions	Parent Post	Satellite Posts
Luxembourg	Luxembourg			Netherlands	
Macau	Macau			Hong Kong	
Macedonia	Skopje			Bulgaria	
Madagascar	Antananarivo			South	
Malawi	Lilongwe			Kenya	
Malaysia	Kuala Lumpur	1	4		Brunei, Papua New Guinea, Singapore
Mali	Bamako			Senegal	
Martinique				CBATO	
Mauritius	Port Louis			South	
Malta	Floriana			Italy	
Mexico	Guadalajara			Mexico City ATO	
Mexico	Monterrey	1	4	Mexico City	
Mexico	Mexico City (ATO)	2	5	Mexico City Ag	
Mexico	Mexico City	4	8		
Moldova	Chisinau			Ukraine	
Mongolia	Ulaanbaatar			Beijing Ag	
Montserrat				CBATO	
Morocco	Rabat	1	3		Tunisia
Mozambique	Maputo		1	South	
Namibia	Windhoek			South	
Netherlands	The Hague	1	3		Belgium, Denmark, Iceland, Luxembourg, Sweden, Norway, Finland
Netherlands Antilles				CBATO	
New Zealand	Wellington		2	Australia	

POSTS		FAS Staffing			
Country	Post Location	Number of Foreign Service positions	Number of Locally Employed Staff positions	Parent Post	Satellite Posts
Nicaragua	Managua		2	Costa Rica	
Niger	Niamey			Senegal	
Nigeria	Lagos	2	4		Benin, Ghana,
Norway	Oslo			Netherlands	
Oman	Muscat			UAE	
Pakistan	Islamabad	2	5		
Panama	Panama City		2	Costa Rica	
Papua New	Port Moresby			Malaysia	
Paraguay	Asuncion			Argentina	
Peru	Lima	2	5		Bolivia, Ecuador
Philippines	Manila	2	6		
Poland	Warsaw	1	4		Lithuania, Estonia, Latvia, Czech Rep, Slovakia, Bulgaria, Romania
Portugal	Lisbon			Spain	
Qatar	Doha			UAE	
Romania	Bucharest		2	Bulgaria	
Russia	Moscow	4	7		Armenia,
Russia	Moscow (ATO)	1	3	Moscow Ag	
Russia	St. Petersburg (ATO)		1	Moscow ATO	
Russia	Vladivostok		1	Moscow ATO	
Rwanda	Kigali			Kenya	
Saudi Arabia	Riyadh (ATO)	1	2		
Senegal	Dakar	2	3		Burkino Faso,
Serbia-	Belgrade		2	Bulgaria	
Singapore	Singapore		2	Malaysia	

POSTS		FAS Staffing			
Country	Post Location	Number of Foreign Service positions	Number of Locally Employed Staff positions	Parent Post	Satellite Posts
Slovakia	Bratislava			Poland	
Slovenia	Ljubljana			Germany	
Somalia	Mogadishu			Ethiopia	
South Africa	Pretoria	3	5		Botswana,
South Sudan	Juba			Ethiopia	
Spain	Madrid	1	3		Portugal
Sri Lanka	Colombo			India	
St. Kitts				CBATO	
St. Lucia				CBATO	
St. Vincent and the Grenadines				CBATO	
Swaziland	Mbabane			South	
Sweden	Stockholm		2	Netherlands	
Switzerland	Geneva (USTR)	3			
Syria	Damascus		1	Egypt	
Taiwan	Taipei (ATO)	1	4	Taipei Ag	
Taiwan	Taipei	2	3		
Tajikistan	Dushanbe			Turkey	
Tanzania	Dar Es Salaam			Kenya	
Thailand	Bangkok	2	6		Burma
Trinidad &				CBATO	
Tunisia	Tunis		2	Morocco	
Turkey	Ankara	2	3		Azerbaijan, Georgia, Tajikistan, Turkmenistan, Uzbekistan, Kyrgyzstan
Turkey	Istanbul		2	Ankara Ag	
Turkmenistan	Ashgabat			Turkey	
Turks and				CBATO	
Uganda	Kampala			Kenya	
Ukraine	Kyiv	1	3		Moldova

POSTS		FAS Staffing			
Country	Post Location	Number of Foreign Service positions	Number of Locally Employed Staff positions	Parent Post	Satellite Posts
United Arab	Dubai	1	4		Bahrain,
United	London		4	France	
Uruguay	Montevideo			Argentina	
Uzbekistan	Tashkent		1	Turkey	
Venezuela	Caracas	1	6		
Vietnam	Hanoi	2	4		
Vietnam	Ho Chi Minh	1	4	Hanoi Ag	Cambodia
Yemen	Sanaa		1	Cairo	
Zambia	Lusaka			Kenya	
Zimbabwe	Harare			South	
Total		113	340		

FAS conducts an annual rightsizing exercise to align the number and location of staff assigned overseas with foreign policy priorities, security, and budgetary constraints.

Table 2: Future Office Expansion Plans FY 2013-2015

Country	Post	Year	Foreign Service Staff	Locally Employed Staff
Algeria	Algiers	2012		1
Angola	Luanda	2012		1
Argentina	Buenos Aires	2012		1
Bangladesh	Dhaka	2013	1	2
Brazil	Recife	2013		1
Canada	Vancouver	2015		1
China	Beijing	2013		1
China	Beijing ATO	2014	1	
China	Chengdu ATO	2013		1
China	Guangzhou ATO	2013		1
China	Guangzhou ATO	2014	1	
China	Wuhan ATO	2013		1
Colombia	Bogota	2012		3
France	Paris	2013		1
Germany	Berlin	2012		1
Honduras	Tegucigalpa	2013		1
Indonesia	Jakarta	2014	1	1
Italy	Rome	2012		1
Panama	Panama City	2013	1	2
Philippines	Manila	2014		1
Taiwan	Taipei	2012		1
Turkey	Ankara	2013		1
United Arab Emirates	Dubai	2013	1	
United Kingdom	London	2013	1	
Vietnam	Hanoi	2013		1
TOTAL			7	26
*Planned expansion positions are contingent on available funding				

Response: The information is provided for the record.

[The information follows:]

Table 3: Office Closures 2008 - 2012

Country	Post	Year Closed
Philippines	Manila	2008
Denmark	Copenhagen	2009
Ireland	Dublin	2010
Greece	Athens	2010
Germany	Bonn	2011
Sweden	Stockholm	2012
Syria	Damascas	2012

As a result of the annual rightsizing exercise, FAS shifted staff resources from more mature markets to growing export markets over the past decade. In addition, the Agriculture Trade Office in Manila was closed due to budgetary constraints and some of the functions were transferred to the FAS Office of Agriculture Affairs in Manila. Lastly, the Office of Agriculture Affairs in Syria was closed due to security issues in country.

Mr. Kingston: Please provide the Committee with a breakdown of costs charged to FAS by the Department of State for the past five fiscal years as well as estimated charges for FY 2012 and FY 2013.

Response: The information is provided for the record.

[The information follows:]

($ in Thousands)

State Department Reimbursable Agreements	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Estimated	FY 2013 Estimated
ICASS	$10,661	$12,232	$12,637	$12,634	$13,839	$14,393	$15,113
Other Misc. Reimbursable Agreements	1,587	1,468	1,565	1,658	1,747	2,105	2,321
Capital Security Cost Share CSCS*	5,539	7,073	9,565	10,138	8,905	6,898	5,838
Total	$17,787	$20,773	$23,767	$24,430	$24,491	$23,396	$23,272

*Note: CSCS charges are reduced as a result of the Consolidated Appropriation Act (2012) in which the Department of States FY 2012 CSCS program was not fully funded. Therefore, all CSCS charges are reduced.

Mr. Kingston: Please provide the Committee with an explanation of the Agency's plans to migrate Information Technology services to the Department of State as well as the costs for the past three years and current year costs.

Response: Foreign Agricultural Service (FAS) requires full Information Technology (IT) support of its international staff at all post locations. The range of services includes: email, file/print services, remote access via mobile computing solutions, standard hardware and software support, network support including access to the Internet, help desk support, and reliable access to FAS resources and applications hosted in the United States.

Persistent cyber-attacks on the FAS network led to a high level of security compromise and threatened the security of the entire USDA network. Because of the threats, the Department's Chief Information Officer (CIO) made the decision to transition all FAS IT services to Departmental Service Providers (DSPs). The USDA Office of the CIO is the DSP providing IT services to FAS Headquarters. The Department of State (DoS) is the DSP providing IT services to FAS' overseas locations.

Transition of FAS' post locations to DoS IT services was completed in September of 2011. Since transitioning, there have been no attacks on the FAS network emanating from FAS international staff's workstations. The information is provided for the record.

[The information follows:]

Departmental Service Provider Support Costs					
	2009	2010	2011	2012	Total
DOS Service Provider Support	0	$377,461	$2,184,876	$2,527,845	$5,090,183
Cost Related to Transition	$167,284	2,677,634	870,341	175,246	3,890,505
Total	$167,284	$3,055,096	$3,055,217	$2,703,091	$8,980,688

Note: 2010 Cost Related to Transition: During FY 2010 FAS paid for an equipment refresh (PCs, printers etc.) as well as infrastructure and support services required for the transition.

Mr. Kingston: Please provide the Committee with a status of the on-going GAO Report related to Embassy Services Cost Sharing. In particular, when did GAO establish the entrance conference, what is the focus of the study in particular, and when is the expected completion date?

Response: The USDA entrance conference for the Government Accountability Office audit of Embassy Services Cost Sharing was held on December 13, 2010. The focus of this audit was user experience with the International Cooperative Administrative Support Services (ICASS) system. Specifically, GAO wanted to determine the extent to which ICASS use reduced administrative costs, improved the effectiveness of administrative operations to fulfill agencies' missions, and allocated costs and responsibilities for carrying out administrative services among U.S. agencies on a rational and equitable basis.

GAO completed the audit and issued a report on January 31, 2012. While USDA was not a focus in the GAO audit or report, the Department did express concerns in a letter which is included as Appendix VIII to the report. These concerns centered on a GAO recommendation that all agencies be required to participate in ICASS services unless a compelling business case or mission needs justification for opting out can be provided. USDA/FAS believes that 100 percent participation in ICASS is unattainable due to the wide variance of mission objectives and requirements that exist across government agencies. Further, the lack of available cost data from ICASS makes it impossible for agencies to construct a compelling business case for non-ICASS options since cost comparisons cannot be made.

The GAO report did allow room for the creation of new ICASS service providers, in lieu of State that could provide administrative services to the other agencies at individual posts. USDA/FAS strongly advocates for such action where savings can be realized. For example, the Department of State

currently provides financial services to ICASS subscribers from multiple locations throughout the world.

AGENCY'S CORE MISSION

Mr. Kingston: The Foreign Agricultural Service provides the Nation with a critical function by their facilitation of export opportunities when dealing with other foreign governments, regional organizations, and/or foreign national industries. The Agency is also responsible to some extent with global food security.

Some believe that USDA has shifted too much of their vital resources to the global security side while sacrificing the responsibilities on the development and trade side of the equation. Generally, has FAS shifted more resources proportionally to global food security in the past three to four years at the detriment of U.S. agricultural trade? Please provide specifics in your response.

Response: The Foreign Agricultural Service takes very seriously the criticality of its function to support trade and expand export opportunities. While there has been an increased focus on global food security over the past five years due to higher food prices, natural disasters, and global economic and political instability, the impact of USDA's increased focus on global food security to our commodity trade activities has been minimal through FY 2012. In FY 2013, FAS estimates that resources to support agricultural reconstruction and stabilization activities will remain at FY 2012 levels.

Budgetary Resources for Trade and Global Food Security

Activity	2009 Actual	2010 Actual	2011 Estimate	2012 Estimate	2013 Estimate
Agricultural	66%	65%	66%	65%	65%
Food Security	20%	20%	20%	22%	22%
Other	14%	15%	14%	13%	13%
Total Budgetary Resources	100%	100%	100%	100%	100%

Mr. Kingston: Please provide specifics on FAS' statutory authority to support global food security in comparison to the responsibilities of USAID, the Department of State, and other U.S. governmental bodies.

Response: FAS carries out international development and technical assistance and training at the request of USAID and the Department of State under authority of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2151 *et seq.*). FAS also draws upon at least three statutory authorities given to USDA to support global food security through technical assistance, training and scientific exchanges with developing countries. The

first, 7 U.S.C. 3291, which incorporates the international provisions of the National Agricultural Research, Extension and Teaching Policy Act of 1977, as amended, authorizes FAS and other USDA agencies to administer and coordinate programs in international research and scientific and technical cooperation with other governmental agencies, land grant universities, international organization, international agricultural research centers, and others institutions. FAS also administers the Cochran Fellowship Program, authorized under 7 U.S.C. 3293, that provides U.S.-based agricultural training opportunities for senior and mid-level specialists and administrators from in middle-income countries, emerging markets, and emerging democracies to improve their agricultural systems and strengthen and enhance trade links with the United States. In addition, FAS' Norman E. Borlaug International Agricultural Science and Technology Fellowship Program, authorized under 7 U.S.C. 3319j, helps developing countries strengthen sustainable agricultural practices by providing scientific training and collaborative research opportunities to visiting researchers, policymakers, and university faculty from developing countries.

AGRICULTURAL TRADE DATA

Mr. Kingston: Please provide the Committee with a list of the top ten agricultural exported and imported products for fiscal years 2008 through 2011 and estimated for 2012 by volume and dollars.

Response: The information is provided for the record.

[The information follows:]

Top Ten U.S. Agricultural Exports for Fiscal Years 2008 through 2011 (Dollars in Billions)					
Product	**2008**	**2009**	**2010**	**2011**	**2012**
Soybeans	$14.5	$13.8	$16.9	$20.4	$18.7
Corn	15.9	10.1	10.0	14.1	13.3
Wheat	12.3	6.0	5.9	11.5	8.2
Red Meat Fresh/Chilled/Frozen	6.8	6.6	7.4	9.8	11.6
Cotton	4.8	3.6	4.8	9.0	6.2
Feeds & Fodders (Excl. Pet Food)	3.7	3.4	4.4	5.2	6.9
Tree Nuts	3.1	3.2	3.7	4.7	5.7
Fresh Fruit	3.6	3.6	3.8	4.4	6.9
Poultry Meat	4.0	3.9	3.7	4.3	5.5
Processed Fruit & Vegetables	3.7	3.6	3.7	4.3	6.7

Top Ten U.S. Agricultural Exports for Fiscal Years 2008 through 2011 (Million Metric Tons)					
Product	**2008**	**2009**	**2010**	**2011**	**2012**
Live Animals	76.8	76.3	77.7	87.9	N/A
Coarse Grains (Majority Corn)	68.4	51.6	54.1	49.4	45.4
Hides & Skins	35.2	36.8	38.2	43.4	N/A
Soybeans	30.8	35.0	41.6	40.3	35.2
Wheat	32.9	22.6	25.8	34.5	25.2
Feeds & Fodders (Exc Pet Food)	13.8	13.2	18.0	18.4	17.1
Cotton	13.6	12.6	12.3	13.9	2.4
Soybean Meal	6.9	6.5	9.0	7.1	3.0
Rice	3.9	3.4	4.3	3.9	3.3
Poultry Meat	3.9	3.8	3.4	3.8	3.3

Top Ten U.S. Agricultural Imports for Fiscal Years 2008 through 2011 (Dollars in Billions)					
Product	**2008**	**2009**	**2010**	**2011**	**2012 Forecast**
Wine & Beer	$8.4	$7.5	$7.7	$8.3	$9.0
Fresh Fruit	5.6	6.1	6.9	7.2	7.6
Processed Fruit & Vegetables	5.6	5.4	5.5	6.3	9.4
Vegetable Oils Excl. Soybean Oil	4.8	4.0	4.0	5.8	5.8
Raw Coffee	3.4	3.2	3.5	5.7	N/A
Fresh Vegetables	4.3	4.1	5.1	5.6	6.2
Red Meats, Fresh/Chilled/Frozen	4.0	3.8	4.2	4.7	4.6
Snack Foods (Excl. Nuts)	3.7	3.6	4.0	4.5	N/A
Rubber & Allied Gums	2.7	1.6	2.5	4.5	6.0
Essential Oils	2.7	2.4	2.4	2.5	2.6

Top Ten U.S. Agricultural Imports for Fiscal Years 2008 through 2011 (Million Metric Tons)					
Product	2008	2009	2010	2011	2012 Forecast
Live Animals	25.2	20.2	22.2	21.9	N/A
Fresh Fruit	8.7	8.5	9.1	9.3	9.5
Nursery Products & Cut Flowers	6.0	5.5	5.7	5.9	1.6
Fresh Vegetables	4.5	4.4	5.3	5.4	5.8
Fruit & Vegetable Juices	4.8	4.4	4.0	4.3	4.5
Processed Fruit & Vegetables	4.2	4.1	4.1	4.3	4.8
Wine & Beer	4.2	4.1	4.1	4.2	4.4
Vegetable Oils Excl. Soybean Oil	3.3	3.4	3.5	3.8	3.9
Coarse Grains	3.5	2.7	2.2	2.4	N/A
Sugar/Sweetener/Beverage Bases	1.6	2.0	1.6	2.1	N/A

Mr. Kingston: Please provide the Committee with a list of the top ten agricultural export and import countries for fiscal years 2008 through 2011 and estimated for 2012 by volume and dollars.

Response: The information is provided for the record.

[The information follows:]

Top Ten U.S. Agricultural Export Destinations for Fiscal Years 2008 through 2011 (Dollars in Billions)					
Countries	**2008**	**2009**	**2010**	**2011**	**2012 (forecasts)**
China	$11.2	$11.1	$15.0	$19.9	$17.0
Canada	16.4	15.8	16.9	18.8	19.0
Mexico	15.2	13.3	14.0	17.7	17.5
Japan	13.1	11.2	11.2	14.0	13.5
European Union-27	10.7	7.7	8.6	10.3	10.0
Korea, South	5.6	3.8	5.0	6.8	6.9
Taiwan	3.5	2.9	3.2	3.6	3.5
Hong Kong	1.6	1.7	2.5	3.2	3.3
Indonesia	2.2	1.7	2.1	3.0	2.8
Egypt	2.2	1.4	1.6	3.0	1.8

Top Ten U.S. Agricultural Export Destinations for Fiscal Years 2008 through 2011 (Million Metric Tons)					
Countries	**2008**	**2009**	**2010**	**2011**	**2012 (Forecast)[1]**
China	16.1	22.0	30.0	30.5	N/A1
Mexico	27.6	26.0	28.0	28.6	N/A
Japan	28.8	26.5	27.0	25.8	N/A
Canada	14.7	12.6	13.1	12.4	N/A
Korea, South	13.0	6.4	12.2	11.1	N/A
European Union-27	13.3	6.0	8.0	10.2	N/A
Egypt	6.4	5.0	5.1	7.8	N/A
Taiwan	7.8	7.2	6.8	6.4	N/A
Indonesia	3.7	3.1	4.2	4.7	N/A
Nigeria	2.7	2.9	3.5	3.8	N/A

1 USDA does not forecast export volume by region.

Top Ten U.S. Agricultural Import Origins for Fiscal Years 2008 through 2011 (Dollars in Billions)					
Countries	**2008**	**2009**	**2010**	**2011**	**2012 (Forecast)**
Canada	$18.0	$15.4	$15.8	$18.0	$20.7
European Union-27	15.9	13.8	14.3	15.9	16.8
Mexico	10.8	11.3	13.0	15.5	17.3
Indonesia	2.7	2.0	2.6	4.0	4.7
China	3.4	2.9	3.2	3.9	4.2
Brazil	2.6	2.6	2.7	3.4	4.4
Thailand	1.9	1.6	1.9	2.6	2.9
Australia	2.4	2.5	2.3	2.4	2.4
Colombia	1.7	1.8	1.9	2.3	2.6
Chile	2.0	2.1	2.3	2.3	2.5

Top Ten U.S. Agricultural Import Origins for Fiscal Years 2008 through 2011 (Million Metric Tons)					
Countries	2008	2009	2010	2011	2012 (Forecast)[2]
Canada	17.5	16.1	14.9	16.1	N/A
Mexico	7.7	8.3	8.8	10.0	N/A
European Union-27	2.1	2.1	2.2	2.4	N/A
Guatemala	2.4	2.1	2.3	2.2	N/A
Costa Rica	1.9	1.6	1.8	1.9	N/A
Malaysia	1.4	1.6	1.5	1.6	N/A
China	1.6	1.4	1.4	1.4	N/A
Ecuador	1.2	1.3	1.3	1.3	N/A
Thailand	1.3	1.2	1.2	1.2	N/A
Brazil	0.9	1.1	1.3	1.1	N/A

[2] USDA does not forecast import volume by region.

COCHRAN AND BORLAUG FELLOWSHIP PROGRAMS

Mr. Kingston: Please provide a five year history of funding for the Cochran and Borlaug Fellowship programs to include estimated levels for fiscal years 2012 and 2013.

Response: The information is provided for the record.

[The information follows:]

Table 1:
Cochran Fellowship Program Funding Levels for FY 2009-2013
(Dollars in thousands)

Type of Funding	FY 2009 Actual		FY 2010 Actual		FY 2011 Actual		FY 2012 Estimate		FY 2013 Estimate	
	Amount	Number of Partici-pants	Amount	Number of Partici-pants	Amount	Number of Partic-pants	Amount	Number of Partici-pants	Amount	Number of Partici-pants
Salaries and Expenses	$2,770	289	$4,877	343	$2,585	452	$4,315	413	$4,315	413

Table 2:
Borlaug Fellowship Program Funding Levels for FY 2009-2013
(Dollars in thousands)

Type of Funding	FY 2009 Actual		FY 2010 Actual		FY 2011 Actual		FY 2012 Estimate		FY 2013 Estimate	
	Amount	Number of Partici-pants	Amount	Number of Partici-pants	Amount	Number of Partici-pants	Amount	Number of Partici-pants	Amount	Number of Partici-pants
Salaries and Expenses	$1,625	33	$1,967	44	$2,000	86	$1,000	43	$1,000	43

RECONSTRUCTION AND STABILIZATION ACTIVITIES IN AFGHANISTAN

Mr. Kingston: FAS proposes an increase of $5.55 million to support agricultural reconstruction and stabilization activities in Afghanistan. How were such costs paid for in fiscal year 2011 and 2012? What is USDA's plan if Congress is unable to support such costs in fiscal year 2013?

Response: As part of the "Whole of Government" approach to stabilization and reconstruction, the USDA has deployed agricultural advisors to Afghanistan since 2003. These employees and contractors are working to build

human capacity in the Ministry of Agriculture, Irrigation, and Livestock at all levels, so that it can sustainably support the 80 percent of Afghans who rely upon agriculture for a living. Similar activities and projects are taking place in Iraq, Pakistan, and Haiti. The Department of State provides funding for the direct costs associated with deployed agricultural advisors, and USAID provides funding for specific project (such as wheat productivity improvement, watershed rehabilitation, and animal disease control). In FY 2011 and 2012, USAID also funded all Washington DC support costs for agricultural advisors and projects.

In FY 2011, the Department of State provided funding for the direct costs of agricultural advisors, and USAID provided funding to USDA under a 632 (a) agreement for specific project activities. When the FY 2011 Full Year Continuing Appropriations Act was signed into law on April 15, 2011, USDA's stabilization and reconstruction funds were eliminated from the Department Administration account, and there was no other direct funding to USDA. USDA engaged the Department of State and USAID on funding alternatives in order to continue its reconstruction and stabilization activities. As a result, existing USAID FY 2011 funding to USDA for Afghanistan was used to cover Washington D.C. support costs. In addition, the salaries and expenses for the 14 employees directly supported with USDA funds were covered by Department of State-provided funding.

For FY 2012, the Department of State is providing funding for the direct costs of agricultural advisors in Afghanistan. USDA has existing funding from USAID to cover Washington, D.C. based support costs.

In FY 2013, USDA expects that the Department of State will again provide funding for the direct costs of agricultural advisors in Afghanistan. USDA's FY 2013 budget request would allow it to directly fund Washington, D.C. support costs for agriculture advisors in Afghanistan and reconstruction and stabilization activities in fragile market economies. If this funding is not appropriated directly to FAS in FY 2013, USDA may need to evaluate the sustainability of its efforts and again engage interagency partners about continuation and support of the agricultural advisors and its projects.

BILL EMERSON HUMANITARIAN TRUST

Mr. Kingston: Please explain to the Subcommittee the possible scenarios that would prompt the Administration to shift resources out of the Bill Emerson Humanitarian Trust. Has the Administration considered such transfers over the past three years?

Response: The Bill Emerson Humanitarian Trust (BEHT) is available to provide food aid resources to avert an emergency, respond to an emergency, or recover and rehabilitate from an emergency. Approximately $311 million in cash is available in the BEHT. The Administration will consider using BEHT resources for any emergency situation where a quick response is needed and existing Food for Peace Title II resources are not sufficient. Potential causes of the emergencies include floods, droughts, and earthquakes. During past three years, the Administration considered using the BEHT, once in North Korea to address nutritional problems and emergencies. That effort is currently suspended.

ASSOCIATED PRESS INVESTIGATION OF FOOD DISTRIBUTION IN SOMALIA

Mr. Kingston: In March 2012, the Associated Press conducted an investigation of emergency food distribution in Somalia. The investigation revealed cases of mismanagement, diversion of supplies to the black market, and diversion of food to feed livestock. Were any resources from USDA involved in these food distribution locations within Somalia? If so, what is USDA doing to ensure better controls with the NGO even under the most difficult situations as those in Somalia?

Response: USDA does not implement any food assistance programs in Somalia. Somalia does not meet the priority country selection criteria for either the Food for Progress or the McGovern-Dole International Food for Education and Child Nutrition Programs. Somalia also did not receive any assistance under the USDA Local and Regional Food Aid Procurement Pilot Project.

USDA recognizes that organizations operating in conflict zones face unique challenges as a result of the difficult security environment, but program mismanagement, corruption, and diversion of food aid to the black market or for use as livestock feed can occur in any developing country. To mitigate the risks associated with these concerns, USDA reviews each grantee's past performance history prior to making a new award. After an award has been made, USDA reviews its annual audit statements, quarterly financial reports, and bi-annual implementation reports (logmons). USDA also requires each grantee to provide assurances that it has not and will not, either directly or indirectly, provide support to terrorist organizations. It receives this guarantee by requiring that grantees sign a Terrorist Financing Certification for Food Aid Grant Agreements.

USDA requires that grantees have a comprehensive monitoring and evaluation plan in place for every new program. Moreover, to strengthen the oversight of program resources, USDA established a policy objective that a field monitoring visit by Washington-based staff to each operational food aid project will occur at least once every two years, with interim visits by FAS overseas attaches. Finally, USDA will give preference to countries where USDA overseas staff can monitor the programs and provide program management support.

TRANSFERS OF FUNDS

Mr. Kingston: Did the agency transfer any funds to the OCIO or CCE in fiscal year 2010 or 2011? If so, when, what for, and in what amount?

Response: FAS did not transfer any funds to OCIO or CCE in fiscal years 2010 or 2011.

Mr. Kingston: What improvements is FAS making in response to deficiencies noted by the OIG audits of the program?

Response: The USDA OIG currently is conducting audits at FAS on the "Effectiveness of the Department's Recent Efforts to Enhance Agricultural Trade," "Trade Adjustment Assistance for Farmers Program," "Private Voluntary Organization Grant Fund Accountability," and "Pakistan Section 632(a) Transfer of Funds from USAID to USDA." However, these audits have not yet been completed so no final reports identifying deficiencies have been issued.

Mr. Kingston: What is USDA doing to monitor or control the costs charged to the Department from the State Department for their overseas services?

Response: USDA/FAS actively participates on interagency working groups both in Washington and overseas. The primary working groups that monitor and attempt to control costs are the (International Cooperative Administrative Support Services (ICASS) Executive Board, the ICASS Working Group, the Overseas ICASS Council, and the Interagency Facilities Council. In addition, FAS conducts thorough reviews of all State Department billings to ensure the agency has been accurately invoiced. Any findings are disputed immediately and corrected invoices are requested.

Questions for the Record Submitted by Congressman Sam Farr

RISK MANAGEMENT FOR ORGANIC FARMERS

Mr. Farr: One of the biggest concerns farmers bring up in my district is how difficult it is to get coverage for organic crops. Even though operating profit on organic farms is higher than other types of farms, farmers tell me they have a difficult time getting crop insurance coverage due to limitations of the program. Organic farming practices actually reduce crop risk in many ways, but according to the 2008 Organic Production Survey, only 15% of organic farms are covered by the Federal Crop Insurance Program (2,167 farms out of 14,540 total farms). Can you talk about why this number is so low, and what can be done to bring it up for organic farmers?

Response: The role of USDA's Risk Management Agency (RMA) is to help producers manage their business risk through effective, market-based risk management solutions. RMA continually monitors current market trends and developments to ensure that the insurance coverage offered is reflective of today's marketplace. Beginning with crop year 2004, RMA modified the Common Crop Insurance Policy Basic Provisions to recognize organic farming as a good farming practice, thereby allowing broad inclusion into the Federal crop insurance programs. Thus, each conventionally grown commodity otherwise insurable under the Federal crop insurance program is also insurable when produced using organic farming methods. Since the 2008 crop year, policies sold for organic crops have increased almost 40% to 4,928 policies for the 2011 crop year, providing coverage of approximately $356 million in liability. This liability amount is almost 10 fold over what was reported for the first crop year of 2004, when organic coverage was first widely available.

Mr. Farr: On top of the challenge of getting crop insurance in the first place, organic farmers have to pay a surcharge to participate in the program even though they're only reimbursed for their crops at the conventional rate, which is a good deal lower than the organic value they get for their crops in the marketplace. HR 3286, The Local Farms, Food, and Jobs Act, which I'm a co-sponsor of, would eliminate premium surcharges on insurance policies for organic crops and offer insurance at actual organic crop price levels. Can you talk about how these changes would impact your program and the stability of the marketplace for organic crops?

Response: RMA commissioned an independent analysis of the underwriting and loss experience of organically-grown crops compared to the same

conventionally-grown crops in the same counties. The analysis considered all available sources of information in addition to RMA's historical loss data.

The analysis provided three primary recommendations regarding the premium surcharge. First, the study concluded that RMA's historical loss data was the best available to evaluate the difference in risk between organic and conventional production. While there is variation across crops, RMA's historical loss data indicates that the overall rate of loss is significantly higher for organic crops as compared to those grown conventionally. RMA has made available on its website a summarized comparison of organic and conventional loss experience. For the period of 2004 to 2011, the cumulative organic loss ratio is nearly twice as high versus comparable conventionally-grown crops.

Second, the study recommended removing the premium surcharge for crops with policies that specify a very limited set of causes of loss that are independent of management practice (i.e. freeze or wind damage). In response to this recommendation, RMA has removed the surcharge, effective for 2011 crop year from Figs; Florida Citrus Fruit; Florida Fruit Tree (Pilot); Macadamia Tree; Nursery; Pears; Peppers; Prunes; Texas Citrus Tree; and Texas Citrus Fruit.

Third, the study recommended that if the premium surcharge were to be reduced or eliminated, it should be accompanied by a significant reduction in the T-Yields used for the organic practice. Because organic yields tend to be lower than conventional yields for a number of crops, the study asserts that a reduction in T-yields would "sharply reduce the frequency and severity of losses for the organic practice and reduce loss ratios" while, at the same time, "encouraging participation."

RMA is currently analyzing organic and conventional yields and loss experience in preparation for implementation of the third recommendation. If it is found that inappropriately high T-yields account for the difference in loss experience between organic and conventional production, RMA will consider lowering the T-yields in conjunction with reducing or eliminating the surcharge.

For those crops where organic production risk is greater than that of crops grown using conventional methods (and not due to inappropriately high T-yields as discussed previously), a legislated elimination of the organic surcharge would force producers using conventional methods to, in effect, subsidize the production risk of organic growers. One way to avoid this situation would be to exempt organic loss experience from the 1.0 loss ratio requirement in current law.

Mr. Farr: Another barrier that farmers bring up to me is the need to have reference market prices for organic crops in order to develop risk management plans. Has this piece of the work on organic crop insurance begun, and how valuable do you think it will be for you and the farmers it will benefit?

Response: RMA issues price elections for virtually every crop in the Federal crop insurance program, often at the regional level and for many different insurance types or varieties. Some crop varieties include corn, cotton, and soybeans as well as for processing tomatoes and avocados. RMA issues organic pricing amounts. In general, RMA has found a severe shortage of organic price data to use for the expansion of organic prices beyond these

crops. Previously, RMA commissioned research as to whether or not sufficient data existed to determine a separate price for organic crops and, if data was available, to develop a pricing methodology using that data. These reports can be found on RMA's website in a report titled "Organic Crops: Report on Research of Additional Price Elections." This report discusses the use of a contracted production price approach. The report notes that for any crop which RMA already allows the use of a base contract price as the grower's price election amount, if the crop is produced organically under contract, the contract price may be used for the appropriate organic price amount. Absent the use of contract pricing, data simply does not currently exist to establish separate organic prices for all crops in a manner consistent with pricing principles that are defensible to the Approved Insurance Providers and Government taxpayers.

The data required to establish prices for the Federal crop insurance program must be credible, reliable, and available on an annual basis to RMA. In general, RMA utilizes data from disinterested third parties such as commodity futures markets, National Agricultural Statistics Service (NASS), Economic Research Service (ERS), or National Institute of Food and Agriculture (NIFA). Ideally this pricing data includes additional descriptors such as volume, the method of sale (contract or open market) and location. On occasion proprietary data sets are considered if they are determined to be unbiased, contain a representative share of the market, and are available in a consistent manner on an annual basis. Additionally, Agricultural Marketing Service (AMS) data is sometimes used as a supplementary aid to estimate relative differences such as the price spread between types.

RMA has recently partnered with NASS to collect additional organic price data for many crops. Currently, NASS is conducting a grower survey to gather these prices. RMA is expecting to receive NASS data during the 2012 calendar year. At this early stage, not having seen the data, it is not yet known how this data will fit the needs of RMA.

CARGO PREFERENCE REQUIREMENTS

Mr. Farr: Farm Service Agency Commodity Operations officials in Kansas City are in charge of procuring commodities for food aid shipments for both USDA and USAID food aid programs, and thus have to deal with meeting cargo preference requirements for shipping U.S. commodities overseas. In their 2007 report on improving the efficiency and effectiveness of U.S. food aid programs, the Governmental Accountability Office questioned whether the annual reimbursement that is provided by the Maritime Administration to cover the additional costs associated with meeting cargo preference rules is adequate.

To your knowledge, have USDA and the Department of Transportation taken steps to address the issues with cargo preference raised in recent GAO reports that touch on this issue? Are the current costs to the American taxpayer of between $150-200 million spent annually to compensate USDA for the costs of cargo preference an effective use of resources?

Response: USDA, USAID, and the Department of Transportation (DOT) continue to discuss options and systems that would improve the interpretation and application of cargo preference. The Department of Defense and other agencies have also met with USDA, USAID, and DOT to discuss improvements and share best practices such as, bundling shipments and using our shipping

volume to reduce shipping costs. The industry and Administration recognize the need to maintain the merchant marine and U.S. flagged ships, while limiting the impact on food aid programs. The compensation from DOT to USDA and USAID help to mitigate the impact of cargo preference on the food aid programs.

CROP INSURANCE FOR SPECIALTY CROPS

Mr. Farr: As you know, there has been a lot of discussion on the possibility of expanding crop insurance for specialty crops. As you are also aware, ten years ago there was a crop insurance policy for watermelons that crippled and almost destroyed the market due to the certain inadvertent effects that crop insurance had on the market. What are the statutory mechanisms in place today that would prevent the creation of crop insurance products that could similarly cause such market distorting/market destroying events?

Response: Section 522(e)(4) of the Federal Crop Insurance Act (Act) prohibits the Risk Management Agency (RMA) from conducting research and development for any new policy for an agricultural commodity offered under the Act. To develop new insurance products, RMA has relied on contracting with private entities and private entity submissions under section 508(h) of the Act. The Federal Crop Insurance Corporation Board of Directors determines the efficacy of each product approved for sale to producers. Both contracted insurance products and 508(h) submissions are reviewed by five independent expert reviewers, RMA and the Office of the General Counsel to determine if they are beneficial to producers and taxpayers, actuarially appropriate and follow sound insurance principles before being presented to the Board for consideration of approval. Contracted insurance products are reviewed again after four years to determine the viability of the product and the Board may request that 508(h) products be reviewed annually if necessary. RMA believes that the rigorous review process is crucial to the construction of solid insurance products to avoid market distortions.

Mr. Farr: Do you believe that the federal government should subside 100 percent of the 508(H) crop insurance development process? Wouldn't this cause the creation of potentially market distorting insurance policies?

Response: The Risk Management Agency (RMA) reimburses submitters of approved 508(h) insurance products for all of the costs directly associated with research and development of the product and up to four years of maintenance costs. RMA also may pay an advance payment of up to 50 percent of expected research and development costs of insurance products through the Concept Proposal process. RMA believes the current process is reasonable and relies upon developers to have a vested interest. RMA does not believe that the development process needs to be advance funded at 100 percent for concept proposals. However, after product approval full funding is reasonable and appropriate, and is not likely to create market distortions due to the rigorous review process required of all products prior to potential approval.

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