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Chairwoman Stabenow, Ranking Member Roberts, and members of the Committee, thank you for inviting me to appear before you today to provide a comprehensive picture of the specialty crop and organic activities undertaken by the U.S. Department of Agriculture (USDA). It is our hope that this examination of the specialty crop, organic, pest and disease management, and Section 32 activities will prove helpful as you begin work on the next farm bill.

The Horticulture and Organic Agriculture Title (Title X) of the 2008 Farm Bill represents the first time that a farm bill title was devoted exclusively to these two sectors. USDA's Agricultural Marketing Service (AMS) and the Animal and Plant Health Inspection Service (APHIS) are the primary agencies with responsibility for implementing Title X.

The Specialty Crops Competitiveness Act of 2004, as amended by the 2008 Farm Bill, defines specialty crops to include fruits and vegetables, tree nuts, dried fruits, horticulture and nursery crops, and floriculture. Using this definition, specialty crops accounted for about 17 percent of the $192 billion in U.S. agricultural production in 2010. This level of productivity was accomplished on only about 2 percent of the country's crop acres.

The economic vitality of rural America and the U.S. economy at large depends on a competitive, efficient, and productive agricultural system. In order to increase prosperity and sustainability in our Nation's agricultural system and rural communities, AMS conducts oversight activities designed to protect producers from unfair competition and business practices. AMS assists producers in the management and marketing of specialty crops through the development and oversight of national standards for the production and handling of agricultural products. Under the National Organic Program (NOP), AMS also develops and oversees the standards of products labeled as "organic." Additionally, AMS supports producers by providing market trend analysis and business and marketing tools to producers, which includes daily reports on hundreds of commodities. This information impacts billions of dollars in agricultural products each year.

Grant Programs

AMS administers two grant programs that were reauthorized and amended in the 2008 Farm Bill. The Specialty Crop Block Grant Program provides funding to States and U.S. territories to enhance the competiveness of specialty crops. The agency, commission, or department responsible for agriculture within each of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands are eligible to apply for these grant funds from

USDA. The minimum base grant each State or U.S. territory is eligible to receive is equal to the higher value of $100,000 or one-third of one percent of the total amount of funding made available for that fiscal year (FY).

The 2008 Farm Bill provided the following funding levels for the Specialty Crop Block Grant Program from the Commodity Credit Corporation (CCC): $10 million in FY 2008, $49 million in FY 2009, and $55 million for each FY 2010 through 2012. In FY 2010, approximately $55 million was awarded for 54 grants that funded 827 projects, an approximate 10 percent increase in the number of projects funded the previous year. The application deadline for FY 2011 awards was July 13, 2011.

The last Farm Bill also amended the definition of specialty crop to include horticulture, and added Guam, American Samoa, the U.S. Virgin Islands and the Commonwealth of the Northern Mariana Islands to the list of "states" eligible to apply for grants. These changes required AMS to undertake rulemaking that was completed on March 27, 2009, with the publication of the final rule in the *Federal Register*.

The other AMS grant program reauthorized and amended in Title X of the 2008 Farm Bill is the Farmers' Market Promotion Program (FMPP). This program seeks to improve and expand domestic farmers' markets, roadside stands, community-supported agriculture programs, agri-tourism activities, and other direct producer-to-consumer market opportunities. The 2008 Farm Bill extended the FMPP through 2012 and provided $33 million in CCC funds: $3 million in FY 2008, $5 million in both FY 2009 and FY 2010, and $10 million in both FY 2011 and FY 2012.

The Farm Bill specified statutorily the categories of farmer-to-consumer direct marketing activities eligible for funding under the program. It also required that not less than 10 percent of the funds used to carry out the program in a fiscal year are to be used to support the use of Electronic Benefits Transfers (EBT) at farmers' markets. The 2010 awards totaled approximately $4.3 million (81 awards in 35 states). A proposed rule that established eligibility and application requirements, the review and approval process, and grant administration procedures, was published in the Federal Register on June 19, 2011. The 2011 Notice of Funding Availability (approximately $10 million) was published on June 3, 2011, with a deadline of July 1, 2011 for submission of grant proposals.

Since 1994, USDA has counted the number of operational U.S. farmers markets. During that time, the number of farmers markets listed in the USDA National Farmers Market Directory has skyrocketed from 1,755 to 6,132. In fact, there was a 16 percent increase in the number of farmers markets from 2009 to 2010.

Market News

AMS' Market News disseminates detailed information on marketing conditions for hundreds of agricultural commodities at major domestic and international wholesale markets, production areas, and ports of entry. Using direct contacts with salespeople, suppliers, brokers, and buyers, Market News reporters collect, validate, analyze, and organize unbiased data on price, volume, quality and conditions. This vital information is available within hours of collection.

In the 2008 Farm Bill, there was a Specialty Crops Market News allocation which authorized $9 million each year for FY 2008 through 2012, to remain available until expended. While this $9 million was never appropriated, a portion of recent Market News appropriations have been devoted to carrying out specialty crops Market News activities as AMS collects information on the current supply, demand and prices on nearly 400 domestic and 70 international fruits, vegetables, nuts, ornamental and specialty crops.

Title X also directed USDA to collect data on the production, pricing, and marketing of organic agricultural products and provided $5 million in CCC funds, available until expended. Of the $5 million provided in FY 2008, $3.5 million was directed to AMS. In addition, the bill required a report to Congress, within 180 days of enactment, on the progress made implementing these activities and identifying additional production and marketing data needs. The report was delivered to Congress on December 29, 2008. AMS is working to enhance Market News systems to expand the reporting of organic market prices. By the end of 2009, AMS Market News had expanded the daily reporting of organic commodities to include 234 items. AMS Market News also added an additional section on the advertised specials on organic products to the weekly *National Fruit and Vegetable Retail Report.*

Marketing Orders and Agreements

Marketing orders and agreements serve as tools to help fruit and vegetable growers work together to solve marketing problems that they cannot solve individually. These programs are designed to balance the supply of quality product with the need for adequate returns to producers and the demands of consumers. There are currently 32 active specialty crop marketing orders and agreements.

Marketing orders are typically initiated by producers who have an active role in the development of program provisions. Before any program is implemented or amended, approval by a two-thirds or larger majority by number or volume represented in a referendum is required. Local committees of farmers and handlers – appointed by the Secretary of Agriculture – administer the orders.

Marketing orders are binding on all individuals and businesses classified as "handlers" in the geographic area covered by the order. As defined by most agreements and orders, a handler is, “anyone who receives the commodity from producers, grades and packs the commodity, transports, or places the commodity in commercial channels.” However, this definition is ultimately defined by an individual program. Marketing orders are distinguished from marketing agreements, in that the agreements are binding only on handlers who are signatories of the agreements. Handlers must comply with the grade, size, quality, volume, and other requirements established under the specific program.

In the 2008 Farm Bill, Congress directed USDA to add clementines to the list of products in Section 8e of the Agricultural Marketing Agreement Act of 1937. Section 8e provides that whenever a specified domestically produced commodity is regulated under a Federal marketing order, imports of the commodity must meet the same or comparable product standards as the domestic commodity. However, this provision has not been implemented as the industry has not pursued establishing a Federal clementines marketing order.

Also, Title X provided for an expedited marketing order for Hass avocados relating to grades and standards. The order would become effective within 15 months of the date that the Department began the procedures for determining if the order should proceed. To date, AMS has not received an industry proposal.

Research and Promotion

Research and promotion programs, often referred to as "checkoffs," are designed to strengthen the position of the industry in the marketplace and to maintain and expand domestic and foreign markets. The programs are all fully funded by industry assessments and are authorized by federal legislation. Board or council members are nominated by the industry and officially appointed by the Secretary of Agriculture. In order to ensure compliance with the legislation, AMS oversees the activities of the boards or councils and approves their budgets.

There were two research and promotion provisions in the 2008 Farm Bill. The first made a number of amendments to the Honey Research, Promotion, and Consumer Information Act. It directed AMS to consider a national research and promotion program for honey packers and importers. AMS received a proposal for the packers and importers program, and conducted a referendum on that proposal from April 2 to 16, 2008. In the referendum, 78 percent of those voting, representing 92 percent of the volume of referendum voters, approved the program. The program became effective on May 22, 2008, one day after the final rule was published in the *Federal Register*. The first board meeting took place on September 4, 2008. With the approval of this new program, the collection of assessments under the Honey Research, Promotion and Consumer Information Order – authorized under the Honey Research, Promotion and Consumer Information Act – was suspended. A termination order for that program was published in the Federal Register on April 17, 2009.

Furthermore, USDA was directed to consider establishing a research and promotion program for domestic honey producers. On July 14, 2009, AMS published a proposed rule and solicited comments for a domestic honey producer program. The rule and referendum procedures were published on April 12, 2010. The referendum was held May 17-June 4, 2010, and resulted in the producers rejecting the domestic research and promotion program.

Another research and promotion provision in the last Farm Bill allowed for the development of a program for Good Agricultural Practices and Good Handling Practices under the Mushroom Promotion, Research and Consumer Information Order, as well as reapportioned the membership of the Mushroom Council to reflect shifts in domestic mushroom production. AMS published the final rule implementing these provisions in the *Federal Register* on October 2, 2009.

Organics

According to industry statistics, U.S. sales of organic food and beverages have grown from $1 billion in 1990 to an estimated $26.7 billion in 2010. The organic industry is viewed as the fastest growing sector of agriculture, representing approximately 4 percent of overall food sales in 2010. Organic food sales grew 7.7 percent in 2010. As a further indication of the strength of this sector, a recent industry survey revealed that 40 percent of organic operations added jobs in 2010 and that 96 percent of organic operations are expected to maintain or increase employment levels in 2011.

Specialty crops have always been the leading category of organic sales, and currently account for approximately 40 percent of U.S. organic retail. While the organic market overall is around 4 percent of all U.S. retail food sales, organic fruits and vegetables are reported to be 11% of the total U.S. retail produce sales.

The Organic Foods Production Act (OFPA) of 1990 required USDA to develop, implement, and enforce national standards for organically produced agricultural products, and to assure consumers that agricultural products marketed as "organic" meet consistent and uniform standards. The National Organic Program (NOP) is a marketing program administered by AMS.

The 2008 Farm Bill authorized funding for the NOP at $5 million for FY 2008, $6.5 million for FY 2009, $8 million for FY 2010, $9.5 million for FY 2011, and $11 million for FY 2012. For FY 2010, Congress appropriated $6.97 million while the FY 2011 funding for NOP is $6.92 million.

The National Organic Certification Cost-Share Program makes funds available to States and U.S. territories that are interested in providing cost-share assistance to organic producers and handlers that are certified under the NOP. The 2008 Farm Bill provided $22 million in CCC funds, to remain available until expended, for organic cost share activities, and increased the cost share reimbursement from $500 to $750 annually. Also, USDA was directed to submit an annual report to Congress, by March 1 of each year, that describes requests by, disbursements to, and expenditures for each state during the current and previous fiscal years, including the number of producers and handlers served. The program made approximately $4.8 million available for FY 2010 and approximately $5.2 million is available for FY 2011.

Section 32

Section 32 of the Act of August 24, 1935 authorizes the appropriation for each fiscal year of an amount equal to 30 percent of the gross receipts from duties collected under customs laws of the United States during the previous calendar year. These funds are used to encourage domestic consumption of non-price supported perishable commodities and to re-establish farmers' purchasing power through a variety of activities, including: purchases of commodities and removal of surplus commodities from the marketplace for distribution to Federal nutrition assistance programs such as the National School Lunch Program and diversion programs that bring production in line with demand to assist producers. AMS annually purchases approximately $1 billion in commodities for distribution to various nutrition assistance programs. Section 32 funds are also used for administrative costs associated with the purchase of commodities and the development of specifications used for food procurement throughout the Federal government.

The 2008 Farm Bill directed USDA to make Section 32 specialty crop purchases of (in addition to the $200 million required in the 2002 Farm Bill): $190 million for FY 2008, $193 million for FY 2009, $199 million for FY 2010, and $203 million for FY 2011, and $206 million for FY 2012 and each fiscal year thereafter. AMS purchased $390.3 million in specialty crops in FY 2008, $472.8 million in FY 2009, $511 million in FY 2010, and plans to purchase $403 million in FY 2011.

The 2008 Farm Bill also required USDA to arrange for an independent study and evaluation of the purchasing processes principally devoted to perishable agricultural commodities provided in Section 32. The report was released on May 13, 2010.

Pest and Disease Management

The mission of protecting American agriculture from foreign pests and disease introduction is among USDA's most critical. To accomplish that mission, APHIS has developed a robust agricultural safeguarding system. While APHIS' efforts benefit all of agriculture, its programs are of particular importance to specialty crops, as foreign pest and disease introductions could potentially devastate them.

The agricultural safeguarding system that APHIS has developed is a set of comprehensive, interlocking programs that work together to protect agriculture. While the border inspection function – which was transferred to the Department of Homeland Security's Customs and Border Protection in 2003 – is a critical component, it is but one part of the layered system in place, which has programs that begin well before products or people reach the border, and continues after their entry.

The system relies on APHIS' strength as a science and risk based regulatory agency, and the many measures the Agency has developed, including:

- Sound regulatory policies based upon strong science and thorough risk assessments;
- Preclearance inspections of commodities in overseas countries before shipment to the United States;
- Extensive pest surveillance activities, both here and abroad;
- Inspection of living plants imported through USDA-operated plant inspection stations
- Supervision of fumigation and other pest mitigation treatments when protocols require; and
- Robust emergency response activities in the event of significant pest or disease introductions.

Together, these multi-faceted activities serve as a safety net that allows all agriculture to succeed.

APHIS has two programs that take these measures further, by targeting specific segments of agriculture and activities that particularly benefit specialty crops. Both programs, which were created in the 2008 Farm Bill, have proven to be highly effective, and widely supported by stakeholders and industry.

The first, section 10201 of the Farm Bill, Plant Pest and Disease Management and Disaster Prevention, is a new program that allows APHIS to partner with numerous States, Tribes, universities, and other community partners to strengthen and expand the scope of APHIS' pest and disease prevention activities.

Under the program, which is funded through the CCC, APHIS allocated $50 million in FY 2011 to fund 270 projects with over 100 cooperators that prevent the introduction or spread of plant pests and diseases. This follows $45 million in FY 2010 and $12 million in FY 2009.

Projects originate from suggestions from hundreds of cooperators throughout the country. These projects aim to improve the six key goals of the program:

1. Enhancing plant pest analysis and survey
2. Targeting domestic inspection activities at vulnerable points
3. Enhancing threat identification tools and technology
4. Developing programs to safeguard nursery production
5. Enhancing outreach and education to increase public awareness and support of plant pest and disease eradication and control programs
6. Enhancing mitigation capabilities

Projects are evaluated based on how well they align with these goals, the expected impact of the project, and their technical approach.

The program provides strong protection to America's agricultural and environmental resources, and helps nursery and specialty crop growers flourish. Over the last two years, Section 10201 projects have played a significant role in many USDA successes, such as the eradication of plum pox in Pennsylvania, minimizing the effect of a Mediterranean fruit fly outbreak in Florida, survey work for European grapevine moth in California, national surveys for honeybee pests, and methods development work to combat citrus pests.

The net effect of these efforts and the many partnerships is a demonstrated improvement in USDA's ability to detect and respond to a plant pest or disease. Detecting and responding to a plant pest or disease in the early stages of an introduction is a significant cost savings for taxpayers, and can help minimize the potentially devastating impact on agriculture.

The second Farm Bill program that helps address plant pests and disease is Section 10202, the National Clean Plant Network (NCPN). The NCPN is a partnership of three USDA Agencies: APHIS, the Agricultural Research Service and the National Institute of Food and Agriculture. It aims to develop and produce clean propagative plant material. Should a plant pest or disease strike, the network could then provide clean plant material to States for certified clean plant programs and to private nurseries and producers. Essentially, it is an insurance policy that guarantees that there will be fresh stock of disease-free plants.

NCPN is comprised of commodity-based networks. Commodities that have developed a clean plant network under the auspices of the program are fruit trees, grapes, citrus, berries and hops. These five networks include 18 supported clean plant centers and associated programs located in 14 states. There has been broad support within the specialty crop industry, and other commodities have expressed interest in the program as well. The NCPN national stakeholder database has about 500 people enrolled who expressed specific interest in the program, which includes nursery and grower industries, scientists, state regulatory officials, and educators. The program has been funded with $5 million in CCC funding each fiscal year from 2009 to 2012, to remain available until expended.

Miscellaneous

The 2008 Farm Bill provided country of origin labeling requirements for honey that bears any official certificate of quality, grade mark or statement, continuous inspection mark or statement, sampling mark or statement or any combination of the certificates, marks, or statements of USDA. An interim rule, which became effective October 6, 2009, established a new regulation addressing country of origin labeling for packed honey bearing any official USDA mark or statement and added a new cause for debarment from inspection and certification service for honey. The final rule was published on January 4, 2011, with an effective date of February 3, 2011.

It should be noted that USDA did not implement the 2008 Farm Bill's Food Safety Education Initiatives provision or the Grant Program to Improve Movement of Specialty Crops as no funding was provided by Congress.

Conclusion

AMS and APHIS undertake numerous activities to facilitate the competitive and efficient marketing of U.S. agricultural products, as well as to protect and promote U.S. agricultural viability. These efforts support the overall mission of USDA, which is to protect and promote food, agriculture, natural resources and related issues. I hope that this testimony and the subsequent questions and answers will prove useful to the Subcommittee as you undertake your work on the next farm bill.