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HEARING TO REVIEW IMPLEMENTATION OF THE HORTICULTURE AND ORGANIC AGRICULTURE TITLE OF THE FOOD, CONSERVATION, AND ENERGY ACT OF 2008

HEARING

BEFORE THE

SUBCOMMITTEE ON
HORTICULTURE AND ORGANIC AGRICULTURE

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

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HEARING TO REVIEW IMPLEMENTATION OF THE HORTICULTURE AND ORGANIC AGRICULTURE TITLE OF THE FOOD, CONSERVATION, AND ENERGY ACT OF 2008

WEDNESDAY, OCTOBER 28, 2009

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HORTICULTURE AND ORGANIC AGRICULTURE,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Subcommittee met, pursuant to call, at 10:03 a.m., in Room 1300, Longworth House Office Building, Hon. Dennis A. Cardoza [Chairman of the Subcommittee] presiding.

Members present: Representatives Cardoza, Costa, Schrader, Murphy, Schmidt, and Moran.

Staff present: Christy Birdsong, Alejandra Gonzalez-Arias, Keith Jones, John Konya, Scott Kuschmider, James Ryder, Patricia Barr, John Goldberg, Pam Miller, Jamie Mitchell, and Sangina Wright.

OPENING STATEMENT OF HON. DENNIS A. CARDOZA, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA

The CHAIRMAN. Ladies and gentlemen, welcome. The appointed hour having arrived, I would like to call this hearing of the Subcommittee on Horticulture and Organic Agriculture to review the implementation of the Horticulture and Organic Agriculture Title of the Food, Conservation, and Energy Act of 2008. The hearing will now come to order.

We will start with opening statements. I will begin with my opening statement and then I will turn it over to my Ranking Member, Mrs. Schmidt.

I want to thank you all for taking the time out of your busy schedules to attend today's important hearing and to review the Department of Agriculture's performance in employing what we refer to fondly as the farm bill.

The 2008 Farm Bill was a landmark in United States agriculture policy for many reasons, but perhaps none as important as its recognition of specialty crops, including fruit, vegetables, tree nuts, floriculture, nursery crops, and organic agriculture. The 2008 Farm Bill dedicates almost $3 billion in funding over 5 years to areas of critical importance to these sectors, including nutrition, research, pest and disease, trade, conservation, and expansion of market operations and opportunities.

For the first time, the 2008 Farm Bill established a separate title to deal with, specifically, issues related to specialty crops and organic agriculture. It is within Title X that these sectors of American agriculture find their home in a proper place in the living history of U.S. agriculture policy.

Congress took this long overdue action for many reasons. First, specialty crops make up a substantial share of U.S. cropland value. In 2006, specialty crops were grown on only four percent of the total harvested cropland, but they accounted for $53 billion, or 44 percent, of U.S. crop receipts.

Second, specialty crops represent the great diversity of production across the United States. For example, California, Florida, and Texas harvest the largest share of fresh fruit, vegetables, and melon acreage. California is the largest producer of grapes, strawberries, peaches, nectarines, avocados, kiwifruit, and leads in fresh market orange production and tree nut production.

The Upper Midwest and Northwest have the largest vegetable acreage for processing. Florida is the largest producer of citrus and citrus juices. Washington is the largest producer for both fresh and processing apples. Midwestern and northeastern states such as Ohio, and New York are other important producers of fresh fruits and vegetables. Floriculture production takes place in over 40 different states. Nursery crops are produced in 17 states, with Oregon and Pennsylvania leading the pack.

The growing consumer demand for locally grown foods is causing states like Maryland to increase fruit and vegetable production as well. To ignore these important states and their vital crops would have been irresponsible and bad policy.

Furthermore, despite predictions of a slump in consumer demand due to economic distress, organic food sales are actually bucking the trend, and in the United States grew by 15 percent in 2008, to $22.9 billion. Organic food sales now count for approximately 3.5 percent of all U.S. food products sold in the country.

These impressive statistics underline the importance of developing and implementing policies that will continue to encourage growth in these sectors. There is likely no one at this dais or in the audience who doesn't remember our mothers telling us to eat your fruits and vegetables daily.

A growing body of research shows that fruits and vegetables are critical to promoting good health. Over the past 30 years or so, researchers have developed a solid base of science to back up what generations of our mothers predicted and preached: that eating your fruits and vegetables is one of the tried and true recommendations for a healthy diet. I wish I had listened more to mom.

Today's panel is narrowly focused on specialty crop provisions within Title X, so as to permit Subcommittee Members ample time to discuss the implementation process with USDA. It is my intent to hold other more expansive hearings on issues related to Title X in the future.

I am particularly interested to receive input and comprehensive data from AMS on the National Organic Program, given the program's new leadership and improved funding sources.

In closing, I view this hearing like a farmer's first walk through the field after a planting. In the farm bill, we planted seeds for new

emphasis on specialty crops and organic agriculture. Today, we will examine what has sprouted. We are anxious to see what USDA is doing to cultivate these new programs, and look forward to an abundant harvest.

[The prepared statement of Mr. Cardoza follows:]

PREPARED STATEMENT OF HON. DENNIS A. CARDOZA, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA

Thank you for taking time from your very busy schedules to attend today's important hearing to review the Department of Agriculture's performance in implementing the Horticulture and Organic Agriculture Title of The Food, Conservation, and Energy Act of 2008.

The 2008 Farm Bill was a landmark in U.S. agricultural policy for many reasons, but perhaps none as important as its recognition of specialty crops including fruit, vegetables, tree nuts, floriculture, and nursery crops, and organic agriculture.

The 2008 Farm Bill dedicates almost $3 billion in funding over 5 years to areas of critical importance to these sectors including nutrition, research, pest and disease management, trade, conservation and expansion of market opportunities.

For the first time, the 2008 Farm Bill established a separate title to deal specifically with issues related to specialty crops and organic agriculture. It is within Title X that these sectors of American agriculture find their home and proper place in the living history of U.S. agriculture policy.

Congress took this long overdue action for many reasons. First, specialty crops make up a substantial share of U.S. cropland production value. In 2006, specialty crops were grown on only 4% of the total harvested cropland, but they accounted for $53 billion or 44% of total U.S. crop receipts.

Second, specialty crops represent the great diversity of production across the United States. For example, *California,* Florida and Texas harvest the largest share of fresh vegetable and melon acreage. *California* is the largest producer of grapes, strawberries, peaches, nectarines, avocados, and kiwifruit and leads in fresh-market orange production and tree nut production.

The Upper Midwest and Northwest have the largest vegetable acreage for processing. Florida is the largest producer of citrus and citrus juices.

Washington is the largest apple producer for both fresh and processing. Midwestern and northeastern states such as Ohio and New York are other important producers of fruits and vegetables.

Floriculture production takes place in 40 different states. Nursery crops are produced in 17 states with the Oregon, and Pennsylvania leading the pack.

The growing consumer demand for locally grown foods are causing states like Maryland to increase fruit and vegetable production. To ignore these important states and their vital crops would have been irresponsible and bad policy.

Furthermore, despite predictions of a slump in consumer demand due to economic distress, organic food sales in the U.S. grew by 15 percent in 2008 to $22.9 billion. Organic food sales now account for approximately 3.5 percent of all food product sales in the United States.

These impressive statistics underline the importance of developing and implementing policies that will continue to encourage growth in these sectors.

There is likely no one at the dais or in the audience who doesn't remember our mothers telling us to "Eat your fruits and vegetables".

A growing body of research shows that fruits and vegetables are critical to promoting good health. Over the past 30 years or so, researchers have developed a solid base of science to back up what generations of mothers preached: that eating fruits and vegetables is one of the tried and true recommendations for a healthy diet.

Today's panel is narrowly focused on the specialty crop provisions within Title X, so as to permit Subcommittee Members ample time to discuss the implementation process with USDA.

It is my intent to hold other, more expansive hearings, on issues related to Title X. I am particularly interested to receive a comprehensive update from AMS on the National Organic Program, given the program's new leadership and improved funding.

In closing, I view this hearing like a farmer's first walk through the field after planting.

In the farm bill, we planted the seeds for a new emphasis on specialty crops and organic agriculture. Today we'll examine what has sprouted.

We're anxious to see what USDA is doing to cultivate these new programs, and look forward to an abundant harvest.

With that, I now yield time to Ranking Member Schmidt for her opening statement.

The CHAIRMAN. With that, I will now yield time to Ranking Member Schmidt for her opening comments.

OPENING STATEMENT OF HON. JEAN SCHMIDT, A REPRESENTATIVE IN CONGRESS FROM OHIO

Mrs. SCHMIDT. Thank you, Mr. Chairman, and thank you for holding this hearing to review the implementation of the Horticulture and Organic Agriculture title of the 2008 Farm Bill.

While specialty crop and organic producers also benefit from programs contained in other titles of the farm bill, I understand today we will hear from the USDA specifically on those programs within Title X. Many of these programs were in place prior to this farm bill, and I look forward to hearing how the USDA has built upon the original framework to expand these programs and implement those that are new.

Specialty crop and organic producers across the nation have the opportunity to benefit from the farm bill, but only if the integrity of the programs is protected. U.S. producers work hard to provide consumers with a variety of safe and abundant food. It is crucial that we all do our part by ensuring these programs are implemented in a timely and appropriate manner.

Outside of the farm bill, there is another new initiative underway at the USDA called *Know Your Farmer, Know Your Food,* to promote sustainable local and regional food systems that support small and midsize operations. This initiative is not part of the farm bill, but it has been incorporated into the Farmers Market Promotion Program, the Specialty Crop Block Grant Program, and elsewhere.

While I certainly support small- and medium-sized farmers marketing their commodities locally, in reading the USDA's press material on the initiative, it makes me wonder if this Administration is choosing one sector of the agricultural community over another.

The Food and Agricultural Organization has stated that food production will have to rise 70 percent in the next 4 decades to feed the world by 2050. With information like this coming from the United Nations Voice for World Food and Agricultural Needs, it is important that the USDA support all producers, regardless of their size or how far they transport their products to market, if we are going to meet such a high demand.

I look forward to hearing from the USDA today on the progress that has been made to implement the horticulture and organic provisions of the farm bill.

I thank the witnesses for joining us, and I yield back my time.

The CHAIRMAN. Thank you, Mrs. Schmidt. I appreciate your testimony. The chair would request that other Members submit their opening statements for the record.

[The prepared statement of Mr. Peterson follows:]

PREPARED STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM MINNESOTA

I want to echo Chairman Cardoza's opening statement and thank him and Ranking Member Schmidt for their leadership on this Subcommittee. I also want to thank both of them for their work in the last Congress in helping pass a farm bill with a strong Horticulture and Organic Agriculture title. I look forward to hearing from USDA this morning about implementation of the title thus far, and what remains to be accomplished.

This Subcommittee was created at the beginning of the 110th Congress in order to focus more attention on specialty crops, organic agriculture, and local food networks, all of which are sectors of the farm economy that continue to show promise because of the potential for improved bottom lines for farmers, even in tough economic times.

The 2008 Farm Bill was the first to include a title for fruit and vegetable production, and I believe the bill is responsible for a lot of great things that have yet to be recognized and fully appreciated. The farm bill provided over $450 million in mandatory funding to expand the specialty crop block grant program, increasing the amount of USDA purchases of fruits and vegetables for use in school lunch and other feeding programs.

The farm bill expanded access to locally grown food via expansion of the Farmers' Market Promotion Program and by providing new resources to combat the prevalence of urban food deserts. The farm bill provided new funding to support organic farmers as well as farmers who want to move into organic production. We helped fruit and vegetable producers address food safety, pest and disease management issues, and we poured resources into studying and combating Colony Collapse Disorder, which has been a chief concern of specialty crop producers nationwide.

With expansion of existing programs and the creation of new ones, now is a good time to take stock of where we are at with implementation and what we can expect in the near future.

Many of these programs are important not only to my district, but they are of great interest to many of us in Congress. Just about every state has some form of dedicated commercial specialty crop production. And areas like value-added agriculture and local food networks hold great promise as economic engines for rural communities everywhere. In my district, for example, there is a growing market demand for local food supplies, which is why I have already sponsored two local food conferences and will be doing so once again next February.

I am proud of what we did in the farm bill to assist growers who want to tap into these new opportunities. I look forward to Chairman Cardoza and Ranking Member Schmidt examining Title X in greater detail in future hearings.

I commend them again for their leadership, I welcome today's USDA witnesses and I yield back my time.

The CHAIRMAN. I would like to call forward our witnesses today. It gives me great pleasure to introduce and welcome a fellow Californian to the hearing this morning.

We have with us today Rayne Pegg, Administrator of USDA's Agricultural Marketing Service, who will be presenting testimony on behalf of USDA. She is joined this morning at the witness table by Cindy Smith, Administrator of the Animal and Plant Health Inspection Service. Ms. Smith, we are pleased to welcome you as well.

I have to tell the assembled folks here, and I am sure it will get back to them, when I first welcomed the Secretary and Deputy Secretary Merrigan, I told them they were fine people, they just weren't from California. That was a big problem in my book.

I will tell you since then, that they have just been fabulous and they have came out to visit us, and I really appreciated getting to know them and I consider them friends. And I think that is a major accomplishment after this short a period of time. I think that they are doing a very admirable job at the Department, but it's always great to have a Californian in the Department.

Ms. Pegg, you are welcome to begin your testimony. Welcome to the Committee.

STATEMENT OF RAYNE PEGG, ADMINISTRATOR, AGRICULTURAL MARKETING SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.; ACCOMPANIED BY CINDY SMITH, ADMINISTRATOR, ANIMAL AND PLANT HEALTH INSPECTION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Ms. PEGG. Thank you very much. It is a great introduction. Thank you, Chairman Cardoza and Ranking Member Schmidt, for the opportunity to update you on the implementation of Title X of the farm bill. Cindy Smith is joining me today to answer any APHIS-specific questions.

The farm bill provided the Department with a roadmap for addressing many of the challenges that rural America is facing today. It is the foundation of many of the Department's initiatives to bring wealth to rural America, and implementing the farm bill is one of the Secretary's top priorities.

I want to update you on the activities regarding section 32. An independent study and evaluation of the purchasing processes of section 32 is underway and is expected to be out in January 2010. Using section 32 funds, AMS purchased approximately $472 million in fruits and vegetables in 2009. Our total USDA purchases, using all our funding sources for fruits and vegetables, was over $640 million in 2009.

Many of the grant programs under Title X are focused on making more specialty crops available to consumers and tackling the challenges that growers are facing. Many of these programs support the Department's *Know Your Farmer, Know Your Food* initiative.

The bill extended the Farmers Market Promotion Program to 2012, and this has been an extremely popular program. Recently, we received over 450 applications for this grant program and we only awarded 86 grants and distributed more than $4.5 million in 2009; eighteen percent of those funds went to support EBT projects throughout the United States. This exceeded the ten percent requirement in the farm bill that funds be used to support electronic benefits transfer at farmers' markets.

AMS also administers a Specialty Crops Block Grant Program which has been extremely successful for states to tackle the challenges its growers are facing and make them competitive in the coming years. USDA administers the program according to the statute and regulations, and recently announced approximately $49 million in 2009 for 745 projects. In 2010 through 2012, $55 million will be available. To ensure that states have more time to develop grants and receive funds in 2010, next month, we will be announcing the availability of funds in 2010, with applications due in June of 2010.

Providing market information to growers is an important tool in making business decisions. AMS has enhanced market news systems for organic products as well as specialty crops.

Congress and the Administration recognize the National Organic Program needs more resources due to the growth in organic industry and the importance of protecting its integrity. Many changes to the program have been made. In Fiscal Year 2009, Congress appropriated $3.86 million, and in 2010 increased that funding to a total of $6.96 million. The program is undergoing an independent audit

and peer review by the National Institute of Standards and Technology.

It became an independent program within AMS, giving it more visibility in the Department. We hired Miles McEvoy as the Deputy Administrator to the program. He brings 20 years of experience in the organic industry.

Over the course of the next 6 months, we will be hiring ten additional staff for the program. This will greatly increase the staffing of the program, strengthening the enforcement and compliance components within the National Organic Program.

AMS implemented the National Organic Certification Cost-Share Program, as required in the farm bill. We increased reimbursement from $500 to $750, and in 2009 we distributed $4.3 million. In October of 2009, we announced the availability of funds for Fiscal Year 2010. We recognize there have been some issues with the distribution of funds through this program, and AMS is addressing this issue and working on getting funds out more quickly to states.

AMS carried out the provisions in the farm bill that addressed many of the issues our domestic apiary producers are dealing with. A national research and promotion program for honey packers and importers was established in May 2008. With the approval of that program, a termination of the previous order was done in April 2009.

AMS is currently reviewing comments to establish a research and promotion program for domestic producers, and country-of-origin labeling for honey products became effective in October 2009.

For APHIS, we appreciate the attention paid in the farm bill to addressing the devastating plant pests and diseases that can cause significant damage to our agricultural and natural resources. Invasive threats such as the emerald ash borer, Asian citrus psyllid, sudden oak death, and many more, have no jurisdictional bounds, and it takes a comprehensive team approach to combat them effectively.

In 2009, APHIS allocated full funding of $12 million and worked in cooperation with the National Plant Board, Federal, state, academic, and other organizations to develop a 5 year strategic plan to implement the plant pest and disease and disaster management provision of the farm bill. This strategy is focused on enhancing pest survey and identification tools, and increasing outreach and education to the public on the importance of our eradication and control programs.

APHIS has also made significant progress in addressing the agency's regulation of the products of biotechnology. We are now considering the public input as we decide on the best way to move forward. Our goal is to ensure that now and in the future, our regulations will always be strong enough to meet the demands of this science.

Thank you for the opportunity to give an update to the Committee. We are available for questions.

[The prepared statement of Ms. Pegg follows:]

PREPARED STATEMENT OF RAYNE PEGG, ADMINISTRATOR, AGRICULTURAL MARKETING SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Chairman Cardoza, Ranking Member Schmidt and Members of the Subcommittee, thank you for inviting me to appear before you today at this hearing to review the U.S. Department of Agriculture's (USDA) implementation of the Horticulture and Organic Agriculture Title (Title X) of the Food, Conservation, and Energy Act of 2008 (Farm Bill).

USDA's Agricultural Marketing Service (AMS) and the Animal and Plant Health Inspection Agency (APHIS) are the primary agencies with responsibility for implementing Title X. However, there are three sections in this title which are the responsibility of the Farm Service Agency, the Forest Service, and the National Agricultural Statistics Service. APHIS Administrator Cindy Smith is here with me today to answer any APHIS-specific questions that you might have.

I can assure the Subcommittee that one of Secretary Vilsack's top priorities is ensuring that the 2008 Farm Bill is implemented as expeditiously as possible following the intent of Congress as enacted in the statute. This Administration is also committed to the importance of fresh, nutritious food and raising the profile of locally grown food, including specialty crops and organic agriculture. President Obama has made a safe, sustainable, and nutritious food supply a central goal for USDA.

USDA has implemented all of the programs authorized by the farm bill for which funding was provided. Finally, the provisions of the farm bill that relate to quality requirements for Clementines and a marketing order for Hass Avocados, have not been implemented as both provisions require that an industry proposal be submitted to USDA to initiate implementation. To date, no proposals have been submitted.

Subtitle A—Horticulture Marketing and Information

AMS administers the two grant programs covered in subtitle A. The Specialty Crop Block Grant Program provides funding to states and territories to enhance the competiveness of specialty crops. Sec. 10109 provided the program funding levels from the Commodity Credit Corporation (CCC) for Fiscal Years 2008 through 2012, added horticulture to the definition of specialty crop, 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 which was completed on March 27, 2009 with the publication of the final rule in the *Federal Register.* In this final rule, AMS, per the language in the Farm Bill's Managers Statement, required state departments of agriculture to describe their outreach efforts to specialty crop producers, including socially disadvantaged and beginning farmers, and describe their efforts to conduct a competitive process to ensure maximum public input and benefit.

Through the funding provided in the farm bill for specialty crop block grants, AMS awarded 56 grants totaling $9.5 million in Fiscal Year 2008 and approximately $49 million for 745 projects in Fiscal Year 2009. Nearly all of the funds were awarded to benefit small- and medium-sized specialty crop farmers. Many of these projects focused on the development of low- and middle-size farmers through agricultural training opportunities, promotional and cost-share assistance, and community network development.

The other AMS grant program covered in Subtitle A is the Farmers Market Promotion Program (FMPP), which works 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. Sec. 10106 of the farm bill provided CCC funds for Fiscal Years 2008 through 2012, specified statutorily the categories of farmer-to-consumer direct marketing activities eligible for funding under the program, and required that not less than ten 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.

AMS awarded 85 FMPP grants totaling $3.5 million and covering 43 states in Fiscal Year 2008. The 85 awards went to 63 nonprofit organizations, 12 local governments, six agriculture cooperatives, two Tribal governments, one economic development corporation, and one farmers market authority. Over $385,000 or 11.2 percent of the funds awarded involved EBT activities, thus meeting the required threshold. For Fiscal Year 2009, AMS awarded 86 grants totaling more than $4.5 million covering 37 states. The 86 awards went to 65 nonprofit organizations, 16 local governments, two agriculture cooperatives, two Tribal governments, and one producer network. Thirty of the 86 grants promote the use of new EBT projects.

As with the grant programs, USDA has made great strides in implementing the other provisions in Subtitle A. Sec. 10104 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.

Sec. 10101 required USDA to arrange for an independent study and evaluation of the purchasing processes principally devoted to perishable agricultural commodities provided in section 32 of the Act of August 24, 1935 (Sec. 32). AMS signed a cooperative agreement with the University of California—Davis on September 19, 2008. The study will examine the budgetary, statutory, and regulatory authority underlying the processes used by the Department to make purchases under Sec. 32. A preliminary report will be made available in January of 2010.

Sec. 10103 directed USDA to include, beginning in 2008, specialty crops in the census of agriculture. USDA's National Agricultural Statistics Service (NASS) met this requirement when conducting the 2007 Census of Agriculture during calendar year 2008. Also, it should be noted that this December, NASS will begin collecting data for the Census of Horticultural Specialties, conducted once every 10 years, which provides a comprehensive and detailed picture of U.S. floriculture, nursery and specialty crop operations.

Subtitle B—Pest and Disease Management

We appreciate the attention paid in the farm bill to addressing the devastating plant pests and diseases that can cause significant damage to our agricultural and natural resources. Invasive threats such as the emerald ash borer, Asian citrus psyllid, sudden oak death disease, and Asian longhorned beetle know no jurisdictional bounds, and it takes a comprehensive, team approach to combat them effectively. In close cooperation with the National Plant Board, Federal, state, academic, and tribal groups, and specialty crop and other industry organizations, our Animal and Plant Health Inspection Service (APHIS) has developed a 5 year strategy to implement the plant pest and disease and disaster management provision of the farm bill. This strategy focuses on six key areas:

(1) enhancing plant pest and disease analysis and survey;

(2) targeting domestic inspection activities at vulnerable points;

(3) enhancing pest identification tools and technology;

(4) developing programs to safeguard nursery production;

(5) enhancing outreach and education to increase public understanding and support of plant pest and disease eradication and control programs; and

(6) enhancing mitigation capabilities.

APHIS allocated full funding in FY 2009—$12 million, as called for in the farm bill—to carry out this program. Throughout the summer, APHIS conducted webinars, online surveys, and face-to-face meetings with state partners and other stakeholders to gain input in developing the spending plan for FY 2010. The enhanced resources provided through the farm bill will position APHIS to develop a more proactive approach to plant health protection, solidify partnerships with stakeholders, and enable meaningful advances in our pest detection infrastructure. The net effect of improving our ability to detect and respond to a plant pest or disease in the early stages of an introduction is significant cost savings for taxpayers and U.S. agriculture, as it avoids the high costs of a long-term management program and helps maintain access to international markets for U.S. producers.

Hand-in-hand with our goal of protecting U.S. agriculture from plant pests and diseases is the need to provide reliable sources of healthy planting stock for specialty crops. APHIS, the Agricultural Research Service, and the National Institute of Food and Agriculture have made significant strides in forming the National Clean Plant Network (NCPN), as directed by the farm bill. In March 2009, the three USDA Agencies signed a Memorandum of Understanding laying the foundation for the NCPN at the national level and providing direction and guidance for newly forming NCPN specialty crop networks. Two commodity networks—the Fruit Tree Clean Plant Network and the Grape Clean Plant Network—are currently part of the NCPN, and USDA funded five key clean plant centers in FY 2009. There is increasing interest for other specialty crops to become part of the NCPN, with organizing meetings for citrus, berries (strawberries, blueberries, cranberries and cane fruit), sweet potato, and hops scheduled in the coming months. USDA looks forward to working with these groups as we expand the NCPN.

APHIS has also made significant progress in addressing issues raised in the farm bill regarding the Agency's regulation of the products of biotechnology. In October of last year, APHIS proposed a major overhaul of its biotechnology regulations, which incorporate many of the provisions of the farm bill, such as implementing

risk-based permit categories, requiring improved record-keeping, and clarifying actions the Agency may take in the event of an unauthorized release of a genetically engineered (GE) organism. We received more than 66,000 comments and held five public meetings during the comment period. We are now considering the public input as we decide on the best way to move forward. Our goal is to ensure that now, and in the future, our regulations will always be strong enough to meet the demands of this science.

APHIS is also nearing completion of the pilot phase of the new Biotechnology Quality Management System, which encourages developers to adopt auditable best-management practices for movements and outdoor releases of regulated GE organisms. In addition, we are taking steps to improve, where needed, separation distances between regulated field trials and neighboring fields. To do this, APHIS has undertaken a major review of the scientific literature and standard seed production practices, working in part with the Association of Official Seed Certifying Agencies. These enhancements are just a few examples of the many changes APHIS has implemented to its biotechnology regulatory program to ensure that it remains robust enough to address the evolving nature of biotechnology.

Finally, Sec. 10205 established the Pest and Disease Revolving Loan Fund which would provide loans to local governments to finance purchases of equipment to monitor, remove, dispose of and replace pest and disease infested trees in quarantine areas. Although no funding has been appropriated, the Forest Service is currently in the process of drafting rules and identifying appropriate mechanisms to implement the Fund.

Subtitle C—Organic Agriculture

The three provisions in this subtitle are administered by AMS. The National Organic Certification Cost-Share Program makes funds available to states, plus the District of Columbia and the Commonwealth of Puerto Rico, interested in providing cost-share assistance to organic producers and handlers certified under the National Organic Program (NOP). Sec. 10301 provided $22 million in CCC funds for cost share activities to remain available until expended and increased the cost share reimbursement from $500 to $750. Also, USDA was directed to submit by each March 1 an annual report to Congress describing: 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 Managers language encouraged the Secretary to keep accurate and current records of requests by and disbursements to states under the program, and require accurate and consistent record-keeping from each state and entity that receives program payments.

For Fiscal Year 2008, $2.10 million was allocated to the states while in Fiscal Year 2009 $1.35 million was allocated to the states. On September 30, 2009, USDA announced the availability of funds for the cost share program for Fiscal Year 2010. The required report to Congress was delivered on March 20, 2009.

Sec. 10302 directed USDA to collect data on production, pricing, and marketing of organic agricultural products. The data would be included and published in the ongoing baseline of date collection regarding agricultural production and marketing: $5 million in CCC funds were provided until expended and $5 million for each FY 2008 through 2012 was authorized. The Managers Statement directed $3.5 million of the $5 million to AMS. This section also 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 required report was delivered to Congress on December 29, 2008.

AMS is proceeding with the expansion of the reporting of organic production and market data. For example, the September 5, 2008 issue of National Fruit and Vegetable Retail Report featured the debut of a new section devoted specifically to the coverage of organically grown produce sold on special at the retail level. In addition, AMS Market News has just issued its first organic market report on dairy products and continues to add a wide range of horticultural items to its daily reports for shipping point for domestic or point of entry for imported organic products. AMS has also added a "Portal community" specific to organic interests to the Market News Portal.

Sec. 10303 authorized funding for the National Organic Program at $5 million for Fiscal Year 2008, $6.5 million for 2009, $8 million for 2010, $9.5 million for 2011, and $11 million for 2012. For Fiscal Year 2009, Congress appropriated $3.867 for the NOP and $6.967 million for Fiscal Year 2010.

Subtitle D—Miscellaneous

The two honey provisions in this subtitle are administered by AMS. Sec. 10401 made a number of amendments to the Honey Research, Promotion, and Consumer

Information Act. First, the farm bill directed AMS to consider a national research and promotion program for honey packers and importers. AMS received a proposal for this packers and importers program and conducted a referendum on that proposal from April 2–16, 2008. In the referendum, 78 percent of those voting, representing 92 percent of the volume of those voting in the referendum, approved the program. The program become effective on May 22, 2008, 1 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.

The second major requirement under Sec. 10401 directed USDA to consider establishing a research and promotion program for domestic producers. On July 14, 2009, AMS published a proposed rule and solicited comments through September 14, 2009 for a domestic honey producer program. AMS is currently reviewing those comments. If it is determined that a program is warranted, AMS will publish a rule and hold a referendum. A final rule will be published if the program is approved in the referendum.

The second farm bill honey provision, Sec. 10402, 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. The Interim Final Rule was published in the July 8, 2009 *Federal Register* with comments due by September 8. This rule, which became effective October 6, 2009, would establish a new regulation addressing country of origin labeling for packed honey bearing any official USDA mark or statement and would add a new cause for debarment from inspection and certification service for honey.

Finally, Sec. 10404 directed the Secretary to make payments to producers of the 2007 asparagus crop for market losses resulting from imports during the 2004 through 2007 crop years. USDA was authorized to expend up to $15 million in direct payments to asparagus producers: up to $7.5 million for payments for production marketed as fresh and up to $7.5 million for production marketed as processed. USDA is drafting a regulation to implement this provision.

Other USDA Activities Related to Specialty Crops and Organic Agriculture

On September 15, 2009, USDA announced its "*Know Your Farmer, Know Your Food*" (KYF^2) Initiative. The impetus for this initiative, as the Committee well knows, was the many provisions in the 2008 Farm Bill that focused on local and regional foods. Under the KYF^2 initiative, agencies are challenged to examine current programs, policies, and regulations and be as innovative as possible to use these resources to encourage more local and regional food systems—to the benefit of producers and consumers. A primary focus of this initiative is to help rural America create wealth and retain that wealth in their local communities.

USDA is also committed to working with our partners to identify strategies to link children with foods that are produced in the same community where they attend school. This strategy benefits children, who receive a diverse, healthy diet, as well as farmers and local economies. USDA directly purchased about $650 million in specialty crops in 2008 for domestic nutrition assistance programs, including those that serve elderly and American Indian populations. This included an estimated $124 million in purchases by the National School Lunch Program and about $215 million for 2008 Farm Bill required purchases, plus emergency bonus purchases under Section 32. In part to support small farmer participation in these purchases, USDA, through its Office of Small and Disadvantaged Business Utilization (OSDBU), provides technical assistance and guidance on how to supply commodities to the domestic feeding programs. OSDBU conducts regular vendor outreach sessions to identify marketing strategies and information on how small farmers can market their capabilities to USDA. These sessions and the OSDBU outreach enable small farmers to establish relationships with USDA procurement officials, leading to increased procurement opportunities.

We also support local farm to school efforts by providing technical assistance resources to our cooperating agencies. In 2000, USDA issued a step-by-step guide on the Small Farms/School Meals Initiative which details how to bring small farms and local schools together. In 2005, USDA issued *Eat Smart—Farm Fresh! A Guide to Buying and Serving Locally-Grown Produce in School Meals,* which provides best practices and strategies for finding locally-grown food and implementing Farm to School initiatives. We will be updating this publication later this year, with new

success stories, additional resources from outside organizations, and basic tools for operating a successful program from start to finish.

The organic industry is the fastest growing segment of U.S. agriculture. U.S. sales of organic foods have grown from $1 billion in 1990, when the Organic Foods Production Act established the NOP, to a projected $23.6 billion in 2009. The National Organic Program is committed to the integrity of the organic seal. In September, Secretary Vilsack announced that the NOP will become an independent program area within AMS because of the increased visibility and emphasis on organic agriculture throughout the farming community, evolving consumer preferences, and the enhanced need for governmental oversight of this widely expanded program.

Conclusion

Thank you for the opportunity to describe our successes and challenges in implementing Title X of the farm bill, as well as some of the related initiatives being undertaken by USDA. I am happy to answer any questions that you may have.

The CHAIRMAN. Thank you very much. I would like to remind the Committee Members that you will be recognized in order of appearance and attendance at the meeting today.

I will kick off the questioning with this one. In May, the National Organic Standards Board approved a process using sulfur to adjust soil pH. As you recall, I have raised the concern of timely rulemaking on this matter with Deputy Secretary Merrigan and with you when we met in July. In both conversations I asked that rulemaking be promptly completed so this use would be available to growers, including growers in my district, in time for the next season's crop growing and planting.

Can you tell me where the NOP is in the rulemaking process with regards to this particular material?

Ms. PEGG. Unfortunately, all of our focus has been on the access to pasture rulemaking right now, but we have added additional resources specifically to work on the NOSB recommendation and this product and to expedite the rulemaking process for this. I am hoping that we will have it out for public comment in the first part of next year.

The CHAIRMAN. Okay. This is a relatively noncontroversial and straightforward rulemaking. Adjusting soil pH is particularly important in western states that have alkaline soils. And I know the burgeoning California blueberry industry, in particular, will benefit from this. I think it is very important that with the NOP's new leadership and the record funding that we provided, that we get this done. So I will look forward to hearing about that in the near future.

Ms. PEGG. We will keep you posted. And it is important we get tools out to growers as quickly as possible.

The CHAIRMAN. They would appreciate it, I am sure.

Can you tell me why USDA targeted—well, the President's budget singled out section 10201, the pest protection fund and the clean plant network for cuts, even though Congress supplied mandatory funding in this area. It was an area of discussion that was in the farm bill, and was felt to be very important with the Members of this Committee that we put this money in. Can you tell me why USDA targeted these cuts?

Ms. Smith, are you going to answer that?

Ms. SMITH. Yes. We wholeheartedly support the efforts to address threats and ensure the specialty crop industry has a reliable source of healthy planting stock. However, at the same time, the

nation's economy is in a very serious situation, and the need to restrain Federal deficits is a high priority for this Administration.

One of the challenges we face, of course, is balancing multiple priorities. I think our perspective is that funding for pest detection and surveillance that is made available through our discretionary appropriated funds would be the appropriate vehicle to address emerging issues.

The CHAIRMAN. Well, I would vehemently disagree with that. I would tell you that, again, the Committee felt very strongly. These are sections that Mr. Costa and I fought for very strongly, and others, because of the outbreaks. What we found in California, in particular, is that oftentimes an ounce of prevention is worth several pounds of cure. And the cost of eradication is much more expensive than the preventive measures.

I would really hope this Administration doesn't repeat the mistakes of the Bush Administration in not fully funding these areas and not doing enough. We had a number of hearings in this Committee in the past on the question of surveillance. In fact, in the prior Administration, there was a gentleman who was transferred from his job for doing the right thing and being a whistleblower. Those are not the kind of things that we would expect from this Administration. I will just say that.

We don't expect to see them and we are not anticipating seeing them. But, at the same time, this is an area that I am very concerned about, and I know the Committee is going to be asking more questions about in the future.

Can you describe how USDA works with other agencies to prevent the introduction of invasive species? Go ahead and answer that, then I will ask the follow-up.

Ms. SMITH. One of the fundamental things we do is work with the U.S. Customs and Border Protection Agency. There was a decision made after 9/11 to create DHS and to make sure that all of our protections at the borders were consolidated into the same organization.

So one of the fundamental things that we do is to cooperate with CBP and work very closely with them. We provide them with the kind of information they need to understand what activities they need to be conducting at the border to reduce the likelihood of pests and pathogens coming into the country. There are a number of things we have done in recent years to really strengthen that relationship.

The CHAIRMAN. Administrator Smith, the pest and disease provisions of the farm bill contain language directing APHIS to designate those states considered at high risk for pests or pest disease incursion, and to include the specific criteria they were to take into consideration when designating these areas. Designated high-risk states were then to be given a higher priority in terms of project funding.

How is APHIS designating these high-risk states?

Ms. SMITH. I don't have the particulars about how we are designating them, but we have entered into a very collaborative process with a variety of stakeholders to form a group that has looked at all of the projects that are funded.

The CHAIRMAN. Terrific. If these states have been designated, how is the increased risk being factored into the overall funding considerations?

Ms. SMITH. I will have to get the specifics to you of how we are doing that, sir.

The CHAIRMAN. Okay.

[The information referred to is located on p. 23.]

The CHAIRMAN. Mrs. Schmidt.

Mrs. SCHMIDT. Yes, thank you. I have a lengthy statement with a question at the end.

Ms. Pegg, one of the key programs in the farm bill to receive mandatory funding and be accessible to the entire specialty crop industry is the Specialty Crop Block Grant Program. However, it appears that the Department is administering this program and setting priorities that were not the intent of the Congress.

Deputy Secretary Merrigan's press release announcing block grant recipients stated that the USDA selected projects that emphasized local agriculture and small producers.

The law does not direct the USDA to select projects. Instead, it directs the USDA to approve state plans. The Department's role is to provide accountability and make sure the plans submitted by the states are appropriate for meeting the goal of the program. The Department's role is not to select individual state projects that meet the administrative agenda. If Congress wanted to give the Department the authority to select individual projects, we would have written the program so that the USDA could administer a competitive grant program.

The way Congress wrote the law, it gives the states the flexibility to choose what projects meet the needs of their respective specialty crop industry, and the USDA approves the plan.

Your submitted written testimony states, "Nearly all the funds were awarded to benefit small- and medium-size specialty crop farmers." This is why I have such a lengthy question, because that kind of ignited me.

The statement concerns me, because if you read the law the farm bill does not place a priority on funding projects for small- and medium-size producers. The intent of Congress was that this program should assist producers of all sizes, regardless of the way they market their products. It appears that the Department is placing priorities within the program that cannot be found in the statute.

I would ask the Department to provide the Subcommittee, the full Subcommittee, a representative sample of correspondence between the Department and the states in regards to implementing this program since it was amended by the farm bill. I would also request a list of all projects submitted by each state, including those the USDA did not select.

The hearing has an opening of 10 days for all correspondence, and so I would hope that you could handle that.

Ms. PEGG. Yes.

Mrs. SCHMIDT. Thank you. You can answer.

Ms. PEGG. Okay. I think you raise a very important question that has been asked of USDA and our new initiative *Know Your Farmer, Know Your Food.* Are we jeopardizing the integrity of the programs in existing statutes?

No we aren't. Congress set the foundation and gave us the roadmap with the farm bill or block grants, the Farmers Market Promotion Program and a number of other programs whose authority supports the *Know Your Farmer, Know Your Food* Initiative

We looked at all grants. We didn't pick and choose grants. Our only concerns with grants relates to lobbying activities or an absence of support for specialty crop products or the industry. There was a recurring theme from every state proposal and that was the creation of direct marketing opportunities for farmers of all sizes. In Ohio, it was wine promotion for wine producers in Ohio. We saw a consistent theme of direct marketing, and we see that theme as supportive of the *Know Your Farmer, Know Your Food Initiative.*

The Specialty Crop Block Grants also focused on research; new varieties to combat pests and diseases; new varieties to meet market demands; as well as food safety, which is clearly an issue for farmers of all sizes.

We are happy to provide you the information you requested, we want to continue these discussions. We know a lack of clarity about *Know Your Farmer, Know Your Food,* supporting farmers of all sizes and types, is one of the concerns that we have received.

Mrs. SCHMIDT. Thank you. Maybe if you would choose your words more carefully in press releases, it wouldn't make us so concerned as to what the Department is doing.

I do have a couple of more questions, if I may, sir. I want to go to Cindy Smith, probably, on this one.

The Pest and Disease Program that was designed to help different states and regions of the country deal with their own unique pest and disease pressures, this Committee included the provision in the farm bill to allow APHIS to work with various stakeholders to ensure that we have a better system to manage for pests and diseases in the nursery industry.

What progress has APHIS made in developing that system?

Ms. SMITH. We have done a number of things. As you are aware, this is a very important priority for us, as well as you and many of our stakeholders. We developed a 5 year strategy for expending the funds and moving the program forward. As the basis for that 5 year strategy we focused in six areas: analysis and survey; inspection at vulnerable points; pest identification tools; safeguarding, specifically, nursery production; outreach and education; and enhancing mitigation capabilities.

We have funded 63 projects in 21 states and other areas, expending the full $12 million for this past fiscal year. This includes nearly $1.4 million to develop science-based management practices and risk mitigation practices to exclude, contain, and control regulated pests from the nursery production chain and develop and harmonize audit-based nursery certification programs.

Mrs. SCHMIDT. Okay. May I continue? Thank you.

Is the proposed increase in the agricultural quarantine inspection user fees limited to cover only the AQI costs? And can you provide the Committee with the breakdown of the real costs in actual collections?

Ms. SMITH. This is the increase in the AQI user fee interim proposal that is out right now?

Mrs. SCHMIDT. Yes.

Ms. SMITH. We would be happy to provide you the information that gives you the breakdown of the costs for that program.

Mrs. SCHMIDT. Thank you.

[The information referred to is located on p. 23.]

Mrs. SCHMIDT. Although the USDA informed the court that an environmental impact statement for Roundup Ready alfalfa, ordered in 2007, would take between 18 and 24 months, it has been now over 30 months. Has the EIS been completed? If not, what approvals are necessary for it to be published for public comment in the *Federal Register*, and what are the proposed timing of those approvals and printing processes?

Ms. SMITH. We certainly recognize the importance of completing this environmental impact statement. We also recognize the importance of making sure that we do it in the highest quality manner to ensure that it will address the requirements of the court.

We contracted—for the first time, contracted out an EIS to try to help support our swift but thorough completion of that document. We have a document that is near a draft EIS. It is near completion. It will need to go through our clearance process and will be published.

After that is published, of course, there will be a comment period. And then we will need to finalize that EIS as well. And there will be a final record of decision that will follow.

Mrs. SCHMIDT. This is my last follow-up.

I understand that. The issue is that we have needs out in the country, and the EIS is already past due. So is it another month, another 2 months, another 30 months?

Ms. SMITH. We are hopeful we can publish the draft EIS before the end of this year.

Mrs. SCHMIDT. Thank you.

The CHAIRMAN. I thank the gentlelady. We will offer another round of questions to the Committee as well.

I would now like to call Mr. Schrader from Oregon.

Mr. SCHRADER. Thank you, Mr. Chairman. I have a question regarding the policing of the organic labeling statutes that are out there. What is going on? How are we assuring consumers that the crop—the food they are eating is organic, not natural or almost natural or wanting to be natural?

Ms. PEGG. Congress provided more funding, which has been a significant improvement to the program, because now we are able to hire more staff and focus on enforcement and compliance, and we will be making a number of improvements to the program.

Mr. SCHRADER. So that change is underway, but no results yet?

Ms. PEGG. Correct.

Mr. SCHRADER. With the pest control strategy, I am interested in knowing how we are going to track success. How are we defining success? We have this six-point plan. How are we going to define success? What pests, what diseases are we targeting, in particular, across the country, and how are we going to define whether or not we are doing a better job? What are your benchmarks?

Either one of you. I assume Ms. Smith.

The CHAIRMAN. Mr. Schrader, would you repeat the question?

Mr. SCHRADER. I was just curious. You have the six point plan for pest and disease and disaster management that you talked

about. I was curious what particular diseases and pests that the plan is targeting. How do you define success? What benchmarks do you actually have to tell you that you are doing what you want to be doing?

Ms. SMITH. Under each of those six areas, we have a very comprehensive set of performance measures. I will provide you with a copy of that. Targeting a very comprehensive array of pests requires a variety of different approaches.

[The information referred to is located on p. 24.]

Mr. SCHRADER. I assume we have provided enough money for you to be successful, as least as far as you can tell from your strategy, in each of these different areas.

Ms. SMITH. That is correct. With the information that we have available, we could also provide you the information that shows you how that money has been distributed in each of those performance areas.

Mr. SCHRADER. I would appreciate that.

[The information referred to is located on p. 24.]

Mr. SCHRADER. One last question, with the advent of biofuels, there is some controversy about compatibility of various crops, particularly with other specialty crops. In my home State of Oregon, there is some interest in using canola as a rotation crop, but it doesn't necessarily have great compatibility due to its pest profile and some of our specialty crops, for instance.

Is there any research at the USDA to help identify these options for lessening incompatibilities and setbacks? Any research on rotations that might ensure our specialty crop industry is not harmed by our biofuels industry?

Ms. PEGG. I will look into it your question.

Research within USDA is handled by the Agricultural Research Service and the National Institute of Food and Agriculture. I will consult with my colleagues and get back with you.

[The information referred to is located on p. 25.]

Mr. SCHRADER. That would be helpful because it is highly controversial, and unfortunately it is pitting farmer against farmer, which you don't want to do, and there is probably some research out there that could be done that would help us. Thank you very much. I yield back.

The CHAIRMAN. I thank the gentleman from Oregon. The gentleman from California, Mr. Costa, is recognized for 5 minutes.

Mr. COSTA. Thank you very much, Chairman Cardoza. Administrator Pegg, I looked up this morning and I thought I was back in Sacramento. Welcome to Washington. Those of you who are part of the audience, Congressman Cardoza and the new Administrator and I all worked together in a previous life.

I want to talk first about the implementation of the Act that Chairman Cardoza, referenced earlier in his opening comments. Obviously, I think we share, because of our constituencies and our commodities that we grow in the state, similar experiences. As a result of the Chairman's hard work on the last farm bill, specialty crops, not just in California but around the country, have great benefits. Administrator Smith, I want to thank you for your work on Citrus psyllid. As you know, it is an enormous issue for California.

On that topic, it is my understanding that APHIS has committed rapid implementation as part of the citrus health program. As you may know now, California has become the largest citrus state in the nation. With the challenges that Florida has had with psyllid, we are quite anxious to ensure that California does not experience those same problems.

Could you give us a sense of the timing of this expanding program?

Ms. SMITH. I have to get specifics on that back to you.

Mr. COSTA. We would like that, and we would like the specifics as it relates also to citrus psyllid. It is, obviously, a concern to the citrus industry.

Let me move on. And please provide that information to the Subcommittee and to each of our offices.

[The information referred to is located on p. 26.]

Mr. COSTA. Prevention of the importation of invasive pests program has been a priority for all of us in specialty crops, certainly, Congressman Cardoza and myself. You noted, in your comments, that it takes a great deal of time and resources to deal with early detection. We have had a good collaboration historically between California and some of the other states—Hawaii, others, and with the USDA on inspection to prevent and stop the spread of these pests. We know APHIS has devoted a number of resources to that effort.

Congressman Cardoza and I were visited yesterday by the California Secretary of Agriculture, A.G. Kawamura. He indicated to us they are now dealing with five outbreaks of fruit flies. We know that the agencies work in conjunction with each other.

This issue gives insight to what we deal with in terms of invasive species due to the ports. And we have border inspection issues that we constantly deal with south of us.

Here's my question: Does the Department, DHS or CBP, do they provide cross-resources for inspection purposes on jurisdiction, and do you coordinate efforts on these efforts?

Ms. SMITH. I appreciate Secretary Kawamura's interest in this issue. He has been a very important stakeholder as we ensure that not only are we at APHIS satisfied with the work done through agriculture quarantine inspection, but, more importantly, that states such as California are satisfied.

The way that process works is that the agricultural quarantine inspection fees are collected and provided to APHIS. Then we work with DHS to divide those fees up so that we provide some to DHS for their border work and we maintain some.

Mr. COSTA. But is there coordination of those resources? For example, do all the funds have to come out of USDA? We were talking yesterday afternoon about the potential as to whether or not Homeland Security, as an example, could be a resource, since there are common shared purposes on the borders, so that not all the funding is either at the USDA level or the state level.

Ms. SMITH. DHS actually provides additional funding in addition to the user fee fundings that we allocate.

Mr. COSTA. I would like more information on this. We, under certain conditions, have airline service, direct service between Guadalajara and Fresno. We raised the bar, and I insisted on pest inspec-

tion of those planes that arrive daily. Those are two flights. But, here is my point; the City of Fresno, that is local government resources, provide the additional resources for the inspection purposes, wherein other airports like Los Angeles LAX, Homeland Security, and others are providing those resources. It seems unfair that we are having to provide the additional resources for inspection purposes.

Ms. SMITH. One thing we did recently related to that is that we are piloting a California State Agricultural Liaison at CBP. This is an example of the kind of things we are trying to do with CBP to address some of your needs. We are very open to hearing additional recommendations.

Mr. COSTA. I would like to follow through with that, maybe establish some sort of a task force where we can work together.

Mr. Chairman, I have two more questions, if possible.

The CHAIRMAN. Sure.

Mr. COSTA. We obviously appreciate your support for Specialty Crop Block Grants. It has been invaluable to our efforts to support healthy diets for school lunch programs, adding more fruits and vegetables, tree nuts, *et cetera,* to the lunches.

Could you give me a sense of where the majority of these grants have been going once they reach the state? Are they being distributed to farm groups, to associations? Are a large portion of those funds staying at the state level, or do they get down to the schools? How is it being used by, the California Department of Food and Agriculture?

Ms. PEGG. I will need to provide you more details on how the grants look across the nation. I know for California there was some focus on food safety and food safety research. They worked with the Center for Produce Safety on that portion. They also worked with a number of organizations on farm to school gardens.

I will provide to you an analysis of what we saw in terms of trends.

Mr. COSTA. I would like to get a snapshot, and I think other Members of the Subcommittee would as well. We put these grants together for the purpose of promoting healthy diets and to work with our schools in doing so. It would be of interest to all of us to see how these grants are being provided and distributed.

Ms. PEGG. We can get you that information.

[The information referred to is located on p. 26.]

Mr. COSTA. Thank you very much, Administrator Pegg, for your time. Welcome to Washington. We hope your experience is as interesting as it has been for all of us.

The CHAIRMAN. I am not sure if that is "well wishes" or a curse, Mr. Costa.

Thank you for your questions, sir.

I am going to pass right now and turn it over to Mrs. Schmidt so that we can have some bipartisan discussions. Mrs. Schmidt, I will recognize you for 5 minutes.

Mrs. SCHMIDT. Thank you. Two quick follow-ups to the *Know Your Farmer, Know Your Food* theme. Ms. Pegg or Ms. Smith, based on the USDA press releases, the *Know Your Farmer, Know Your Food* theme has been incorporated into several specialty crop

programs such as the DOD Fresh Program, the Farmers Market Promotion Program, and the Specialty Crop Block Grant Program.

When the USDA approves funding and awards grants, is the Department evaluating these projects that fit into this new agenda, or just how are they evaluating them?

Ms. PEGG. We are evaluating it based on the statute and the regulation. For the Specialty Crop Block Grants, those were all state proposals. We evaluated them on the statute and whether there was a prohibited activity.

For the Farmers Market Promotion program an independent committee looked at all 470 proposals, and reviewed those and then gave recommendations to the Department.

For DOD Fresh, we look to our authorities to allow states to purchase locally.

So each aspect of *Know Your Farmer, Know Your Food* is really administered according to the statute.

Mrs. SCHMIDT. My concern is the authority and the way *Know Your Farmer, Know Your Food* is being used to promote the block grant programs. I hope that the information received back clarifies it for me. I think that *Know Your Farmer, Know Your Food* is a great idea, but I am very concerned about the implementation of that idea into a law that doesn't really give you the authority to do so. Thank you.

The CHAIRMAN. Thank you. I appreciate it.

This question is for Administrator Pegg and it regards the Specialty Crop Block Grant Program. In creating the State Block Grant Program, Congress decided to distribute Specialty Crop Block Grants by state agricultural officials. Do you think the states are doing a good job in doing their secondary outreach, and what are some effective examples of this outreach?

It appears that while certain projects and programs are directly related to state-specific needs, there are a number of issues—food safety, traceability and nutrition, pest and disease—that are not congruent with state boundaries. How are you managing to get that feedback back? Do you think more states should consider multi-state partnerships in the utilization of their block grant funding, and what has been your experience, thus far, with multi-state grants? Would there be a case for a national block grant program?

Ms. PEGG. We are actually holding a call right now with all the states' departments to go over the expectations for 2010, the funding, when funds will be available, and filling out their grant applications. They are required to reach out and provide us with how they are reaching out to different groups and different entities within their states.

Looking at how the grants were distributed in the issue areas that a lot of the states proposed in the 2009 funding, I think states should look at 2010 and determine where they can partner together.

Food safety is a big issue for a lot of growers, large and small, throughout the nation. And we saw a lot of states addressing this issue.

It would be very good if the states were to partner together and see how they can leverage that research and leverage those dollars.

The CHAIRMAN. In the past year, there was somewhat of, it seemed, a compressed timeline for application requests; requests for proposals under the block grant program. That is probably to be expected, considering the late passage of the farm bill last year and some of those issues around it and the change of Administrations.

Can we anticipate that that request for proposal will be earlier and that there will be more time for states to comply and to make their proposals?

Ms. PEGG. This was one of the issues that we faced with the block grants. States had to submit proposals very quickly. We will be announcing the availability of 2010 funds next month, with grants due in June of 2010. There will be plenty of time for states to respond.

They will also have time to reach out within the states, make sure they are reaching their communities, and develop grants.

The CHAIRMAN. Very good. This Committee has been very concerned in the past with honeybees, their declining populations, the and mysterious diseases that have affected them. The 2008 Farm Bill also established a framework for holding referenda on two proposed new honey research and promotion boards to replace the previous honey board. One of these new boards was designed to primarily represent the interests of packers and importers and other interests in U.S. products.

Congress hoped, in fairness to all segments of the industry, that the process for both of these new boards would move forward on the same expedited basis and on roughly the same timetable. As it turned out, the referenda on the packer and importer board took place early in 2008, and the new board has been up and running for more than a year. In contrast, after more than 2½ years of receipt of the formal documents calling for the creation of the producer board, there has been no referenda yet held on the producer board.

Obviously, this isn't all the fault of an Administration that has only been in office for a few months. But, Administrator Pegg, after this period of time calling for the creation of a new honey producer board and the fact that there has been no referenda yet held on the board, given the history, I would be interested in hearing your explanation why you believe it has taken so long. At the same time, I'd strongly urge you to move forward as quickly as you can on the new honey producer board referenda.

Ms. PEGG. We are currently reviewing all the comments regarding establishing a research and promotion board for domestic producers and moving forward with that process. I will note your request that we move quickly on that and work toward doing that.

The CHAIRMAN. I appreciate that very much. Do any Members of the Committee have any further questions? Would the witnesses like to make any final statements?

Ms. PEGG. We thank you for the opportunity to update you. We look forward to working with all of you, and we look forward to receiving your questions, and working together to move the specialty crop sector forward. Thank you.

The CHAIRMAN. Thank you. I appreciate your being here with us today. I look forward to further dialogue and more broad-based

hearings on Title X of the farm bill in section 10. I would like to remind the Members that they do have 10 days with which to expand their comments.

Under the rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional material from our witnesses and supplementary responses from the Members.

This hearing of the Subcommittee on Horticulture and Organic Agriculture is hereby adjourned. Thank you.

[Whereupon, at 10:55 a.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUPPLEMETARY MATERIAL SUBMITTED BY USDA

During the October 28, 2009 hearing entitled, *Hearing To Review Implementation of the Horticulture and Organic Agriculture Title of the Food, Conservation, and Energy Act of 2008,* requests for information were made to USDA. The following are their information submissions for the record.

Insert 1

The CHAIRMAN. Terrific. If these states have been designated, how is the increased risk being factored into the overall funding considerations?

Ms. SMITH. I will have to get the specifics to you of how we are doing that, sir.

As required by the farm bill, APHIS provided and will continue to provide Section 10201 funding to states that are considered high risk for one or more plant pests or diseases, taking into consideration the items outlined in the farm bill such as the number of international ports in a state. APHIS developed a comparative risk assessment (CRA) to determine which states are considered high risk; however, it is important to note that the considerations outlined in the farm bill do not account for the full pest risk picture. Because of this, APHIS also evaluated a wider list of considerations such as the volume of goods moved beyond a port-of-entry and pest and product pathways.

As we look at future Section 10201 funding distribution, APHIS is discussing with states the possibility of further analysis on the multiple risk factors related to plant pests and diseases, such as state risk and pest pathways. Risk is constantly changing and our goal is to work closely with the states to further our understanding of this risk.

Insert 2

Mrs. SCHMIDT. . . . Is the proposed increase in the agricultural quarantine inspection user fees limited to cover only the AQI costs? And can you provide the Committee with the breakdown of the real costs in actual collections?

Ms. SMITH. This is the increase in the AQI user fee interim proposal that is out right now?

Mrs. SCHMIDT. Yes.

Ms. SMITH. We would be happy to provide you the information that gives you the breakdown of the costs for that program.

Yes, the AQI user fee increase that APHIS proposed on September 28, 2009, and subsequently withdrew on October 30, 2009, was to fund only agricultural quarantine and inspection (AQI) activities. Section 2509(a) of the Food, Agriculture, Conservation, and Trade Act of 1990 (21 U.S.C. 136a) authorizes APHIS to collect user fees for AQI activities. We maintain all AQI fees we collect in distinct accounts, carefully monitor the balances in these accounts, and only use these funds to pay for our actual costs for providing these distinct services. Any surplus in the AQI account carries forward from year to year and is available until expended to fund AQI activities.

While APHIS withdrew the interim rule for the proposed AQI user fee increase on October 30, 2009, based on stakeholder feedback, the below reflects the spending plan ***if*** that increase had been finalized.

APHIS FY 2010 AQI User Fee Spending Plan

APHIS' initial spending plan for FY 2010, which assumed that the emergency fee increase would go into effect on October 1, 2009, totaled $207.033 million. Descriptions of AQI program activities and funding levels under the initial plan are below.

APHIS AQI Policy and Management: $12.899 million

APHIS units develop policy and protocols for inspection processes at ports of entry; coordinate efforts with Customs and Border Protection (CBP); analyze import and pest interception data from ports of entry; and maintain and update inspection and treatment manuals.

APHIS Port Operations and Oversight: $115.107 million

This category includes APHIS' plant inspection stations, the Veterinary Regulatory Support staff, staff involved in import facilitation (such as fumigation of cargo, treatment validation), and inspection operations in the Dominican Republic and Mexico as well as the Professional Development Center (where CBP agricultural specialists and canine teams are trained).

Science and Technical Support: $14.617 million

This category includes APHIS' National Identification Services staff that provides pest identification policy and technical guidance and national taxonomic services for the certain pests intercepted at ports of entry. APHIS also develops detection tools and diagnostic methods used at ports of entry and treatment protocols applied to imported agricultural products.

Import Analysis and Risk Management: $36.648 million

This category includes risk analysis efforts that support import trade negotiations, the development of appropriate risk management measures, and other analyses that support regulatory decision making processes for agricultural imports to ensure that safe agricultural trade can occur.

Regulatory Enforcement and Anti-Smuggling Programs: $27.762 million

The Smuggling Interdiction and Trade Compliance (SITC) program analyzes potential smuggling pathways, conducts product traces to distribution points in commerce and importers, and coordinates with investigative organizations to increase regulatory compliance. APHIS' Investigative and Enforcement Services (IES) unit investigates potential violations of APHIS' regulations.

Total Collections

With the increased user fee rule, APHIS expected AQI user fee collections to total $578 million. Of that amount, APHIS planned to transfer $346.9 million to CBP. APHIS' allocation of new funding would have been $206.5 million. The remaining $24 million would have been used to rebuild the AQI reserve, which was used to keep the program functioning during FY 2009, when collections were $61 million less than anticipated.

Insert 3

Mr. SCHRADER. I was just curious. You have the six point plan for pest and disease and disaster management that you talked about. I was curious what particular diseases and pests that the plan is targeting. How do you define success? What benchmarks do you actually have to tell you that you are doing what you want to be doing?

Ms. SMITH. Under each of those six areas, we have a very comprehensive set of performance measures. I will provide you with a copy of that. Targeting a very comprehensive array of pests requires a variety of different approaches.

The Section 10201 Implementation Plan describes how success will be measured, for each of the strategic goals. The Plan is available on our website at: *http://www.aphis.usda.gov/plant_health/plant_pest_info/pest_detection/farm_bill.shtml.*

While the 10201 Implementation Plan describes how success will be measured for each of the six strategies (Enhance Analysis and Survey, Target Domestic Inspection Activities, Enhance Pest Identification and Technology, Safeguard Nursery Production, Conduct Education and Outreach, Enhance Mitigation Efforts), the overarching goal is to protect the health and value of U.S. agriculture and natural resources. This will be measured by the value of damages prevented through early detection efforts. Anytime we enter into a cooperative agreement with a state or other stakeholder, including agreements for Section 10201 funding, the agreement outlines performance measures that cooperators must meet, as well as requirements for reporting their activities to APHIS.

Insert 4

Mr. SCHRADER. I assume we have provided enough money for you to be successful, as least as far as you can tell from your strategy, in each of these different areas.

Ms. SMITH. That is correct. With the information that we have available, we could also provide you the information that shows you how that money has been distributed in each of those performance areas.

Section 10201 Financial Obligations for FY 2009

(1) Enhanced analysis and surveys ($3,387,573):

High risk pathway analysis	$370,460
Plum Pox survey	$582,658
Plant Health Information System (PHIS)—survey component	$635,075
Enhance state surveys for high risk pests	$1,640,611
Honeybee pest survey	$158,769

(2) Target domestic inspection activities ($1,058,458):

Expand canine teams into new locations in California	$1,058,458

(3) Pest identification & technology enhancement ($2,072,747):

PHIS—trap/lure procurement system	$241,329
Bulk procure traps and lures	$1,129,878
Diagnostic support for high threat arthropods	$79,384
Develop and deliver molecular diagnostics	$595,578
Cryopreservation for fruit fly production facility	$26,579

(4) Safeguarding nursery production ($1,363,334):

Establish a National Ornamentals Research Site at Dominican University in California (NORSDUC)	$1,053,234
Support state oversight of the research site	$52,923
Model regulation for a state nursery certification program	$69,858
National nursery virus certification program pilot	$91,690
Audit-based state nursery certification systems—training	$25,770
Audit-based state nursery certification systems—outreach	$69,858

(5) Outreach and education ($1,142,641):

Forest pest outreach	$1,014,964
Laurel Wilt outreach	$31,754
Crop Biosecurity Curriculum/extension	$95,923

(6) Enhance mitigation capabilities ($2,975,246):

Asian Citrus Psyllid mitigation in northern Mexico	$899,459
Plum Pox Virus mitigation in NY and MI	$745,799
Fruit fly mitigation in CA	$659,420
Mitigation of golden nematode in targeted areas of NY	$256,999
Laurel Wilt research focused on mitigation to protect avocados	$169,353
Discovery of biological control agents to control Asian Citrus Psyllid	$52,923
Cactus Moth mitigation in Louisiana	$191,293

Insert 5

Mr. SCHRADER. One last question, with the advent of biofuels, there is some controversy about compatibility of various crops, particularly with other specialty crops. In my home State of Oregon, there is some interest in using canola as a rotation crop, but it doesn't necessarily have great compatibility due to its pest profile and some of our specialty crops, for instance.

Is there any research at the USDA to help identify these options for lessening incompatibilities and setbacks? Any research on rotations that might ensure our specialty crop industry is not harmed by our biofuels industry?

Ms. PEGG. I will look into it your question.

This is fundamentally an issue of genetic contamination. The growers of vegetable seeds such as brassicas cannot tolerate cross contamination from canola oil seed crops (whether edible oil or oil for biofuels). There are regulations established for distances seed crops must be isolated from other similar kind of seed crops as well as from other kind usage crops (like canola). Brassica vegetable seed crops are grown in the Willamette Valley, Oregon (high value crops but limited acreages) and there has been historic conflict between these growers and other farmers who wish to grow canola oil seed crops. State regulatory agencies such as the Oregon Department of Agriculture may restrict canola for oil to be grown in the Willamette Valley to protect the vegetable seed industry.

Apart from genetic contamination of specialty crop seed production, bioenergy crops can be beneficial to specialty crop production. USDA's Agricultural Research Service's (ARS) research in Orono, ME has shown that potato crops (a specialty crop) grown in rotation with canola oil seed crops increased potato yields and reduced the risk of economic loss compared to potato grown in continuous rotation or potato rotated with barley. ARS research in Prosser, WA has shown that the oil seed residues left after oil extraction when applied to potato fields reduced disease

and weed incidence so the amounts of pesticides that needed to be applied could be reduced. Also, as shown in Maine, canola rotated with potato was beneficial to potato production.

Insert 6

Mr. COSTA. . . . With the challenges that Florida has had with psyllid, we are quite anxious to ensure that California does not experience those same problems.

Could you give us a sense of the timing of this expanding program?

Ms. SMITH. I have to get specifics on that back to you.

Mr. COSTA. We would like that, and we would like the specifics as it relates also to citrus psyllid. It is, obviously, a concern to the citrus industry.

We are working as quickly as possible to implement activities to protect California and other citrus-producing states from citrus pests and diseases, using the increased funding that APHIS received in FY 2010 appropriations. APHIS received a total of $44.7 million for our Citrus Health Response Program (CHRP) in FY 2010. We are currently working with state cooperators and stakeholders and will be finalizing operational plans and the corresponding budgets for California, Arizona, Texas, Louisiana, and Florida over the next several weeks. While nationally coordinated, the operational plans are designed to address local needs in each region and are based on the overarching goals of the CHRP, which encompasses the following activities, with estimated FY 2010 funding distribution indicated:

- Asian citrus psyllid (ACP) and Huanglongbing (HLB-citrus greening) survey activities ($20.00 million).
- ACP suppression ($7.0 million).
- Regulatory framework/enforcement ($11.5 million).
- Communication and outreach ($0.90 million).
- Management and program support/national and international coordination with Mexico and other North and Central American countries ($3.80 million).
- Method development/research ($1.5 million).

Insert 7

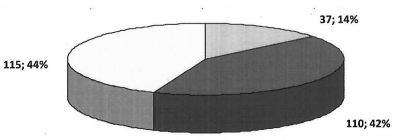
Mr. COSTA. I would like to get a snapshot, and I think other Members of the Subcommittee would as well. We put these grants together for the purpose of promoting healthy diets and to work with our schools in doing so. It would be of interest to all of us to see how these grants are being provided and distributed.

Ms. PEGG. We can get you that information.

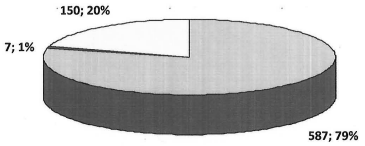
Specialty Crop Block Grant Program-Farm Bill (SCBGP–FB)

Fiscal Year	Grantees	Projects Awarded
2008	50 states, the District, and five U.S. Territories	262
2009	50 states, the District, and four U.S. Territories (American Samoa chose not to apply)	745

2008 Project Delivery Types



2009 Project Delivery Types



Competitive Grants ■ Other ■ State Programs

State Programs	The proposal illustrated that the state department of agriculture planned to administer the project and/or a competitive grant program was not conducted.
Competitive Grants	The proposal demonstrated that a fair and open competition was conducted and the project partner(s) are clearly involved.
Other	The proposal illustrated that project partners met with the grantee to determine project priorities, but an open competitive grant program was not conducted.

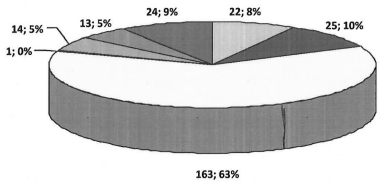
From 2008 to 2009 the SCBGP–FB percentage of . . .

- Competitive projects increased by 65%
- State-run projects decreased by 22%

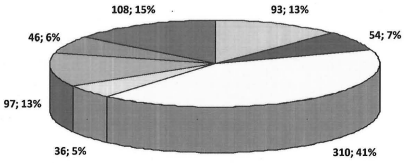
- In 2009, 79% of the funds were passed through from the state department of agriculture to:
  - nonprofit organizations
  - community based organizations
  - industry groups
  - academia
  - beginning and socially disadvantaged farmers

SCBGP–FB 2008 and 2009 Project Types

2008 Project Types



2009 Project Types



Education ■ Food Safety ■ Marketing & Promotion ■ Other ■ Pest & Plant Health ■ Production ■ Research

From 2008 to 2009 the SCBGP–FB percentage of . . .

- Marketing and promotion projects (Buy-Local, Farmers' Market Promotions) decreased by 22%
- Research projects increased by 6%

- Pest and plant health increased by 8%
- Food safety projects increased by 3%
- Education projects increased by 5%

SCBGP–FB 2008 and 2009 Project Sub-Types

Project Sub-Type	2008	2008%	2009	2009%	Total	2008–2009
Beginning and Socially Disadvantaged Farmers	7	2.67%	55	7.38%	62	4.71%
Child and Adult Nutrition	5	1.91%	16	2.15%	21	0.24%
Cooperative Development	2	0.76%	27	3.62%	29	2.86%
E-Commerce	0	0.00%	17	2.28%	17	2.28%
Ethnic Crop Marketing and Production	2	0.76%	10	1.34%	12	0.58%
Export Market Development	2	0.76%	23	3.09%	25	2.32%
Farm to School	8	3.05%	36	4.83%	44	1.78%
Farmers' Markets	7	2.67%	13	1.74%	20	−0.93%
GAP/GHP	1	0.38%	6	0.81%	7	0.42%
Genetic Improvement	1	0.38%	6	0.81%	7	0.42%
Growing Season Extension	8	3.05%	28	3.76%	36	0.70%
Human Health	3	1.15%	39	5.23%	42	4.09%
Improved Quality	14	5.34%	42	5.64%	56	0.29%
Increased Yield	0	0.00%	8	1.07%	8	1.07%
New and Improved Specialty Crop Varieties/Uses	0	0.00%	4	0.54%	4	0.54%
Water Studies/Conservation	3	1.15%	26	3.49%	29	2.34%

Project Sub-Type Descriptions

Beginning and Socially Disadvantaged Farmers
- Education (Production/Business)
- Transition from traditional commodity crops to specialty crops
- Organic production

Cooperative Development
- Market analysis and business plan development
- Storage and distribution efficiencies

Ethnic Crop Marketing and Production
- Market crops to low income communities
- Increase production capabilities

GAP/GHP
- Training
- Cost-share programs
- Post-harvest handling assessments

Farmers' Markets
- Projects that promote farmers' markets have decreased because farmers' markets do not solely promote eligible specialty crops

Child and Adult Nutrition
- Specialty crop nutrition education in the classroom
- School gardens
- Culinary/nutrition education to underserved families

E-Commerce
- Online ordering system
- Use of social networking sites

Export Market Development
- Market research and public relations activities
- Trade missions

Farm to School
- Pilot programs
- Increase storage and production capacity
- More fruit and vegetable snacks in schools

Genetic Improvement
- Season Extension
- Increased specialty crop resistance to pests/disease

Growing Season Extension
- Cold climate production
- New regional specialty crop commodities

Improved Quality
- Growing methods
- Pest control
- Increased storage life

New and Improved Specialty Crop Varieties/Uses
- Cold climate acclimation
- Disease resistance
- Increased economic value of specialty crop commodity

Human Health
- Addressing the obesity epidemic
- Health benefit studies/education

Increased Yield
- Season extension
- New technologies that improve propagation

Water Studies/Conservation
- Preservation of water table
- Public education
- Propagating low-water use native plants