

2012 Explanatory Notes

Office of the Chief Economist  
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## OFFICE OF THE CHIEF ECONOMIST

Purpose Statement

The Office of the Chief Economist (OCE) was created by the Secretary of Agriculture on October 20, 1994, under the authority of the Department of Agriculture Reorganization Act of 1994, Public Law 103-354.

OCE advises the Secretary of Agriculture on the economic implications of Department policies, programs and proposed legislation. OCE serves as a focal point for the Nation's agricultural economic intelligence and projections; risk analysis; climate change issues; and cost-benefit analysis related to domestic and international food and agriculture. OCE also supports the development of technical guidelines that outline science-based methods to measure the environmental services benefits from conservation and land management activities; provides analysis for the Department's renewable energy, bioenergy, and biobased product programs; and is responsible for coordination, review and clearance of all commodity and aggregate agricultural and food-related data used to develop outlook and situation material within the Department.

Activities include: policy and program analysis; regulatory reviews; information dissemination; market surveillance; coordination of assessments of international and domestic agricultural developments; improvement of forecasting techniques; coordination of weather, climate and remote sensing activities; coordination of sustainable development activities; coordination of global climate change research and issues; support for the development of environmental services markets; energy policy analysis and coordination of energy research and issues; and analysis of issues and developments affecting agricultural labor.

OCE produces, on a daily, weekly, and monthly basis, regularly scheduled information releases to advise the Secretary and the public on developments affecting agricultural markets and the rural economy. The office coordinates interagency development of forecasts and projections by drawing together a variety of experts to assure objective and sound analysis. The office uses memos and briefings to advise the Secretary of the consequences of market developments, program changes, and legislative proposals. The office provides economic analysis of Department policy positions to the Congress and the public. The office participates in the development of reviews, clears all regulatory impact and risk analyses of Departmental significant, economically significant, and major rules to ensure they are based on objective, appropriate, and sound economic and risk analyses. The office coordinates USDA's global climate change research program; conducts policy analysis on global climate change issues; supports the development of technical guidelines that outline science-based methods to measure the environmental services benefits from conservation and land management activities in order to facilitate the participation of farmers, ranchers, and forest landowners in emerging environmental services markets; coordinates activities with other Federal agencies; represents USDA on U.S. delegations to international climate change discussions; and facilitates communication and outreach to producers and agricultural interest groups.

OCE Headquarters is located in Washington, D.C. OCE has one field unit located in Stoneville, Mississippi for weather data collection and analysis. As of September 30, 2010, there were 50 full-time permanent employees, of which 49 were stationed in Washington, DC and one in Mississippi.

OCE did not have any Office of Inspector General or Government Accountability Office evaluation reports during the past year.

## OFFICE OF THE CHIEF ECONOMIST

Available Funds and Staff Years  
2010 Actual and Estimated 2011 and 2012

Item	2010 Actual		2011 Estimate		2012 Estimate	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries and Expenses.....	\$12,649,304	52	\$13,032,000	59	\$15,196,000	60
Lapsing Balances.....	-382,696	--	--	--	--	--
Total, Salaries and Expenses .....	13,032,000	52	13,032,000	59	15,196,000	60
<u>Obligations under other</u>						
<u>USDA appropriations:</u>						
Transfer from Commodity Credit Corporation for Biodiesel Fuel Education Program .....						
	1,000,000	--	1,000,000	--	1,000,000	--
Annual Outlook Forum.....	75,222	--	139,000	--	143,000	--
Joint Data Procurement <u>a</u> /.....	32,520	--	33,000	--	33,000	--
National Science Foundation <u>b</u> /.....	198,799	--	275,000	--	275,000	--
Farm Foundation <u>c</u> /.....	159,885	--	160,000	--	160,000	--
Total, Other USDA Appropriations.....	1,466,426	--	1,607,000	--	1,611,000	--
Total, Office of the Chief Economist ...	14,498,426	52	14,639,000	59	16,807,000	60

a/ Funds were obligated by OCE for a Joint Data Procurement through appropriations received from the Farm Service Agency, Foreign Agricultural Service and Economic Research Service (ERS).

b/ Funds were obligated by OCE to the National Science Foundation through appropriations received from the Forest Service, Agricultural Research Service, National Institute of Food and Agriculture, and ERS.

c/ Funds were obligated by OCE to the Farm Foundation through appropriations received from Rural Development and the Natural Resources Conservation Service.

## OFFICE OF THE CHIEF ECONOMIST

Permanent Positions by Grade and Staff Year Summary  
2010 Actual and Estimated 2011 and 2012

Grade	2010			2011			2012		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
ES.....	4	--	4	5	--	5	6	--	6
SL.....	2	--	2	2	--	2	2	--	2
GS-15.....	22	--	22	23	--	23	23	--	23
GS-14.....	10	--	10	14	--	14	14	--	14
GS-13.....	3	--	3	3	--	3	4	--	4
GS-12.....	0	--	0	0	--	0	0	--	0
GS-11.....	2	--	2	2	--	2	2	--	2
GS-10.....	3	--	3	3	--	3	3	--	3
GS-9.....	2	1	3	3	1	4	3	--	3
GS-8.....	1	--	1	1	--	1	2	--	2
GS-7.....	2	--	2	2	--	2	1	--	1
GS-6.....	0	--	0	0	--	0	0	--	0
Total Permanent Positions.....	51	1	52	58	1	59	60	--	60
Unfilled Positions End-of-Year.....	-2	--	-2	--	--	--	--	--	--
Total, Permanent Full -Time Employment, End-of-Year.....	49	1	50	58	1	59	60	--	60
Staff Year Estimate.....	51	1	52	58	1	59	60	--	60

## OFFICE OF THE CHIEF ECONOMIST

Appropriation Language

For necessary expenses of the Office of the Chief Economist, \$15,196,000.

Lead-Off Tabular Statement

Annualized Continuing Resolution, 2011 .....	\$13,032,000
Budget Estimate, 2012 .....	<u>15,196,000</u>
Change in Appropriation .....	<u>+2,164,000</u>

Summary of Increases and Decreases  
(On basis of appropriation)

<u>Item of Change</u>	<u>2011 Estimated</u>	<u>Program Changes</u>	<u>2012 Estimated</u>
Office of the Chief Economist.....	\$13,032,000	+\$2,164,000	\$15,196,000

Project Statement  
(On basis of appropriation)

	<u>2010 Actual</u>		<u>2011 Estimated</u>		<u>Increase or Decrease</u>	<u>2012 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
Office of the Chief Economist.....	\$12,649,304	52	\$13,032,000	59	+\$2,164,000	\$15,196,000	60
Unobligated Balance.....	382,696	--	--	--	--	--	--
Total, Appropriation..	<u>13,032,000</u>	<u>52</u>	<u>13,032,000</u>	<u>59</u>	<u>+2,164,000</u>	<u>15,196,000</u>	<u>60</u>

## OFFICE OF THE CHIEF ECONOMIST

Justification of Increases and Decreases

An increase of \$2,164,000 and one staff year for the Office of the Chief Economist (OCE) consisting of:

- (a) An increase of \$143,000 to fund increased operating costs.

This increase is needed to maintain the current level of existing OCE activities, in particular to fund the rising costs of purchasing mission-critical economic data and analysis.

- (b) An increase of \$2,021,000 and one staff year to support the Office of Environmental Markets (OEM) (\$500,000 available in FY 2011).

This funding is needed to expand the Department's efforts to develop technical guidelines to quantify environmental services provided by America's farmers, ranchers, and forest landowners. One additional staff year will also be hired to support the expanded activities. By participating in environmental markets, farmers, ranchers, and forest landowners can contribute to environmental improvements and generate income through their conservation activities. Current OEM activities are focused on supporting the development of science-based guidelines for environmental benefits related to conservation and land management activities. In FY 2011, work is being conducted to quantify water quality benefits from agricultural conservation activities in the Chesapeake Bay (CB) watershed. The increase requested in FY 2012 will allow USDA to perform additional activities to address Congressional directives included in Section 2709 of the 2008 Farm Bill, including:

- Expanding the CB work to address water quality in other regions and watersheds;
- Creating automated quantification and reporting tools for water quality improvements in the CB with applications to other regions;
- Developing integrated water quality and greenhouse gas quantification and reporting systems based on work performed in FY 2011;
- Initiating preparation of the criteria and standards needed to develop an integrated environmental services registry; and
- Initiating wider, more substantive consultations with producers, state and Federal agencies, financial and education institutions, and non-governmental organizations.

Due to the importance of the potential benefits to farmers, ranchers and forest landowners, the Department may also utilize other funding mechanisms, such as reimbursable agreements and the assistance of other USDA agencies, to implement the Congressional directives contained in the 2008 Farm Bill.

Geographic Breakdown of Obligations and Staff Years  
2010 Actual and Estimated 2011 and 2012

	2010		2011		2012	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia.....	\$12,572,040	51	\$12,954,023	58	\$15,196,000	60
Stoneville, Mississippi.....	77,264	1	77,977	1	--	--
Subtotal, Available or Estimate.....	12,649,304	52	13,032,000	59	15,196,000	60
Unobligated Balance .....	382,696	--	--	--	--	--
Total, Available or Estimate.....	13,032,000	52	13,032,000	59	15,196,000	60

## OFFICE OF THE CHIEF ECONOMIST

Classification by Objects  
2010 Actual and Estimated 2011 and 2012

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Personnel Compensation:			
Washington, D.C .....	\$6,832,415	\$7,576,000	\$7,990,000
Field .....	54,849	55,000	--
11 Total personnel compensation .....	6,887,264	7,631,000	7,990,000
12 Personnel benefits .....	1,664,704	1,780,000	1,859,000
Total pers. comp. & benefits.....	8,551,968	9,411,000	9,849,000
Other Objects:			
21 Travel.....	226,481	250,000	260,000
22 Transportation of things.....	1,300	2,000	2,000
23 Rent, communications, and utilities.....	175,097	176,000	180,000
24 Printing and reproduction .....	50,478	51,000	52,000
25.0 Other Services.....	111,327	115,000	120,000
25.1 Contractual services performed by other			
Federal agencies.....	881,337	457,000	550,000
25.2 Related expenditures.....	18,211	19,000	20,000
25.3 Repair, alternation, or maintenance of			
equipment, furniture, or structures.....	24,226	25,000	30,000
25.4 Contractual services - Other.....	1,585,867	1,590,000	2,635,000
25.5 Agreements- Other.....	614,428	536,000	1,090,000
25.6 Services and Supplies Interagency.....	31,939	32,000	33,000
25.7 Miscellaneous Services.....	3,403	4,000	4,000
25.8 Fees .....	14,828	1,000	1,000
26 Supplies and materials .....	341,969	345,000	350,000
31 Equipment.....	16,445	18,000	20,000
Total other objects .....	4,097,336	3,621,000	5,347,000
Total direct obligations .....	12,649,304	13,032,000	15,196,000
<u>Position Data:</u>			
Average Salary, ES positions.....	\$171,132	\$175,009	\$175,009
Average Salary, GS positions .....	\$115,054	\$119,058	\$122,851
Average Grade, GS positions.....	14.6	14.6	14.6

## OFFICE OF THE CHIEF ECONOMIST

## STATUS OF PROGRAM

The Office of the Chief Economist (OCE) advises the Secretary of Agriculture on the economic implications of Department policies, programs, and proposed legislation. It serves as the focal point for: the Nation's agricultural economic intelligence and projections related to agricultural commodity markets; risk analysis and cost-benefit analysis related to international food and agriculture; energy issues related to the agricultural economy; sustainable development; agricultural labor; global climate change; and ecosystem services markets. OCE is responsible for coordination, review and clearance of commodity and aggregate agricultural and food-related data used to develop Departmental outlook and situation material.

Current Activities:

OCE provides policy and program analyses and advice for the Secretary on major issues affecting agriculture and rural America. The Immediate Office (IO) addresses issues on: trade agreements and disputes; developments in agricultural commodity markets, such as effects of global weather developments and changes in production and trade patterns; economic issues related to plant and animal diseases; farm programs; crop insurance improvements; sustainable development in agriculture and rural communities; climate change and agriculture; conservation programs; ecosystem services markets; and agricultural labor.

The World Agricultural Outlook Board's (WAOB) primary mission is to provide reliable and objective economic forecasts for farmers and other participants in the food and fiber system. Functions include coordinating USDA forecasts of domestic and international agriculture; providing economic analysis related to global commodity markets; monitoring markets and agricultural weather; coordinating weather, climate, and remote sensing activities; and disseminating relevant information.

OCE clears all USDA significant, economically significant and major regulations for their regulatory impact analyses and risk analyses. OCE's Office of Risk Assessment and Cost-Benefit Analysis (ORACBA) reviews and approves statutorily required risk assessments for all major USDA regulations. ORACBA is a focal point for Departmental activities related to risk analysis, including inter-Departmental activities; risk communication; education on risk analysis methods; regulatory reviews to ensure cost-effective, less burdensome regulations; and the integration of economic analysis and risk assessment.

OCE's Office of Energy Policy and New Uses (OEPNU) coordinates economic analysis of energy issues across USDA and is responsible, along with the National Institute of Food and Agriculture (NIFA), for implementing the Biodiesel Fuel Education Program. OEPNU conducts research on biofuel's net energy balance, biobased product market analysis, energy use in agriculture, life-cycle analyses, and renewable energy technologies. OEPNU, along with other USDA agencies and the Department of Energy (DOE), participates in the Biomass Research and Development Initiative.

OCE's Climate Change Program Office (CCPO) coordinates the Department's climate change activities, represents the Department with other Federal Departments and Agencies, and provides advice and analysis on issues related to climate change for the Secretary and other senior USDA leadership. CCPO assists in the Department's efforts to establish technical guidelines to measure the greenhouse gas (GHG) benefits from conservation and land management activities. CCPO works with USDA agencies to integrate climate change and greenhouse gas reduction considerations into their activities, to establish program and research priorities, and coordinate implementation of actions to address the risks of climate change and mitigation responses. CCPO also facilitates USDA participation in the U.S. Global Change Research Program.

OCE's Office of Environmental Markets (OEM) is a new office created in December 2008 within USDA to catalyze the development of markets for ecosystem services and provide administrative and technical assistance to the Secretary in implementing Section 2709 of the 2008 Farm Bill. OEM is responsible for spearheading USDA's efforts to develop guidelines for establishing market infrastructure that will facilitate

market-based approaches to agriculture, forest, and rangeland conservation. OEM brings experts and stakeholders together with government agencies to build a robust, accessible, and scientifically credible market system that will protect and enhance America's natural capital into the future.

Selected Examples of Recent Progress:

World Trade Organization (WTO) and Trade Policy Support. During FY 2010, IO staff supported on-going WTO negotiations by providing economic analysis, position papers, and other staff support and supported the Office of the United States Trade Representative (USTR) in cases brought before the WTO, including the Brazil cotton case and Canada Country of Origin Labeling case. IO staff prepared analyses, and participated in the arbitration proceedings. IO staff also worked closely with USTR and coordinated USDA's response to trade challenges by foreign governments to U.S. poultry, biofuel and cotton subsidies. IO staff coordinated an inter-agency process to prepare U.S. domestic support notifications to the WTO.

Crop Insurance. The Chief Economist, as Chairman of the Board of Directors of the Federal Crop Insurance Corporation, presided over six public Board meetings during FY 2010. The Board approved a series of new programs in FY 2010 including: an expansion of pilot programs to reduce premiums for producers using certain triple-stack GMO-traited corn varieties; program changes including premium subsidies for livestock gross margin insurance for dairy; crop insurance for grass seed; and crop insurance for sesame seed. IO staff provided analysis to the Risk Management Agency (RMA) on topics including the Standard Reinsurance Agreement, premium rates, and methods for forecasting indemnities.

Domestic Agricultural Policy. IO staff provided assistance and analysis to Departmental agencies implementing commodity, conservation, renewable energy and other programs by reviewing and providing analysis of proposed program regulations, participating in inter-agency working groups, and helping to ensure effective and efficient program development. For example, the IO participated in the development and analysis of Departmental budget proposals; Conservation Reserve Program enrollment alternatives; options to assist dairy producers; sugar and other farm program issues; and the effects of climate change legislation on agricultural production, commodity prices, farm income, and retail food prices. The Chief Economist served on and provided biweekly briefing materials for the Department's Drought Task Force, which coordinates the Department's responses to ongoing natural disasters in the United States.

Trade Adjustment Assistance (TAA) for Farmers. IO staff served on an inter-agency task force assessing petitions for assistance under the TAA Program mandated in the February 2009 stimulus legislation.

Agricultural Labor Activities. IO staff provided analyses and information focused on the unique characteristics of agricultural production, including the diversity in the demand for labor across agriculture, the seasonal demand for labor, the presence of children in the seasonal labor force, and the role of temporary workers in the agricultural sector. IO staff worked with the Department of Labor (DOL) to amend DOL's regulations regarding the certification of temporary employment of nonimmigrant workers employed in temporary or seasonal agricultural employment. IO staff met with officials from the DOL prior to the release of a final Rulemaking to amend the H-2A Temporary Worker Program.

Analytical Assistance to Congress. The Chief Economist was a witness at two Congressional hearings during FY 2010 addressing the impact of climate change legislation on agriculture. He also appeared four times with the Secretary of Agriculture, including at hearings on the USDA budget, climate change and the Farm Bill. OCE staff conducted numerous additional briefings and analyses for the Congress on issues such as climate change, WTO disputes, domestic support notifications to the WTO, weather and market situation and outlook, and biobased products.

Sustainable Development Activities. The Director of Sustainable Development chaired the USDA Council on Sustainable Development, which worked to integrate the concepts of sustainable development into USDA policy and programs and served as a clearinghouse for the exchange of information. The Council played a major role in the May 2010 United Nations (UN) Commission on Sustainable Development

(CSD)-18, a review cycle emphasizing sustainable consumption and production, transport, chemicals, waste and mining as well as implementation of earlier policy decisions related to agriculture and rural development. The Council coordinated USDA representation and inter-agency input for U.S. participation at CSD-18. Materials developed by USDA to support the 2010 review included case studies, interventions, backgrounders and contributions to a national report detailing U.S. government efforts related to the Commission themes. The Director also represented USDA at the UN World Urban Forum in Rio de Janeiro and at the UN meeting of UN Educational, Scientific and Cultural Organization in New York. The Director spoke on global food security and sustainable agriculture at the Asia-Pacific Economic Cooperation food security meetings in Taiwan and at the SIAL Global Food Show in Paris. The Director also actively participated in a variety of USDA intra agency forums, including the "Know Your Farmer-Know Your Food" Task Force, Global Food Security Council, Farmers Market Consortium, and working groups on organic agriculture.

Climate Change Analysis and Advice. CCPO continued to serve as a Department-wide coordinator for agriculture, rural, and forestry-related climate change issues and activities. CCPO provided leadership by coordinating USDA's research, programmatic, and policy support. CCPO staff provided more than 20 presentations and speeches to commodity groups, farm organizations, and forest and conservation groups on a wide range of climate change issues. A key activity for CCPO staff during FY 2010 was assessing the potential for agriculture to provide greenhouse gas offsets under a regulatory cap-and-trade system. CCPO staff provided option papers, analysis, and briefing memos for the Secretary of Agriculture and other senior Department leadership to help them evaluate the potential for agricultural and forestry greenhouse gas offsets and renewable energy under Federal climate change legislation. CCPO staff also helped to prepare the Secretary of Agriculture for his testimony before the House and Senate Committees holding hearings on the implications of cap-and-trade legislation on the farm sector and rural economies. The CCPO Director testified before Congress four times during over the preceding year on cap-and-trade legislation and on USDA's climate change programs, as well as presenting numerous briefings to Congressional staff.

CCPO oversaw USDA engagement in the development of the White House's Council on Environmental Quality (CEQ) Climate Change Adaptation Strategy and helped prepare sections of the USDA Strategic Plan related to climate change and GHG market development. CCPO planned and hosted a climate change and agriculture listening session for CEQ in Denver attended by 80 farmers, state and local officials, and other stakeholders. CCPO staff led USDA preparation of the climate change sections of the upcoming Soil and Water Resources Conservation Act Assessment, preparation of sections of the 5th U.S. Climate Action Report related to agriculture and forestry, and coordinated USDA comments on proposed legislation and rule making under the Clean Air Act, including the GHG Tailoring Rule, Light Duty Vehicle Standards, the GHG Labeling Rule, changes to the GHG Mandatory Reporting Rule, and an EPA Call for Information on biogenic sources of carbon dioxide.

CCPO also completed an initial draft of the third USDA Greenhouse Gas Inventory of the Forest and Agriculture Sectors. In addition, CCPO also initiated a 3-year effort toward development of science-based methods and technical guidelines for quantifying greenhouse gas sources and sinks in the forest and agriculture sectors as directed by Section 2709 of the 2008 Farm Bill.

In FY 2010, CCPO facilitated efforts by USDA agencies and offices to respond to various climate change challenges throughout the Department. These efforts included the Forest Service (FS) announcement of a National Roadmap for Responding to Climate Change, the Foreign Agricultural Service (FAS) establishing ten new Climate Change Borlaug Fellowships in support of the Global Research Alliance on Agricultural Greenhouse Gases, the Animal and Plant Health Inspection Service (APHIS) performing a review of their research and regulatory needs with regard to climate change, and the Natural Resources Conservation Service (NRCS) and Farm Service Agency (FSA) developing greenhouse gas demonstration initiatives.

Global Change Task Force. The Director of CCPO continued to chair the USDA Global Change Task Force, utilizing the task force to ensure that all USDA agencies with a responsibility for climate change are kept informed of Departmental and Administration priorities and are included in reviews, assessments,

analyses, and communication efforts. Task force participants include the Agricultural Research Service (ARS), Economic Research Service (ERS), National Agricultural Statistics Service (NASS), National Institute of Food and Agriculture (NIFA), FS, NRCS, FSA, FAS, RMA, APHIS, and Agricultural Marketing Service (AMS), among others.

International Climate Change Agreement. CCPO continued to represent the Department in international climate change negotiations. CCPO led USDA preparations for the 15th Conference of the Parties meeting under the UN Framework Convention on Climate Change (COP-15), including providing lead technical support to the Secretary for his participation in the meeting facilitating several inter-agency and stakeholder efforts to develop and implement initiatives announced by USDA at the meeting. These announcements included a new \$1 billion Fund to Reduce Deforestation, formation of a new 28 country Global Research Alliance to address agricultural GHG, agreement with the U.S. dairy industry to cut its emissions 25 percent by 2020, and release of a report summarizing the effects of climate change on U.S. ecosystems. In preparation for COP-15, CCPO provided extensive analytical and technical support to the Department of State and CEQ in developing strategies to address climate change and deforestation internationally.

Supply and Demand Monitoring and Reporting. WAOB continued to publish the monthly *World Agricultural Supply and Demand Estimates (WASDE)* report providing official world and U.S. supply and utilization estimates and forecasts for grains, oilseeds, and cotton and official estimates and forecasts for U.S. sugar, red meat, poultry, eggs, and milk. All *WASDE* reports were released as scheduled. WAOB staff cleared all USDA economic outlook reports released in FY 2010. WAOB staff issued a total of 12 monthly *WASDE* reports, 52 weekly *White House Memos* on the current situation in U.S. agricultural markets, and 250 *Daily Highlights of Agricultural Developments*.

End-users reported no errors and no significant criticisms at USDA forecasts. Post-lockup briefings were presented every month to the Secretary and radio interviews were recorded by WAOB for USDA. WAOB staff also participated in the annual NASS Data Users Conference in Chicago.

During the year, the current *WASDE* report was downloaded an average of 2,000 times per month from the OCE Web site and 16,000 times per month from the USDA-Cornell Web site, a site operated by Cornell University through a partnership relationship with USDA. In addition, 10,000 subscribers to a Cornell-managed Listserve system received the *WASDE* report every month.

WAOB staff prepared numerous special economic reports and weather assessments for the Secretary, the Chief Economist, and other U.S. Departments and Agencies. For example, WAOB prepared multiple analyses of the Renewable Fuels Standard (RFS) and USDA's baseline ethanol assumption, the impact of weak demand on the U.S. hog sector, and the impact of Typhoon Lupit on Philippines agriculture, the 2010 Russian drought and its impact on world grain trade and markets, the impact of severe flooding on Pakistan's cotton and rice crops, analyses and information on ethanol production and use, ethanol producer margins, blender incentives, production capacity, and capacity utilization, and an analysis of the factors affecting biodiesel consumption, edible use of oils, and vegetable oil prices. WAOB staff worked with the EPA to evaluate the potential impacts for the North American canola market of including canola oil as a permitted biofuels feedstock under a modified RFS II rule. WAOB staff also presented weekly weather and market briefings to staff in the Office of the Secretary and other senior Departmental staff.

Baseline Projections. In February 2010, WAOB oversaw publication of inter-agency 10-year baseline economic projections which provided timely insight and strategic planning information for the President's budget, agricultural producers, other agribusinesses and policy officials.

Briefings and Media Events. The WAOB Chairman recorded in excess of 30 interviews for USDA radio and the Berns Bureau, and along with other WAOB staff, delivered numerous speeches and briefings explaining USDA's commodity situation and outlook projections to industry groups. For example, WAOB staff presented at the TD NewCrest Commodity Conference, Governor's Biofuels Coalition, Green Markets Webinar, PRX Annual Seminar, Cotton Beltwide Economics and Marketing Conference, Cotton

Committee of the National Council of Farmer Cooperatives, and Institute of Shortening and Edible Oils Annual Meeting. WAOB staff also provided briefings on USDA's commodity analysis program to delegations from Argentina, China, South Africa, and Korea, among others.

The USDA-WAOB Chief Meteorologist presented papers at World Meteorological Organization (WMO) sponsored workshops in Korea, Spain, and Brazil. After each workshop the Chief Meteorologist also chaired a WMO-Commission for Agricultural Meteorology (CAgM) expert team meeting. The Chief Meteorologist also conducted training workshops in Slovenia on drought risk assessment for the agricultural sector for participants from southeastern Europe.

Weather Analysis. The Joint Agricultural Weather Facility (JAWF), which includes staff from WAOB and the National Weather Service (NWS), published 52 *Weekly Weather and Crop Bulletins (WWCB)*, issued 250 *Morning Weather Summaries*, prepared national agricultural weather summaries, and contributed to 52 weekly *U.S. Drought Monitors*, which is produced jointly by USDA, NWS, and the Drought Mitigation Center in Lincoln, Nebraska. All *WWCB* were released on time and without incident. The weather component of the "Daily Agricultural Highlights" and the "Weekly Weather and Economics Briefing" were delivered as scheduled to the Secretary, Under Secretary for Farm and Foreign Agricultural Services, and other senior USDA staff.

During FY 2010, the *WWCB* was accessed an average of 19,000 times per month from the OCE Web site and downloaded 2,900 times per month from the Cornell Web site. An additional 3,800 subscribers received the bulletin through the Cornell Listserv service. The weekly *International Weather and Crop Highlights* was accessed an average of 5,200 times per month from the OCE Web site and the *Major World Crop Areas and Climatic Profiles* publication was accessed an average of 28,300 times per month.

JAWF prepared numerous early warnings and assessments of significant weather events that affected agriculture for Chief Economist and other senior USDA staff. These included analyses of the impact of rainfall and strong winds from Tropical Storm Ida on the cotton crop, the impact of freezing weather on California citrus, the impact of multiple cold air outbreaks on Florida citrus, sugarcane, and strawberries, the impact of record spring rainfall in the Tennessee and Ohio Valleys, and freeze impacts on emerging corn in the Corn Belt.

WAOB continued to actively participate in and support the WMO, which promotes agro-meteorological applications for sustainable food production activities. The Chief Meteorologist served on the eight-member WMO-CAgM Management Group, which formulates commission policy, develops strategic planning, and evaluates the progress of all program areas.

WAOB conducted periodic meetings of the USDA Remote Sensing Coordination Committee and actively took part in and supported WMO activities. WAOB also continues to lead participation in the World Agrometeorological Information System (WAMIS), a global Web server for advisories, data, and other agricultural weather products hosted by the WMO. Participation in WAMIS has increased from 37 countries in 2008 to 50 in 2010.

USDA Agricultural Outlook Forum. WAOB staff planned, coordinated, and chaired the program committee for USDA's 2010 Agricultural Outlook Forum, "*Sustainable Agriculture: The Key to Health and Prosperity.*" The 2-day program attracted 1,821 attendees and included 25 sessions on major issues affecting rural America, including commodity economics, rural communities, conservation, nutrition, food price trends, farm income, organics, sustainability, food safety, global commerce, and climate change.

Analyses Reviewed. In FY 2010, ORACBA staff provided substantive reviews of economic analyses and proposed regulations to improve food safety, nutrition, and cost control in USDA food assistance and school feeding programs, risk assessments and economic analyses supporting implementation of Farm Bill programs, including regulations to establish the catfish inspection program (Food Safety and Inspection Service [FSIS]) and to ensure fair contracting and trade practices in livestock and poultry markets (Grain

Inspection, Packers and Stockyards Administration [GIPSA]). ORACBA provided economic and scientific review in support of regulations protecting animal health from diseases (Avian influenza [AI] and Bovine Spongiform Encephalopathy [BSE]), risk assessments and economic analyses for regulations to protect plant health from diseases such as citrus canker and citrus greening, and to ensure appropriate and cost-effective risk mitigations and enable trade and control of invasive species, e.g. importation of plants for planting (nursery stock) and pests associated with imported citrus. ORACBA staff regulatory reviews supported implementation of new programs and delivery of existing programs across all USDA mission areas. ORACBA reviewed analyses for 15 USDA proposed and final rules during FY 2010.

Risk Analysis Leadership and Consultation. ORACBA provided guidance to USDA agencies developing risk assessments related to forest management programs, imported fruits and vegetables, nutrition, foodborne pathogens, and animal diseases, including BSE and foot-and-mouth disease. ORACBA participated in the scientific review of the EPA pesticide risk assessments. ORACBA also actively participated in the 18-agency Risk Assessment Consortium to enhance communication and coordination among the agencies with food safety responsibilities and promote scientific research that will facilitate risk assessments. Such research assists USDA regulatory agencies in fulfilling their specific food-safety risk management mandates. Throughout FY 2010, ORACBA Supported the Codex Committee on Food Hygiene as members serving on international expert panels on microbial (*Campylobacter* and *Salmonella*) risk assessment and as a resource to the US delegation to Codex.

During FY 2010, ORACBA staff provided scientific expertise and advice in support of food safety and trade, including serving on the Joint Food and Agricultural Organization-World Health Organization expert panel on the food safety implications of nanotechnology in food and agriculture and development of criteria for determining the applicable regulatory standard for *Listeria monocytogenes* in ready-to-eat food, served on UN's technical committees to reduce the use of ozone depleting substances and adopt sustainable agricultural practices, supported agencies required to conduct risk assessments and cost-benefit analyses, and provided analysis to the Department and other Federal agencies to evaluate environmental issues affecting agriculture and on matters pertaining to agriculture and environmental quality (air and water quality), pesticide use, and endangered species. This included reviews of the EPA chemical and pesticide risk assessments, assessing the impact on agriculture of buffers proposed by EPA for fumigant use, and serving on the EPA Federal Insecticide, Fungicide, and Rodenticide Act Scientific Advisory Panel. ORACBA staff served on the Food and Drug Administration's (FDA) Transmissible Spongiform Advisory Committee considering human health risk from prion-associated diseases.

Risk Communication and Outreach. ORACBA continued to improve risk communication among USDA analysts concerning developments in risk assessment and economic analysis. ORACBA also provided risk assessment studies to analysts worldwide. ORACBA conducted numerous seminars, workshops, and consultations on risk analysis for government groups and land-grant universities. ORACBA staff presented risk assessment results and regulatory analyses at professional meetings for government, industry, and university scientists and economists and published articles on nanotechnology, food safety and invasive species in peer reviewed scholarly journals. ORACBA staff reviewed scientific and economic papers for professional journals and for USDA publications. ORACBA disseminates an electronic newsletter informing approximately 700 subscribers of developments in risk assessment and training opportunities.

Risk Assessment Education and Training. ORACBA scientists presented research on microbial food safety risks and exposure and oral toxicity of nanomaterials at the Society for Risk Analysis annual meeting. ORACBA worked closely with the Joint Institute for Food Safety, the University of Maryland, and the FDA to promote both basic and advanced courses in risk assessment methods. ORACBA staff delivered lectures on ecological risk assessment and environmental policy at local universities. ORACBA's Risk Forums featured nationally prominent speakers on risk assessment in the fields of public health, economics and dietary exposure to chemical risks.

BioPreferred. OEPNU continued its involvement in biobased products research, focusing on better understanding the current use of biobased products in complex assemblies, such as automobiles, powered

equipment, building construction, and electronics assemblies. Several workshops were held with representatives from the automobile industry, architectural firms, and property developers to better understand the opportunities for biobased components. OEPNU staff continued to provide feedback to USDA's Departmental Management in the development of a labeling program for biobased products.

Biodiesel Fuel Education Program. OEPNU, along with NIFA, continued to track activities, outcomes, and coordinate efforts under the national Biodiesel Fuel Education Program. The primary objective of the program is to educate the public and others on the benefits of biodiesel. Today more than two thirds of Americans are familiar with the benefits of biodiesel, more than twice as many before the program began just five years ago. Twice a year OEPNU convenes a USDA inter-agency panel to review progress on program goals, including the development of an education outreach system that delivers useful and consistent information about the benefits of biodiesel. In FY2010, the program began using eXtension to distribute information about biodiesel and submitted 45 articles to the eXtension Web site. A 4-H curriculum, including 8 lessons, has been developed for children ages 8-12 and will be available in 2011.

Energy and Bioenergy Analysis. In FY 2010, OEPNU published the research reports *2008 Energy Balance for the Corn-Ethanol Industry* and *Energy Life-Cycle Assessment of Soybean Biodiesel*, as well as the Biobased Economy Indicators Report to Congress. During FY 2010, OEPNU coordinated departmental interaction with the EPA on the Final Rule and supplemental to the Final Rule of the Renewable Fuels Standards of the Energy Independence and Security Act of 2007. OEPNU staff also reviewed numerous Federal officials' testimonies related to the Deepwater Horizon oil spill, coordinated the input of the renewable energy activities into the Department's strategic plan, and contributed bioenergy input to the NRCS Soil and Water Resources Conservation Act assessment, and sponsored a workshop innovation lab through the Milken Institute to assess financing needs and potential instruments needed by the bioenergy and biobased product industries. In FY 2010 the Milken Institute released a summary report of earlier workshops, sponsored in part by OEPNU: *Financial Innovations for Energy Infrastructure, Financial Innovations Lab Report, The Grid, and Renewables and Beyond*. OEPNU participated and contributed to a number of DOE workshops and conferences including Indirect Land Use; Energy Efficiency and Renewable Energy technology platform review, exploring options for utilizing biomass for power generation, and biomass production and utilization for liquid transportation fuels.

OEPNU reviewed proposed renewable energy legislation and testimonies by administration officials; prepared numerous Departmental correspondences; completed numerous staff analyses for the Office of the Secretary and the Chief Economist, including work on biodiesel, sugar and corn ethanol, fertilizer issues, bioproducts, energy legislation, wind, and energy use; published and distributed USDA's internal newsletter on renewable energy; and reviewed a number of requests for funding for renewable energy projects for the Rural Development Mission Area. OEPNU staff participated on numerous interagency working groups and committees, workshops and conferences sponsored by Federal agencies, academic institutions, and industry organizations that addressed energy issues, including biomass production, indirect land use and policy, feedstocks, infrastructure, transportation, investment, and rural wealth. OEPNU contributed to analysis supporting *A USDA Regional Roadmap to Meeting the Biofuels Goals of the Renewable Fuels Standard by 2022*—a major bioenergy report released by the Department in June 2010.

OEPNU completed a draft paper titled "Solar Energy Use on Farms in the United States: Overview and Policy Issues" which is in the clearance process for publication in FY 2011. Another publication, "Renewable Power Opportunities for Rural Communities," has received departmental clearance and is scheduled for publication in March 2011. During FY 2011 OEPNU will be leading the mission areas in jointly developing a USDA Renewable Energy Strategy to be added to the *USDA Strategic Plan*.

Cooperative Energy Research. OEPNU continued to conduct cooperative research work with a number of academic institutions, including Iowa State University, Purdue University, University of Minnesota, University of Florida, Tuskegee University and University of Georgia. Research spanned a wide range of topics that included life cycle analysis, health benefits from ethanol production and use, land-use, policy simulations, biobased market analyses, reduction of greenhouse gas emissions associated with indirect land

uses, policy, and on-farm greenhouse gas reduction strategies. Additional topics included identification and assessment of critical factors for success of a biomass conversion plant for agricultural, yard (residential), and wood residues, power grid infrastructure issues, price volatility, and bioindicators. Outputs from the cooperative research included research reports, chapters in books, journal publications, and papers for conferences. And finally, a new project was initiated in FY 2010 with the National Center for Food and Agriculture Policy examining the price coherency of biomass “commodities.”

Chesapeake Bay Executive Order. In FY 2010, OEM staff coauthored the Environmental Markets chapter for the *Strategy for Protecting and Restoring the Chesapeake Bay Watershed*. In support of the Chesapeake Bay Executive Order Strategy, OEM established an Interagency Environmental Markets Team to facilitate the collaboration between 12 federal agencies, hosted monthly meetings, adopted a charter agreement and established a FY 2011 Plan of Work. In addition, OEM formed a water quality work group and led the development of a “baselines” draft issue paper. OEM also worked closely with the EPA to develop a draft discussion paper highlighting *Common Elements and Performance Standards for Offsets and Water Quality Trading*, used the paper as a foundation for discussions with all six Chesapeake Bay watershed states, and assisted in drafting the Total Maximum Daily Load (TMDL) Offsets Appendix to the *Draft Chesapeake Bay TMDL*, released by the EPA in September 2010.

Research and Cooperative Activities. OEM developed a Memorandum of Understanding (MOU) with the EPA and the Electric Power Research Institute to advance ecosystem services research efforts in the Ohio River and Upper Mississippi River Basins. The MOU focuses on: 1) coordination of ecosystem services research efforts; 2) identification of barriers to ecosystem services management; and, 3) involvement with demonstration projects. OEM also developed a detailed series of tasks designed to achieve the MOU goals.

OEM also contracted with the University of California, Berkley for a *Farm of the Future* project profiling working farms, forests, and ranches currently participating in environmental markets or receiving payments for ecosystem services. Through case study and illustration, the project documents how environmental markets work for landowners and communities and the challenges and opportunities these markets present. The Farm of the Future project will launch in FY 2011 and cover 5 case studies with fact sheets and posters.

Water Quality Guideline Development. OEM entered into an agreement with the University of Maryland, College Park (UMD) to design a science-based process for developing water quality guidelines beginning with the Chesapeake Bay states and then expanding to a nation-wide protocol. UMD has utilized a broad stakeholder process to develop efficiencies for the Best Management Practices (BMP) in the Chesapeake Bay, which is a key component of an overall course of action in designing the environmental markets infrastructure. This project will expand the stakeholder process for creating a national market design to include additional elements to measure load reductions, analyze baselines, evaluate delivery coefficients, and design an entrance mechanism for new technologies. UMD will be convening a series of stakeholder listening sessions to collect input on specific issues and bring together subject matter specialists to craft a process for establishing science-based water quality trading protocols. A draft template for water quality guidelines is scheduled for February 2011 with a final version scheduled for the end of calendar year 2011.

Nutrient Trading Tool Model Development. OEM entered into an agreement with Tarleton State University to provide data preparation for the Nutrient Trading Tool (NTT) and provide technical transfer services on the Agricultural Policy/Environmental eXtender (APEX) model. The NTT, designed and developed by the Natural Resources Conservation Service, Agricultural Research Service, and Texas Institute for Applied Environment Research, calculates changes in nitrogen, phosphorous, and sediment loss potential, and crop yield so that agricultural producers and land managers can compare the nitrogen, phosphorous, sediment loss potential, and crop yield difference between a baseline management system and an alternative conservation management system. The APEX model extends the NTT model capabilities to whole farms and small watersheds. The agreement with Tarleton State University also mandates a series of workshops and meetings to transfer fundamental APEX calibration data and knowledge to USDA staff. In this project, the soils, climatic and agronomic databases are scheduled to be completed for the 6 Chesapeake Bay states by the end of 2011 and nationwide by the end of 2012.

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Summary of Budget and Performance  
Statement of Department Goals and Objectives

The mission of OCE is to advise the Secretary of Agriculture on the economic implications of Department policies, programs and proposed legislation; to ensure the public has consistent, objective and reliable agricultural forecasts; to promote effective and efficient rules governing Departmental programs; to coordinate Departmental energy policy, programs, and strategies; coordinate Departmental climate change policy, programs, products, and strategies; and foster the development of environmental markets.

OCE has 6 strategic goals and 7 strategic objectives that contribute to all of the Secretary's strategic goals, but specifically to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving and ensure our national forests and private working lands are conserved, restricted, and made more resilient to climate change, while enhancing our water resources.

USDA Strategic Goal	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
All USDA Strategic Goals	<b>Agency Goal 1:</b> Ensure the Secretary of Agriculture receives timely, independent, objective economic analyses on critical Departmental program and policy issues.	<u>Objective 1.1:</u> Provide economic intelligence and analysis to support Departmental policy and program decisions.	Chief Economist and Immediate Office (IO)	<u>Key Outcome 1:</u> Senior USDA leadership understands markets and the economic impacts of policy options
	<b>Agency Goal 2:</b> Significant and economically significant regulations affecting the public are based on sound, objective, and appropriate risk assessments and economic analysis.	<u>Objective 2.1:</u> Review and support regulatory impact analyses and risk assessments for significant and economically significant USDA regulations.	Office of Risk Assessment and Cost-Benefit Analysis (ORACBA)	<u>Key Outcome 2:</u> Significant and economically significant regulations proposed by USDA are based on sound scientific and economic analysis
USDA Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving	<b>Agency Goal 3:</b> Improve the U.S. agricultural economy by facilitating efficient price discovery in agricultural markets.	<u>Objective 3.1:</u> Coordinate release of timely and objective agricultural commodity supply, demand, and price estimates.	World Agricultural Outlook Board (WAOB)	<u>Key Outcome 3:</u> 12 monthly <i>World Agricultural Supply and Demand Estimates</i> (WASDE) reports issued
	<b>Agency Goal 4:</b> Coordinate Departmental energy policy, programs, and strategies.	<u>Objective 4.1:</u> Analyze renewable energy, biobased product, and bioenergy policies, programs, and markets.	Office of Energy Policy and New Uses (OEPNU)	<u>Key Outcome 4:</u> Timely, objective energy policy analysis meets the needs of senior USDA leadership

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USDA Strategic Goal	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<b>USDA Strategic Goal:</b> Ensure our national forests and private working lands are conserved, restored, and made more resilient to climate change, while enhancing our water resources	<b>Agency Goal 5:</b> Coordinate Departmental climate change policy, programs, products, and strategies.	<u>Objective 5.1:</u> Coordinate USDA climate change policy, programs, and products.  <u>Objective 5.2:</u> Establish technical guidelines measuring GHG benefits from conservation and land management activities.	Climate Change Program Office (CCPO)	<u>Key Outcome 5:</u> Increased participation of farmers, ranchers, and forest landowners in greenhouse gas markets
	<b>Agency Goal 6:</b> Support Departmental efforts to develop markets for ecosystem services.	<u>Objective 6.1:</u> Support development of guidelines for establishing a market infrastructure that facilitates market-based approaches to agriculture, forest, and rangeland conservation.	Office of Environmental Markets (OEM)	<u>Key Outcome 6:</u> A robust, accessible, and scientifically credible market system that protects and enhances agriculture, forest, and rangeland conservation.

**Key Outcome 1:** Senior USDA leadership understands markets and the economic impacts of policy options.

**Long-term Performance Measure:** The Secretary of Agriculture and other senior USDA leadership are satisfied with Chief Economist and IO staff support of Departmental programs across all mission areas. Measurement of the performance of the Chief Economist and IO staff is qualitative and provided by direct feedback to the Chief Economist from the Secretary and other senior leadership. The baseline performance is providing excellent support. The target performance is to continue to provide excellent support.

**Selected Past Accomplishments toward Achievement of the Key Outcome:**

The Chief Economist and IO supported Departmental programs across all mission areas by reviewing and providing economic analysis of proposed program regulations, participating in interagency working groups, and helping to ensure effective and efficient program and policy development. Selected past accomplishments include:

- Chief Economist and IO staff provided policy and program analysis and advice to the Secretary in the areas of international trade agreements, risk-sharing institutions, crop insurance, commodity and conservation programs, sustainable development, climate change, agricultural labor, and alternative/renewable energy;
- Chief Economist chaired the Board of Directors of the Federal Crop Insurance Corporation (FCIC), the Capper-Volstead Act Committee, and served on the USDA Energy Council;
- Provided regular oral and written briefings to the Secretary and other key leaders on legislation, market developments, and key economic events affecting agriculture, forestry, and rural America;

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- Assisted the Secretary's communication office in developing speech text and in the use of economic information for speeches of top officials and in press releases and provided subcabinet officials with economic intelligence relevant to the administration of their program areas and USDA in general;
- Reviewed Congressional testimony of executive branch officials and Department correspondence for economic content, testified before Congress, and prepared analyses for members of Congress, their staffs, and Agriculture and Appropriations Committee staffs on the impacts of legislative proposals;
- Represented the Department on U.S. delegations to international discussions of sustainable development, international trade or other issues and served as a source of objective, analytical assessments of the effects of proposals made in international forums that would affect agreements, treaties or other obligations of the Department; and
- Led and coordinated cross-mission area work on sustainable development and agricultural labor markets, including chairing the USDA Council on Sustainable Development, representing USDA in international multilateral environmental negotiations, and other issues as requested by the Secretary.

Selected Accomplishments Expected at the FY 2012 Proposed Resource Level:

The Chief Economist and IO expect to provide substantially the same level of support in FY 2012 to Departmental programs across all mission areas.

Key expected accomplishments are:

- Provide analysis and advice to the Secretary in the areas of commodity and conservation programs, agricultural market conditions, climate change, alternative/renewable energy, agricultural labor, sustainable development, international trade agreements, risk-sharing institutions, and crop insurance;
- Testify before Congress and prepare analyses when requested for Members of Congress and their staffs on the effects of legislative proposals or other topics of interest;
- Chair Board of Directors of the FCIC and Capper-Volstead Act Committee;
- Represent the Department on U.S. delegations to international discussions of sustainable development, international trade, or other issues and provide objective assessments of the effects of proposals made in international forums that would affect agreements, treaties or other obligations of the Department;
- Lead and coordinate cross-mission area work on sustainable development, including chairing the USDA Council on Sustainable Development; and
- Support Departmental efforts on issues related to agricultural labor and immigration reform.

**Key Outcome 2:** Significant and economically significant regulations proposed by USDA are based on sound scientific and economic analysis.

**Long-term Performance Measure:** Review 60 regulatory impact analyses and risk assessments for the Department. The baseline performance is reviewing 60 regulatory impact analyses and risk assessments. The target performance is to continue to review 60 regulatory impact analyses and risk assessments.

Selected Past Accomplishments toward Achievement of the Key Outcome:

ORACBA staff reviewed significant and economically significant regulations primarily intended to affect human health, safety or the environment to ensure they are based on appropriate risk assessments and economic analyses that can serve as a basis for selecting cost-effective management options for hazards managed by USDA. Selected past accomplishments include:

- Reviewed economic analyses and proposed regulations to improve food safety, nutrition, and cost control in USDA food and nutrition assistance programs;
- Provided substantive reviews of risk assessments and economic analyses supporting implementation of Farm Bill programs, including regulations to establish the catfish inspection program (Food Safety and Inspection Service) and to ensure fair contracting and trade practices in livestock and poultry markets (Grain Inspection, Packers and Stockyards Administration);
- Provided economic and scientific review and guidance in support of regulations protecting animal health from diseases (Avian influenza [AI] and Bovine Spongiform Encephalopathy [BSE]);

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- Reviewed risk assessments and economic analyses for regulations to protect plant health from citrus canker and citrus greening and importation of Argentine lemons to ensure appropriate and cost-effective risk mitigations and enable trade; and
- Provided analysis to the Department and other Federal agencies to evaluate environmental issues affecting agriculture and on matters pertaining to agriculture and environmental quality (air and water quality), pesticide use, and endangered species. This included review of the Environmental Protection Agency (EPA) perchlorate risk assessment, assessing the impact on agriculture of buffers proposed by EPA for fumigant use, and serving on the EPA Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) Scientific Advisory Panel.

Selected Accomplishments Expected at the FY 2012 Proposed Resource Level:

ORACBA expects to provide substantially the same level of support in FY 2012 to Departmental programs across all mission areas by ensuring that all significant and economically significant regulations proposed by USDA are based on sound scientific and economic analysis. Key expected accomplishments are:

- Review approximately 60 cost-benefit analyses and risk assessments; and
- Produce 12 issues of *ORACBA News* and hold periodic risk forum training seminars.

Key Outcome 3: 12 monthly *WASDE* reports issued.

Long-term Performance Measure: Issue 12 monthly *WASDE* reports each year providing timely, comprehensive, objective agricultural commodity supply, demand, and price estimates, providing a benchmark for U.S. and global markets to respond to expected changes in commodity supply and demand and thereby contributing to efficient price discovery in agricultural markets. The baseline and target performances are issuing 12 *WASDE* reports.

Selected Past Accomplishments toward Achievement of the Key Outcome:

WAOB staff coordinated the development and release of consistent and accurate market-sensitive agricultural commodity estimates in the monthly *WASDE* report, a Principle Federal Economic Indicator. Selected past accomplishments include:

- WAOB staff issued 12 monthly *WASDE* reports, 52 *Weekly Weather and Crop Bulletins*, 52 weekly *White House Memos* on the current situation in U.S. agricultural markets, and nearly 250 *Daily Highlights of Agricultural Developments* and *Daily U.S. Agricultural Weather Highlights*;
- Reviewed and assured consistency across the situation and outlook products issued by other USDA agencies, including written reports, market updates, special analyses, and long-range forecasts;
- Provided an annual comprehensive situation and outlook forum for agriculture that incorporates the viewpoints of and participation by analysts from USDA, academia, and the private sector; and
- Prepared numerous special economic reports and weather assessments for the Secretary and Chief Economist, including analyses of the Renewable Fuels Standard and USDA's baseline ethanol assumption, the impact of weak demand on the U.S. hog sector, the potential impact on fruit and vegetable output of the January 2010 Florida freeze, U.S. tomato price trends, the impact of Typhoon Lupit on Philippines agriculture, the impact of strong winds and heavy rainfall from Tropical Storm Ida on the southeastern U.S. cotton harvest in November 2009, and the April 2010 freeze impacts on emerging corn in the U.S. corn belt, as well as presenting weekly weather and market briefings to staff in the Office of the Secretary and other senior Departmental staff.

Selected Accomplishments Expected at the FY 2012 Proposed Resource Level:

WAOB expects to provide substantially the same level of support to the Department in FY 2012 by serving as USDA's focal point for economic intelligence and the commodity outlook for U.S. and world agriculture. Key expected accomplishments are:

- Issue 12 monthly *WASDE* reports;
- Deliver 52 weekly Weather and Economics Briefing reports to the Chief Economist and senior staff;
- Issue daily national agricultural weather summaries;

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- On a rotating basis, prepare issues of the weekly *U.S. Drought Monitor*, produced jointly with the National Weather Service and the National Drought Mitigation Center in Nebraska;
- Organize the annual USDA Agricultural Outlook Forum; and
- Prepare economic assessments of current issues or weather events at the request of the Chief Economist and other senior Department staff.

**Key Outcome 4:** Timely, objective energy policy analysis meets the needs of senior USDA leadership.

Long-term Performance Measure: The Secretary of Agriculture and other senior USDA leadership are satisfied with OEPNU energy policy analysis and coordination activities. Measurement of the performance of the Office of Energy Policy and New Uses (OEPNU) is qualitative and is provided by direct feedback from the Chief Economist and other senior USDA leadership. The baseline performance is providing excellent energy policy analysis and coordination. The target performance is to continue to provide excellent energy policy analysis and coordination.

Selected Past Accomplishments toward Achievement of the Key Outcome:

OEPNU staff supported coordination of Departmental energy policy, programs, and strategies. Selected past accomplishments include:

- Coordinated Departmental energy policy, programs, and strategies by providing assessments, reports, briefings, speeches, control letters, and analyses;
- Co-sponsored the Life-Cycle Analysis Conference with Argonne National Laboratory, October 2010;
- Sponsored workshop innovation lab through Milken Institute to assess financing needs and potential instruments needed by the bioenergy and biobased product industries;
- Published *Energy Life-Cycle Assessment of Soybean Biodiesel* and *2008 Energy Balance for the Corn-Ethanol Industry*;
- Completed report to Congress: *Biobased Economy Indicators Report to Congress*;
- Provided leadership to departmental group developing Secretary's Biofuels Information tool; and
- Coordinated Departmental interaction with the EPA on the Final Rule and supplemental to the Final Rule of the Renewable Fuels Standards of the Energy Independence and Security Act of 2007.

Selected Accomplishments Expected at the FY 2012 Proposed Resource Level:

OEPNU expects to provide substantially the same level of support to the Department in FY 2012 serving as the focal point for energy and agriculture issues. Key expected accomplishments are:

- Coordinate Departmental energy policy, programs, and strategies by providing assessments, reports, briefings, speeches, and analyses for senior USDA staff and other policymakers;
- Continue cooperative research activities on renewable energy and biobased products with academic and other institutions, expanding understanding of bioenergy and biobased feedstock markets; and
- Sponsor/help coordinate 1-2 workshops a year supporting infrastructure and finance to increase renewable energy and biobased production and use.

**Key Outcome 5:** Increased participation of farmers, ranchers, and forest landowners in greenhouse gas markets.

Long-term Performance Measure: (1) The Secretary of Agriculture and other senior USDA leadership are satisfied with the Climate Change Program Office (CCPO) climate change policy analysis and coordination activities. Measurement of the performance of CCPO is qualitative and is provided by direct feedback from the Chief Economist and other senior USDA leadership. The baseline performance is providing excellent climate change policy analysis and coordination. The target performance is to continue to provide excellent climate change policy analysis and coordination. (2) Percent completion of development of technical guidelines for measuring the GHG benefits from conservation and land management activities. The target performance for FY 2012 is completion of 75 percent of the technical guidelines.

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Selected Past Accomplishments toward Achievement of the Key Outcome:

CCPO staff coordinated USDA climate change policy, programs and strategies and began planning for the new program establishing technical guidelines to measure the GHG benefits from conservation and land management activities. Selected past accomplishments include:

- Represented the Department at the 15th Session of the United Nations Framework Convention on Climate Change and provided support to the Secretary during his formal participation in events;
- Coordinated Departmental reviews of climate change legislation proposed by Senator Stabenow and separate legislation proposed by Senators Kerry and Lieberman;
- Provided contributions to the new USDA Strategic Plan ensuring that the plan included goals and milestones reflecting climate change mitigation and adaptation;
- Negotiated the creation of a major international climate change research consortium for agriculture (Global Research Alliance on Agricultural Greenhouse Gases) announced in December 2010 at the Copenhagen climate change negotiations including participation of 29 countries;
- Prepared the third USDA Greenhouse Gas Inventory of the Forest and Agriculture Sectors; and
- Initiated a 3-year effort to develop science-based methods and technical guidelines for quantifying greenhouse gas sources and sinks in the forest and agriculture sectors.

Selected Accomplishments Expected at the FY 2012 Proposed Resource Level:

CCPO expects to provide substantially the same level of support in FY 2012 by coordinating Departmental climate change policy, programs and strategies. Key expected accomplishments are:

- Develop revised technical greenhouse gas reporting guidelines that can meet the needs of voluntary greenhouse gas registries, USDA programs, and a potential federal greenhouse gas offsets market;
- Coordinate Departmental climate change policy, programs, strategies, and products;
- Conduct analysis, long range planning, research, and response strategies related to climate change mitigation and adaptation and liaison with other Federal agencies; and
- Coordinate with NRCS, Forest Service, and FSA integrating greenhouse gas considerations into USDA conservation programs.

**Key Outcome 6:** A robust, accessible, and scientifically credible market system that protects and enhances agriculture, forest, and rangeland conservation.

Long-term Performance Measure: Supporting development of guidelines facilitating market-based approaches to agriculture, forest, and rangeland conservation. The target performance for FY 2012 is to establish a performance baseline for this new program.

Selected Past Accomplishments toward Achievement of the Key Outcome:

OEM staff worked to set up the office and began the process of engaging stakeholders in order to initiate the process of supporting the development of uniform standards and market infrastructure that will facilitate market-based approaches to agriculture, forest, and rangeland conservation. Selected past accomplishments include:

- Coauthored the Environmental Markets chapter for the *Strategy for Protecting and Restoring the Chesapeake Bay Watershed*;
- In support of the Chesapeake Bay Executive Order Strategy, an Interagency Environmental Markets Team was established to facilitate the collaboration between 12 federal agencies, hosted monthly meetings, adopted a charter agreement and established a FY 2011 Plan of Work;
- Together with the EPA, developed a draft discussion paper highlighting *Common Elements and Performance Standards for Offsets and Water Quality Trading*, which served as a foundation for discussions with all six Chesapeake Bay watershed states;
- Assisted in drafting the Total Maximum Daily Load (TMDL) Offsets Appendix to the *Draft Chesapeake Bay TMDL*, released by the EPA in September 2010;

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- Developed a Memorandum of Understanding with the EPA and the Electric Power Research Institute to advance ecosystem services research efforts in the Ohio River and Upper Mississippi River Basins;
- Entered into an agreement with the University of Maryland, College Park (UMD) to design a science-based process for developing water quality guidelines beginning with the Chesapeake Bay states and then expanding to a nation-wide protocol; and
- Entered into an agreement with Tarleton State University to provide data preparation for the Nutrient Trading Tool and provide technical transfer services on the Agricultural Policy/Environmental eXtender model, important tools for assessing conservation management systems.

Selected Accomplishments Expected at the FY 2012 Proposed Resource Level:

OEM expects to provide substantially the same level of support in FY 2012 in spearheading USDA's efforts to develop uniform standards and market infrastructure that will facilitate market-based approaches to agriculture, forest, and rangeland conservation. Key expected accomplishments are:

- Catalyze the development of markets for ecosystem services; and
- Provide administrative and technical assistance to the Secretary in implementing Section 2709 of the 2008 Farm Bill by supporting the development of guidelines for market infrastructure that will facilitate market-based approaches to agriculture, forest, and rangeland conservation.

Strategic Goal Funding Matrix  
(On basis of appropriation)

	<u>2010 Actual</u>		<u>2011 Estimated</u>		Increase or Decrease	<u>2012 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
<b>All Goals</b>							
Chief Economist, IO	\$2,226,016	8	\$2,347,000	8	\$-54,000	\$2,293,000	8
ORACBA	977,561	6	1,152,000	7	30,000	1,182,000	7
Total, All Goals	3,203,577	14	3,499,000	15	-24,000	3,475,000	15
<b>Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.</b>							
WAOB	5,081,572	26	5,104,000	28	2,000	5,106,000	27
OEPNU	1,472,854	7	1,529,000	7	40,000	1,569,000	7
Total, Goal	6,554,426	33	6,633,000	35	42,000	6,675,000	34
<b>Goal: Ensure our national forests and private working lands are conserved, restored, and made more resilient to climate change, while enhancing our water resources.</b>							
CCPO	2,891,301	5	2,400,000	6	625,000	3,025,000	6
OEM	--	--	500,000	3	1,521,000	2,021,000	5
Total, Goal	2,891,301	5	2,900,000	9	2,146,000	5,046,000	11
Total, Available	12,649,304	52	13,032,000	59	2,164,000	15,196,000	60

## OFFICE OF THE CHIEF ECONOMIST

Summary of Budget and Performance  
 Key Performance Outcomes and Measures  
 (Dollars in Thousands)

Key outcomes and performance measures under each of the agency's strategic goals as outlined below:

**All Strategic Goals**

Key Outcome: USDA leadership understands the economic implications of Department policies, programs, and proposed legislation. The objective of the Chief Economist and IO is to provide an economic foundation to all Departmental program and policy issue considerations and decisions through analysis, briefings, papers, and speeches.

Key Performance Measure: The Chief Economist and IO do not have a quantitative performance measure. The type of work in this program varies year to year depending on the needs of the Office of the Secretary and the Department. Although no quantitative performance measure is appropriate, assessments of program performance are obtained through feedback from the Office of the Secretary.

Key Performance Target:

Performance Measure	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Target	2012 Target
a. Economic policy, program analysis, and advice for the Secretary of Agriculture	N/A	N/A	N/A	N/A	N/A	N/A
b. Dollars	\$1,655	\$1,674	\$1,886	\$1,871	\$1,992	\$1,938

Key Outcome: Significant and economically significant regulations proposed by USDA are based on sound scientific and economic analysis. A major regulation concerns human health, safety or the environment and has an annual economic impact of at least \$100 million in 1994 dollars. ORACBA conducts a thorough analysis that makes clear the nature of the risk, alternative ways of reducing it, the reasoning that justifies the proposed rule, and compares the likely costs and benefits of reducing the risk.

Key Performance Measure:

- Measure #1: Conduct 60 reviews of cost-benefit analyses or risk assessments.

Key Performance Target:

Performance Measure	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Target	2012 Target
a. Review cost-benefit analyses and risk assessments	60	60	60	60	60	60
b. Dollars	\$827	\$814	\$805	\$773	\$931	\$958

## OFFICE OF THE CHIEF ECONOMIST

**Goal** – Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

**Key Outcome:** 12 monthly *World Agriculture Supply and Demand Estimates (WASDE)* reports issued. WAOB coordinates preparation and release of the report, which provides comprehensive, timely, and objective estimates of major agricultural commodity supply, demand, and prices. This Federal principal economic indicator establishes a benchmark for U.S. and global commodity markets to assess and respond to expected changes in commodity supply and demand, contributing to efficient market price discovery and well-functioning agricultural commodity markets.

**Key Performance Measure:**

- Measure #1: Issue 12 *WASDE* reports.

**Key Performance Target:**

Performance Measure	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Target	2012 Target
a. <i>WASDE</i> reports issued	12	12	12	12	12	12
b. Dollars	\$3,636	\$3,728	\$3,644	\$3,812	\$3,879	\$3,881

**Key Outcome:** Energy analysis meets the needs of senior USDA leadership. OEPNU provides economic and policy analysis and helps to coordinate Departmental research in the areas of renewable energy, bioenergy, and biobased products and markets.

**Key Performance Measure:** OEPNU does not have a quantitative performance measure. The type of work in this program varies year to year depending on the needs of the Chief Economist and the Office of the Secretary, and the Department. Although no quantitative performance measure is appropriate, assessments of program performance are obtained from feedback from the Chief Economist and Office of the Secretary.

**Key Performance Target:**

Performance Measure	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Target	2012 Target
a. Economic analyses, reports, studies, and conferences on agriculture and energy issues	N/A	N/A	N/A	N/A	N/A	N/A
b. Dollars	\$1,687	\$1,548	\$1,321	\$1,290	\$1,339	\$1,374

**Goal** – Ensure our national forests and private working lands are conserved, restored, and made more resilient to climate change, while enhancing our water resources.

**Key Outcome:** Increased participation of farmers, ranchers, and forest owners in greenhouse gas markets. CCPO coordinates Department-wide agriculture, rural, and forestry-related climate change policy, programs, and products. CCPO also leads the work of establishing technical guidelines measuring the greenhouse gas benefits from conservation and land management activities.

## OFFICE OF THE CHIEF ECONOMIST

Key Performance Measures:

- Measure #1: CCPO does not have a quantitative performance measure for its work coordinating USDA climate change policy, programs, and products, as this work varies year to year depending on the Office of the Secretary and the Department. Although no quantitative performance measure is appropriate, performance is assessed by feedback from the Chief Economist and the Office of the Secretary.
- Measure #2: Complete 75% of the development of technical guidelines measuring the GHG benefits from conservation and land management activities.

Key Performance Targets:

Performance Measure	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Target	2012 Target
Performance Measure #1						
a. Coordinate USDA climate change policy, programs, and products	N/A	N/A	N/A	N/A	N/A	N/A
b. Dollars	--	--	--	\$665	\$552	\$695
Performance Measure #2						
a. Percent completion of development of technical guidelines for measuring the GHG benefits from conservation and land management activities	N/A	N/A	N/A	Establish Baseline	50%	75%
b. Dollars	--	--	--	\$1,359	\$1,128	\$1,422

Key Outcome: A robust, accessible, and scientifically credible market system that protects and enhances agriculture, forest, and rangeland conservation. OEM supports Departmental activities in the development of ecosystem services markets, focusing on efforts to develop uniform standards and market infrastructure to facilitate market-based approaches to agriculture, forest, and rangeland conservation.

Key Performance Measure: OEM was transferred to OCE in FY 2011. The type of work in this program varies from year to year depending on the needs of the Chief Economist, the Office of the Secretary, and the Department. Although no quantitative performance measure is appropriate, assessments of program performance are obtained from feedback from the Chief Economist and Office of the Secretary.

Key Performance Target:

- Measure #1: A quantitative baseline measure will be established during FY 2012.

Performance Measure	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Target	2012 Target
a. Standards developed that facilitate market-based approaches to agriculture, forest, and rangeland conservation	N/A	N/A	N/A	N/A	Integrate New OCE Program	Establish Baseline
b. Dollars	--	--	--	--	\$500	\$2,021

## OFFICE OF THE CHIEF ECONOMIST

Summary of Budget and Performance  
Full Cost by Department Strategic Goal

<b>All Department Strategic Goals</b>				
<b>PROGRAM</b>	<b>PROGRAM ITEMS</b>	<b>2010 Amount (\$000)</b>	<b>2011 Amount (\$000)</b>	<b>2012 Amount (\$000)</b>
<b>Chief Economist and Immediate Office (IO)</b>				
	Economic Analysis	\$1,871	\$1,992	\$1,938
	Sustainable Development and Agricultural Labor	355	355	355
	<b>Total Costs</b>	<b>2,226</b>	<b>2,347</b>	<b>2,293</b>
	<i>FTEs</i>	8	8	8
	Performance Measure: Economic policy, program analysis, and advice for the Secretary of Agriculture			
	BY Performance	N/A	N/A	N/A
	Cost per measure (unit cost)	1,871	1,992	1,938
<b>Office of Risk Assessment and Cost-Benefit Analysis (ORACBA)</b>				
	Review Regulatory Impact Analyses	\$318	\$383	\$394
	Review Risk Assessments/Economic Analyses	455	548	564
	Risk Seminars, Training, and Research Collaboration	204	221	224
	<b>Total Costs</b>	<b>977</b>	<b>1,152</b>	<b>1,182</b>
	<i>FTEs</i>	6	7	7
	Performance Measure: Review cost-benefit analyses and risk assessments			
	BY Performance	60	60	60
	Cost per activity (unit cost)	13	16	16
<b>Total for All Strategic Goals</b>				
<b>Total Costs for All Strategic Goals</b>		<b>\$3,203</b>	<b>\$3,499</b>	<b>\$3,475</b>
	<i>FTEs</i>	14	15	15

## OFFICE OF THE CHIEF ECONOMIST

<b>Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating and economically thriving</b>				
<b>PROGRAM</b>	<b>PROGRAM ITEMS</b>	<b>2010 Amount (\$000)</b>	<b>2011 Amount (\$000)</b>	<b>2012 Amount (\$000)</b>
<b>World Agricultural Outlook Board (WAOB)</b>				
	WASDE Reports Issued	\$3,812	\$3,879	\$3,881
	Weekly Weather and Crop Bulletins Issued	445	429	429
	Weather/Crop Impact Assessments	825	796	796
	<b>Total Costs</b>	<b>5,082</b>	<b>5,104</b>	<b>5,106</b>
	<i>FTEs</i>	26	28	27
	Performance measure: <i>WASDE</i> reports issued			
	BY Performance	12 issues	12 issues	12 issues
	Cost per issue (unit cost)	318	323	323
<b>Office of Energy Policy and New Uses (OEPNU)</b>				
	Bio-/Renewable Energy/Biobased Product Analysis	\$1,290	\$1,339	\$1,374
	Biodiesel Fuel Education Program	74	76	78
	Increase BioBased Product Purchases/Labeling	109	114	117
	<b>Total Costs</b>	<b>1,473</b>	<b>1,529</b>	<b>1,569</b>
	<i>FTEs</i>	7	7	7
	Performance measure: Economic analyses, reports, studies, conferences on agriculture and energy issues			
	BY Performance	N/A	N/A	N/A
	Cost per measure (unit cost)	1,290	1,339	1,374
<b>Total for Strategic Goal</b>				
<b>Total Costs for Strategic Goal</b>		<b>\$6,555</b>	<b>\$6,633</b>	<b>\$6,675</b>
	<i>FTEs</i>	33	35	34

## OFFICE OF THE CHIEF ECONOMIST

<b>Department Strategic Goal: Ensure our national forests and private working lands are conserved, restored, and made more resilient to climate change, while enhancing our water resources</b>				
<b>PROGRAM</b>	<b>PROGRAM ITEMS</b>	<b>2010 Amount (\$000)</b>	<b>2011 Amount (\$000)</b>	<b>2012 Amount (\$000)</b>
<b>Climate Change Program Office (CCPO)</b>				
	Coordinate USDA Climate Change Policy, Programs, and Products	\$665	\$552	\$695
	Climate Change Analysis and Advice	867	720	908
	Establish Greenhouse Gas Guidelines and Tools	1,359	1,128	1,422
	<b>Total Costs</b>	<b>2,891</b>	<b>2,400</b>	<b>3,025</b>
	<i>FTEs</i>	5	6	6
	Performance measure: Coordinate USDA climate change policy, programs, and products			
	BY Performance	N/A	N/A	N/A
	Cost per measure (unit cost)	665	552	695
	Performance measure: Percent completion developing technical guidelines for measuring the GHG benefits from conservation and land management activities			
	BY Performance	Establish baseline	50%	75%
	Cost per measure (unit cost)	1,359	1,128	1,422
	<i>FTEs</i>	5	6	6
<b>Office of Environmental Markets (OEM)</b>				
	Support USDA Development of Ecosystem Services Markets	--	\$500	\$2,021
	<b>Total Costs</b>	<b>--</b>	<b>500</b>	<b>2,021</b>
	<i>FTEs</i>	--	3	5
	Performance measure: Standards developed that facilitate market-based approaches to agriculture, forest, and rangeland conservation			
	BY Performance	--	Integrate New OCE Program	Establish baseline
	Cost per measure (unit cost)	--	500	2,021
<b>Total for Strategic Goal</b>				
<b>Total Costs for Strategic Goal</b>		<b>\$2,891</b>	<b>\$2,900</b>	<b>\$5,046</b>
	<i>FTEs</i>	5	9	11
<b>Total for All Strategic Goals</b>		<b>\$12,649</b>	<b>\$13,032</b>	<b>\$15,196</b>
	<i>FTEs</i>	52	59	60