

2012 Explanatory Notes  
Economic Research Service

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## ECONOMIC RESEARCH SERVICE

Purpose Statement

The Economic Research Service (ERS) was established in 1961 from components of the former Bureau of Agricultural Economics principally under the authority of the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627). The mission of ERS is to inform and enhance public and private decision making on economic and policy issues related to agriculture, food, the environment, and rural development.

Activities to support this mission and the following goals involve research and development of economic and statistical indicators on a broad range of topics, including but not limited to global agricultural market conditions, trade restrictions, agribusiness concentration, farm and retail food prices, food borne illnesses, food labeling, nutrition, food assistance programs, agrichemical usage, livestock waste management, conservation, genetic diversity, technology transfer, and rural employment. Research results and economic indicators on such important agricultural, food, natural resource, and rural issues are fully disseminated to public and private decision makers through published and electronic reports and articles; special staff analyses, briefings, presentations, and papers; databases; and individual contacts. More information on ERS' program is contained on the ERS Web site ([www.ers.usda.gov](http://www.ers.usda.gov)).

The ERS headquarters is in Washington, D.C. ERS does not have any field offices. As of September 30, 2010, there were 376 permanent full-time employees.

In FY 2009, ERS was the subject of an external review of the agency's economic modeling activities. ERS commissioned a review by a panel of outside experts to study and evaluate practices employed to support the agency's institutional models. The panel concluded that many economic modeling practices meet or exceed disciplinary best practices for data and model development. During FY 2010, ERS developed approaches to address the panel's recommendations to identify strategies to ensure and improve the rigor, relevance, and adaptability of ERS' modeling staff and resources. ERS is taking steps through investment of funds, along with effort by ERS researchers, to modernize its modeling and data management platforms in order to reduce the technical complexity of the models and improve their capability, usability, and sustainability. ERS' hiring priorities have also been realigned to focus on recruiting and developing staff with modeling skills.

During May 2010, the Research, Education and Economics (REE) mission area of USDA conducted a review of public affairs programs in each of the four REE agencies, including ERS. A six-member committee of communications professionals from diverse backgrounds assessed ERS' communications efforts in the context of agency missions and priorities, concentrating on the mix of various traditional and new media, examining relationships among the REE public affairs offices and key partners in USDA public affairs, and identifying best practices for ERS' public affairs office. Results of the review revealed that ERS has a model strategic communications program with outstanding visual and graphical information and an open and candid exchange of ideas. No deficiencies were noted for ERS during this review.

During FY 2010 ERS underwent the annual testing of controls of the General Computer Controls established by the Office of Management and Budget (OMB) Circular A-123. No deficiencies were noted for ERS during this annual test.

ERS did not have any Office of Inspector General (OIG) or Government Accountability Office (GAO) audits or evaluations conducted during FY 2010.

## ECONOMIC RESEARCH SERVICE

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

Item	Actual 2010		Estimated 2011		Estimated 2012	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Economic Analysis and Research.....	\$81,742,606	400	\$82,478,000	400	\$85,971,000	405
Unobligated balance.....	735,394		0		0	
Total, Appropriation.....	\$82,478,000	400	\$82,478,000	400	\$85,971,000	405
<u>Obligations under other USDA appropriations:</u>						
Foreign Agricultural Service.....	159,970	1	243,000	1	200,000	1
Rural Development.....	1,600,000	-	-	-	-	-
Food and Nutrition Service.....	2,900,000	-	1,000,000	-	1,000,000	-
Food and Drug Administration.....	32,500	-	-	-	-	-
Agricultural Research Service.....	55,000	-	-	-	-	-
Total, Other USDA Appropriation.....	4,747,470	1	1,243,000	1	1,200,000	1
Total, Economic Research Service.....	\$87,225,470	401	\$83,721,000	401	\$87,171,000	406

## ECONOMIC RESEARCH SERVICE

Permanent Positions by Grade and Staff Year Summary2010 Actual and Estimated 2011 and 2012

Grade	2010 Actual Washington DC	2011 Estimated Washington DC	2012 Estimated Washington DC
Senior Executive Service.....	8	8	8
GS-15.....	75	75	73
GS-14.....	84	84	83
GS-13.....	91	91	92
GS-12.....	54	54	59
GS-11.....	38	38	38
GS-10.....	1	1	1
GS-9.....	20	20	22
GS-8.....	6	6	6
GS-7.....	8	8	8
GS-6.....	2	2	2
GS-5.....	2	2	2
GS-4.....	5	5	5
GS-3.....	5	5	5
GS-2.....	2	2	2
Total Permanent Positions.....	401	401	406
Unfilled Positions, end-of-year.....	-25	-25	-25
Total Permanent, Full-Time Employment, end-of-year.....	376	376	381
Staff-Year Estimate.....	401	401	406

## ECONOMIC RESEARCH SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets).

Salaries and Expenses:

For necessary expenses of the Economic Research Service, \$85,971,000.

## ECONOMIC RESEARCH SERVICE

SALARIES AND EXPENSES

Annualized Continuing Resolution, 2011.....	\$82,478,000
Budget Estimate, 2012.....	<u>85,971,000</u>
Change in Appropriation.....	+3,493,000

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

<u>Item of Change</u>	2011 <u>Estimated</u>	<u>Pay Costs</u>	Program <u>Changes</u>	2012 <u>Estimated</u>
Administrative Data Pilot.....	-	-	\$2,000,000	\$2,000,000
Improve User Access to Statistical Data.....	-	-	2,000,000	2,000,000
Community Access to Local Foods.....	-	-	2,000,000	2,000,000
Center of Excellence for Behavioral Economics.....	\$100,000	-	2,400,000	2,500,000
Consumer Data Information Program.....	\$3,500,000	-	-515,000	2,985,000
Food Assistance and Nutrition Research Program.....	4,408,000	-	-1,000,000	3,408,000
Commodity Outlook Programs.....	5,217,000	-	-500,000	4,717,000
Economic Analysis of Biotechnology in American Agriculture.....	750,000	-	-750,000	-
IT Equipment.....	1,500,000	-	-225,000	1,275,000
Bureau of Labor Statistics' American Time Use Survey.....	315,000	-	-315,000	-
Macroeconomic Analysis.....	400,000	-	-200,000	200,000
Analysis of non-EU Eastern European Agriculture.....	300,000	-	-200,000	100,000
Production of print copies of <i>Amber Waves</i> .....	48,000	-	-48,000	-
Intramural Research on the economics of invasive species.....	1,000,000	-	-165,000	835,000
Situation and outlook reporting for fertilizer use and trade.....	600,000	-	-150,000	450,000
Staff streamlining in ERS situation and outlook program.....	1,200,000	-	-200,000	1,000,000
Agricultural productivity measurement activities.....	900,000	-	-132,000	768,000
Cooperative Agreements and Collaborations.....	3,800,000	-	-507,000	3,293,000
All Other.....	58,440,000	-	-	58,440,000
Total Available.....	82,478,000	0	3,493,000	85,971,000

## ECONOMIC RESEARCH SERVICE

PROJECT STATEMENT  
(On basis of appropriation)

	2010 Actual		2011 Estimated		Increase or Decrease	2012 Estimated	
	Amount	Staff Years	Amount	Staff- Years		Amount	Staff- Years
Economic Analysis and Research	\$80,759,606	400	\$81,495,000	400	\$3,493,000	\$84,988,000	405
Homeland Security	983,000		983,000		-	983,000	
Unobligated Balance	735,394		-		-	-	
Total, Appropriation	82,478,000	400	82,478,000	400	3,493,000	85,971,000	405

## Economic Research Service (ERS)

### Justification of Increases and Decreases

**(1) An increase of \$8,400,000 and ten staff years for economic analysis and research, consisting of:**

- (a) An increase of \$2,000,000 and four staff years for Administrative Data Pilot Projects (no funds available in FY 2011) in order to boost statistical power in understanding critical policy issues and evaluating federal programs' success.

Administrative data (i.e., those data collected in conjunction with administering government programs, including the provision of benefits) provide an unparalleled opportunity for efficiently strengthening our statistical system's ability to understand and address critical policy issues. Making administrative data more available for statistical use would avoid the substantial costs of collecting similar data via statistical surveys. However, significant legal and structural barriers often prevent the use of such data for statistical purposes, including policy analyses and program evaluations. These systemic barriers include permission from the agencies that hold the administrative data; availability of adequate infrastructure at both the agencies that hold the administrative data and the statistical agencies, including technology, staff, and procedures; lack of methods to measure or ensure data quality, particularly of linked files; and external researcher access to merged data. This pilot project is designed to address existing barriers to more completely use administrative data while at the same time contributing substantive topical knowledge in the nutrition field.

The goal is to better understand how nutrition assistance and other government assistance programs work together to provide a social safety net, to better assess how nutrition assistance and health care policy work together to improve dietary and health outcomes, and to help demonstrate the value of linked data [especially Supplemental Nutrition Assistance Program (food stamp) data] for policy-oriented research and program evaluation, with the eventual goal of motivating Federal-level activity to address anticipated data quality and data availability concerns. This project would also contribute to the statistical system's linkage infrastructure.

An expectation is that the opportunity to link data on other social safety net programs with data on the Supplemental Nutrition Assistance Program (SNAP) will benefit USDA's Food and Nutrition Service by illuminating options for increasing SNAP participation by eligible individuals and families. Better data utilization through linkage will also be of value to agencies outside of USDA. For example, linking data on unemployment and food assistance might reveal patterns that suggest options for improved coordination and provision of services at the State and local level. Such information may allow better and more efficient targeting of program delivery, resulting in savings to the government.

Of the \$2,000,000 increase, the expectation is that up to \$1,000,000 will be dedicated to cooperative agreements, grants, and other interagency collaborations.

- (b) An increase of \$2,000,000 and four staff years to improve user access to statistical data through increased sharing of protocols and tools (Statistical Community of Practice Enterprise, SCOPE) (no funds available in FY 2011).

Increased sharing of statistical protocols and tools for the collection, storage, analysis, and dissemination of statistical data provides opportunities for improving data quality, ease of use, information security, and system-wide operating efficiency. Improvements would come in the form of data interoperability (including harmonizing definitions, formats, and means of access) and pooling scarce professional skills and IT resources across the participating statistical agencies.

These funds would support the establishment of a voluntary, self-selected SCOPE, with the Economic Research Service acting as the Program Management Office that would provide a structure in which to:

- Address standing recommendations from key data user constituencies about differences ranging from substantive to trivial in the dissemination of economic statistics across statistical agencies. This work would inform subsequent efforts to harmonize data display best practices, including analytic approaches and the use of data visualization techniques as a means of improving user access;
- Improve the interoperability of Federal data collections – either directly or through linkages. This work would inform subsequent efforts to synchronize data collection platforms and harmonize definitions, coding structures, geographic details, target populations, and identifiers for establishments and populations;
- Identify existing validated data collection and processing software tools that could be shared across statistical agencies, as well as explore joint software license procurement and other similar efficiencies. This work would inform subsequent efforts to develop common protocols and tools for data processing and the measurement of data quality; and
- Conduct pilot projects that support Data.gov’s role of increasing the utility of Federal data to users.
- Some of these funds will be transferred to other statistical agencies in this fully collaborative pilot.

The institution of SCOPE will reduce spending on statistical software and data systems through economies of scale. Centralized purchase of software across the statistical agencies will result in savings due to high volume purchasing at lower per unit prices than can be achieved with each agency’s smaller order. Also, developing common protocols for data processing and quality measurement will, for example, preclude the need for each statistical agency to invest separately in the same kind of effort.

- (c) An increase of \$2,000,000 and two staff years for Community Access to Local Foods (no funds available in FY 2011) to enable ERS to provide the best possible analysis of how USDA policies and programs can better support sustainable and healthy communities.

Food choices are critically important to health outcomes, and these choices are shaped by community characteristics. The availability of local, healthy foods in the home depends to a large extent on the local food environment. ERS will develop data and conduct economic research on the access to affordable and nutritious food, particularly local foods, by low-income communities. ERS will also be working with other agencies in the Department to support the new multi-year government-wide Healthy Food Financing Initiative. The achievement and maintenance of good nutritional health is especially vital for low-income populations. These populations typically have restricted access to health care and other resources, and face greater vulnerability to poor nutritional health, increased morbidity, and a greater burden of disease. Previous research has documented an important association between dietary outcomes and the local food environment--the type of food retail outlets, food prices, and the availability of fresh, local food sources.

ERS has made an investment in data in FY 2010 and 2011 to better understand food purchase and acquisition behavior by low income households through the National Household Food Purchase and Acquisition Survey (FoodAPS). This nationally representative survey of households will be the first to obtain data on foods purchased and consumed from all sources-- their prices, quantities, and nutrition attributes. Such data, together with household demographics, health knowledge, and eligibility and

participation in food assistance programs, will support economic analysis of how food purchases and food assistance programs relate to dietary quality and food security.

The proposed new initiative for FY 2012 would build on this new data collection effort to go beyond basic economic analysis for a full understanding of how USDA can better support sustainable and healthy communities. Additional data would be obtained through linking spatial characteristics available in federal and proprietary data sets. These data would include community factors such as race/ethnicity; unemployment rates; public transportation systems; crime rates; school characteristics, USDA food assistance program delivery and participation; local food prices; food store and fast food access and availability; local costs of healthy diets; and other environmental factors of interest (e.g., park and recreation availability). These data can then be used in conjunction with the FoodAPS to better understand the determinants of food choices and diet outcomes such as obesity or food security.

This proposed community level data linkage effort will enable ERS to provide policy makers with answers to questions such as:

- How do access, retail outlet choice, and the availability of local foods, influence food purchases and the resulting dietary quality of purchases?
- How does food assistance program participation influence food access and food choices?
- How do community-level characteristics interact with the food environment to shape food access and food choices?
- How would programs or policies (e.g., economic development initiatives for retail food market development, including supermarkets, small grocery stores, and farmers markets) mitigate the effects of low access to affordable and nutritious foods? Could such programs foster the development of local sources for healthy food?
- How would the development of local sources for healthy food affect food choices and diet quality? Could local sourcing for food assistance programs create market opportunities for producers?

The funds for this initiative will enable ERS to provide the best possible analysis of how USDA policies and programs can better support healthy food choices, healthy consumers, and healthy communities.

- (d) An increase of \$2,400,000 to create a Center of Excellence for Behavioral Economics (\$100,000 available in FY 2011) to improve program design and analysis.

#### Overview

Strong evidence suggests that USDA policy choices and program design can be made more efficient and effective through the application of behavioral economics. ERS has developed a program to apply this new approach, mainly to nutrition assistance program effectiveness. To strengthen Departmental policy and program development across a broader range of priorities, ERS proposes creation of a Center of Excellence for Behavioral Economics aimed at increasing the efficiency of food, farm, natural resource, and rural development programs, supporting all Secretarial priorities and addressing government-wide efforts to improve program integrity and innovation. The Center would create a focal point within USDA to engage policy makers and use a now well recognized, science-based approach to provide technical assessments to USDA agencies. The Center would be able to make research investments on a sufficient scale to provide timely and science-based input to policy design.

Behavioral economics is a state-of-the-art scientific approach to understanding decision making by individuals, groups, firms, and agencies that is providing new and valuable insights on a range of government programs and actions, including lending and credit, risk management and resource

conservation, as well as food and nutrition assistance. Behavioral economics recognizes that often people have bounded rationality, possess limited self control, and are prone to cognitive biases that cause them to engage in repeated, seemingly irrational and often counterproductive decision making. Also, program managers may unintentionally drive certain rational behaviors (like eating more of the first item offered in a school lunch line) that could be modified with better knowledge of the relationship between programmatic and behaviorally-based policy outcomes (like obesity). Insights and analytical tools from behavioral economics are changing the way we design programs and regulations and evaluate policy effectiveness. In particular, behavioral economics offers the capability to analyze ex ante policy impacts, before proposed policy solutions have been implemented. USDA and its customers would benefit from this analysis to the extent that it informs how programs are designed for cost efficiencies (“bigger bang for the buck”) and greatest effectiveness.

#### Research Activities and Specific Issues

The new Center of Excellence builds on ERS leadership in the application of behavioral economics. Previous ERS investments examined how the National School Lunch and Breakfast Program could better address diet quality, nutrition, and health objectives. This research confirmed the potential for using behavioral approaches to improve policy design and led to a working partnership among USDA’s Food and Nutrition Service, ERS, and Cornell University to conduct additional research on child nutrition programs. The proposed Center of Excellence would apply learning from these earlier successes to extend beyond nutrition programs the application of behavioral economics in food, agricultural, natural resource and rural development programs and policies.

The Center’s specific program of work would be developed through consultation with USDA policy and program decision makers. It is envisioned that the efficiency and effectiveness of USDA programs informed by concentrated application of behavioral economics in a Center setting, can contribute to achieving the following:

- Determine how desired behaviors to promulgate food safety can be encouraged. At the federal level this would mean increasing the efficiency and effectiveness of regulatory enforcement mechanisms. It can be critical to know, for example, how the probability of detection and type of penalties influence firm behavior in managing food safety precautions. Similar regulatory response behavioral testing could inform a wide range of USDA regulatory programs’ efficiency and effectiveness, from animal welfare and invasive pest responses, to animal identification and grain inspection.
- Develop strategies to mitigate and adapt to climate change that also permit our farmers and ranchers to profitably contribute to climate change improvement. Key to this will be behavioral economic experiments to predict which greenhouse gas policy mechanisms can most strongly affect future participation in agricultural carbon and/or carbon offset markets. Once behaviorally-influenced program cues are identified, federal policy and USDA programs can be designed to minimize obstruction and build upon positive behavioral cues to assure the integrity and efficiency of these carbon and other environmental service markets.
- Accelerate working lands conservation by testing alternative ways to increase the efficiency of USDA conservation programs; getting greater conservation benefits per federal dollar. Examples of provisions that could be tested include “opt-in” versus “opt-out” provisions of contracts, and various bidding options, all of which can affect patterns and accepted costs of conservation program participation.
- Promote the consumption of nutritious food by understanding how consumers are likely to use and respond to alternatives for new Front of Package (FOP) labeling in meat products to make more informed food choices. For example, what type of format or information leads consumers to make healthier choices? Does the disclosure of information lead firms to offer healthier product formulations? This research would be undertaken in collaboration with the FDA, and would support the joint FSIS/FDA effort to develop new labeling regulations and to monitor their impact.
- Assist rural communities to prosperity through a better understanding of what motivates business decisions in rural areas.

An increase of \$2.4 million, building on ERS's current commitment of \$100,000 to behavioral economics, would be required for the operation of a fully functional Center that conducts and funds projects such as those described above, and acts as a coordinator of applications of behavioral economics to USDA programs and policies. It is envisioned that the Center's research funds would generally be split evenly between intramural and extramural sources, although in any given year this would depend on the nature of the applications and the comparative advantages of different research institutions, including ERS, in the context of those projects. A small Center staff would provide the necessary support, such as meeting federal paperwork and human subject regulatory requirements, establishing and maintaining stakeholder input from program agencies, and soliciting and reviewing extramural grants.

The Center would be a focal point for behavioral economics funding and the requested increase would permit USDA to leverage funds from other USDA and Federal agencies, such as NIH and NSF, that are also investing in the theory and application of behavioral economics but do not directly address the function of USDA programs. Carrying out experiments of sufficient scope and scale to inform policy decisions will require substantial support. This initiative will ensure base funding to develop projects of sufficient scale in a few key areas as well as establish a focal point for attracting additional funding for strategic, coordinated investments. Collaborations with other Agencies could involve pilot programs to test high potential policy approaches identified through research.

#### Relationship to Government-Wide Initiatives

In accordance with guidance provided by the Office of Science and Technology Policy, the initiative represents a set of higher priority research goals that will, through identified efficiencies in USDA programs, accelerate accomplishments in the advancement of a sustainable, growth- and jobs-producing bio-economy and the reduction of greenhouse gases for reduced impacts of climate change. The Center of Excellence in Behavioral Economics will provide us a new set of tools and a new research infrastructure to make achievements in these areas.

#### Relationship to USDA and REE Goals and Objectives

This initiative contributes to all four USDA Strategic Goals. ERS stakeholders who would benefit from this research initiative include USDA agencies, such as the Natural Resources Conservation Service, Food and Nutrition Service, Animal and Plant Health Inspection Service, the Food Safety Inspection Service, Grain Inspection, Packers and Stockyards Administration, and rural development agencies, as well as Congress and the scientific research community at large.

#### Relationship to ERS' Current Program

The budget request strengthens ERS' capacity to carry out its mission to inform and enhance public and private decision making on economic and policy issues related to agriculture, food, natural resources, and rural communities. The Center of Excellence in Behavioral Economics will add new dimensions to ERS' current research program to analyze policy alternatives and achieve tangible outcomes. The Center's activities will complement and support on-going ERS research programs on the economics of conservation programs, plant and animal protection, diet and health and rural development. By adding new dimensions to the current program, it will ensure that state-of-the-art research techniques are available to inform decisions by producers, consumers, businesses and policy makers affecting or affected by USDA programs.

#### Benefits for All Americans

All Americans have an interest in finding more cost-effective ways to meet conservation, plant and animal protection, health and rural development goals. This research initiative will identify the most efficient and effective ways for policies and programs to promote these public goals, therefore helping to make the best use of scarce taxpayer dollars.

Performance Goals and Metrics

The success of this budget investment will be measured by the increase in cost-effectiveness of policies and programs as a result of options identified through the behavioral economic research undertaken. A performance goal for 2013 is to demonstrate the capability to improve efficiency or cost savings for at least five USDA program provisions or designs, to the extent that benefits of the Center outweigh its costs. In subsequent years, we would expect a rate of return on investment in the Center to consistently exceed 1:1.

Because the Center's plans of work will be identified in close consultation with USDA and related agencies' policy and program decision makers and other stakeholders, measures of the extent to which agencies or programs adopt new practices as a result of behavioral economics projects will also be developed.

**(2) A decrease of \$4,907,000 and five staff years for economic analysis and research, consisting of:**

- (a) A decrease of \$515,000 from the Consumer Data Information Program (CDIP) (\$3,500,000 available in FY 2011).

Funds will be reduced from the CDIP by decreasing purchases of retail scanner data that have previously supported particular research projects, such as the ERS analysis of infant formula rebates in the WIC program. The minor reduction in the agency's purchase of food consumption data will be offset to some degree by new data collection efforts under the budget initiatives on Community Access to Local Foods and Administrative Data.

- (b) A decrease of \$1,000,000 from the Food Assistance and Nutrition Research Program (FANRP) (\$4,408,000 available in FY 2011).

A \$1,000,000 reduction in funds from the FANRP will come from general support for cooperative research agreements, grants, and contracts that support food assistance research. This reduction will be partially offset by a redirection of the agency's general cooperative agreement funding towards FANRP investigations. Furthermore, funding for an Administrative data project applied to food assistance will also involve grants and/or research agreements with universities for FANRP-consistent purposes.

- (c) A decrease of \$500,000 to reduce the scope of ERS Commodity Outlook programs (\$5,217,000 available in FY 2011).

Ongoing support for ERS' outlook activities has enabled it to consistently develop and incorporate current market information and research findings into the national analysis of major U.S. agricultural crops. Through periodic newsletters, data products and special analyses, the ERS Outlook program provides producers, consumers, and academic, government and industry analysts with timely appraisals of market conditions and interpretations of key global and domestic market developments. These in-depth examinations provide clear assessments about how changing economic conditions, increased input and commodity price volatility, and other changing market conditions affect the competitiveness and economic prospects for producers and processors of agricultural commodities. ERS Outlook findings often initiate additional intramural and extramural research and the collection of data needed to meet USDA goals.

Recent outlook publications have disseminated information about the influence of agricultural policies, the adoption of new technologies, weather, and trade on crop and livestock commodity markets. This timely and accurate economic analysis and supporting data have helped farmers and ranchers make more informed production and marketing decisions. Beginning in FY 2008, and continuing in FY 2009 and FY 2010, ERS invested an additional \$1.5 million to build and maintain its outlook programs and

the data systems needed to support market analysis. The data system will be fully constructed and operational by FY 2011. The individuals hired in FY's 2008-2009 to fill gaps and cover anticipated "brain drain" from retirement of commodity experts, has also been accomplished.

A \$500,000 reduction will be achieved by restricting commodity outlook coverage to program crop commodities, major livestock commodities, and conglomerated categories of specialty commodities, thus failing to realize fully the performance outcomes on other commodities expected over time from the FY 2008 initiative. Other actions would include reducing current levels of coverage of potatoes, cutting all coverage of herbs, wine and other specialized minor commodities, and reducing the number of *Outlook* newsletters for specialty crops.

- (d) A decrease of \$750,000 to eliminate economic analysis of specific biotechnological technologies (\$750,000 available in FY 2011).

A \$750,000 reduction in ERS research on the economics of biotechnology, including adoption and production impacts, market analysis and outlook, and market implications of consumer resistance to some forms of biotechnology. Work will continue to be done on generic issues of biotechnology, including generic work on productivity gains and analysis of general trends, but the reduction will preclude research on specific biotechnologies' costs and returns. Having completed a number of technology-specific analyses, ERS now has good knowledge of what one can expect from adoption of any one. Therefore, there is a reduced need to invest in that type of research.

- (e) A decrease of \$225,000 in ERS purchases of IT equipment (\$1,500,000 available in FY 2011).

ERS will reduce its purchases of IT equipment by \$225,000. The agency has kept itself on the cutting edge so that technological obsolescence is not an obstacle to analytical achievement. This action will reduce that protection, but only slightly, since it represents only 15 percent of ERS' total IT purchases.

- (f) A decrease of \$315,000 to eliminate ERS funding of the Bureau of Labor Statistics' American Time Use Survey (\$315,000 available in FY 2011).

A decrease of \$315,000 will be realized from discontinuing ERS funding of an Eating and Health module of the Bureau of Labor Statistics' American Time Use Survey. ERS has funded the collection of information on how much time, what kind of time, and when and where people eat and drink. Eating habits can affect the health outcome of eating, and so comprise an element of consumption linked with obesity. The Agency will rely on the data obtained from previous surveys. The impact of this action is that current consumption patterns cannot be linked to current data on when people consume, thus foregoing opportunities to target obesity reduction and nutrition assistance programs as a function of time/place of eating behavior.

- (g) A decrease of \$200,000 and one staff year for macroeconomic analysis (\$400,000 available in FY 2011).

A decrease of \$200,000 will be gained from reducing 50 percent of ERS resources devoted to tracking the macroeconomy and its relationship to U.S. agricultural prospects. Other agencies of government and private entities have more rigorous programs than ERS for forecasting macroeconomic phenomena. The Agency can rely on others' macroeconomic forecasts and devote very minor resources to the translation of macroeconomic trends to the microeconomics of agriculture.

- (h) A decrease of \$200,000 and one staff year for analysis of non-EU Eastern European agriculture (\$300,000 available in FY 2011).

A decrease of \$200,000 will be achieved by reducing resources devoted to analysis of non-EU Eastern European agriculture. ERS will continue to follow Eastern European agriculture in the aggregate, while reducing economic intelligence on country-specific markets.

- (i) A decrease of \$48,000 by stopping production of print copies of *Amber Waves* (\$48,000 available in FY 2011).

A decrease of \$48,000 will be realized by stopping the production of print copies of the Agency's magazine, *Amber Waves*. Almost no other ERS publication is printed in hard copy (except on demand). *Amber Waves* will be continued as an electronic-only publication.

- (j) A decrease of \$165,000 by reducing intramural research on the economics of invasive species (\$1,000,000 available in 2011).

A 16.5 percent reduction in the \$1.0 million ERS intramural research program on the economics of invasive species management leaves a substantial program funded at \$835,000 to address USDA program and policy issues with respect to invasive species, which are growing in prominence, especially with respect to climate change. ERS's earlier, more extramurally focused effort on invasive species management was tremendously successful in bringing top-notch economic researchers into the specialty area of invasive species. Having done so, there are other existing sources of funding, now apparent to them, for them to continue in that specialization. This reduction brings the agency to the level that is just sufficient to continue supporting other USDA agencies' needs with economic analysis.

- (k) A decrease of \$150,000 and one staff year by eliminating situation and outlook reporting for fertilizer use and trade (\$600,000 available in 2011).

ERS reports on fertilizer demand, supply and trade are summarized from other sources that are themselves fully accessible to users. ERS provides added value to already available data and information. But, this value is not unique and could be provided by the private sector. ERS will continue its program of research on fertilizer as a productive input, contributor to total crop production costs, or an environmental factor.

- (l) A decrease of \$200,000 and one staff year through staff streamlining in the overall ERS situation and outlook program (\$1,200,000 available in 2011).

A \$200,000 savings in the ERS situation and outlook program will be realized through a significant flattening of the outlook communications management structure. Attrition is expected in the situation and outlook management structure. When vacated, one position will not be refilled.

- (m) A decrease of \$132,000 and one staff year by reducing agricultural productivity measurement activities (\$900,000 available in 2011).

Since States can perform State-specific estimation, ERS intends to focus on national estimates. A reduction of \$132,000 will not impact the ability of ERS to reinvigorate the national estimated program to produce the very best national productivity estimates.

- (n) A decrease of \$507,000 to reduce Cooperative Agreements and Collaborations (\$3,800,000 available in FY 2011).

In FY 2010 ERS devoted \$3,800,000,000 to several competitive grants programs and a series of cooperative research agreements to obtain researchers from outside the agency who could fill skills gaps or provide research that is value-added to ERS resources on particular research areas. ERS will reduce this set of expenditures by \$507,000. This reduction in extramural funding will require a finer screen to determine the very highest use of scarcer resources.

## ECONOMIC RESEARCH SERVICE

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

	2010 Actual		2011 Estimated		2012 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama.....	55,000	-	-	-	-	-
California.....	\$379,777	-	-	-	-	-
Colorado.....	50,000	-	-	-	-	-
Connecticut.....	295,000	-	-	-	-	-
District of Columbia.....	66,353,135	400	82,478,000	400	85,971,000	405
Georgia.....	224,996	-	-	-	-	-
Illinois.....	1,038,208	-	-	-	-	-
Indiana.....	95,000	-	-	-	-	-
Iowa.....	1,020,991	-	-	-	-	-
Kansas.....	30,000	-	-	-	-	-
Kentucky.....	25,000	-	-	-	-	-
Louisiana.....	85,000	-	-	-	-	-
Maryland.....	1,579,597	-	-	-	-	-
Massachusetts.....	200,000	-	-	-	-	-
Michigan.....	250,000	-	-	-	-	-
Minnesota.....	67,500	-	-	-	-	-
Mississippi.....	260,000	-	-	-	-	-
Missouri.....	114,754	-	-	-	-	-
Nebraska.....	3,600	-	-	-	-	-
Nevada.....	-	-	-	-	-	-
New Jersey.....	3,677,730	-	-	-	-	-
New Mexico.....	-	-	-	-	-	-
New York.....	1,212,065	-	-	-	-	-
North Carolina.....	94,100	-	-	-	-	-
North Dakota.....	-	-	-	-	-	-
Ohio.....	63,182	-	-	-	-	-
Oklahoma.....	30,000	-	-	-	-	-
Oregon.....	177,612	-	-	-	-	-
Pennsylvania.....	186,549	-	-	-	-	-
South Carolina.....	24,996	-	-	-	-	-
Tennessee.....	7,000	-	-	-	-	-
Texas.....	566,941	-	-	-	-	-
Utah.....	500,000	-	-	-	-	-
Virginia.....	916,441	-	-	-	-	-
Washington.....	1,600,000	-	-	-	-	-
West Virginia.....	140,427	-	-	-	-	-
Wisconsin.....	403,004	-	-	-	-	-
Australia.....	15,000	-	-	-	-	-
Subtotal, Available or Estimate.....	81,742,606	400	82,478,000	400	85,971,000	405
Unobligated balance...	735,394	-	-	-	-	-
Total, Available or Estimate.....	82,478,000	400	82,478,000	400	85,971,000	405

Note: The distribution of 2011 and 2012 funds by State has not been determined at this time.

## ECONOMIC RESEARCH SERVICE

Classification by Objects  
2010 Actual and Estimated 2011 and 2012

		<u>2010</u>	<u>2011</u>	<u>2012</u>
		Actual	Estimated	Estimated
Personnel Compensation:				
Washington, D.C.				
11	Total personnel compensation.....	\$43,186,061	\$43,200,000	\$43,817,000
12	Civilian personnel benefits.....	9,174,518	9,200,000	9,333,000
13	Benefits for former personnel.....	0	0	0
	Total personnel compensation & benefits....	<u>52,360,579</u>	<u>52,400,000</u>	<u>53,150,000</u>
Other Objects:				
21	Travel and transportation of persons.....	768,516	800,000	850,000
22	Transportation of things.....	6,846	7,000	7,000
23.3	Communications, utilities, and miscellaneous.	663,351	750,000	750,000
24	Printing and reproduction.....	79,464	100,000	52,000
25	Other services.....	1,416,522	1,500,000	1,878,000
25.1	Interagency Agreements.....	5,961,228	6,000,000	6,035,000
25.4	Contracts.....	5,469,276	5,500,000	5,500,000
25.5	Cooperative Agreements.....	3,815,737	3,800,000	3,938,000
25.6	ADP services and supplies.....	50,742	51,000	601,000
25.7	Data Acquisition.....	8,094,268	8,200,000	9,050,000
26	Supplies and materials.....	960,314	900,000	900,000
31	Equipment.....	290,548	470,000	470,000
41	Grants.....	1,805,215	2,000,000	2,790,000
43	Interest.....	0	0	0
	Total other objects....	<u>29,382,027</u>	<u>30,078,000</u>	<u>32,821,000</u>
	Total direct obligations.....	<u>81,742,606</u>	<u>82,478,000</u>	<u>85,971,000</u>
Position Data:				
	Average Salary, ES positions.....	\$194,798	\$197,525	\$199,278
	Average Salary, GS positions.....	\$127,586	\$129,372	\$130,520
	Average Grade, GS positions.....	13.0	13.0	13.0

## ECONOMIC RESEARCH SERVICE

### STATUS OF PROGRAM

#### Economic Research and Analysis Program

**Goal 1: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.**

#### Current Activities:

ERS research explores how investments in rural people, business, and communities affect the capacity of rural economies to prosper in the new and changing global marketplace. The agency analyzes how demographic trends, employment opportunities and job training, Federal policies, and public investment in infrastructure and technology enhance economic opportunity and quality of life for rural Americans. Equally important is ERS's commitment to help enhance the quality of life for the Nation's small farmers who increasingly depend on these rural economies for employment and economic support.

ERS continues to monitor changing economic and demographic trends in rural America, particularly the implications of these changes for the employment, education, income, and housing patterns of low-income rural populations. ERS uses the most up-to-date information on conditions and trends affecting rural areas and provides the factual base for rural development program initiatives. The rural development process is complex and sensitive to a wide range of factors that, to a large extent, are unique to each rural community. Nonetheless, ERS assesses general approaches to development to determine when, where, and under what circumstances rural development strategies will be most successful.

ERS research and analysis provides insight into market conditions facing U.S. agriculture, avenues for innovation, and market expansion. In addition, the ERS program identifies and analyzes market structure and technological developments that affect efficiency and profitability. The program also includes research and analysis to help farmers and ranchers manage risk.

#### Selected Examples of Recent Progress:

Nonmetropolitan Outmigration Counties: Some Are Poor, Many Are Prosperous. Population loss through net outmigration is endemic to many rural areas. Over a third of nonmetro counties lost at least ten percent of their population through net outmigration over 1988-2008. Some of these counties have had very high poverty rates, substantial loss in manufacturing jobs, and high unemployment. Lack of economic opportunity was likely a major factor in their high outmigration. Most high net outmigration counties, however, are relatively prosperous, with low unemployment rates, low high school dropout rates, and average household incomes. For these counties, low population density and less appealing landscapes distinguish them from other nonmetro counties. Both types of outmigration counties stand out on two measures, indicating that quality-of-life factors inhibit immigration: a lack of retirees moving in and local manufacturers citing the area's unattractiveness as a problem in recruiting managers and professionals.

Market Performance and Futures Markets. The past five years have seen large increases in the trading of corn, soybean, and wheat futures contracts by nontraditional traders, a trend that coincided with historic price increases for these commodities. ERS analysis investigated whether changes in the composition of traders participating in the market have contributed to movements in commodity prices beyond the effects of market fundamentals. The research showed that the link between futures and cash prices has weakened, but market participants continue to use futures markets as a price discovery mechanism.

Market Analysis and Outlook. ERS, working closely with the World Agricultural Outlook Board, the Foreign Agricultural Service, and other USDA agencies, conducts market analysis and provides short- and long-term projections of U.S. and world agricultural production, consumption, and trade. The market and outlook program has enhanced the quality, transparency, and accessibility of data and analytical information.

New Commodity Programs Affect Farmers. The 2008 Farm Bill introduces a new commodity program called the Average Crop Revenue Election (ACRE), which is based on revenue variability at the farm and State levels rather than variability of prices. Revenue variability differs across crops and geographical regions. ERS analyzed the relationship between historic and expected market prices and differences in yield levels and variability across crops and regions and how these lead to differences in potential ACRE payments.

Next-Generation Biofuels: Near-Term Challenges and Implications for Agriculture. Next-generation U.S. biofuel capacity should reach about 88 million gallons in 2010, thanks in large measure to one plant becoming commercially operational in 2010, using noncellulosic animal fat to produce green diesel. ERS research examined the near-term sector challenges, including reducing high capital and production costs, acquiring financial resources for precommercial development, developing new biomass supply arrangements, many of which will be with U.S. farmers, and overcoming the constraints of ethanol's current ten percent blending limit with gasoline.

Geographic Targeting Issues in the Delivery of Rural Development Assistance. A 2010 ERS report discusses potential tradeoffs for distressed rural areas when shifting from one form of rural development assistance to another, particularly when shifting to greater use of Government-guaranteed loans. Findings indicate that distressed rural areas might fare worse than other non-metro areas with some kinds of shifts, such as reducing grants and direct Government loans to fund increases in guaranteed loans. The effects on distressed areas would depend on the form of distress, the programs involved, and how they are targeted geographically.

Farm Household Well-Being: Comparing Consumption- and Income-Based Measures. Household economic well-being can be gauged by the financial resources (income/wealth) available to the household or by the standard of living enjoyed by household members (consumption). ERS has long published estimates of farm household income and wealth. A 2010 ERS report presents, for the first time, estimates of consumption-based measures of well-being for farm households based on new questions in USDA's annual Agricultural Resource Management Survey (ARMS). The consumption measure provides a different perspective from income or wealth on farm households' well-being relative to that of all U.S. households.

America's Family Farms. Most U.S. farms—98 percent in 2007—are family operations, and even the largest farms are predominantly family run. ERS research found that large-scale family farms and non-family farms account for 12 percent of U.S. farms but 84 percent of the value of production. In contrast, small family farms make up most of the U.S. farm count but produce a modest share of farm output. Small farms are less profitable than large-scale farms, on average, and tend to rely on off-farm income for their livelihood. Generally speaking, farm operator households cannot be characterized as low-income when both farm and off-farm income are considered. Nevertheless, limited-resource farms still exist and account for 3 to 12 percent of family farms, depending on how "limited-resource" is defined.

Small Farms in the United States: Persistence under Pressure. ERS research on the structure and performance of America's agriculture found that ninety-one percent of U.S. farms are classified as small—gross cash farm income (GCFI) of less than \$250,000. About 60 percent of these small farms are very small, generating GCFI of less than \$10,000. These very small noncommercial farms, in some respects, exist independently of the farm economy because their operators rely heavily on off-farm income. The remaining small farms—small commercial farms—account for most small-farm production. Overall farm

production, however, continues to shift to larger operations, while the number of small commercial farms and their share of sales maintain a long-term decline.

Energy Use in the U.S. Food System. Energy is an important input in growing, processing, packaging, distributing, storing, preparing, serving, and disposing of food. ERS analysis, using the two most recent U.S. benchmark input-output accounts and a national energy data system, showed that in the U.S. the use of energy along the food chain for food purchases by or for households increased between 1997 and 2002 at more than six times the rate of increase in total domestic energy use. This increase in food-related energy flows is over 80 percent of energy flow increases nationwide over the period. The use of more energy-intensive technologies throughout the U.S. food system accounted for half of this increase, with the remainder attributed to population growth and higher real (inflation-adjusted) per capita food expenditures.

**Goal 2: Ensure our national forests and private working lands are conserved, restored, and made more resilient to climate change, while enhancing our water resources.**

**Current Activities:**

The ERS climate change research program will develop models and other analytical techniques to predict responses of farmers to greenhouse gas mitigation options, analyze the impact of mitigation options on domestic and global agricultural markets and land and water use, and evaluate adaptation by farmers to a new climate regime through use of alternative technologies. The ERS climate change research program builds on extensive expertise on the economics of land use and land management, technology adoption, conservation program design, economics of biofuels, and value and dissemination of public investment in research and development.

In addition, ERS is continuing to contribute to USDA's efforts to improve the science behind Federal water and air quality regulations and programs. As part of its analysis of environmental regulations and conservation incentive policies, ERS research continues to provide insight into developing policies for controlling nonpoint source pollution. More generally, ERS research analyzes the economic efficiency, environmental effectiveness, and distributional implications of alternative designs of resource, conservation, environmental, and commodity programs and their linkages.

**Selected Examples of Recent Progress:**

Participation in Conservation Programs by Targeted Farmers: Beginning, Limited-Resource, and Socially Disadvantaged Operators' Enrollment Trends. Beginning, limited-resource, and socially disadvantaged farmers make up as much as 40 percent of all U.S. farms. Some Federal conservation programs contain provisions that encourage participation by such "targeted" farmers. A 2010 ERS report showed that targeted farmers tend to operate more environmentally sensitive land than other farmers, have different conservation priorities, and receive different levels of payments. The different conservation priorities among types of farmers suggest that if a significantly larger proportion of targeted farmers participate in these programs, the programs' economic and environmental outcomes could change.

Markets for Conservation. Farmers produce a variety of goods and services for which markets generally do not exist, including improved water quality, carbon sequestration, wildlife habitat, open space, and water supplies. Accomplishments in 2010 include two short reports on agriculture's potential role in greenhouse gas mitigation. One provides a broad overview while the other examines the potential role that land ownership might play in determining the agricultural sector's involvement in carbon sequestration programs. By estimating the carbon sequestration potential of agricultural producers who own most of the land they operate, this report finds that land ownership should not be a constraining factor in agriculture's ability to provide carbon offsets.

The Farm Act's Regional Equity Provision: Impacts on Conservation Program Outcomes. The 2002 and 2008 Farm Acts set a minimum threshold for conservation funding for each State—one that exceeds historical funding for some States—for enrolling agricultural producers in specified conservation programs. A 2010 ERS study examines the impacts of the Regional Equity provision of the 2002 Farm Act, and explores tradeoffs that among conservation program goals when legislation gives primacy to fund allocation. The study found that cross-State shifts in funding reduced the acres receiving conservation treatment for many resource problems, but increased the net economic benefits from treatments on some of them. Overall impacts on the types of producers enrolled were small.

“No Till” Farming in a Growing Practice. Most U.S. farmers prepare their soil for seeding and weed and pest control through tillage—plowing operations that disturb the soil. In order to help policy makers and other interested parties better understand U.S. tillage practices, and especially those practices’ potential contribution to climate-change efforts, ERS researchers compiled data from the Agricultural Resource Management Survey and the National Resources Inventory-Conservation Effects Assessment Project’s Cropland Survey. The data show that approximately 35.5 percent of U.S. cropland planted to eight major crops, or 88 million acres, had no tillage operations in 2009.

### **Goal 3: Help America promote agricultural production and biotechnology exports as America works to increase food security.**

#### **Current Activities:**

ERS identifies key economic issues relating to the sustainability and use of biotechnology in U.S. agriculture, uses sound analytical techniques to understand the immediate and broader economic and social consequences of alternative policies and programs to promote U.S. agricultural products abroad, and effectively communicates research results to policy makers, program managers, and those shaping the public debate regarding U.S. agricultural production, including biotech crops.

The research program emphasizes the economic and financial structure, performance, and viability of the farm sector and of different types of farms, the state of global food security, and technological innovation. For example, ERS created a patent database for agricultural biotechnology that will provide answers to some basic questions about innovations in this area, such as who is patenting and licensing what technologies. This research will help policy makers assess policy issues on innovation and the potential effects of concentration on research and market power in the agricultural inputs industry.

ERS has a broad program of work examining the production and marketing characteristics of the U.S. organic sector. Ongoing activities include research on the adoption of certified organic farming systems across the U.S., analysis of consumer demand and prices in specific markets, and several nationwide surveys of organic producers and markets.

#### **Selected Examples of Recent Progress:**

Ethanol and a Changing Agricultural Landscape. The Energy Independence and Security Act (EISA) of 2007 established specific targets for the production of biofuel in the United States. A FY 2010 ERS report summarizes the estimated effects of meeting the EISA targets for 2015 on regional agricultural production and the environment. Meeting EISA targets for ethanol production is estimated to expand U.S. cropped acreage by nearly five million acres by 2015, an increase of 1.6 percent over what would otherwise be expected. Much of the growth comes from corn acreage, which increases by 3.5 percent over baseline projections. Water quality and soil carbon will also be affected by changes in the amount of cropped land. The economic and environmental implications of displacing a portion of corn ethanol production with ethanol produced from crop residues are also estimated.

Effects of Increased Biofuels on the U.S. Economy in 2022. Achieving greater energy security by reducing dependence on foreign petroleum is a goal of U.S. energy policy. The Energy Independence and Security Act of 2007 (EISA) calls for a Renewable Fuel Standard (RFS-2), which mandates that the United States increase the volume of biofuel that is blended into transportation fuel from nine billion gallons in 2008 to 36 billion gallons by 2022. Long-term technological advances are needed to meet this mandate. A 2010 report from ERS found that if biofuel production advances with cost-reducing technology and petroleum prices continue to rise as projected, the RFS-2 could provide economy-wide benefits. However, ERS determined that the actual level of benefits (or costs) to the U.S. economy depends importantly on future oil prices and whether tax credits are retained in 2022. If oil prices stabilize or decline from current levels and tax credits are retained, then benefits to the economy would diminish.

Food Security Assessment, 2009-2010. While concerns about global economic conditions continue to generate genuine concern about the potential for serious food security challenges in traditionally food insecure developing countries, recent ERS analysis finds that the global food security situation improved between 2009 and 2010, as the effects of previous price spikes and the global downturn moderated. These promising results, however, do not mask the need for continued vigilance as ERS analysis warns of a long-term deterioration in food security in some regions, most notably Sub-Saharan Africa.

Trade Negotiations and Policy Analysis. ERS research on trade policy is focused on providing analysis that evaluates the impacts of changes in U.S. and other countries' agricultural trade policies. ERS research in support of WTO negotiations has helped to inform and strengthen U.S. negotiating positions on agriculture. Despite strong critics of WTO, membership continues to grow as countries seek the benefits of expanding trade. In the WTO, member countries trade concessions to gain access to foreign markets, benefiting foreign producers and consumers in the aggregate.

Assessing the Benefits of Public Research within an Economic Framework: the Case of USDA's Agricultural Research Service. Evaluation of publicly funded research can help provide accountability and prioritize programs. A 2010 ERS report found that peer review—used primarily for establishing scientific merit—is the most common method of evaluation. This report reviewed quantitative methods and applied qualitative economic reasoning and stakeholder interviewing methods to the evaluation of economic benefits of Federal intramural research using three case studies of research conducted by USDA's Agricultural Research Service. Differences among the case studies highlighted the need to select suitable assessment techniques from available methodologies, the limited scope for comparing assessment results across programs, and the inherent difficulty in quantifying benefits in some research areas.

#### **Goal 4: Ensure that all of America's children have access to safe, nutritious, and balanced meals.**

##### **Current Activities:**

ERS studies the relationship among the many factors that influence food choices and health outcomes. At the household level, research focuses on factors including prices, income and individual characteristics such as age, race and ethnicity, household structure, knowledge of diet and health, and nutrition education. At the industry level, research focuses on the interaction among industry, consumers, and policy. Children's food access, food security, and child and adult obesity continue to be important foci of the ERS research program. ERS research into adult and child obesity includes approaches taken from the emerging field of behavioral economics to investigate how biases triggered by psychological mechanisms might contribute to poor dietary choices and obesity.

Through its Food Assistance and Nutrition Research Program (FANRP) and by working closely with USDA's Food and Nutrition Service, ERS studies and evaluates the Nation's nutrition assistance programs. These programs affect the daily lives of millions of America's children and receive substantial Federal funding. FANRP's long-term research themes include dietary and nutritional outcomes, food program targeting and delivery, and program dynamics and administration. Its research is designed to meet the

critical information needs of USDA, the Congress, program managers, policy officials, the research community, and the public at large.

ERS food safety research focuses on enhancing methodologies for valuing societal benefits associated with reducing food safety risks, understanding consumer willingness to pay for safer food, assessing industry incentives to enhance food safety through new technologies and supply chain linkages, and evaluating regulatory options and change. ERS research extends to investigating the safety of food imports and the efficacy of international food safety policies and practices.

The ERS research program includes an ongoing assessment of global food security. ERS provides research, analysis, and information on food security, including factors affecting food production and ability to import food, in Africa, Asia, Latin America and the Caribbean, and the Commonwealth of Independent States to decision makers in the United States and throughout the world. An annual report provides an up-to-date assessment of global food security.

### **Selected Examples of Recent Progress:**

Local Food Systems. A new report from ERS provides a comprehensive overview of local food systems, explores alternative definitions of local food, estimates market size and reach, describes the characteristics of local consumers and producers, and examines early indications of the economic and health impacts of local food systems. Statistics suggest that local food markets account for a small, but growing, share of U.S. agricultural production. For smaller farms, direct marketing to consumers accounts for a higher percentage of their sales than for larger farms. Findings are mixed on the impact of local food systems on local economic development and better nutrition levels among consumers, and sparse literature is so far inconclusive about whether localization reduces energy use or greenhouse gas emissions. A second ERS report relies on a series of coordinated case studies to compare the structure, size, and performance of local food supply chains with those of mainstream supply chains. Case studies show that as demand has increased, local foods are reaching consumers through an expanding array of supply chain arrangements and marketing outlets. Farms in local food supply chains maintain a diverse portfolio of products and market outlets, which may help defray large fixed costs across multiple revenue streams. Local food supply chains are more likely to provide consumers with detailed information about where and by whom products were produced.

The U.S. Food Environment Atlas. ERS developed a web-based mapping tool that allows users to compare U.S. counties in terms of their “food environment” – the set of factors that help determine and reflect a community’s access to affordable, healthy food. ERS research determined that there are 90 indicators of the food environment, which cover a wide range of demographic, health, and food access characteristics, and ERS included these in the Atlas, most at the county level. The basis of the U.S. Food Environment Atlas is an acknowledgement that factors—such as store/restaurant proximity, food prices, food and nutrition assistance programs, and community characteristics—interact to influence food choices and diet quality. The Atlas also enables users to access data on county-level indicators for a particular county.

Retail Food Prices Lower at Discount Stores. Nontraditional stores, including mass merchandisers, supercenters, club warehouse and dollar stores, have increased their food offerings over the past 15 years and often promote themselves as lower priced alternatives to traditional supermarkets. A 2010 ERS report, which used comparisons of identical items at the Universal Product Code (UPC) level, found an expenditure-weighted average price discount of 7.5 percent, with differences ranging from 3 to 28 percent lower in nontraditional stores than in traditional stores. Nontraditional stores in metro areas where such stores have a higher-than-average market share have smaller and less frequent price discounts than those in areas where such stores have a lower market share.

Taxing Caloric Sweetened Beverages. The link between high U.S. obesity rates and the overconsumption of added sugars, largely from sodas and fruit drinks, has prompted public calls for a tax on caloric

sweetened beverages. Faced with such a tax, consumers may reduce consumption of these sweetened beverages and substitute non-taxed beverages, such as bottled water, juice, and milk. Findings from a 2010 ERS research report estimated that a tax-induced 20-percent price increase on caloric sweetened beverages could cause an average reduction of 37 calories per day, or 3.8 pounds of body weight over a year, for adults and an average of 43 calories per day, or 4.5 pounds over a year, for children. Given these reductions in calorie consumption, results show an estimated decline in adult overweight prevalence (66.9 to 62.4 percent) and obesity prevalence (33.4 to 30.4 percent), as well as the child at-risk-for-overweight prevalence (32.3 to 27.0 percent) and the overweight prevalence (16.6 to 13.7 percent). Actual impacts would depend on many factors, including how the tax is reflected in consumer prices and the competitive strategies of beverage manufacturers and food retailers.

Does SNAP Decrease Food Insecurity? Untangling the Self-Selection Effect. Self-selection by more food-needy households into the Supplemental Nutrition Assistance Program (SNAP, formerly called the Food Stamp Program) makes it difficult to observe positive effects of the program in survey data. A 2010 ERS study investigated self-selection and ameliorative program effects by examining households' food security month by month for several months prior to initial receipt of SNAP benefits and for several months after joining the program. The results are consistent with a moderate ameliorative effect of SNAP—reducing the prevalence of very low food security among recent entrants by about one-third—although they do not conclusively demonstrate that extent of amelioration.

Household Food Security in the United States. Food security for a household means that all household members have access, at all times, to enough food for an active, healthy life. To inform policy makers and the public about the extent to which U.S. households consistently have economic access to enough food, ERS publishes an annual statistical report on household food security in the United States. The latest report, *Household Food Security in the United States, 2009*, based on data from the December 2009 Food Security Survey, provided the most recent statistics at the time of publishing on the food security of U.S. households, as well as on how much they spent for food and the extent to which food-insecure households participated in Federal and community food assistance programs. Results show that 85 percent of American households were food secure throughout the entire year in 2009. The remaining 15 percent of households were food insecure at least some time during that year.

Consumer Data and Information Program (CDIP). ERS continued development of a consumer and data infrastructure needed for analyses of food policy issues. Particularly important was the planning and development of a national survey of food acquisition focusing on low-income households. To support price analysis and consumer food choice behavior, ERS continued the acquisition and use of Nielsen's Homescan data on packaged and random weight food purchases.

Food Availability (Per Capita) Data System. The ERS food availability (per capita) data system includes three distinct but related data series on food consumption. The data serve as popular proxies for actual consumption. Food availability data are now available through 2008 at the national level. The data are available on an annual basis. Most data extend back to 1909.

The Impact of Food Away From Home on Diet Quality. Food away from home (FAFH) has been associated with poor diet quality in many studies. It is difficult, however, to measure the effect of FAFH on diet quality since many unobserved factors, such as food preferences and time constraints, influence not just our choice of where to eat but also the nutritional quality of what we eat. Two ERS studies in 2010 found that the size, but not the direction of the effects, vary depending on which meals are consumed away from home and whether the food is consumed by an adult or child. On average, breakfast away from home decreases the number of servings of whole grains and dairy consumed per 1,000 calories and increases the percent of calories from saturated and solid fat, alcohol, and added sugar (SoFAAS) in a day. Dinner away from home reduces the number of servings of vegetable consumed per 1,000 calories for the average adult. Breakfast and lunch away from home increase calories from saturated fat and SoFAAS on average more among dieters than among non-dieters. Some of the overall negative dietary effects decreased between 1994-96 and 2003-04, including those on whole grain, sodium, and vegetable consumption.

**ECONOMIC RESEARCH SERVICE**

**FY 2012 Summary of Budget and Performance  
Statement of Agency Goals and Objectives**

The Economic Research Service (ERS) was established in 1961 from components of the former Bureau of Agricultural Economics principally under the authority of the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627). The mission of ERS is to inform and enhance public and private decision making on economic and policy issues related to agriculture, food, the environment, and rural development.

ERS has six strategic goals which correspond to each of the four USDA strategic goals. To achieve these goals, ERS enhances the understanding of policy makers, regulators, program managers, and those shaping debate of economic issues affecting agriculture, food, the environment, and rural development:

<b>USDA Strategic Goal</b>	<b>Agency Strategic Goal</b>	<b>Agency Strategic Objectives</b>	<b>Programs that contribute</b>	<b>Key Outcome</b>
<b>USDA Strategic Goal 1:</b> Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.	<b>Agency Strategic Goal 2:</b> Enhance the competitiveness and sustainability of rural and farm economies.  <b>Agency Strategic Goal 3:</b> Support increased economic opportunities and improved quality of life in rural America.	<b>Objective 2.1:</b> Expand domestic market opportunities. <b>Objective 2.3:</b> Provide economic analysis of risk and financial management to farmers and ranchers.  <b>Objective 3.2:</b> Expand economic opportunities in rural America by bringing economic insights into public and private decision making.	Economic Research and Analysis	Enhanced understanding by policy makers, regulators, program managers, and those shaping public debate of economic issues affecting rural development, rural well-being, farm and household income, and rural communities.
<b>USDA Strategic Goal 2:</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 Strategic Goal 6:</b> Protect and enhance the Nation's natural resource base and environment.	<b>Objective 6.1:</b> Provide economic intelligence, research and analysis to inform agricultural resource and conservation policies.  <b>Objective 6.2:</b> Provide economic research and analysis to support public and private efforts to improve management of private lands and ecosystems.	Economic Research and Analysis	Enhanced understanding by policy makers, regulators, program managers, and those shaping public debate of economic issues related to developing Federal farm, natural resource, and rural policies and programs that respond to the challenges of climate change and the need to protect and maintain the environment while improving agricultural competitiveness and economic growth.

<p><b>USDA Strategic Goal 3:</b> Help America promote agricultural production and biotechnology exports, as America works to increase food security.</p>	<p><b>Agency Strategic Goal 1:</b> Enhance international competitiveness of American agriculture.</p> <p><b>Agency Strategic Goal 2:</b> Enhance the competitiveness and sustainability of rural and farm economies.</p>	<p><b>Objective 1.1:</b> Provide economic research, information, and analysis to support public and private decision making to help expand and maintain international export opportunities.</p> <p><b>Objective 2.2:</b> Provide analysis to enhance the efficiency of domestic agricultural production and marketing systems.</p>	<p>Economic Research and Analysis</p>	<p>Enhanced understanding by policy makers, regulators, program managers, and organizations shaping public debate of economic issues related to adoption of economically and environmentally sustainable technologies, factors affecting imports of U.S. agricultural products (including products produced using biotechnology), strategies to reduce barriers to imports and increase markets for U.S. products, including biotechnical exports.</p>
<p><b>USDA Strategic Goal 4:</b> Ensure that all of America's children have access to safe, nutritious, and balanced meals.</p>	<p><b>Agency Strategic Goal 4:</b> Enhance protection and safety of the Nation's agriculture and food supply.</p> <p><b>Agency Strategic Goal 5:</b> Improve the Nation's nutrition and health.</p>	<p><b>Objective 4.1:</b> Provide economic research and analysis of public and private efforts to reduce the incidence of food borne illnesses related to meat, poultry, and fresh produce in the U.S.</p> <p><b>Objective 4.2:</b> Support efforts to reduce the number and severity of agricultural pest and disease outbreaks through economic analysis.</p> <p><b>Objective 5.1:</b> Provide economic research and analysis of public and private efforts to ensure access to nutritious food.</p> <p><b>Objective 5.2:</b> Provide economic research and analysis of options to promote healthier eating habits and lifestyles.</p> <p><b>Objective 5.3:</b> Improve food program management and customer service through economic evaluations of USDA's nutrition assistance programs.</p>	<p>Economic Research and Analysis</p>	<p>Enhanced understanding by policy makers, regulators, program managers, and those shaping public debate of economic issues related to improving the efficiency, efficacy, and equity of public policies and programs relating to the food prices and availability at home and abroad, consumer food choices, nutrition and health outcomes, nutrition assistance programs, and protecting consumers from unsafe food.</p>

### **Selected Accomplishments Expected at the FY 2012 Proposed Resource Level:**

**Key Outcome 1:** Enhanced understanding by policy makers, regulators, program managers, and those shaping public debate of economic issues affecting rural development, rural well-being, farm and household income, and rural communities.

ERS will identify key economic issues related to rural economic development, farm viability, rural household prosperity and well-being, and competitiveness. ERS also will use sound analytical techniques to understand the immediate and broader economic and social consequences of how alternative policies and programs and changing market conditions affect rural and farm economies and households. ERS will effectively communicate research results to policy makers, program managers, and those shaping the public debate on rural economic conditions and performance of all sizes and types of farms. Examples of these activities will include the following:

- Developing a comprehensive, integrated base of information on rural economic and social conditions that can be used by Federal policy makers for strategic planning, policy development, and program assessment.
- Analyzing how investment, technology, employment opportunities and job training, Federal policies, and demographic trends affect rural America's capacity to prosper in the global marketplace.
- Conducting research to identify social and economic issues facing rural communities as they adjust to broad forces affecting their futures, such as changing farm policy, welfare reform, increased foreign competition in low-wage industries, growing demand for highly skilled labor, an aging population, and rapid growth in communities near major cities.
- Conducting research to better understand the role and effectiveness of investments in infrastructure, housing, and business assistance for sustaining rural communities, particularly in areas with rapid population growth or long-term population decline.
- Providing timely, accurate agricultural economic analysis and data on the impacts of decisions in risky situations to help farmers and ranchers make more informed production and marketing decisions.
- Researching and disseminating economic intelligence about the structure of, performance in, information systems of, new technology in, and foreign direct investment in the U.S. food manufacturing, processing, wholesale, retail, and food service industries.

Future research and analysis will build on the successes of past performance to deepen understanding of issues explored, highlight new policy concerns revealed by prior analysis, and anticipate upcoming needs of policy makers and decision makers. Selected examples include the following:

Economic Effects of Expansion of Biofuels Markets. Stronger links between the energy and agriculture sectors and new pricing relationships have developed along with expanded global biofuel production. As prices for biofuel feedstocks rise due to higher demand for their use in biofuels production, other users of those feedstocks, such as livestock operations, may need to find substitutes to maintain production levels. Higher prices for agricultural feedstocks and increased demand for substitutes may lead to higher food producer costs. With a global view, ERS research will examine how trading and competitor countries' agricultural economies will evolve as global bioenergy markets develop. Understanding these energy-agriculture price relationships, including the development of co-product markets, is important in better assessing the long-term economic viability of different biofuel alternatives.

Structural Change in Livestock Industries. ERS will continue to monitor the costs of producing livestock commodities and to assess how changes in input prices affect producer returns. Two Agricultural Resources Management (ARMS) surveys of livestock producers are the foundation for this search: 2008 cow-calf, 2009 hogs, and 2010 dairy surveys. Additionally, ERS is analyzing production practices and economic differences in organic and conventional milk production and evaluating producer incentives for transitioning to organic production. ERS will also continue to analyze conditions and events that influence supply, demand, trade, and prices in livestock, dairy, poultry, and aquaculture markets with special emphasis on regulatory, animal care, and food safety issues.

The Changing Nature of Farming. Understanding the past provides insights into the future. This project uses agricultural census and ARMS data to document long-term trends in the economic organization of farming. It will

focus on farm consolidation; farm ownership and farm operator demographics; contracting; land use; commodity mix; productivity; biotechnology-derived crops; livestock breeding; tillage systems; irrigation; organic production systems; manure management; and government payments. A report will evaluate twenty-five year trends in this area in order to develop scenarios for change over the next twenty-five years.

Forecast of Farm Income, Assets and Debt. Annually, estimates of farm income, assets and debt (balance sheet) are developed and presented at the Agricultural Outlook Forum and published for public use through the ERS web site. Updated income and balance sheet forecasts are developed, and reflect the most recent information available on production, prices and quantities of crops, livestock, products, and other outputs and services generated from farms. Disaggregated value-added/farm income account information is given to Bureau of Economic Analysis' (BEA) National Income Staff for their use in developing estimates of GDP and National Income Accounts and estimates of Personal Income and Outlays, and Corporate profits. Forecast data are also provided to the Council of Economic Advisors, and the estimates are also used by BEA's Regional Economic Measurement Division in developing a system of regional economic indicators that help form the basis for dissemination of Federal Revenue Sharing funds. Forecasts of financial indicators are combined with long-term trend data to produce an annual periodical, *Agricultural Income and Finance Outlook*, which provides information to gauge the financial health of the Nation's farmers and ranchers. Common topics included in the analysis include trends in income, value added, government payments, expenses, debt, assets, and indicators of farm solvency, liquidity, profitability, and financial performance.

The Disposition of Commodity Payments. The disposition of commodity payments was examined in a 2006 brief, *Growing Farm Size and the Distribution of Farm Payments*, which used 2003 data to examine the effects of structural change in crop production on the disposition of commodity payments. Production is shifting to larger farms, and larger farms tend to be operated by higher-income households. Since government commodity payments reflect production volumes for program commodities, payments are also shifting to larger farms. In a 2011 report, ERS will update the analysis in the earlier brief to reflect developments through 2008, and will also evaluate the likely impacts of proposed payment limitations and eligibility restrictions on the disposition of payments.

Evaluating the Performance of the Food Retailing Sector: How Well Does It Serve Consumers? This project describes the performance of the food retailing sector and its efficiency in serving consumers. The applied research will develop and estimate an economic model of the supermarket performance that accounts for two key retail outputs (value added and customer service offerings) and defines feasible tradeoffs between these measures. The study will investigate how store managers evaluate shadow prices of store inputs (such as labor, space allocation within the store). The link between store performance and characteristics of the retail customer base, including existing health outcomes (such as obesity rates for children and older individuals), socio-demographic information from the market area, and food prices will be investigated.

Exploring the Dimensions of Entrepreneurship among Farm Households. ERS will conduct research on the nature of farm-based entrepreneurs and the type of entrepreneurial activities in which they are engaged, and their economic impact on the farm-level and rural economy. This research project will investigate: (i) what are the entrepreneurial activities related to farm production itself, and economic activities based on farm products; (ii) what are farm business and farm operator characteristics that drive each of the above farming-related entrepreneurial activities; (iii) what kind of non-farm business activities in which the portfolio entrepreneurs and farm households are engaged, and what supply-side and demand-side factors influence their choice of these non-farm business enterprises; and (iv) what impact each of the above entrepreneurial activities has on the employment and income at the farm-level and rural economy.

**Key Outcome 2:** Enhanced understanding by policy makers, regulators, program managers, and those shaping public debate of economic issues related to developing Federal farm, natural resource, and rural policies and programs that respond to the challenges of climate change and the need to protect and maintain the environment while improving agricultural competitiveness and economic growth.

ERS will identify key economic issues related to interactions among natural resources, environmental quality, and the agriculture production system. ERS also will use sound analytical techniques to understand the immediate and broader economic and social consequences of alternative policies and programs to protect and enhance

environmental quality associated with agriculture. ERS research analyzes the economic effects and cost effectiveness of resource, conservation, environmental, and commodity programs and their linkages. Topics include USDA's conservation programs and environmental policies addressing water and air quality and climate change associated with agricultural production. ERS will effectively communicate research results to policy makers, program managers, and those shaping public debate on agricultural resource use and environmental quality.

Examples of these activities will include the following:

- Characterizing implications of conservation and environmental policy design. Conservation policy design is generally limited to defining the subset of producers eligible to participate in a program, constructing the incentive structure (how much will be paid for which activities), and selecting program participants from among willing bidders. ERS research examines options for using market forces to improve the economic, environmental and distributional performance of programs. Design features to be examined include the baseline level of performance necessary to receive payments or participate in markets, options for targeting specific producer types (e.g., socially disadvantaged farmers), regions, or environmental attributes, the use of auctions for soliciting high benefit or lower cost offers, and procedures for selecting participants from among all program applicants.
- Characterizing policy drivers for land management and land use change. Farm and environmental policies, including farm programs, biofuel policies, conservation programs and climate policies, may encourage farmers to modify cropping patterns, to change their crop management practices, to expand cropland and/or to retire cropland. ERS research examines whether and to what extent changes in land management and land use would occur under alternative policy specifications.

Future research and analysis will build on the successes of past performance to deepen understanding of issues explored, highlight new policy concerns revealed by prior analysis, and anticipate upcoming needs of policy makers and decision makers. Selected examples include the following:

Nitrogen in Agricultural Systems: Benefits and Costs Environmental Policy. Agriculture has been identified as the largest source of impairment for remaining water quality problems in the U.S. This research project focuses on the agricultural dimensions of water quality problems and the economic costs and benefits of improving water quality. In particular, planned research evaluates issues in the design of nonpoint source pollution control policies for reducing nutrients' impacts on water resources and the influences of regulation on agricultural decisions. Of particular interest is a focus on how different baseline requirements used in water quality trading programs affect the cost of credits and farmers' willingness to participate. The study will also consider the implications of alternative pathways for nitrogen-based emissions, and whether there are tradeoffs, e.g., between water quality and greenhouse gas.

Policy Drivers of Conversion of Native Grass Pasture and Rangeland for Crop Production. Farm commodity programs, crop insurance, disaster payments, and other Federal agricultural programs may have encouraged producers to convert native grassland to crop production. This research project aims to assess the nature of potential linkages between farm policy and grassland conversions. The study will include: (i) An analysis of grassland to cropland conversions using the best available data; (ii) A review of the economic literature on land use change; (iii) A simulation analysis of farm program incentives for grassland conversion based on representative farms; and (iv) A statistical analysis of the relative impacts of farm programs, market incentives, technology change, land productivity, and other factors that could also affect grassland conversions.

Economic Implications of Policy Options for Addressing Climate Change. ERS has initiated a climate change research program that will predict responses of farmers to mitigation options, analyze the economic and environmental implications of alternative approaches to designing greenhouse gas offset markets, examine the impact of mitigation options on domestic and global land use, and evaluate adaptation by farmers to a new climate regime through use of alternative technologies. This research effort will build on new investment in simulation model and database development, extensive expertise on the economics of land use and land management,

technology adoption, conservation program design, economics of biofuels, risk management and value and dissemination of public investment in research and development.

**Key Outcome 3:** Enhanced understanding by policy makers, regulators, program managers, and organizations shaping public debate of economic issues related to adoption of economically and environmentally sustainable technologies, factors affecting trade of U.S. agricultural products (including products produced using biotechnology), strategies to reduce barriers to imports and increase markets for U.S. products, including biotech crop exports.

ERS will identify key economic issues related to the competitiveness and sustainability of rural and farm economies, including economic factors guiding the development and adoption of agricultural biotechnology. ERS also will use sound analytical techniques to understand the immediate and broader economic and social consequences of alternative policies and programs, and the effects of changing macroeconomic and market conditions on rural and farm economies. ERS will effectively communicate research results to policy makers, program managers, and those shaping the public debate on the U.S. farm economy. ERS plans a range of activities to provide policy makers and other decision makers with assessments of current programs and alternative outcomes for pending or prospective policy decisions. Results will help shape public debate on commodity, technological, and economic issues. These activities will include the following:

ERS continually develops and disseminates research and analysis on the U.S. food and agriculture sector's performance in the context of increasingly globalized markets. Key emphasis areas include the World Trade Organization (WTO), domestic policy reforms, and the structure and performance of agricultural commodity markets. In-depth analysis of agricultural market conditions, and research and analysis aimed at fostering economic growth and understanding foreign market structures, round out the range of emphasis areas that enhance international competitiveness of American agriculture, including biotech crops.

ERS supports the USDA Biotechnology Coordinating Council and interdepartmental efforts with the Food and Drug Administration and the Environmental Protection Agency in the biotechnology crosscut through research that addresses both product impacts for farmers and industry behavior and potential impacts from concentration in the biotechnology industry. Research and related data collection efforts are designed to capture this rapidly emerging and turbulent technological change.

Future research and analysis will build on the successes of past performance to deepen understanding of issues explored, highlight new policy concerns revealed by prior analysis, and anticipate upcoming needs of policy makers and decision makers. Selected examples include the following:

The U.S. Organic Sector: Emerging Issues and Policy Dimensions. The federal organic regulatory program includes a "USDA organic" label that has bolstered consumer assurance and helped drive a rapid expansion in sales. Domestic supply now trails demand for many products. The first Congressional hearing on organic agriculture was held in 2007, and stakeholders called for additional research and other tools to help the domestic farm sector meet burgeoning consumer demand. ERS research describes changes in the character of the U.S. organic sector in response to this growth, and highlights some emerging issues and concerns. On-going ERS research will provide supporting analysis on issues across the organic supply chain, from structural changes in the organic farm sector to the socioeconomic characteristics of organic consumers.

International Trade Agreements Negotiation. The number of Free Trade Agreements (FTAs), as well as the share of world trade under these agreements, has been steadily increasing over the last decade. Two recently concluded FTAs between the ASEAN countries and China, Australia, and New Zealand could affect U.S. trade with a region that is considered a growth area for agricultural exports, while FTAs negotiated between the United States and South Korea, Colombia, and Panama remain on hold. An analysis of FTAs examines the effect of third-country FTAs that do not include the United States on U.S. agricultural exports as well as the expected impact of three pending U.S. FTAs on U.S. agriculture. ERS specific objectives include describing and analyzing the main elements of a Doha agreement for agriculture using econometric and simulation techniques.

Development of a U.S. Sanitary and Phytosanitary Regulation Database. ERS published its annual update of the database, *Phytosanitary Regulation of Fresh Fruits and Vegetables into the United States*. This data product identifies which countries, under USDA phytosanitary rules, are eligible to export to the United States the fresh fruits and vegetables that are most important in the American diet, using data and information from USDA's Animal and Plant Health Inspection Service (APHIS), the United Nations Food and Agriculture Organization (FAO), and the World Bank. Having access to information on countries that are currently eligible to export these products to the United States lays the foundation for better understanding trade patterns, and can underpin analyses of the market effects of changes in phytosanitary rules. The data product also underpins ongoing research on impacts of different types of phytosanitary measures, such as fumigation, irradiation, or cold treatment, on the level and composition of U.S. imports of fresh fruits and vegetables from countries around the world.

Agricultural Futures Markets Performance. Commodity futures markets have attracted an enlarged group of participants since 2004 as prices rose dramatically then declined from peak levels in 2008. ERS has an ongoing research program on agricultural derivatives and future markets, particularly looking at the issues and market conditions that affect the design and performance of commodity future contracts and derivatives markets. ERS researchers are working with analysts from the Commodity Futures Trading Commission and economists from the Universities of Illinois, Wisconsin, and California to examine how contract design may affect market participants, execution costs, contract use/volume, and price discovery and volatility with respect to such commodities as cotton, grain, and dairy markets.

International Food Security Assessment. With volatile agricultural prices, ERS's analysis on food insecurity in developing countries takes on added importance. The food security situation in 70 developing countries is projected to deteriorate over the next decade. The estimates indicate that the number of food-insecure people in those countries has been increasing. Price hikes for food and fuel, coupled with a slowdown in global economic growth, hinder long-term food security progress. ERS estimates and projects the number of food insecure people globally, regionally, and in each of the selected 70 developing countries.

**Key Outcome 4:** Enhanced understanding by policy makers, regulators, program managers, and those shaping public debate of economic issues related to improving the efficiency, efficacy, and equity of public policies and programs relating to the food prices and availability at home and abroad, consumer food choices, nutrition and health outcomes, nutrition assistance programs, and protecting consumers from unsafe food.

ERS will identify key economic issues affecting food prices, food availability, food consumption patterns, and protecting consumers from unsafe food and the food supply from contamination. ERS also will use sound analytical techniques to understand the immediate and long-term efficiency, efficacy, and equity consequences of alternative policies and programs aimed at ensuring access by children and adults to safe, nutritious, and balanced meals. ERS ongoing research will also address factors that can improve the effectiveness and efficiency of USDA and other Federal food aid programs at a time of resource scarcity. ERS will effectively communicate research results to policy makers, program managers, and those shaping efforts to promote abundant, safe, and healthful food at home and abroad. Examples of these activities will include the following:

- Providing economic analysis of the food marketing system to understand factors affecting the availability and affordability of food for American consumers.
- Providing timely insights and analysis to support improved decision making on issues related to food security and trade in low-income countries.
- Examining changes in food aid distribution (by program) to help determine the driving factors behind the allocation decision of donors.
- Providing enhanced annual estimates of the quantity of food available for human consumption, and measures of disappearance and loss in the food system.
- Providing economic analysis of how people make food choices, including demands for more healthful, nutritious, and safer food, and of the determinants of those choices, including prices, income, education, and socio-economic characteristics.
- Conducting analyses of the benefits and costs of policies to change behavior to improve diet and health, including nutrition education, labeling, advertising, and regulation.

- Conducting evaluations and economic analyses of the impacts of the Nation's domestic nutrition assistance programs, including the Supplemental Nutrition Assistance Program (SNAP); the Special Supplemental Nutrition Program for Women, Infants, and Children; and the Child Nutrition Programs.
- Evaluating the dietary and nutritional outcomes of USDA's food and nutrition assistance programs.
- Conducting research on food program targeting and delivery to gauge the success of programs aimed at needy and at-risk population groups, and to identify program gaps and overlaps.
- Conducting research on program dynamics and administration, focusing on how program needs change with local labor market conditions, economic growth and recession, and how changing State welfare programs interact with food and nutrition programs.
- Conducting food safety economics research, with the goal of providing a science-based approach to valuing food safety risk reduction, assessing industry costs of food safety practices, and understanding the interrelated roles of government policy and market incentives in enhancing food safety.
- Providing the decision makers and the public with food safety and biosecurity information through publications, web materials, and briefings that address several economic aspects of food safety, including consumer knowledge and behavior, industry practices, the relationship between international trade and food safety, and government policies and regulations.
- Working with Federal food safety agency partners to evaluate available food borne illness data related to meat, poultry and egg products, and to develop more accurate measures of the effectiveness of regulatory strategies in reducing preventable food borne illness.
- Conducting research on consumer awareness of and attitudes toward food safety risks in order to support education and outreach efforts and to improve understanding of the consumer benefits of various regulatory actions.
- Expanding research, modeling, and data sources that aid in analyzing emerging, potentially high-risk threats to public food safety and U.S. agriculture.
- Building food-price and food-consumption databases to provide a basis for analyzing the impact of food policy.

Future research and analysis will build on the successes of past performance to deepen understanding of issues explored, highlight new policy concerns revealed by prior analysis, and anticipate upcoming needs of policy makers and decision makers. Selected examples include the following:

Understanding Food Choices, Health Outcomes, and Community Characteristics. Two projects will use the National Health and Nutrition Examination Survey (NHANES) data, linked with outside data sources, to better understand how food choices and health outcomes are related to food assistance program participation and to community-level characteristics. One project focuses specifically on SNAP participation and food choices. In a separate project, NHANES data will be linked with data on the food environment to examine how the food environment may be associated with the diet and health outcomes of individuals who indicate that they are trying to follow a specific diet. Both the SNAP project and the dietary intentions project will be described. SNAP aims to help low-income households buy the food they need for good health. Evaluating the impact of the program on health is critical to assessing whether the program's goals are met. The NHANES survey provides rich data on the diet and health of SNAP participants, but has very little information that can help explain who chooses to participate in SNAP compared with who does not. To better address the self-selection problem while using the wealth of information available through the NHANES, this project will use state and time-varying SNAP program rules to predict participation in SNAP and will then estimate the effect of SNAP on diet and health outcomes such as food consumption and obesity. The late 1990s and early 2000s saw many changes in SNAP program rules, including changes in certification periods, reporting requirements, and vehicle exemptions. These program rules are likely to be correlated with SNAP participation, but not food consumption or obesity. The rules will be used as instrumental variables for participation in SNAP to estimate the effect of SNAP participation on food consumption and obesity.

U.S. Local Food Demand: Evidence from Nielsen Homescan. This analysis will provide information on consumer willingness to pay for fruits and vegetables purchased through local food/direct-to-consumer marketing outlets, such as farmers' markets and on-farm purchases. Consumers cite various reasons for their interest in local foods, including quality, freshness, and knowledge of the source. Price differences between local and nonlocal food outlets reflect consumers' willingness to pay for these perceived attributes. While several studies have elicited consumer

willingness to pay for local foods by surveying attitudes, empirical analyses of demand based on actual purchases has been limited. Focus will be on fruit and vegetable farms, as they account for over half all direct sales to consumers. By better understanding demand-side willingness to pay for local foods, we can better understand incentives for providing these products. This may be especially important for smaller producers who rely more heavily on direct sales marketing outlets for their farm output.

The National Household Food Acquisition and Purchase Survey (FoodAPS). FoodAPS will provide unique and detailed data about household food choices that are not available from any other survey. FoodAPS is a nationally representative survey of household food purchases and acquisitions. Detailed information will be collected about foods purchased for consumption at home and away from home as well as foods acquired through food and nutrition assistance programs (both public and private). The data collection effort will yield information not previously available to researchers, thereby broadening the scope of economic analyses of food choices and what those choices mean for diet quality. The survey will be designed, field tested, and launched over the next five years.

U.S. Food Consumption Landscape: Who Eats What, How Much, and Where. ERS is developing a Food Commodity Economic Database (FCED) to convert foods reported being eaten in dietary recall surveys (1994-1998 and 1999-2002) to commodities of interest to policy makers and the agricultural production and marketing communities. There are various FCED data components. The research in using FCED will involve several tasks. First, a product conversation database will need to be developed building on previous work. ERS will cover all food commodities in the analysis. ERS will conduct its research by commodity groups, focusing first on dairy, fruits, and vegetables—those under-consumed.

The Price of Healthy Foods. The classification of food in the Quarterly Food-At-Home Price Database (Q-FAHPD) recognizes that a healthy diet includes foods from all food groups, including fats and oils, and that consumers can make healthful choices within food groups. Researchers will compare the relative prices of each food group across markets and how these prices have changed over time. Research will also use this data set to explore the claim that healthy foods are more expensive than less healthy foods. To make the information in this database more accessible, researchers also plan to create a Map Machine tool that is accessible to other ERS researchers and possibly posted on the external website. The mapping tool will display not only geographic variation in prices, but also geographic variation in price changes, for each food group.

2005 Dietary Guidelines and the Demand for Whole Grains. The *2005 Dietary Guidelines* for Americans recommended that at least half of one's daily grain intake come from whole grain foods. Since the release of these recommendations, there is empirical evidence that consumers are purchasing more whole grains. This increase is somewhat surprising considering past responses to dietary recommendations. Nielsen data on whole grain purchases will be used to determine whether the demand for whole grains increased significantly after the release of the *2005 Dietary Guidelines*. Specifically, research will compare price and expenditure measures before and after the release date to characterize demand shifts.

The Effect of FAFH and Food from School on Children's Diet Quality. This project examines the effect of food away from home (FAFH) on diet quality. Again, using two days of dietary intake researchers estimate how changes in the number and types of meals consumed away from home effect changes in calories and HEI scores and changes in dietary density among the components that comprise the HEI. In this analysis, researchers distinguish general food away from home from foods consumed from school. Foods sold at school may be subject to certain nutritional standards, such as meeting USDA requirements for reimbursable meals. Thus, separating foods sold at restaurants and fast food places from those sold at schools will yield more precise estimates of the effects of both types of FAFH. We also control for consumption of sugar-sweetened beverages (sodas, fruit drinks and power-ades).

School Breakfast Program: Understanding Benefits and Costs. This research examines potential benefits and costs of expansion/contraction of the School Breakfast Program. The research defines benefits as the nutritional, cognitive, academic, and other economic outcomes that can be attributed to participation in the program. Costs are viewed in terms of fiscal costs to the Federal government and costs to local school food services, as well as costs of potential adverse outcomes, such as the possibility of increased overweight associated with program participation.

Consumers' Response to the 2008 FDA Announcements that Tomatoes, Cilantro, and Peppers Might Be Contaminated with Salmonella. The FDA attempted to trace the origin of a spike in Salmonella infections back to its source in 2008. Evidence first pointed to tomatoes, and the FDA refined its investigation to particular tomato varieties and sources before changing to investigate fresh cilantro and subsequently hot peppers. The message consumers received about the health risk they faced is not known. Their response could have been to abide by FDA's changing recommendations or to abandon all tomatoes, herbs, and peppers. This research will model retail demand for these products and characterize consumers' response to the evolving information.

Economic cost of food borne Salmonella infections. The previous ERS estimate of the economic cost of illness due to food borne Salmonella infections underestimated the cost by omitting the post-infectious complications caused by this pathogen. In collaboration with CDC, this project will update the earlier ERS cost estimate and include the additional costs due to Salmonella-related reactive arthritis (ReA), irritable bowel syndrome (IBS), and inflammatory bowel disease (IBD). The analysis will use the forthcoming update of CDC's estimate of food borne illnesses, CDC FoodNet surveys of Salmonella and gastroenteritis patients, case-control studies of the risk of ReA, IBS, and IBD following a Salmonella infection, and economic studies of the cost of each of these conditions. The updated estimate will provide some of the information needed by USDA and FDA to establish priorities for controlling different food borne diseases and to evaluate specific interventions to reduce Salmonella contamination of the U.S. food supply.

Healthy Meals and Costs in National School Lunch Program, School (NSLP) and School Breakfast Program (SBP). ERS will use the School Lunch & Breakfast Cost Study-II (SLBCS-II) to examine the association between cost and healthfulness of NSLP lunches. The main hypothesis is whether healthier food (according to the Dietary Guidelines of America) is more expensive to serve in school lunches. We will pay special attention to the different food, labor, and capital costs associated with different menu items. We will also compare the costs and healthfulness of different preparation methods, such as fresh, frozen or canned foods. As a possible extension, we will examine the links between healthfulness, cost, and student participation by matching SLBCS-II specific food items to food items in the School Nutrition Dietary Assessment-III (SNDA-III). SNDA-III has detailed nutrition information on food items offered and served to students as well as rich data on student characteristics.

Food Security and Disability. Food insecurity and very low food security are more prevalent among households with an adult with a work-limiting disability. This project will investigate determinants of food insecurity among households with disabled member(s) including those with disabilities that are not work-limiting. The 2009 CPS-ASEC (demographic supplement) will be matched to the 2008 CPS-FSS to utilize information on receipt of disability income and types of disability (beyond work-limiting disability) to more fully understand why these households are at increased risk of experiencing food insecurity.

Farm to School Programs: Characteristics and Outcomes. Farm-to-school programs are promoted as opportunities to increase student interest in fruits and vegetables, obtain fresher produce for school meals and support local agriculture. ERS will use the National Farm to School Network registry matched to common core data and SNDA III to examine the location and characteristics of farm to school programs, and whether farm to school programs are associated with higher levels of vegetable consumption.

Self-control and Food Environment: Does Living in a Food Desert Weaken the Power of Dietary Intentions?

This study will examine whether people living in food deserts have a harder time following through on their intentions to eat a healthy diet compared with those living in healthier food environments. Information from the 2003-2004 and 2005-2006 National Health and Nutrition Examination Survey on health conditions, dieting status, and dietary intake will be linked to a unique set of data on the location of supermarkets and other local food environment characteristics from the USDA's Food Environment Atlas.

## **Summary of Budget and Performance Key Performance Outcomes and Measures**

**Agency Goal:** The long-term performance goal across USDA and agency goal areas is the successful execution of the ERS program of economic research and analysis to provide policy makers, regulators, program managers, and those shaping the public debate on agricultural economic issues with timely, relevant, and high quality economic research, analysis, and data to enhance their understanding of economic issues affecting food and agriculture. A general discussion of performance measures follows.

**Key Outcome:** The key outcome of the ERS program is to inform and enhance public and private decision making on economic and policy issues related to agriculture, food, the environment, and rural development.

### **Application of the Research and Development Investment Criteria at ERS**

ERS research and management practices use many methods to apply the research and development investment criteria. These practices are designed to ensure that the direction of agency research activities reflects current and anticipated needs of ERS stakeholders and customers, that research and analysis produced by the agency adheres to disciplinary standards to ensure the highest possible quality, and that the agency's research products are delivered in a way that is accessible to customers.

#### ***Principal practices to ensure research quality***

ERS staff publishes research and analysis in a variety of outlets, such as research monographs, ERS periodicals, journals, and presentations outside ERS. For all products the overriding objective is high quality economic analysis and communication of findings. Review and clearance is a collaborative process that begins with defining the questions and hypotheses to be investigated and selecting the appropriate methodologies. Official review and clearance guidelines are designed to ensure high quality analysis.

All products must meet disciplinary standards for quality and must receive substantive peer reviews by qualified experts who have the background, perspective, and technical competency to provide a meaningful assessment of the research design and findings. Reviewers are composed of a mix of individuals outside the author's immediate work unit and at least one from outside the agency. In addition, publications that involve other Federal programs must be reviewed by researchers/analysts from the relevant program agency.

ERS economic research and analysis includes extramural research activities through the Food Assistance and Nutrition Research Program (FANRP). FANRP's competitive grants and cooperative agreements fund research on strengthening economic incentives in food assistance programs; food assistance as a safety net; and obesity, diet quality, and health outcomes. The program is publicly announced, and grants and agreements are competitively awarded through the use of peer review panels.

#### ***Principal practices to ensure research relevance***

ERS interacts with stakeholders and customers in many ways to ensure that the research agenda focuses on topics relevant to public and private decision makers. One example of such interaction centers on involving stakeholders in discussions of potential research issues relevant to a given area. ERS regularly convenes workshops, stakeholder sessions, or other meetings in which the results of recent agency research are discussed, upcoming policy issues are identified, and questions for future research are explored. In this way, interaction with stakeholders and customers helps sharpen the agency's research focus to better anticipate future needs for public and private decision makers. Another method to ensure relevance of agency research and analysis centers on ERS strategic planning processes. Strategic planning processes at ERS involve discussing with stakeholders the retrospective assessment of research accomplishments and agency impact, identifying key policy areas for potential future impact, and establishing research program priorities.

In addition to efforts to ensure the relevance of long-term research, ERS also asks customers to assess the relevance of staff analysis provided to USDA and other government officials. ERS uses a short

questionnaire to gather feedback from customers about relevance, usefulness, timeliness, and accessibility of the product delivered. The instrument provides valuable insight into the relevance of information from ERS in informing decisions by key policy makers.

***Principal practices to assess performance: key performance measures***

ERS employs several practices to assess performance of the agency's research program. These activities are designed to identify how ERS research contributes to discussion of issues in a sector, how effectively agency information is communicated to customers, and how the efficiency of the program can be improved.

Central to effective ERS performance is successful completion of planned research that enhances understanding by policy makers, regulators, program managers, and those shaping the public debate of economic issues related to enhancing economic opportunities for agricultural producers. Effective performance of economic research and analysis can be inferred through an integrated suite of measures designed to provide an indication of aspects of program performance. The key challenge for providing an overall assessment of research program performance is to develop a set of measures that, taken together, can provide a comprehensive view of program performance.

The framework for assessing the performance of the ERS economic research and analysis program centers on adherence to the Research and Development Investment Criteria principles of relevance, quality, and performance. Agency assessment practices provide a broad framework for assessing success in achieving these criteria. The degree of success can be further assessed through application of a quantitative performance assessment tool that considers factors key to successful research, based on relevance, quality, and performance. The tool consists of a three-category performance indicator that reflects the interval of the point score achieved on a quantitative research program assessment tool. A key component of evaluating agency performance in these areas will be program evaluation conducted by outside review panels. Panels assess the relevance, quality, and performance of agency programs by using the quantitative assessment tool based on the assessment criteria, which are summarized below. These criteria, taken together, will provide an indication of agency performance.

Data and other information collected for the ERS performance measurement framework are used to monitor, evaluate, and revise program activities and resource allocation to meet changing priorities in support of the ERS mission. ERS management regularly discusses implementation of research activities to ensure continued and improved agency effectiveness. The outcome of program review activities has been used as a basis for resource allocation and strategic planning activities for the food economics program and the market and trade economics program. The results of the American Customer Satisfaction Index (ACSI) customer survey indicate a customer priority for improving data accessibility and dissemination. These priorities are reflected in current activities to improve data dissemination via the ERS Web site. The results from the ACSI Web site customer satisfaction survey are used to inform initiatives to improve navigation on the ERS Web site.

ERS strategic planning activities include reviews of progress in meeting program plans and implementing revisions as necessary. Changes reflect activities to ensure continued relevance of ERS research and analysis activities, and to continue to provide useful and appropriate products to customers. ERS strategic planning includes discussions with customers and stakeholders on prospective research projects to meet anticipated needs of policy officials. Stakeholder conferences are used to help set priorities for ERS extramural funding programs. In FY 2012 ERS budget initiatives are aimed at responding to interests of ERS customers for continued relevant research, analysis, and data.

<b>Performance Measure</b>	<b>FY 2007 Actual</b>	<b>FY 2008 Actual</b>	<b>FY 2009 Actual</b>	<b>FY 2010 Actual</b>	<b>FY 2011 Target</b>	<b>FY 2012 Target</b>
Portfolio Review Score: Qualitative assessment by external experts of the relevance, quality, and performance of ERS research portfolios to enable better informed decisions on food and agricultural policy issues.	Excellent	Excellent	Excellent	Excellent	Excellent	Excellent
ACSI Customer Satisfaction Rating	n/a	74	n/a	n/a	76	n/a
Policy Official Satisfaction Survey	95	95	95	95	95	95
Percent of requested analysis delivered on time	95	96	100	100	100	100
Customer satisfaction with the ERS Web site	71	70	74	74	75	75

#### **Portfolio Review Score**

ERS uses independent expert review panels that evaluate the effectiveness of the ERS program of economic research and analysis to enable better informed decisions on food and agricultural policy issues. Over the past four years, review panels have assessed major segments of the ERS program. In each review, the external panels assess the relevance, quality, and performance of program plans, activities, and accomplishments. This assessment includes an evaluation using a quantitative analysis tool to rate portfolio effectiveness on a multi-category scale (excellent, adequate, needs improvement). The panel recommendations are used in agency strategic planning and priority setting.

#### **ACSI Customer Satisfaction Rating**

This measure is designed to assess the satisfaction of private and other external customers with the relevance, usefulness, and accessibility of ERS research, data, and analysis, as measured by the ACSI. This measure tracks relevance and usefulness of ERS research, analysis, data products, and services, as determined through a survey of agency customers using the ACSI. The survey is conducted on a three-year cycle. In 2005 ERS customer satisfaction rated above targeted levels, and above average customer satisfaction with government programs. Another survey was conducted in 2008, with little change in average scores from 2004. Future surveys of overall customer satisfaction are planned for 2011.

#### **Policy Official Satisfaction Survey**

This measure is designed to assess the satisfaction of USDA and other government decision makers with the relevance and usefulness of requested analysis. ERS provides a broad range of research, data, and analysis for public and private decision makers to use in their analysis of economic issues affecting the food and agricultural sector. Throughout the year, policy officials from USDA agencies or outside of the Department request that ERS provide analysis on specific questions of interest to the requestor. Such questions, referred to as “Staff Analysis,” provide policy officials with assessments relevant to their particular questions, and the analyses are typically requested for quick turnaround. This measure assesses requestors' satisfaction with the usefulness of materials provided by ERS in response to their requests for short-term, tailored research, analysis, and data.

#### **Percent of Requested Analysis Delivered on Time**

For the “Staff Analysis” described in the previous measure, an indicator of agency performance is the timeliness with which responses are provided to the customer. This measure tracks the timeliness of responses by ERS to requests for short-term tailored research, analysis, and data from government policy makers.

**Customer satisfaction with the ERS Web site**

In recent years, ERS recast its information dissemination and communications channels to adopt a Web-centric approach to communicating with customers. As a result, all ERS research, data, and other information disseminated by the agency are available through the ERS Web site. This measure is an indicator of customer satisfaction with the ERS Web site using a survey based on ACSI. The measure tracks satisfaction of Web site users and provides a basis for comparison with similar government and private sector Web sites. The target for this measure is at or above the average rating for government Web sites in the Information/News category.

**Economic Research Service  
Full Cost By Department Strategic Goal**

**Strategic Goal 1: Assist rural communities to create prosperity so they are self-sustaining, repopulating and economically thriving.**

		Dollars in thousands		
PROGRAM	PROGRAM ITEMS	FY 2010	FY 2011	FY 2012
<b>Economic Research and Analysis</b>				
	Salaries and Benefits	20,311	20,326	20,549
	Pay Costs	0	0	0
	Data Acquisition	3,192	3,233	3,318
	Extramural Program	2,172	2,241	2,067
	Contracts	1,111	1,117	1,117
	Interagency Agreements	1,362	1,371	1,471
	Direct Costs	453	453	612
	Indirect Costs	1,157	1,287	1,479
	<b>Total Costs</b>	<b>29,758</b>	<b>30,030</b>	<b>30,614</b>
	<i>FTEs</i>	<i>155</i>	<i>155</i>	<i>157</i>
Performance				
Measure: Portfolio	Qualitative assessment by external experts of the			
Review Score	relevance, quality, and performance of ERS research portfolios to enable better informed decisions on food and agricultural policy issues.	Excellent	Excellent	Excellent
<b>Total for Strategic Goal</b>				
	<b>Total Costs (program, direct, indirect)</b>	<b>29,758</b>	<b>30,030</b>	<b>30,614</b>
	<i>FTEs</i>	<i>155</i>	<i>155</i>	<i>157</i>

**Strategic Goal 2: Ensure our national forests and private working lands are conserved, restored and made more resilient to climate change, while enhancing our water resources.**

		Dollars in thousands		
PROGRAM	PROGRAM ITEMS	FY 2010	FY 2011	FY 2012
<b>Economic Research and Analysis</b>				
	Salaries and Benefits	6,601	6,606	6,729
	Pay Costs	0	0	0
	Data Acquisition	2,712	2,747	3,087
	Extramural Program	657	678	936
	Contracts	12	12	12
	Interagency Agreements	138	139	139
	Direct Costs	159	159	192
	Indirect Costs	416	462	418
	<b>Total Costs</b>	<b>10,695</b>	<b>10,804</b>	<b>11,513</b>
	<i>FTEs</i>	<i>53</i>	<i>53</i>	<i>53</i>
Performance				
Measure: Portfolio	Qualitative assessment by external experts of the			
Review Score	relevance, quality, and performance of ERS research portfolios to enable better informed decisions on food and agricultural policy issues.	Excellent	Excellent	Excellent
<b>Total for Strategic Goal</b>				
	<b>Total Costs (program, direct, indirect)</b>	<b>10,695</b>	<b>10,804</b>	<b>11,513</b>
	<i>FTEs</i>	<i>53</i>	<i>53</i>	<i>53</i>

**Strategic Goal 3: Help America promote agricultural production and biotechnology exports as America works to increase food security.**

		Dollars in thousands		
PROGRAM	PROGRAM ITEMS	FY 2010	FY 2011	FY 2012
	Salaries and Benefits	13,437	13,447	13,619
	Pay Costs	0	0	0
	Data Acquisition	2,014	2,040	2,125
	Extramural Program	1,442	1,488	1,493
	Contracts	1,099	1,105	1,105
	Interagency Agreements	1,242	1,250	1,350
	Direct Costs	303	303	441
	Indirect Costs	771	858	1,105
	<b>Total Costs</b>	<b>20,309</b>	<b>20,492</b>	<b>21,239</b>
	<i>FTEs</i>	<i>102</i>	<i>102</i>	<i>102</i>
Performance				
Measure: Portfolio	Qualitative assessment by external experts of the			
Review Score	relevance, quality, and performance of ERS			
	research portfolios to enable better informed			
	decisions on food and agricultural policy issues.	Excellent	Excellent	Excellent
	<b>Total for Strategic Goal</b>			
	<b>Total Costs (program, direct, indirect)</b>	<b>20,309</b>	<b>20,492</b>	<b>21,239</b>
	<i>FTEs</i>	<i>102</i>	<i>102</i>	<i>102</i>

**Strategic Goal 4: Ensure that all of America's children have access to safe, nutritious and balanced meals.**

		Dollars in thousands		
PROGRAM	PROGRAM ITEMS	FY 2010	FY 2011	FY 2012
<b>Economic Research and Analysis</b>				
	Salaries and Benefits	12,011	12,020	12,254
	Pay Costs	0	0	0
	Data Acquisition	177	179	519
	Extramural Program	1,350	1,393	2,232
	Contracts	3,247	3,265	3,265
	Interagency Agreements	3,218	3,239	3,074
	Direct Costs	285	285	373
	Indirect Costs	693	771	888
	<b>Total Costs</b>	<b>20,981</b>	<b>21,152</b>	<b>22,605</b>
	<i>FTEs</i>	<i>90</i>	<i>90</i>	<i>93</i>
Performance				
Measure: Improve	USDA policy makers implement new local			
Low Income	foods initiatives as a result of new data and			
Household Access	information on community, local food market,			
to Fresh, Local,	and food assistance program characteristics, and			
Healthy Food	analysis of effective alternatives for improving			
	access to fresh, local foods.	No	No	Yes
Performance				
Measure: Portfolio	Qualitative assessment by external experts of the			
Review Score	relevance, quality, and performance of ERS			
	research portfolios to enable better informed			
	decisions on food and agricultural policy issues.	Excellent	Excellent	Excellent
	<b>Total for Strategic Goal</b>			
	<b>Total Costs (program, direct, indirect)</b>	<b>20,981</b>	<b>21,152</b>	<b>22,605</b>
	<i>FTEs</i>	<i>90</i>	<i>90</i>	<i>93</i>
	<b>Total for Economic Research and Analysis</b>			
	Unobligated Balance	735	-	-
	Total Costs (program, direct, indirect)	82,478	82,478	85,971
	<b>Total for each Object Class per year</b>			
	<i>FTEs</i>	<i>400</i>	<i>400</i>	<i>405</i>