

2010 Explanatory Notes
Agricultural Marketing Service

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AGRICULTURAL MARKETING SERVICE

Purpose Statement

The mission of the Agricultural Marketing Service (AMS) is to facilitate the competitive and efficient marketing of agricultural products. AMS programs support a strategic marketing perspective that adopts product and marketing decisions to consumer demands, changing domestic and international marketing practices, and new technology.

AMS carries out a wide range of programs under the authorization of the Agricultural Marketing Act of 1946 as well as over 50 other statutes. AMS conducts many appropriated program activities through cooperative arrangements with State Departments of Agriculture and other agencies. About two-thirds (sixty-two percent) of the funds needed to finance AMS activities (excluding commodity purchase program funds) are derived from voluntary user fees. AMS provides services for private industry, State and Federal agencies on a reimbursable basis, in connection with commodity and other grading programs.

1. Market News Service:

The Market News program is authorized by the following statutes:

Agricultural Marketing Act of 1946
 Agricultural and Food Act of 1981 (as amended by the Food Security Act of 1985)
 The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill)
 Cotton Statistics and Estimates Act of 1927
 Livestock Mandatory Reporting Act of 1999
 Peanut Statistics Act
 Naval Stores Act
 Tobacco Inspection Act of 1935
 U.S. Cotton Futures Act

The AMS market news service collects, analyzes, and disseminates market information to the public for numerous agricultural commodities, including cotton, cottonseed, and tobacco; dairy products; fruits, vegetables and ornamentals; livestock, meat, grains and wool; and poultry and eggs. Market information covers local, regional, national, and international markets and includes current data on supply, movement, contractual agreements, inventories, and prices for agricultural commodities. Federal and State reporters obtain market information, which AMS experts analyze, compile, and immediately disseminate to the agricultural community, academia, and other interested parties. National information is integrated with local information and released in a form easily understood by the industry and locality served. AMS expanded global market reporting beginning in FY 2003 to assist exporters and provide information on imported products competing for domestic markets. AMS provides electronic access and e-mail subscriptions through internet-released market news reports. This program provides producers and marketers of farm products and those in related industries with timely, accurate, and unbiased market information that assists them making the daily decisions of where and when to sell, and at what price; thereby enhancing competitiveness and helping to increase the flow of information through agricultural marketing systems.

- a. Livestock Mandatory Reporting (LMR): AMS's LMR program (as authorized by P.L. 106-78, Title 9) was initiated on April 2, 2001, and requires the reporting of market information by livestock processing plants that annually slaughter on average a minimum of 125,000 cattle, 100,000 swine, or slaughter or process an average of 75,000 lambs. The LMR market news reports provide information regarding the pricing, contracting for purchase, and supply and demand conditions for livestock, livestock production, and livestock products to encourage competition in the marketplace. In addition to providing information regarding the daily and weekly prices paid by packers to producers for cattle, hogs, and sheep and the daily and weekly

prices received by packers for their sales of boxed beef and boxed lamb to retailers, wholesalers, and further processors these reports also provide prices paid by importers of imported lamb and lamb products. All of the price information reported is sorted into the respective purchase types as defined in the Act--negotiated, forward contract, and formula marketing arrangements--which were previously unavailable prior to LMR. The information in these reports is used by all sectors of the livestock and meat industry to make current, as well as future, marketing and livestock production decisions. On October 5, 2006, the LMR program was reauthorized by P.L. 109-296 through September 30, 2010, with some modifications to swine reporting.

- b. Organic Market Reporting: The 2008 Farm Bill requires the Secretary to undertake Organic Production and Market Data Initiatives and provide three agencies—AMS, the Economic Research Service, and the National Agricultural Statistics Service—with one-time funding to develop these initiatives. AMS' Market News (MN) program, which is responsible for the collection and distribution of organic market data, has responded by improving the reporting of organic products, expanding the number of organic commodities reported, and developing additional organic market information tools within the MN Portal.

2. Shell Egg Surveillance and Standardization:

These programs are authorized by the following statutes:

Egg Products Inspection Act
Agricultural Marketing Act of 1946

To ensure that cracked, leaking, or other types of "loss" (restricted) eggs are diverted from table egg consumption, the Shell Egg Surveillance Program verifies that marketed eggs have a quality level of at least U.S. Consumer Grade B. The development of U.S. grade standards and grading activities facilitate the domestic and international marketing of agricultural commodities.

- a. Shell Egg Surveillance: AMS conducts this program, in cooperation with the State departments of agriculture, to ensure that shell egg handling operations are inspected at least four times annually and hatcheries are inspected at least once each year to control the disposition of certain types of under grade and restricted eggs. This program diverts eggs that are not at least U.S. Consumer Grade B--and which cannot be sold in shell form--to egg breaking plants.
 - b. Standards Development: AMS develops, reviews, and maintains agricultural commodity standards that describe product quality attributes such as taste, color, texture, yield, weight, and physical condition for use in the trading of agricultural commodities. These standards provide a common language for buyers and sellers of commodities both here and abroad for use in marketing. AMS standards constitute the basis for market reporting, and are used in grading cotton, milk and dairy products, eggs, fruits, livestock and meat, nuts, tobacco, poultry, and vegetables. AMS participates in international standards-setting and other marketing activities related to agricultural exports to lend technical expertise and represent the interests of the agricultural industry.
- ## 3. Market Protection and Promotion Programs:

AMS administers programs under several laws that stimulate innovative and improved commodity marketing, authorize the collection of pesticide application and residue information to ensure proper marketing practices, and provide assistance to industry-sponsored activities.

In the administration of market protection and promotion activities, the Agricultural Marketing Service operates under the following authorities:
Agricultural Marketing Act of 1946

Beef Promotion and Research Act of 1985
 Capper-Volstead Act
 Cotton Research and Promotion Act
 Commodity Promotion, Research, and Information Act of 1996
 Dairy Production Stabilization Act of 1983
 Egg Research and Consumer Information Act
 Export Apple Act
 Export Grape and Plum Act
 Farm Security and Rural Investment Act of 2002
 Federal Seed Act
 Fluid Milk Promotion Act of 1990
 Food, Conservation, and Energy Act of 2008
 Food Quality Protection Act of 1996
 Hass Avocado Promotion, Research, and Information Act of 2000
 Honey Research, Promotion and Consumer Information Act
 Mushroom Promotion, Research and Consumer Information Act of 1990
 Organic Foods Production Act of 1990
 Peanut Promotion, Research and Information Order
 Popcorn Promotion, Research, and Consumer Information Act
 Potato Research and Promotion Act
 Pork Promotion, Research and Consumer Information Act of 1985
 Soybean Promotion, Research and Consumer Information Act
 Specialty Crops Competitiveness Act of 2004
 Watermelon Research and Promotion Act

- a. Pesticide Data Program (PDP): Established under authority of the Agricultural Marketing Act of 1946 and the 1996 Food Quality Protection Act, PDP develops and communicates comprehensive, statistically-reliable information on pesticide residues in food to improve Government dietary risk assessments. This program provides data on a continual basis to the Environmental Protection Agency (EPA) for use in the pesticide registration process and to other Federal and State agencies for use in determining policies intended to safeguard public health. In addition to reporting comprehensive pesticide residue data for general dietary risk assessment, the program is particularly focused on the foods most likely consumed by children. The pesticide residue data collected by the program enhances the competitiveness and sustainability of farm economies by supporting the use of safer crop protection methods and supports marketing by providing information that can be used to re-assure consumers concerned about pesticides. To ensure integrity and the high degree of quality required for dietary risk assessment procedures, PDP's standard operating procedures parallel EPA's Good Laboratory Practice guidelines. Information on significant findings is reported to the Food and Drug Administration (FDA). This program is a cooperative effort between Federal agencies and is conducted by AMS through agreements with State agencies that provide sampling and testing services.
- b. Microbiological Data Program (MDP): Implemented in 2001, MDP collects information regarding the prevalence of food-borne pathogens and indicator organisms on domestic and imported fresh fruits and vegetables. Microbiological data obtained from this fresh produce screening effort enhances understanding of the microbial ecology of fresh fruit and vegetables in the food supply, helps in identifying long-term trends, and contributes to a national produce microbiological baseline. Because MDP baseline data reflects changes in cultivation, harvesting practices, post-harvest handling and packaging of fresh produce to meet changing consumer life styles, along with preferences and demands, it can be used to help fine-tune Good Agricultural Practices. AMS transfers data to the Centers for Disease Control and Prevention (CDC) and FDA on a semi-annual basis. To better support investigations conducted by the CDC and FDA, MDP has begun collecting sample origin information, including: grower, packer, and distributor; country of origin; collection facility name; and lot number/product code. MDP also provides data

to USDA's Food Safety and Inspection Service and Agricultural Research Service. AMS establishes uniform procedures, determines testing methodologies for cooperating laboratories, analyzes the data, and generates an annual report. MDP sampling and testing of fruits and vegetables in U.S. markets are conducted under agreement by personnel from cooperating States which together, represent all regions of the country and more than half the Nation's population.

- c. National Organic Standards Program: This program is authorized by the Organic Foods Production Act of 1990. The Act requires AMS to develop and maintain national standards governing the production and handling of agricultural products labeled as organic. AMS provides support to the National Organic Standards Board, reviews materials for the national list of allowed synthetic materials, and coordinates the enforcement and appeals process. The legislation also requires AMS to examine and accredit State and private certifying agents to ensure their compliance with national organic standards. AMS accredits foreign agents who certify products labeled organic for export to the U.S. and a foreign government that operates an organic accreditation program for organic exports to the U.S. must be approved under a recognition agreement granted by USDA. The nationwide program increases the efficiency and enhances the competitiveness of domestic agricultural marketing for organic products. Program administration is funded from appropriations.
- d. Federal Seed Program: The Federal Seed program is authorized by the Federal Seed Act, which regulates agricultural and vegetable seed moving in interstate commerce. The program prohibits false labeling and advertising of seed, as well as the shipment of prohibited noxious-weed seed into a State. About 500 State seed inspectors are authorized to inspect seed subject to the Act. Seed samples are routinely drawn by State seed inspectors to monitor seed sold commercially and intrastate infractions are subject to State laws. Should an inspection reveal infractions of the Federal Act, the violation is referred to AMS by the cooperating State agency. Based on the results of its tests and investigations, AMS attempts administratively to resolve each case. For cases that cannot be resolved, AMS can initiate appropriate legal action.
- e. Pesticide Recordkeeping Program: The pesticide recordkeeping program is authorized by the Food, Agriculture, Conservation and Trade Act of 1990. This program established Federal regulations requiring certified applicators to maintain records on applications of Federally-restricted use pesticides as required by the Act. The Act also requires that records be surveyed to provide a database on the use of restricted pesticides. A Memorandum of Understanding signed by the AMS, the National Agricultural Statistics Service (NASS), and the EPA identifies the responsibilities and roles of each agency pertaining to record surveys and reporting on restricted pesticide usage. AMS delegates authority to State pesticide regulatory agencies to monitor compliance with the recordkeeping requirements through cooperative agreements, but utilizes Federal inspectors in those States that choose not to enter into cooperative agreements. The accuracy of restricted use pesticide data is enhanced by good recordkeeping practices by certified applicators. AMS uses information obtained during NASS pesticide-usage surveys as one indicator of the degree of compliance with recordkeeping requirements.
- f. Country of Origin Labeling (COOL): The COOL Act requires retailers to notify their customers of the country of origin of covered commodities. Labeling requirements for fish and shellfish became mandatory during FY 2005, and AMS established an audit-based compliance program the following year for fish and shellfish to ensure that the public receives credible and accurate information on the country of origin of the covered commodities they purchase. During FY 2008, USDA issued an interim final rule on mandatory labeling for all commodities that incorporated the 2008 Farm Bill changes to the COOL Act. In January 2009, USDA issued a final rule on mandatory COOL for all covered commodities which became effective on March 16, 2009. The COOL regulation requires country of origin labeling for muscle cuts and ground beef (including veal), pork, lamb, goat, and chicken; wild and farm-raised fish and shellfish; fresh and frozen fruits and vegetables; peanuts, pecans, macadamia nuts, and ginseng sold by designated retailers.

The final rule outlines the requirements for labeling covered commodities and the recordkeeping requirements for retailers and suppliers. AMS is responsible for training Federal and State employees on enforcement responsibilities; analyzing and responding to formal complaints; conducting routine surveillance audits; and conducting educational and outreach activities with interested parties. AMS has established cooperative agreements with most of the states to conduct retail surveillance reviews; AMS will conduct the retail reviews in the states not covered by a cooperative agreement and will perform supply chain audits.

- g. Commodity Research and Promotion Programs: AMS provides oversight and direction to industry-funded and managed commodity research and promotion programs. The various research and promotion acts authorize the collection of an assessment from identified segments of the marketing chain. These funds are used to broaden and enhance national and international markets for various commodities. Assessments to producers are most common; however, some programs assess processors, feeders, packers, handlers, importers, exporters, or other entities. These assessments are used to carry out research and promotional activities for avocados, beef, blueberries, cotton, milk and dairy products, fluid milk, eggs and egg products, honey, lamb, mangos, mushrooms, peanuts, popcorn, pork, potatoes, sorghum, soybeans, and watermelons. AMS reviews and approves the budgets and projects proposed by the research and promotion boards to ensure that proposals comply with the regulation and the statute. Each research and promotion board reimburses AMS for the cost of implementing and overseeing its program.

4. Wholesale, Farmers and Alternative Market Development:

This program is authorized under the Agricultural Marketing Act of 1946 and the Farmer to Consumer Direct Marketing Act of 1976, as amended. The program provides technical advice and assistance to States and municipalities that are interested in creating or upgrading wholesale market facilities, auction and collection markets, and retail farmers markets. AMS also conducts feasibility studies in cooperation with the private sector, non-profit organizations, and other government agencies to evaluate and suggest efficient ways to handle and market agricultural commodities. AMS studies changes in the marketplace to assist States, localities, market managers/operators, and growers in making strategic decisions for future business development.

Farmers Market Promotion Program (FMPP): FMPP was created through an amendment of the Farmer-to-Consumer Direct Marketing Act of 1976. The program provides grants targeted to help improve and expand domestic farmers markets, roadside stands, community-supported agriculture programs, agri-tourism activities, and other direct producer-to-consumer market opportunities. The 2008 Farm Bill (Sec. 10106) increased the resources available for this program, allowing for a broader industry impact and post-award reviews of best practices. Entities eligible to apply include agricultural cooperatives, producer networks, producer associations, local governments, nonprofit corporations, public benefit corporations, economic development corporations, regional farmers' market authorities and Tribal governments.

5. Transportation Services:

Transportation services activities are authorized under the following statutes:

Agricultural Marketing Act of 1946
 Agricultural Adjustment Act of 1938
 Agricultural Trade and Assistance Act of 1954
 Rural Development Act of 1972
 International Carriage of Perishable Foodstuffs Act of 1982
 The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill)

AMS monitors the agricultural transportation system (inland waterways, rail, truck, ocean bulk, and

ocean containerized) and conducts market analyses that support decisions regarding the transportation of agricultural products domestically and internationally. This program determines whether the Nation's transportation system will adequately serve the agricultural and rural areas of the United States by providing necessary rail, barge, truck, and shipping services. AMS provides technical assistance to shippers and carriers and participates in transportation regulatory actions before various Federal agencies. In addition, AMS provides economic analyses and recommends improvements to domestic and international agricultural transportation for policy decisions.

6. Commodity Grading and Plant Variety Protection:

These programs are authorized by the following statutes:

Agricultural Marketing Act of 1946
 Farm Security and Rural Investment Act of 2002
 Wool Standards Act
 Cotton Statistics and Estimates Act of 1927
 U.S. Cotton Futures Act
 United States Cotton Standards Act
 Naval Stores Act
 Produce Agency Act of 1927
 Specialty Crops Competitive Act of 1994
 Tobacco Inspection Act of 1935
 Tobacco Statistics Act
 Plant Variety Protection Act

- a. Grading, Certification, and Audit Verification: The grading process involves the application or verification of quality standards for agricultural commodities. AMS provides grading and certification services on agricultural commodities for which developed standards are available. In addition, AMS provides acceptance and condition inspection services for all agricultural commodities upon request. AMS certification services provide assurance to buyers that the products they receive are the quantity and quality specified in their contract with the seller. These services facilitate efficient marketing by permitting purchasers to buy commodities without having to personally inspect them and by providing an impartial evaluation of the quality of products prior to their sale. AMS certificates can be used as evidence of quality and condition in a court of law to settle commercial disputes. AMS also offers production and quality control system audits (audit verification services) that reduce costs and assist the industry in making various marketing claims about their products. Grading, certification, and audit verification activities are performed by Federal employees and Federally-supervised State employees on a fee-for-service basis. Also under the Agricultural Marketing Act, AMS tests voluntarily submitted seed upon request and for a fee.
- b. Plant Variety Protection Program: This program is authorized by the Plant Variety Protection Act, which encourages the development of novel varieties of sexually reproduced or tuber propagated plants by providing intellectual property rights protection to the developer. The program, funded by user fees, verifies the uniqueness of variety and issues certificates that assure developers exclusive rights to sell, reproduce, import, or export such varieties, or to use them in the production of hybrids or different varieties, for a period of 20 years for most species and 25 years for woody plants.

7. Payments to States and Possessions:

- a. Federal-State Marketing Improvement Program (FSMIP): FSMIP is authorized by the Agricultural Marketing Act of 1946. The Act gives USDA the authority to establish cooperative agreements with State departments of agriculture or similar State agencies to improve the efficiency of the agricultural marketing chain. Project funds are provided to State marketing agencies to identify and test-market farm commodities, determine methods of providing more reliable market information, and develop better post-harvest and packaging methods. This program has made possible many types of projects, such as electronic marketing and agricultural product diversification. Current projects are focused on the improvement of marketing efficiency and effectiveness, and seeking new outlets for existing farm-produced commodities. The States perform the work or contract with others, and must contribute at least one-half of the cost of the projects.
- b. Specialty Crop Block Grant Program (SCBGP): Section 101 of the Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621) authorized USDA to provide state assistance for specialty crops. The 2008 Farm Bill (Sec. 10109) amended the Specialty Crops Competitiveness Act to continue the program through 2012, increase funding, expand the definition of specialty crops and eligible states, revise the minimum base grant, and provide mandatory funding. AMS administers this program by providing guidance and assistance in developing state plans, submitting applications, and meeting the administrative, reporting, and audit requirements involved in managing a funded project. AMS also establishes and conducts internal review and evaluation procedures for applications and state plans; and participates in workshops, conferences, and other forums to facilitate interaction among States, USDA representatives, and industry organizations. After a grant is awarded, AMS reviews annual performance reports, final reports, audit results, and final financial statements; posts final performance reports on the SCBGP website and disseminates project findings at appropriate meetings and conferences; and participates in workshops, conferences, and other forums to facilitate interaction among States, USDA representatives, and industry organizations.

8. Perishable Agricultural Commodities Act Program:

This program is carried out under the Perishable Agricultural Commodities Act (PACA) and the Produce Agency Act (PAA) and is funded by license fees. These Acts are designed to: (1) protect producers, shippers, distributors and retailers from loss due to unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products handled for others. Commission merchants, dealers, and brokers handling fresh and frozen fruits and vegetables in interstate and foreign commerce must obtain a PACA license and must abide by the fair trading practices established by the PACA. Traders who have been found to have committed unfair trade practices face license suspension or revocation and may be required to post surety bonds before resuming operations. To increase protection and avert financial losses to growers and licensed firms, the PACA was amended in 1984 to create a statutory trust. Sellers of fruits and vegetables who have not been paid are secured under this legislation until full payment is made. Complaints of violations are investigated and resolved through: (1) informal agreement between the two parties; (2) formal decisions involving payments to injured parties; (3) suspension or revocation of license; and (4) publication of the facts. Any interested party or group may request AMS assistance in settling disputes under the PACA.

9. Strengthening Agricultural Markets and Producer Income (Section 32):

Under Section 32 of the Act of August 24, 1935, (7 U.S.C. 612c) AMS receives a permanent appropriation equal to 30 percent of gross customs receipts collected during each preceding calendar year and unused balances up to \$500 million are available for encouraging the domestic consumption or exportation of agricultural commodities. Pursuant to annual appropriations language, AMS

transfers a specified amount of these funds to the Food and Nutrition Service's Child Nutrition programs. In addition, an amount equal to 30 percent of receipts collected on fishery products is transferred to the Department of Commerce's National Marine Fisheries Service. The 2008 Farm Bill established an annual amount that can be retained from these funds for Section 32 activities.

- a. Commodity Purchases and Diversions: AMS purchases non-price supported commodities such as meats and fish, fruits and vegetables, and poultry and egg products in order to stabilize market conditions pursuant to Section 32, and in support of entitlement program needs within USDA. All purchased commodities are distributed by the Food and Nutrition Service (FNS) to schools as part of the entitlement for the National School Lunch Program or to other nutrition assistance programs. AMS also provides purchasing services to FNS to supply food to recipients in nutrition assistance programs authorized by Congress. Reimbursements for the administrative costs associated with purchases requested for nutrition assistance programs are included in the User Funded and Reimbursable Programs table.

Diversion payments are authorized by clause 2 of Section 32 of the Act of August 24, 1935. This legislation authorizes the Secretary of Agriculture to divert agricultural commodities or products from normal channels of trade and commerce by payment of benefits, indemnities, or other means. The diversion program under Section 32 provides alternative means of support to markets that are experiencing adverse economic conditions.

AMS develops, coordinates, and approves Federal food product descriptions and establishes quality assurance policies and procedures for the procurement of food by USDA, the Department of Defense, the Indian Health Service, the National Institutes of Health, the Bureau of Prisons, and the Department of Veterans Affairs. This program updates and streamlines Federal food specifications to improve the cost efficiency of Federal food purchasing by using commercial item descriptions whenever possible. For purchases of meat items, the Department of Defense and other agencies use Institutional Meat Purchase Standards.

- b. Marketing Agreements and Orders:

The Marketing Agreements and Orders Program is authorized by the Agricultural Marketing Agreement Act of 1937. The program was established to assist farmers, milk producers, and handlers by allowing them to collectively work to solve marketing challenges. These instruments are designed to stabilize market conditions and improve the returns for fluid milk and fruit and vegetable producers. AMS oversees these various activities to ensure that they operate in the public interest and within legal parameters.

Marketing agreements and orders: (1) establish minimum prices that handlers pay to dairy producers; (2) regulate the quality and quantity of fruits and vegetables sold in commercial channels; and (3) provide for market development and promotion (including paid advertising). A majority of the currently active Federal marketing order programs for fruits and vegetables include minimum grade requirements. The standards used by our programs include characteristic qualities as well as criteria related to food safety (e.g., lack of mold, insects, foreign material, etc.). Presently, there are 32 active specialty crop marketing agreement and order programs covering 27 commodities, and 10 milk marketing orders. Proposed orders are subject to approval by producers of the regulated commodity. Section 32 funds authorized by 7 U.S.C. 612c, are used by AMS for administering the Marketing Agreements and Orders Program at the national level, and to conduct public hearings and referenda to determine producer sentiment concerning new programs and proposed revisions of marketing orders already in effect. Administration at the local level is financed through handler assessments.

Geographic Dispersion of Offices and Employees:

AMS headquarters is located in Washington, D.C. The agency has 137 consolidated year-round and seasonal field offices. AMS' peak employment period occurs during three months from October through December, due to the seasonal nature of cotton, tobacco, and a variety of fruit and vegetable grading programs. AMS employment during the peak period averaged 3,932 during fiscal year 2008. As of September 30, 2008, AMS had 2,861 employees, of whom 2,072 were permanent full-time and 789 were other than permanent full-time employees. Eighty percent of AMS employees are assigned to field offices. Of the 2,654 employees assigned to field office locations, 1,508 were permanent full-time and 773 were other-than permanent full-time employees.

Schedule A (Milk Market Administrator) employees as of September 30, 2008 totaled 385, of which 364 were permanent full-time and 21 were other than permanent full-time employees.

GAO Evaluations:

"Mandatory Country of Origin Labeling of Beef, Pork, Lamb, Chicken, Goat Meat, Perishable Agricultural Commodities, Peanuts, Pecans, Ginseng, and Macadamia Nuts" (GAO-08-1093R) This review, conducted under 5 U.S.C. 801(a)(2)(A) on a major rule issued by the Department of Agriculture, assessed USDA compliance with the procedural steps required with respect to the rule. The review indicates that USDA complied with the applicable requirements.

AGRICULTURAL MARKETING SERVICE

Available Funds and Staff-Years
2008 Actual and Estimated 2009 and 2010

Item	Actual 2008		Enacted 2009		Estimated 2010	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Agricultural Marketing Service						
Marketing Services	\$76,862,000	430	\$86,711,000	448	\$90,848,000	460
Rescission	-538,034	--	--	--	--	--
General Provision 732.....	--	--	94,000	--	--	--
Subtotal, Marketing Services.....	76,323,966	430	86,805,000	448	90,848,000	460
Payments to States and Possessions	3,209,000	1	1,334,000	--	1,334,000	--
Specialty Crop Block Grants.....	8,500,000	--	--	--	--	--
Rescission.....	-81,963	--	--	--	--	--
General Provision 732.....	--	--	338,000	--	--	--
Subtotal, Payments to States and Possessions.....	11,627,037	1	1,672,000	--	1,334,000	--
Total, Annual Appropriations	87,951,003	431	88,477,000	448	92,182,000	460
2008 Farm Bill Initiatives:						
Farmers Market Promotion Program	3,000,000	--	5,000,000	4	5,000,000	4
Organic Market News Data Collection.....	3,500,000	--	--	--	--	--
Specialty Crop Block Grants-Farm Bill.....	10,000,000	--	49,000,000	4	55,000,000	4
Subtotal, Farm Bill Initiatives.....	16,500,000	--	54,000,000	8	60,000,000	8
Total, AMS	104,451,003	431	142,477,000	456	152,182,000	468
Obligations under other USDA appropriations:						
Food & Nutrition Service for commodity procurement services	895,000	7	969,000	8	988,000	8
Total, Agriculture Appropriations	105,346,003	438	143,446,000	464	153,170,000	476
Permanent Appropriations:						
Funds for Strengthening Markets, Income, and Supply (Sec. 32)	7,563,683,777	115	7,979,334,788	117	8,061,101,371	126
Deduct Rescission	-684,000,000	--	-293,530,000	--	-43,000,000	--
Recoveries of Prior Year Obligations.....	11,861	--	--	--	--	--
Offsetting Collections.....	53,516,377	--	--	--	--	--
Unobligated balance available, start of year	500,000,000	--	293,529,985	--	343,491,985	--
Deduct transfers out	-6,338,142,777	--	-6,672,312,788	--	-6,963,101,371	--
Precluded from Obligation in Current Year.....	--	--	-343,491,985	--	--	--
Unobligated balance available, end of year	--	--	--	--	-300,491,985	--
Net AMS Availability	1,095,069,238	115	963,530,000	117	1,098,000,000	126
Perishable Agricultural Commodities Act Fund	9,829,152	82	10,325,000	85	10,623,000	85
Total, Permanent Appropriations	1,104,898,390	197	973,855,000	202	1,108,623,000	211
Non-Federal Funds:						
Oversight work for Research and Promotion Boards	3,368,000	25	3,901,000	25	3,901,000	25
Fees for grading of cotton and tobacco	51,034,544	541	62,888,000	530	64,583,000	530
Grading of farm products for producers, processors, and municipal, State and Federal Agencies	148,076,297	1,451	135,700,000	1,473	139,749,000	1,473
Wool research, development, and promotion	2,250,000	--	2,250,000	--	2,250,000	--
States for collection & dissemination of market news information	45,000	--	25,000	--	25,000	--
Total, Non-Federal Funds	204,773,841	2,017	204,764,000	2,028	209,975,000	2,028
2008 Farm Bill Trust Initiatives (Organic Cost Shares & Sheep Ctr.)..	24,500,000	--	1,500,000	--	1,000,000	--
Total, Agricultural Marketing Service	1,439,518,234	2,652	1,323,565,000	2,694	1,472,768,000	2,715
Schedule A Employees	--	389	--	389	--	389

AGRICULTURAL MARKETING SERVICE

Permanent Positions by Grade and Staff Year Summary
2008 Actual and Estimated 2009 and 2010

Grade	2008			2009			2010		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
Senior Executive Service	11	--	11	12	--	12	12	--	12
GS-15	34	6	40	37	4	41	37	4	41
GS-14	85	32	117	100	22	122	100	22	122
GS-13	136	113	249	157	88	245	162	88	250
GS-12	102	175	277	123	166	289	125	167	292
GS-11	31	202	233	48	188	236	54	188	242
GS-10	2	15	17	2	13	15	2	14	16
GS-9	28	537	565	51	539	590	57	540	597
GS-8	11	230	241	12	241	253	12	241	253
GS-7	25	260	285	40	259	299	40	259	299
GS-6	10	82	92	15	74	89	15	75	90
GS-5	10	74	84	16	62	78	16	62	78
GS-4	2	29	31	6	15	21	6	15	21
GS-3	2	1	3	3	4	7	4	4	8
GS-2	1	--	1	--	--	0	--	--	0
GS-1	--	--	0	--	--	0	--	--	0
Ungraded Positions	0	8	8	--	8	8	--	5	5
Total Permanent Positions without Schedule A.....	490	1,764	2,254	622	1,683	2,305	642	1,684	2,326
Schedule A Employees	12	373	385	--	--	--	--	--	--
Total Permanent Positions including Schedule A	502	2,137	2,639	622	1,683	2,305	642	1,684	2,326
Unfilled Positions end-of-year.....	69	-272	-203	--	--	--	--	--	--
Total Permanent Full Time Employment, end-of-year ..	571	1,865	2,436	622	1,683	2,305	642	1,684	2,326
Staff Year Estimate	622	2,030	2,652	727	1,967	2,694	749	1,966	2,715
Schedule A Staff Years.....	13	376	389	13	376	389	13	376	389

AGRICULTURAL MARKETING SERVICE
SIZE, COMPOSITION AND COST OF MOTOR VEHICLE FLEET

The estimated number of passenger motor vehicles available for fiscal year 2010 is the minimum necessary to maintain essential services in AMS programs. These vehicles are used to provide necessary services such as: 1) traveling to places which in most cases are not accessible by common carriers, such as farms, market terminals, offices of product dealers and truckers, processing plants, canneries, stockyards, cotton gins, and compress operators; 2) carrying special grading and testing equipment used for inspecting and grading commodities and for performing other work required under the Agricultural Marketing Act of 1946; U.S. Cotton Standards Act; Cotton Statistics and Estimates Act; Tobacco Inspection Act; and Dairy and Tobacco Adjustment Act; and 3) carrying boxes of cotton standards types to use in classing work and demonstration at farmers' meetings. AMS only replaces passenger vehicles that have mileage of at least 60,000 or are six or more years of age, in accordance with standards prescribed by the GSA. Additional passenger vehicles are requested when the forecasted workload is of such a nature and volume that the number of existing passenger vehicles will not be adequate for program needs.

Changes to the motor vehicle fleet. AMS projects to maintain the fleet of passenger motor vehicles at the fiscal year 2009 level. It would be more cost-effective to lease vehicles rather than pay mileage to inspectors traveling to various warehouses.

Replacement of passenger motor vehicles. AMS plans to do not plan to replace any vehicles in FY 2010.

Impediments to managing the motor vehicle fleet. There are no identified impediments to managing the motor vehicle fleet a most cost-effective manner.

Size, composition and cost of agency motor vehicle fleet as of September 30, 2008, are as follows:

MOTOR VEHICLES FLEET DATA
Size, Composition, and Annual Cost
(in thousands of dollars)

Number of Vehicles by Type									
Fiscal Year	Sedans & Station Wagons	Light Trucks, SUVs and Vans		Medium Duty Vehicles	Ambulances	Buses	Heavy Duty Vehicles	Total Vehicles	Annual Operating Costs (\$ in thou.)
		4X2	4X4						
2007 Actual	207	76	1	1	0	0	0	284	\$850
Change	-3	1	0	-1	0	0	0	-2	79
2008 Actual	204	77	1	0	0	0	0	282	\$929
Change	0	2	0	0	0	0	0	2	-12
2009 Est.	204	79	1	0	0	0	0	284	\$917
Change	0	0	0	0	0	0	0	0	32
2010 Est.	204	79	1	0	0	0	0	284	\$949

Note: These numbers include vehicles that are owned by the Agency and leased from commercial sources or GSA.

AGRICULTURAL MARKETING SERVICE

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

Marketing Services:

For necessary expenses of the Agricultural Marketing Service [~~\$86,711,000~~] \$90,848,000:
Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building.

Fees may be collected for the cost of standardization activities, as established by regulation pursuant to law (31 U.S.C. 9701).

MARKETING SERVICES

Appropriations Act, 2009 ^{2/}	\$86,711,000
Budget Estimate, 2010.....	<u>90,848,000</u>
Increase in Appropriation.....	<u>+4,137,000</u>

^{2/} Excludes \$94,000 provided by General Provision 732, concerning the Graham Avenue Business Improvement District in the State of New York.

AGRICULTURAL MARKETING SERVICE

SUMMARY OF INCREASES AND DECREASES

(On basis of adjusted appropriation)

<u>Item of Change</u>	2009 <u>Enacted</u>	<u>Pay Costs</u>	Program <u>Changes</u>	2010 <u>Estimated</u>
Market News	\$33,411,000	\$811,000	-	\$34,222,000
Surveillance and Standardization	7,706,000	179,000	-	7,885,000
Market Protection and Promotion	39,913,000	204,000	\$2,800,000	42,917,000
Transportation Services	2,845,000	76,000	-	2,921,000
Wholesale, Farmers, and Alternative Market Development	2,836,000	67,000	-	2,903,000
Total Available	<u>86,711,000</u>	<u>1,337,000</u>	<u>2,800,000</u>	<u>90,848,000</u>

AGRICULTURAL MARKETING SERVICE
Marketing Services

Project Statement
(On basis of appropriation)

	2008 Actual		2009 Enacted		Increase or Decrease		2010 Estimated		
	Amount	Staff Years	Amount	Staff Years			Amount	Staff Years	
Market News Service.....	\$32,704,775	235	\$33,411,000	239	+	\$811,000	(1)	\$34,222,000	239
Egg Surveillance and Standardization									
Shell Egg Surveillance.....	2,690,037	15	2,710,000	15	+	61,000	(1)	2,771,000	15
Standardization.....	4,715,720	63	4,996,000	63	+	118,000	(1)	5,114,000	63
Total, Egg Surveillance and Standardization.....	7,405,757	78	7,706,000	78	+	179,000	(1)	7,885,000	78
Market Protection and Promotion:									
Federal Seed Act.....	2,465,447	22	2,436,000	22	+	38,000	(1)	2,474,000	22
Country of Origin Labeling.....	1,052,624	5	10,663,000	15	+	15,000	(1)	10,678,000	15
Pesticide Data.....	15,348,405	14	15,238,000	14	+	61,000	(1)	15,299,000	14
Microbiological Data.....	4,661,949	9	4,766,000	9		--		4,766,000	9
National Organic Standards.....	3,249,662	14	3,867,000	19	+	2,861,000	(1,2)	6,728,000	31
Pesticide Recordkeeping.....	2,850,321	13	2,943,000	13	+	29,000	(1)	2,972,000	13
Total Market Protection and Promotion.....	29,628,408	77	39,913,000	92	-	3,004,000	(1)	42,917,000	104
Transportation Services.....	2,737,992	20	2,845,000	20	+	76,000	(1)	2,921,000	20
Wholesale, Farmers, and Alternative Market Development.....	3,609,151	20	2,836,000	19	+	67,000	(1)	2,903,000	19
Unobligated Balance.....	237,883	--	--	--		--	--	--	--
Total Available or Estimate.....	76,323,966	430	86,711,000	448		4,137,000	--	90,848,000	460
Rescission.....	538,034	--	--	--		--	--	--	--
Total Appropriation.....	76,862,000	430	86,711,000	448		4,137,000	--	90,848,000	460

Marketing Services

Justifications for Increases and Decreases

A total increase of \$4,137,000 for Marketing Services (\$86,711,000 available for FY 2009) consisting of:

- (1) An increase of \$1,337,000 to fund increased pay costs.
- (2) An increase of \$2,800,000 and 12 staff years to enable the National Organic Program (NOP) to meet increasingly complex accreditation and oversight requirements for foreign organic certification agencies (agents) and organic producers and handlers certified under the authority of the Organic Foods Production Act (OFPA), as amended (7 U.S.C. 6501 et seq.), and the NOP regulations (7 CFR Part 205).

This request will allow the program to conduct education and outreach as well as more in-depth accreditation on-site follow-up and investigative audits of organic certifiers and certified operations. It will also significantly increase AMS' capacity to investigate a growing number of complaints regarding alleged violations of the NOP regulations.

The USDA organic label was rated the most reliable "green" food market label in 2007 by Consumers Union, but the publication had reservations about compliance with labeling requirements. Rapid industry growth has strained AMS' ability to effectively monitor program compliance, conduct enforcement activities, and ensure the integrity of the USDA organic seal with current resources. Since the NOP regulations were published in 2000, the U.S. organic industry has grown from approximately \$6 billion in 2000 to over \$21 billion in 2007. In that time, U.S. demand

for organic products has spurred development of global organic production and handling operations. Foreign operations exporting to the U.S. are certified by 43 individual NOP-accredited agents based abroad, or by certification agents accredited by foreign government entities authorized by NOP under export arrangements. To date, NOP has negotiated 10 export arrangements in 8 countries: New Zealand, Canada (3); United Kingdom, Denmark, Israel, India, Taiwan, and Japan. At least 12,000 foreign operations are certified to NOP regulations, but that number might be much larger in fact, since many of the listed operations are grower groups which may include hundreds of small-farmer members. The extensive use of grower groups overseas drives much of the need to conduct oversight reviews in foreign countries. These additional resources will help to alleviate concerns about foreign products labeled as organic.

NOP regulations require all individual applicants for accreditation to be inspected at the time of accreditation and that they receive at least one additional onsite audit before renewal of their 5-year term. An increased number of agents and applicants for certification – especially those operating in Europe, Asia, Africa, and South America – has expanded NOP's auditing burden in terms of numbers, time, and complexity. As a result, NOP faces increasing difficulty conducting timely updates and onsite audits of its agents, placing program compliance at risk. To establish recognition agreements with foreign government agencies, NOP conducts a program review and provides training on U.S. accreditation and certification requirements. To maintain the integrity of the organic label and better ensure that domestic and foreign producers are treated equally, NOP proposes to review foreign organic accreditation programs operating under recognition agreements annually. These funds will provide for additional program auditors, trainers, and investigators, plus travel costs to conduct on-site operations reviews of foreign accrediting bodies and reviews on a sampling of certifiers and certified producers. With the additional resources, NOP will be able to conduct 8 additional reviews of foreign production/handling operations each year and 8 additional onsite reviews of recognition agreements annually.

The NOP Program also investigates complaints against agents, certified operations, and non-certified operations charged with violating NOP regulations. When the NOP regulations were first implemented, violations were most commonly identified in the U.S. and addressed with simple corrective actions and notifications. Increasingly, violations are progressively complex, time-consuming, and difficult to investigate as a global infrastructure expands to meet U.S. consumer demand for organic products. As the value and demand for organic products increases, so does the risk of violations of the regulations, with an average of about 100 complaints of varying complexity received annually. Without the additional funding, the NOP Program will not be able to properly address the world-wide scope of accreditation oversight and certifier training.

NOP has begun its education and outreach activities this year with its oversight and participation in the organic component of the People's Garden at USDA headquarters. The People's Garden will be used as a teaching tool for thousands of tourists visiting the National Mall each year. Increased funding would provide the opportunity for establishing a permanent outreach and education component within the NOP. In addition, website enhancements and the development of computer based training modules will further improve program transparency, and database expansion will support reporting requirements relating to audits.

AGRICULTURAL MARKETING SERVICE
Marketing Services
2008 Actual and Estimated 2009 and 2010
Geographic Breakdown of Obligations and Staff Years

	2008 Actual		2009 Enacted		2010 Estimate	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama.....	\$293,239	2	\$321,511	2	\$336,850	2
Arizona.....	485,745	3	532,577	3	557,986	3
Arkansas.....	535,768	3	587,423	3	615,449	3
California.....	1,674,464	9	1,835,904	10	1,923,495	10
Colorado.....	458,562	3	502,773	3	526,761	3
District of Columbia.....	57,188,842	323	65,991,821	341	69,140,305	350
Florida.....	777,452	4	852,409	4	893,078	5
Georgia.....	937,837	5	1,028,257	5	1,077,315	5
Idaho.....	538,906	3	590,863	3	619,053	3
Illinois.....	667,453	4	731,804	4	766,719	4
Iowa.....	2,074,018	11	2,273,980	12	2,382,472	12
Kansas.....	297,900	2	326,621	2	342,204	2
Kentucky.....	192,801	1	211,389	1	221,474	1
Louisiana.....	191,941	1	210,447	1	220,487	1
Massachusetts.....	493,922	3	541,542	3	567,380	3
Michigan.....	112,552	1	123,404	1	129,291	1
Minnesota.....	643,826	4	705,899	4	739,578	4
Mississippi.....	115,377	1	126,500	1	132,536	1
Missouri.....	557,996	3	611,794	3	640,983	3
Montana.....	168,607	1	184,863	1	193,683	1
Nebraska.....	165,108	1	181,026	1	189,663	1
New York.....	554,010	3	607,424	3	636,404	3
North Carolina.....	209,921	1	230,161	1	241,142	1
Ohio.....	158,765	1	174,072	1	182,377	1
Oklahoma.....	317,398	2	347,999	2	364,602	2
Oregon.....	316,666	2	347,197	2	363,762	2
Pennsylvania.....	587,489	3	644,130	3	674,862	3
South Carolina.....	74,530	1	81,716	0	85,614	0
South Dakota.....	357,069	2	391,495	2	410,173	2
Tennessee.....	2,491,037	14	2,731,206	14	2,861,512	15
Texas.....	1,141,621	6	1,251,688	6	1,311,406	7
Washington.....	713,324	4	782,098	4	819,412	4
Wisconsin.....	415,885	2	455,981	2	477,736	2
Wyoming.....	176,053	1	193,027	1	202,236	1
Subtotal, Available	76,086,083	430	86,711,000	448	90,848,000	460
Unobligated Balance	237,883	--	--	--	--	--
Total, Available	76,323,966	430	86,711,000	448	90,848,000	460

AGRICULTURAL MARKETING SERVICE
Marketing Services and Payments to States and Possessions

Classification by Objects
2008 Actual and Estimated 2009 and 2010

	<u>2008 Actual</u>	<u>2009 Enacted</u>	<u>2010 Estimated</u>
Personnel Compensation:			
Washington, D.C.	\$25,774,683	\$27,210,147	\$29,031,756
Field	15,469,425	16,330,961	17,424,252
11.1 Full-time permanent	29,315,370	31,107,986	33,423,633
11.3 Other than full-time permanent	561,067	580,065	602,679
11.5 Other personnel compensation	2,521,740	2,607,126	2,708,765
	<hr/>	<hr/>	<hr/>
Total personnel compensation	32,398,177	34,295,177	36,735,077
12 Personnel benefits	8,800,437	9,200,437	9,675,437
13 Benefits for former personnel	45,494	45,494	45,494
	<hr/>	<hr/>	<hr/>
Total personnel compensation and benefits	41,244,108	43,541,108	46,456,008
Other Objects:			
21 Travel	2,050,338	2,150,338	2,645,338
22 Transportation of things	195,713	195,713	195,713
23.2 Rental payments to others	1,337,149	1,337,149	1,337,149
23.3 Communications, utilities and miscellaneous charges	1,989,817	1,989,817	1,989,817
24 Printing and reproduction	205,471	305,471	305,471
25.2 Other services	18,571,033	26,498,950	26,998,350
25.3 Purchases of goods and services from Government accounts	8,110,141	8,110,141	8,110,141
25.4 Operation and maintenance	18,547	18,547	18,547
25.6 Medical care	5,103	5,103	5,103
25.7 Operation and maintenance of equipment	205,305	205,305	205,305
26 Supplies and materials	1,144,559	1,244,559	1,252,259
31 Equipment	979,173	1,079,173	1,299,173
42 Insurance Claims and Indemnities	29,400	29,400	29,400
43 Interest and Dividends	226	226	226
	<hr/>	<hr/>	<hr/>
Total other objects	34,841,975	43,169,892	44,391,992
Total Marketing Services	<hr/>	<hr/>	<hr/>
	76,086,083	86,711,000	90,848,000
Payments to States and Possessions:			
41 Grants, subsidies and contributions	11,608,705	1,334,000	1,334,000
	<hr/>	<hr/>	<hr/>
Total Obligations	87,694,788	88,045,000	92,182,000
Position Data:			
Average Salary, ES positions	\$159,775	\$163,290	\$167,340
Average Salary, GS positions	\$51,263	\$52,391	\$53,690
Average Grade, GS positions	11	11	11

Note: Object class amounts differ from the MAX budget system display due to reimbursable adjustment entries.

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAM

MARKETING SERVICES

MARKET NEWS

Current Activities: The Market News Service provides current, unbiased information on supply, demand, prices, movement, location, quality, condition, and other market data on farm products in specific markets and marketing areas. This information is supplied to producers, merchants, and others to assist them in the orderly marketing and distribution of farm commodities. All market information is reported to Agricultural Marketing Service (AMS) on a voluntary basis with the exception of Livestock Mandatory Price Reporting. As the agricultural sector is constantly changing so too does the form and content of the market news reports.

Selected Examples of Recent Progress:

Livestock Mandatory Reporting (LMR): AMS's LMR program (as authorized by P.L. 106-78, Title 9) was initiated on April 2, 2001, and requires the reporting of market information by livestock processing plants that annually slaughter on average a minimum of 125,000 cattle, 100,000 swine, or slaughter or process an average of 75,000 lambs. Packers that annually slaughter an average of at least 200,000 sows and boars and importers who annually import an average of at least 2,500 metric tons of lamb meat products are also required to report. Mandatory reporting provides information on 77 percent of slaughter cattle, 93 percent of boxed beef, 95 percent of slaughter hogs, 60 percent of slaughter sheep, and 40 percent of boxed lamb meat. The reports generated from this activity include specifics on negotiated, forward contract, and formula marketing arrangement purchases of cattle, hogs, and sheep; and sales of boxed beef as well as domestic and imported boxed lamb cuts. These LMR market news reports provide information regarding the pricing, contracting for purchase, and supply and demand conditions for livestock, livestock production, and livestock products to encourage competition in the marketplace. In addition to providing information regarding the daily and weekly prices paid by packers to producers for cattle, hogs, and sheep and the daily and weekly prices received by packers for their sales of boxed beef and boxed lamb to retailers, wholesalers, and further processors these reports also provide prices paid by importers of imported lamb and lamb products. All of the price information reported is sorted into the respective purchase types as defined in the Act, which are negotiated, forward contract, and formula marketing arrangement, which was previously unavailable prior to LMR. The information in these reports is used by all sectors of the livestock and meat industry to make current, as well as future, marketing and livestock production decisions.

On October 5, 2006, the LMR program was reauthorized by P.L. 109-296 through September 30, 2010, with some modifications to swine reporting. As the statutory authority for this program had lapsed prior to reauthorization, the regulatory authority had to be re-established through rulemaking. AMS completed this process and published a final rule in the Federal Register on May 16, 2008. As of July 21, 2008, AMS is publishing all reports under the requirements of the final rule.

Market News Web Portal: AMS continues to modify and enhance the Market News Web Portal, which opened to the public in October 2005 for Livestock and Grain and Fruit and Vegetable information.

The Portal allows users to customize the site to their specific needs, to query directly from the Market News Information System database, and to select the format view. The system permits customers to build and save their own data searches and allows for currency conversion, metric conversion, and graphing. Based upon customer feedback, the following enhancements were added to the Livestock and Grain and Fruit and Vegetable Market News Portals:

- Began the development stage for organic product status and environmental reporting
- Improved graphing for five year averages and customized time periods

- Expanded reporting capabilities that includes new commodity reports for goats, sheep, and grain as well as explanations for reports without data
- Expanded search capabilities for date range validation
- Expanded search results display for sorting and item size description
- Capability to schedule the execution of reports
- A more flexible user interface that includes Quick Links, displays for Rail Transport Districts, and Daily Movement Report
- Statistical measurement utility for reporting portal traffic
- Additional Fruit and Vegetable commodities

In addition, AMS completed the Discovery Phase for adding Dairy, Poultry, and Cotton products into the database. This initiative consisted of developing both the functional requirements and design specification needs for the new information. In September 2008, AMS began the software enhancements phase of the project, which will allow for the deployment of the additional commodity information through the portal. The Dairy Portal is currently in the testing phase and is scheduled for release in January 2009 followed shortly by the launch of the Poultry Portal in May 2009. The last commodity to be added to the portal will be Cotton, which is tentatively scheduled for early FY 2010.

Organic Market Reporting: The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) requires the Secretary to undertake Organic Production and Market Data Initiatives and provided three agencies—AMS, the Economic Research Service, and the National Agricultural Statistics Service—with one-time funding to develop these initiatives. AMS' Market News (MN) program, which is responsible for the collection and distribution of organic market data, has responded by improving existing reporting of organic products and has planned for even further enhancement of organic reporting and the development of additional organic market information tools.

AMS' Dairy Programs plans to expand current organic market reporting by establishing a voluntary base of cooperators for reporting prices paid for organic milk by handlers and received by dairy farmers. The program will also expand current organic market reporting by establishing a voluntary base of cooperators for reporting prices paid for organic manufactured dairy products and received by plants. Finally, a report will be developed to capture weekly advertised specials of organic milk and dairy products at the retail level.

AMS' Fruit and Vegetable Programs added a special section on all observed weekly-advertised prices on fresh organic fruits and vegetables to the National Fruit and Vegetable Retail Report. In addition, the Program is developing the National Fruit and Vegetable Organic Report that will display all available organic market data available on fruits and vegetables to include prices at terminal market, shipping point, and retail levels along with movement data.

AMS' Livestock and Seed Programs will investigate the data available and determine the feasibility of adding a special section to retail level reporting to include weekly-advertised specials on organic or other related marketing term items. AMS is exploring the feasibility of reporting: livestock and wholesale meat cuts produced as organic; international organic grain and feedstuffs market information; and organic beans, peas, and lentils. While these options are being considered, the Program has moved forward with the reporting of imported organic grain and feedstuffs, creating a western U.S. Organic Grain and Feedstuffs report. Finally, the Upper Midwest Organic Grain and Feedstuffs and Eastern Cornbelt Organic Grain and Feedstuffs reports will be expanded to include additional contact and information sources relating to organic grain and feedstuff commodities.

AMS' Poultry Program has moved forward with plans to either include or expand the organic reporting of poultry products with the Weekly Certified Organic Poultry and Eggs report; the Weekly Poultry Slaughtered Under Federal Inspection report; the Weekly Shell Egg Inventory report; the retail weekly features report; and within the reporting of processed eggs. The Program will also develop a benchmark price report for shell eggs; include organic whole body turkeys in the Weekly Fresh Turkeys report; include

organic information on all poultry and egg products in the International Poultry and Egg Review when available; include organic information in the annual Poultry Market Statistics Summary; and develop a comprehensive report to include all organic poultry and egg market information available from the program.

AMS adds, modifies, or eliminates reports to support both consumer need or environment changes. Specific examples of new and enhanced agricultural market reports include:

Cotton: In addition to adding cotton market reports to the Market News Portal to allow public access to historical and current information, AMS' Cotton Programs will monitor the growth in domestic production of organic cotton and look to add information products as needed.

Dairy: Expanded its organic reporting component by establishing a base of cooperators to start reporting on supply, demand, and wholesale price information for organic milk.

Fruits, Vegetables, and Specialty Products:

- Added resources for Fruit and Vegetable reporters to track and report the prices and market conditions of 103 organic fruits and vegetables traded at 15 terminal markets along with 21 organic commodities at shipping point.
- Began reporting organic shipments for California apples and pears.

Livestock and Grain:

- Began issuing an additional ethanol plant report - Illinois Ethanol Corn & Co-Products Processing Values.
- Cost of production reporting was initiated with the Illinois Production Cost Report.
- New Livestock Reports include the Torrington, WY Livestock Weighted Average Auction; New Holland, PA Smoker Goat Weighted Average Auction; Mexico Sheep and Goat Auction; Hopkinsville, KY Graded Goat Sale; Centennial, CO Livestock Auction; Apache, OK Cow and Bull Sale; Ada, OK Cow and Bull Sale; SC Cattle Weighted Average Auction Summary; Arthur, IL Sale Barn Sheep and Goat Auction; Dewart, PA Livestock Auction; Carlisle, PA Livestock Auction; Canton, NC Auction and Weighted Average Auction; Bay Springs, MS Cattle Auction; Kentwood, LA Cattle Auction; Knoxville, IA Feeder Cattle Weighted Average Auction; Mobridge, SD Livestock Weighted Average Report; Yankton, SD Stockmen's Livestock Market Feeder Cattle Weighted Average Report; Frisco City, AL Stockyards Report; National Direct Sow Price Comparison Based on State of Origin; National Daily Direct Prior Day Sow and Boar—Purchased Swine; IA/MN Daily Direct Prior Day Sow and Boar—Purchased Swine; Eastern Cornbelt Direct Prior Day Sow and Boar—Purchased Swine; Western Cornbelt Daily Direct Prior Day Sow and Boar—Purchased Swine; National Daily Direct Hog Prior Day Report—Average Net Price Distribution; CO Daily Direct Slaughter Cattle—Negotiated Purchases (am, pm, and summary); IA/MN Daily Direct Slaughter Cattle—Negotiated Purchases (am, pm, and summary); MO Direct Slaughter Cow and Bull Report—Plant Delivered Bids; TX-OK-NM Weekly Direct Slaughter Cattle—Formula, Grid, and Contract Prices; KS Weekly Direct Slaughter Cattle—Formula, Grid, and Contract Prices; NE Weekly Direct Slaughter Cattle—Formula, Grid, and Contract Prices; MO Weekly Direct Slaughter Cattle—Committed and Delivered Cattle; National Daily Cow and Boneless Beef Summary; National Weekly Cow and Boneless Beef Summary.
- Other new reports include Hamilton's Madison County Ag Hay Auction, IL; Weekly Livestock, Meat and Grain Highlights Report; and AL Weekly Feedstuff/Production.
- **Poultry and Eggs:** Developed and released a report that provides information on the total pounds of Federally inspected poultry products imported to the U.S. This report provides users with information on the volume and type of poultry being imported into the U.S., which was not previously available, and provides a more complete understanding of the cross-border trading of competing poultry products.
- Expanded the Weekly Poultry Slaughtered under Federal Inspection report to include ready-to-cook

weight and dressing percentage data. In combination with head slaughtered information already provided on the report, the addition of ready-to-cook weight provides users with a more complete picture of the relative amount of poultry product available for marketing.

- In response to a decline in the trading of U.S. Grade A, ice-packed, young chicken into the Chicago marketplace during FY 2008, the Daily Chicago Broiler/Fryer report was updated to allow for the inclusion of a variety of other forms of whole birds more commonly traded in the Chicago marketplace.
- For a number of years, Poultry Market News and Analysis (PMNA) has prepared and released information on poultry items featured by supermarkets during major holiday marketing periods. In FY 2008, at the request of the broiler industry, PMNA began preparing and releasing a similar report covering the most popular cuts of chicken for grilling for the big summer grilling holidays, Memorial Day, Independence Day, and Labor Day. These reports concentrate on the most popular chicken items for summer grilling and provide detailed information by brand name, store, and state for each of the six national marketing regions. This series of reports provides information not previously available anywhere and allows marketers to better understand and respond to changes in marketing patterns and consumer preferences during significant demand periods.

International Cooperation and Market Reporting: AMS Market News provides technical expertise to other countries and for a variety of programs conducted by other U.S. agencies. These activities strengthen international Market News reporting by supporting the development of foreign agricultural market information systems. AMS, in coordination with the Foreign Agricultural Service (FAS), supported the USDA/U.S. Agency for International Development technical assistance project in India. A team of market information specialists and grading and inspection specialists traveled to India in 2008 to further assist the Government of India in enhancing their capability to collect and distribute market information along with establishing grades and standards for domestic use. In addition, market information specialists met with newly selected India officials in Washington, DC to discuss the project and to look for potential areas of future collaboration. AMS also hosted and worked with FAS-sponsored groups from a number of countries, including Serbia, South Africa, Columbia, Macedonia, Indonesia and others looking at the way AMS Market News does data collection, analysis and public dissemination of market information. AMS continues in its leadership role of the Market Information Organization of the Americas (MIOA), a network of market information organizations from approximately twenty-six countries from North, Central, South America, and the Caribbean. AMS currently serves as the North America region as the Chair of the MIOA. Specialists from AMS participated in the annual meeting held in Panama City, Panama as well as several Executive Committee meetings during the year. AMS also worked closely with its partners in the North America region on information technology issues, with two regional meetings held during FY 2008. The next regional meeting is scheduled to occur in Mexico City during October 2009.

Market News Customer Satisfaction Survey: During 2008, AMS developed a customer satisfaction survey to measure the application and usage of Market News (MN) information. The purpose of the user survey was to assess program effectiveness and efficiency. The need for the survey was identified as a result of the FY 2007 Program Assessment Rating Tool (PART) review and included in AMS' FY 2008 PART Improvement Plan.

To develop the survey, the AMS budget office established a project team of MN program experts and an independent survey design consultants--the Federal Consulting Group (FCG) working with Claes Fornell International (CFI) Group, which holds the patent for the American Customer Satisfaction Index (ACSI) methodology and is considered the standard as a customer satisfaction index. The team established and reviewed survey objectives, confirmed the target audience, and coordinated the development, implementation, and evaluation of the MN customer satisfaction survey and its results, which were recently distributed to AMS.

Survey results indicate that the program compares favorably against the average scores of other Federal government agencies that provide information. Overall, respondents indicated that MN was at least somewhat influential in their decision-making process concerning market-related decisions. The survey also assessed three drivers of satisfaction—the information, the reports (clarity, layout, etc.), and customer

service. The results of this first survey provide a baseline for long-term and annual performance measurement and better demonstrate progress toward outcome-based performance goals. The survey is expected to help program managers identify the most effective use of resources.

SHELL EGG SURVEILLANCE

Current Activities: The shell egg surveillance (SES) program monitors the disposition of "restricted eggs" (eggs that are cracked, dirty, incubator rejects, inedible, leaking, or otherwise unfit for human consumption) to ensure that only eggs fit for human consumption are available to consumers. Inedible eggs constitute a small proportion of all shell eggs. Most inedible shell eggs are used in animal feed; the remaining eggs are destroyed.

Selected Examples of Recent Progress: The number of civil penalty cases against shell egg handlers increased from zero in FY 2007 to two in FY 2008. The percentage of shell egg handlers in compliance with the SES program during initial and follow-up visits increased slightly from FY 2007 to FY 2008.

Inspections Conducted:

	Shell Egg Handlers	Hatcheries
Fiscal Year 2007	487	332
Fiscal Year 2008	494	337

STANDARDIZATION

Current Activities: AMS develops and modifies quality grade standards for commodities when needed by industry and consumers. The Agricultural Marketing Act of 1946 directs USDA to provide such quality grade standards "to encourage uniformity and consistency in commercial practices." There are 512 quality grade standards in place for poultry, eggs, rabbits, meat, dairy products, fresh and processed fruits and vegetables, cotton, tobacco, and livestock. These food and fiber standards are widely used by private industry in domestic and international trading, futures market contracts and as a benchmark for purchase specifications in most private contracts. They enable AMS to conduct market news, grading, and commodity procurement programs.

Before standards are implemented, AMS conducts studies and announces proposed standards. Public comments are solicited to verify that quality grade standards will facilitate commerce. In addition to their use by private industry in domestic and international contracting, USDA food and fiber standards have become the basis for international harmonization of agricultural product quality grades recognized by the Codex Alimentarius and the Economic Commission for Europe.

Selected Examples of Recent Progress:

Standards Reviews: In FY 2008, AMS specialists reviewed 74 commodity standards, including 21 for cotton products, 1 for dairy products, 15 for fresh fruit and vegetable products, 20 for livestock and meat, 4 for poultry products, and 13 for tobacco. These reviews resulted in the revision of 3 standards for fresh fruits and vegetables. In addition, the program developed 1 new standard for Tomatoes on the Vine.

Catfish Standards: The 2008 Farm Bill requires AMS to establish a voluntary fee-based grading program for farm-raised catfish. In order to initiate the grading program, AMS must develop marketing standards. To develop the marketing standards for catfish or any other fish, trained technical staff must research, design, develop, test, and publish the standard prior to it being utilized by a fee based grading program. During 2008, AMS conducted an industry informational meeting to establish a process to proceed in the development of a catfish grade standard.

International Activities: AMS remains active in global marketing standards initiatives and represents the U.S. in meetings of the Codex Alimentarius, the International Dairy Federation, the United Nations Economic Commission for Europe (UNECE), the Organization for Economic Cooperation and Development, the International Organization for Standardization, the International Seed Testing Association, the International Meat Secretariat, and several bilateral consultative committees on Agriculture.

UNECE/CODEX:

- In April and September 2008, AMS led discussions of international delegates to UNECE concerning the revised standards for shell eggs and egg products. AMS developed these revised standards in collaboration with the U.S. egg industry. AMS poultry technical experts cooperated with other international delegates to resolve critical technical matters and move the revised standards closer to adoption as official UNECE standards. AMS participated in discussions concerning UNECE's revised standard for duck meat and collaborated with the U.S. duck industry to provide photographs and descriptions of cuts for this standard. AMS officials increased the awareness of UNECE standards for poultry and eggs by conducting presentations at meetings of the International Poultry Council and the International Egg Commission.
- An AMS expert served as the U.S. Delegate to meetings for the international standards bodies of the UNECE and Codex on Fruits and Vegetables. AMS continued to chair the Codex Committee on Processed Fruits and Vegetables, which finalized 2 standards during its 2008 meeting. In addition, AMS participated on the U.S. delegation during the meeting of the ad hoc Codex Intergovernmental Task Force on the Processing and Handling of Quick Frozen Foods.
- Dairy Programs expanded the export certificate program for dairy products in FY 2008 through the addition of Kazakhstan and Serbia to the list of 90 countries for which Dairy issued export certificates. In FY 2008, AMS issued 16,000 dairy export certificates—more than a 50 percent increase over FY 2007. Dairy Programs also led the U.S. delegation of the Codex Committee on Milk and Milk Products to ensure adoption of international standards that position the U.S. dairy industry competitively in the global market. In July 2008, the Codex Alimentarius Commission adopted a model export certificate for milk and milk products. As a result of these efforts, trade barriers for U.S. companies have been reduced and a basis for resolving international trade disputes has been provided thus facilitating the international trade of dairy products that have an export value of more than \$4 billion for the U.S. dairy industry.
- AMS served as Vice Chair to the UNECE Committee of Experts for the Standardization of Meat. This committee meets each year in Geneva, Switzerland, to vote on standards before the Committee being considered for adoption as UNECE standards.
- To promote the U.S. position on Codex-related issues fostering collaboration and networking, AMS participated in the U.S. Codex's office outreach program for Caribbean and Latin American countries.

International Organization for Standardization (ISO):

- AMS took a leadership role for the U.S. with their participation in international standardization of food products through the ISO Technical Committee (TC) 34.
- An AMS representative was selected as the Chairman of the new technical subcommittee entitled "Subcommittee (SC) 16: Horizontal methods for the detection of molecular biomarkers in: foods; seeds and propagules of food crops; commodity food crops; fruits; vegetables and derived foods." The subcommittee is charged with establishing a framework for standardizing new technology in biomarker analysis. The first plenary meeting of ISO TC 34/SC 16 was held in Chicago, November 11-13, 2008. In attendance were over 35 delegates from Japan, the U.S., Thailand, France, India, Germany, Canada and the U.K. The new AMS led subcommittee will work to ensure that biomarkers testing and laboratory criteria used are standardized internationally.
- An AMS representative also served as the Head of the U.S. delegation for TC 34 (SC 2 and SC 11) for food products in Seattle, Washington in May 2008. Working with other committee members, the AMS representative gained ISO support for analytical tests that will be used in the forthcoming U.S. Olive Oil Grade Standards. The AMS representative recommended approval for

three International Olive Council methods to be added as ISO Standards for 2008. The AMS representative also participated in Joint Working Group meetings with ISO delegates from France, Poland, and Argentina to harmonize 52 grain and feed analytical tests to promote consistency of results between laboratories in order to facilitate fair commodity pricing and international trade.

- AMS experts provided U.S. input into the ISO standard for evaluating mold and yeast colonies for meat products through the American National Standards Institute (ANSI) Meat and Meat Products Subcommittee, which AMS administers.

FEDERAL SEED ACT

Current Activities: AMS depends on cooperative agreements with each State to regulate the interstate commerce of agricultural and vegetable seeds with regard to seed labeling. Under these agreements, the States refer apparent violations of the Federal Seed Act to AMS for verification and appropriate action.

Selected Examples of Recent Progress: In cooperation with State agencies, AMS conducted field tests on 893 samples at eight different locations to determine trueness-to-variety of seed in interstate commerce. During 2008, AMS received 352 new complaints from 23 States, resulting in 371 cases. AMS tested 319 regulatory seed samples from 23 States and 303 mail order seed samples from 8 seed companies for trueness-to-variety. Sixty Federal Seed Act cases were administratively settled with penalty assessments totaling \$44,525 with individual assessments ranging from \$700 to \$14,675. To ensure uniform application of the regulations, AMS conducted four training workshops for seed analysts and inspectors from sixteen States.

Voluntary Seed Testing: AMS also offers seed inspection and certification services to users for a fee. Most of the users of this service are seed exporters. During 2008, AMS issued 2,852 Seed Analysis Certificates.

COUNTRY OF ORIGIN LABELING (COOL)

Current Activities: The Farm Security and Rural Investment Act of 2002 and the 2002 Supplemental Appropriations Act amended the Agricultural Marketing Act of 1946 to require retailers to notify their customers of the country of origin of covered commodities. The COOL amendments to the Agricultural Marketing Act (Section 10816 of Public Law 107-171 and Section S.208 of Public Law 107-206), identify covered commodities as muscle cuts of beef (including veal), lamb, and pork; ground beef, ground lamb, and ground pork; farm-raised fish and shellfish; wild fish and shellfish; perishable agricultural commodities; and peanuts. The law also requires method of production information (farm-raised or wild caught) for fish and shellfish to be noted at the final point of sale to consumers.

The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) contains a number of amendments to the COOL provisions. The amended legislation adds goat, chicken, ginseng, macadamia and pecan nuts as covered commodities. It allows commodities derived from animals in the U.S. on July 15, 2008, to be labeled as U.S. origin and specify labeling requirements for multiple countries of origin. For ground meat items, it provides for a "list of all reasonably possible countries of origin." Amendments specify that "normal course of business" records and producer affidavits may be used for verification. The use of State, regional, or local designations to identify the U.S. as the country of origin are also permitted for perishable agricultural commodities, ginseng, peanuts, pecans, and macadamia nuts produced exclusively in the U.S. Other changes set the same requirements and penalties for both suppliers and retailers, and reduced the maximum penalty per violation from \$10,000 to \$1,000. The COOL requirement became mandatory for retailers as of September 30, 2008.

Selected Examples of Recent Progress:

- On August 1, 2008, USDA published an interim final rule for the mandatory labeling of all remaining covered commodities with a request for public comments. That rule went into effect on

September 30, 2008. The comments will be taken into consideration as USDA promulgates a final rule for COOL.

- AMS entered into cooperative agreements with an additional 25 States during 2008 bringing the total number of States participating in the Program to 42. Training was conducted with the additional States in March of 2008 for the purpose of conducting audits of retail establishments to determine compliance with the COOL regulations for fish and shellfish. USDA personnel conducted audits in those States without cooperative arrangements.
- AMS has completed retail reviews on fish and catfish for the past 3 years. The majority of the retail reviews were conducted by trained State agency representatives within the States in which Memoranda of Understanding (MOU) have been established with USDA. The balance of the retail review assignments not conducted by State agency officials were completed by staff from AMS Meat Grading and Certification Branch. Beginning in FY 2009, the enforcement program is being redesigned to encompass all covered commodities. AMS will continue to partner with State agencies for assistance with future retail surveillance activities. Three informational sessions have been conducted since September 30, 2008, in an effort to assist industry in achieving compliance. The education and outreach period is also intended to allow covered commodities already in the chain of commerce for which no origin information is known sufficient time to clear the system. In addition, the Department has provided guidance materials and resources to interested parties via the USDA Web site, and participated in numerous teleconferences, webinars, and formal industry conferences.

PESTICIDE DATA PROGRAM

Current Activities: The Pesticide Data Program (PDP) is a critical component in meeting the requirements of the 1996 Food Quality Protection Act (FQPA), which directs the Secretary of Agriculture to provide improved data collection of pesticide residues, standardized analytical and data reporting methods, and increased sampling of foods most likely to be consumed by infants and children. Through a MOU, AMS, Environmental Protection Agency (EPA), and the Food and Drug Administration (FDA) coordinate and prioritize residue-testing activities. AMS maintains ongoing communications with EPA and FDA to plan program activities. In addition, AMS conducts annual planning meetings with all program participants, including the States and agricultural industry stakeholders, to select commodities and water sites for inclusion in the program.

Selected Examples of Recent Progress:

During 2008, more than 13,000 samples were tested, resulting in over 140,000 analyses. The program has the largest database on pesticide residues in children's foods in the U.S.

Commodities: In 2008, PDP added two new commodities--honey and catfish-- and reintroduced previously tested commodities bringing the number of commodities surveyed to date to 87. Commodities surveyed by PDP include fresh and processed fruit and vegetables, dairy, grains, meat, honey, catfish and drinking water. Honey was added as a rapid response survey as part of an investigation of root causes for the decline in bee population (colony collapse disorder). Pesticide residues were detected in honey at very low levels and were reported to EPA for risk assessment purposes. This year, both domestic and imported catfish were added to provide data needed by EPA to evaluate exposure to pesticides through consumption of this product. Pesticides tested include those used in aquaculture and pesticides reported as water pollutants in catfish farming areas. Data on previously tested commodities are needed to determine if there were measurable changes in the residue profile. All commodities selected for testing are based on EPA's requests for data to monitor registration-driven changes mandated by the FQPA and to respond to public food safety concerns.

Water Survey: In addition to the ongoing monitoring of surface water, which in 2008 covered 13 sites in 11 States, the PDP water survey was expanded to include groundwater sites from potable domestic wells in Merrick County, Nebraska and in various counties in the State of Florida. The Merrick County sites were

selected because of their proximity to a site that showed elevated levels of pesticide residues in 2007. These sites also had elevated levels of pesticide residues and as a result, in 2009, the Nebraska Department of Health will collect an additional 50 samples to determine the extent and the source of the groundwater contamination. PDP will test these samples and provide results to the State Health authorities. Also during 2009, PDP will continue to collaborate with the Florida Department of Health to select sites of mutual interest to test 100 potable domestic wells in key agricultural counties. The Florida Department of Health has agreed to obtain permission from well owners and will use their own inspectors for sample collection. PDP will in turn provide the analytical results. This collaboration with the States is mutually beneficial and also provides EPA with necessary data for risk assessment of N-methyl carbamates. Pesticide data on domestic potable groundwater wells are scarce and needed to address dietary risk concerns. The PDP water survey is a voluntary program that began in 2001 and to date has surveyed 70 municipal sites in 26 States and the District of Columbia and 225 potable groundwater wells in 36 States.

Sampling: PDP increased the use of statistical tools and marketing data to improve sample collection rates achieving a 99.6 percent success rate in 2008. Improvements in the sample tracking database and the use of electronic sample information forms allow for instant availability of data on food distribution points, which make it very valuable for trace back of questionable products. PDP monitors product availability at the various collection points through frequent communication with sampling inspectors and makes necessary adjustments to sampling protocols to meet collection targets.

Testing: Methods were enhanced to bring the total number of pesticides and metabolites tested to 427. Laboratories consolidated analytical screening methods and expanded the use of automation to reduce costs for equipment maintenance, human resources, and the management of hazardous waste. PDP analytical methods were adopted by the Codex Alimentarius for use as international methods. PDP laboratories participated in national and international proficiency testing rounds and performed better or as well as other participating laboratories in the U.S. and around the world.

Outreach: PDP increased its involvement in international activities through participation in and presentation of a technical poster at the 7th European Pesticide Residue Workshop. PDP also provided training on pesticide analytical methods to scientists from Saudi Arabia and on sampling, technical, and quality assurance procedures to a Japanese representative. Program staff also made presentations at scientific conferences to disseminate information and participated in events sponsored by minor crop growers to improve communications.

Reporting: AMS publishes an annual data summary, with reports currently available for 1991-2007. Public-domain databases containing sample identity and analytical results data for each sample tested are posted on the Program's website: <http://www.ams.usda.gov/pdp>.

Pesticide Data Program—Evaluation of Performance Measures: Based on its FY 2008 PART Improvement Plan, the Pesticide Data Program (PDP) initiated an independent evaluation of the methodologies it uses to establish long-term and annual measures and to estimate program performance targets. The independent assessment clarified the process by which PDP establishes benchmarks for its existing measures, and aided in the revision of two long-term measures and the development of a new annual measure—all of which are pending Departmental approval.

MICROBIOLOGICAL DATA PROGRAM

The Microbiological Data Program (MDP) was initiated in 2001 for the purpose of collecting data regarding the prevalence of food-borne pathogens on domestic and imported produce. AMS shares MDP data with the FDA, the Centers for Disease Control and Prevention (CDCP), and Department of Health agencies from participating States. In 2008, MDP resumed collection of sample origin information, which proved valuable during the *Salmonella saintpaul* outbreak investigation.

Selected Examples of Recent Progress:

Within days of learning of the *Salmonella saintpaul* outbreak, MDP set in motion an emergency plan to collect tomato samples, which were believed to be the source of the outbreak. States affected by the outbreak were instructed to intensify sampling of tomatoes and laboratories worked overtime to test more than 1,000 samples in less than one month. MDP also tested hot peppers, cilantro, green onions, and bulb onions to support epidemiological investigations conducted by FDA and CDCP aimed at determining the source of the *Salmonella saintpaul* outbreak. None of the samples tested positive for *Salmonella saintpaul* but other strains of *Salmonella* were detected in cilantro (*Salmonella meleagridis*) and hot peppers (*Salmonella cerro*). Results of the Agency's work during this outbreak include the use of MDP's monitoring data which contributed to FDA's decision to lift advisory warnings to consumers not to eat (roma or round) tomatoes; improved communications between MDP and CDCP epidemiologists, and refinement of MDP's rapid response procedures.

The close relationship between MDP cooperating State laboratories and their respective health agencies has allowed the program to rapidly identify pathogen species and enter this information into the CDCP Pulsenet database within days of isolating a pathogen. The data then becomes available to outbreak investigators nationwide enabling them to match pathogens isolated in food commodities with those isolated from humans and to take appropriate action. From March through September 2008, MDP laboratories reported eight *Salmonella* isolates (five in alfalfa sprouts and one each in cilantro, hot peppers, and ready-to-eat bagged lettuce). The *Salmonella* strains isolated by MDP have been implicated in smaller outbreaks that were detected in various parts of the U.S. Data on *Salmonella* isolated by MDP was supplied to the Food Emergency Response Network (FERN), FDA, and CDCP. In November 2008, MDP reported to FDA and CDC two new *Salmonella* positives in cantaloupes collected in Minnesota and New York and shared all available information for these samples with those agencies.

Commodities: MDP is testing fresh alfalfa sprouts, cantaloupes, bagged lettuce, spinach, and tomatoes (roma and round). These commodities were introduced in consultation with CDCP and FDA because they have been associated with food borne outbreaks.

Testing: MDP introduced an automated system for the purification of DNA from pathogenic bacteria (e.g., *Salmonella*, *E. coli* O157:H7, shiga toxin-producing *E. coli*, and enterotoxin-producing *E. coli*). Automation of the DNA purification process reduces labor costs and provides consistency in recovered purified DNA among program laboratories as well as reduces time spent obtaining reliable identification of targets.

Outreach: MDP is actively exchanging data on detection of pathogens with epidemiologists in CDCP to determine if these detections are connected with reported outbreaks of human illnesses. MDP strengthened collaboration of its laboratories with the FERN through participation in cross-Departmental status meetings and collaborative studies.

Reporting: All MDP data have been entered into the Electronic Laboratory Exchange Network (eLEXNET), an integrated information network for government agencies engaged in food safety activities pertaining to FERN and CDCP Pulsenet. MDP also provided requested data to FDA's Center for Food Safety and Applied Nutrition, FDA's Office of Regulatory Affairs, USDA's Agricultural Research Service, and USDA's Office of the Chief Economist.

NATIONAL ORGANIC PROGRAM

Current Activities: The National Organic Program (NOP), (authorized by the Organic Foods Production Act of 1990, 7 U.S.C. 6501 et seq.) develops, implements, and enforces national standards governing the production, handling, and labeling of agricultural products sold as organic. The NOP accredits certifying agents worldwide so that they may certify compliance of producers and processors with the NOP regulation. The NOP also evaluates and establishes recognition and equivalency agreements with foreign

governments and provides support to the National Organic Standards Board (NOSB). The NOSB consists of 15 private-sector appointees. The NOSB recommends materials to be allowed or prohibited in organic operations and may provide other recommendations to the Secretary on the implementation of the NOP.

Selected Examples of Recent Progress:

- With a FY 2008 funding increase, the National Organic Program (NOP) began to establish a stronger program structure, build staff, and place greater emphasis on compliance activities. The NOP has also worked to increase the transparency of the program to the industry, which should improve understanding and communication. The NOP added 5 new staff members and created three branches within the Program to help track, monitor, and direct its workload more effectively: Standards Development and Review; Accreditation, Auditing, and Training; and Compliance and Enforcement.
- In October 2008, the Program published a proposed rule in the Federal Register on "access to pasture," and held listening sessions in New York, Wisconsin, California, Texas, and Pennsylvania.
- Added or maintained materials on the National List of Allowed and Prohibited Substances by publishing 2 advanced notices of proposed rulemaking, 2 proposed rules, and 5 final rules in the Federal Register.
- Serviced organic recognition agreements with onsite visits to New Zealand and Japan.
- Determined the 5-year renewal status of 36 certifying agents.
- Participated in negotiations with Canada in response to their request for organic equivalency (negotiations are ongoing).
- Improved program transparency by restructuring the NOP website, and by adding an NOP reading room and a new information portal called Answers to Questions on Standards by NOP Staff, or AQSS.
- Developed Fact Sheets on certifying cosmetics, personal care and body care products to NOP standards; and certifying natural fiber products.

National Organic Certification Cost-Share Program: The 2008 Farm Bill, Sec. 10301, provided \$22 million for cost share activities from Commodity Credit Corporation funds in FY 2008 to remain available until expended. It also increased the cost share reimbursement from \$500 to \$750. USDA is required to submit, by March 1, 2009, and every subsequent March 1st, an annual report to Congress describing: requests by, disbursements to, and expenditures for, each State during the current and previous fiscal years, including the number of producers and handlers served. The Notice of Funding Availability was published in the Federal Register on September 22, 2008. The Notice of Amendment to 2008 National Organic Certification Cost-Share Program (PDF) was published on November 20, 2008.

Agricultural Management Assistance (AMA) Organic Cost-Share Program: The AMA cost share program, authorized by the Federal Crop Insurance Act, provides funds to 15 eligible States to reimburse producers for the cost of organic certification. Producers may be reimbursed for up to 75 percent of their organic certification costs, not to exceed \$500. The eligible States are: Connecticut, Delaware, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia, and Wyoming. The 2008 Farm Bill, Section 2801, added Hawaii to the States eligible to receive organic certification cost share assistance. The Farm Bill provided a total of \$15 million from CCC funds for each fiscal year from 2008 through 2012, with 10% to AMS (\$1.5 million) for organic cost-share, and the remaining funds to the Department's National Resources Conservation Service and the Risk Management Agency. AMS published the Notice of Funding Availability in the August 28, 2008 Federal Register.

PESTICIDE RECORDKEEPING PROGRAM

Current Activities: The Federal Pesticide Recordkeeping Program (PRP) is a National program, which assures that certified private pesticide applicators (over 613,000 agricultural producers) maintain records of restricted use pesticide applications. Inspectors conduct face-to-face inspections with pesticide applicators (as required by statute) to review restricted use pesticide (RUP) application records. The PRP provides

educational programs and materials to the regulated community to assist with compliance to the regulations. In addition, licensed health care professionals receive information on accessing RUP record information when needed for medical treatment.

Selected Examples of Recent Progress:

State and Federal inspectors met with over 4,300 certified private applicators during FY 2008 to inspect RUP application records in 36 States where certified private pesticide applicators must comply with Federal regulations. PRP administered 33 cooperative agreements with State pesticide regulatory agencies to conduct the inspections and utilized Federal inspectors in 3 States to assure national coverage by the program.

PRP funded a cooperative initiative with Michigan State University and the Michigan Department of Agriculture to provide small, one-on-one training for the growing population of Latino farmers within the State. These workshops have been very successful and assist Latino farmers in understanding the importance of pesticide records. Similar workshops were funded through the Montana Department of Agriculture to reach Native American Indian farmers, who also are required to maintain RUP application records. These educational programs have been in great demand in Montana.

A new project to provide guidance on the use of Global Positioning Satellite (GPS) devices to record the location of areas treated with RUP's was initiated in late FY 2008. The use of GPS coordinates for locating areas of agricultural property should provide an easier alternative for agriculture producers using GPS systems to comply with the regulations, thus reducing the burden on small and large producers.

RESEARCH AND PROMOTION PROGRAMS

Current Activities: AMS provides administrative oversight to a number of industry-funded commodity research and promotion programs. Industry research and promotion boards collect assessments from producers, feeders, seed stock producers, exporters, packers and/or importers, processors, and handlers, to carry out programs aimed at strengthening the demand for these products. It is the responsibility of AMS to review and approve the budgets and projects proposed by the Boards such as paid advertising, consumer education, industry relations, industry information, retail, food service and export promotion, market production and nutrition research, public relations, and project evaluation. The industries reimburse AMS for the cost of administrative oversight activities.

Research and Promotion Program Industry Assessments (Dollars in Millions)

<u>Commodity</u>	<u>FY 2008 1/ Assessments Collected</u>
Cotton	\$ 65.2 (estimated)
Dairy	94.6 (estimated)
Fluid Milk	107.0 (estimated)
Beef	45.8
Lamb	2.3
Pork	51.2 (estimated)
Soybeans	64.0
Eggs	20.0 (estimated)
Avocados	27.3 (estimated)
Blueberries	4.9 (estimated)
Honey	1.9 (estimated)
Mangos	5.6 (estimated)
Mushrooms	4.3 (estimated)
Peanuts	9.1 (estimated)
Popcorn	1.0 (estimated)
Potatoes	19.3 (estimated)
<u>Watermelon</u>	<u>2.8 (estimated)</u>
Total	\$526.3 (estimated)

1/ The fiscal year for the blueberry, cotton, dairy, egg, fluid milk, honey, mangos, mushroom, pork, and popcorn boards coincides with the calendar year. The other boards operate under different 12-month fiscal periods.

TRANSPORTATION SERVICES

Current Activities: The AMS Transportation Services program promotes and assists in the development of an efficient agricultural transportation system to help improve farm income, expand exports, and meet the transportation needs of rural America. AMS provides assistance to State and local decision-makers and to farmers and shippers on regulatory, policy, and legislative matters. The program conducts and sponsors economic studies of domestic and international transportation issues and provides technical assistance and information on agricultural transportation; rural infrastructure; and food distribution to producers, shippers, rural communities, carriers, government agencies, and universities through a variety of publications that are available in hard copy and on the AMS website.

Selected Examples of Recent Progress:

- Initiated the *Study of Rural Transportation Issues* mandated by the 2008 Farm Bill, in cooperation with Department of Transportation and Washington State University.
- Developed a paper, *Logistic Barriers to U.S.-Mexico Grain and Soybean Trade*, which has been accepted for publication in the *Journal of Food Distribution Research*.
- Developed a paper, *U.S. Grains and Soybean Exports to Mexico—A Modal Share Transportation Analysis*, that analyzes current U.S.-Mexico grain and soybean patterns and provides modal shares for corn, sorghum, wheat and soybeans.
- Conducted a transportation workshop on distillers dried grains at the Distillers Grains Technology Council and contributed to three Biofuel Transportation Taskforce meetings convened by the National Commission on Energy Policy.
- Submitted six regulatory filings to Surface Transportation Board in support of agricultural shippers concerning railroad calculation of cost of capital, access, competition, mergers, common carrier obligations, and transport of ammonia fertilizer.
- Developed the USDA position on the U.S. Army Corps of Engineers proposal concerning inland waterway lockage-based user fees.
- Represented USDA at two Inland Waterways User Board meetings and four meetings of the Committee on the Marine Transportation System; represented AMS at the United Nations Working Party on the Transport of Perishable Food.
- Generated more than 50 reports and analyses on agricultural transportation disruptions due to tropical storms, hurricanes, flooding, oil spills, and labor disputes for USDA decision making.
- Co-sponsored with the Agriculture Transportation Coalition (AgTC) six regional agricultural shipper workshops in California, Idaho, Minnesota, Washington, and Georgia, with record attendance at each.
- Presented a paper entitled the *Impact of Rail Competition on Rail Rates* to the Transportation Research Forum and the Food Distribution Research Society.
- Presented *Food Distribution Development and Cold Chain Logistics; Guidelines, Regulations, and Standards* in China and Honduras – in support of FAS emerging markets programs to increase U.S. exports and food safety.

Periodic Transportation Reports:

- The program enhanced periodic transportation reports including by providing more information in a more user friendly format. For example, the *Brazilian Export Soybean Transport Indicator Report* tables are now available for download in Excel. Other reports include: *Grain Transportation Report*, *Mississippi Gage Report*, *Agricultural Refrigerated Truck Quarterly*, and *Soybean Transportation Guide-Brazil*. These reports are available at: www.ams.usda.gov.

WHOLESALE, FARMERS AND ALTERNATIVE MARKETS PROGRAM

Current Activities: AMS' Marketing Services Branch facilitates improved distribution of U.S. agricultural products for producers by identifying marketing opportunities, providing analysis to help take advantage of those opportunities, developing and evaluating solutions including improved farmers markets and other direct-to-consumer marketing activities, researching and developing marketing channels, providing information and education, encouraging adoption of improved post harvest technology, and designing market facilities, and administers the Farmers Market Promotion Program grants. AMS continually updates a comprehensive list of U.S. farmers markets. This list can be accessed on <http://apps.ams.usda.gov/farmersmarkets>.

The Farmers Market Promotion Program (FMPP) provided \$3.4 million in competitive grants to non-profit corporations, regional farmers market authorities, Tribal governments, local governments, agricultural cooperatives, economic development corporations, and public benefit corporations to expand direct farmer-to-consumer sales. Eighty-five projects from 43 States were selected for funding out of the 225 proposals received from 48 States throughout the U.S.

The 2008 Farm Bill, Sec. 10106, extends the FMPP through 2012 and provides \$33 million over this same timeframe. The Act specifies the categories of farmer-to-consumer direct marketing activities eligible for funding under the program, and further directs the Agency to spend within this program, no less than 10 percent of the funds each year in supporting the use of electronic benefits transfers at farmers' markets. The Act also broadens the purpose of the program to *promote direct producer-to-consumer marketing*, include producer networks or associations as eligible participants, and redefines infrastructure as *marketing opportunities*. On September 19, 2008, USDA announced grant recipients for the FY 2008 funding. A list of projects funded, by State, is available through the AMS website.

Selected Examples of Recent Progress: Farmers Markets and Direct-to-Consumer Marketing Projects/Studies:

- National Farmers Market Coalition: Provided financial and technical support to increase organizational effectiveness, coordinate a National Farmers Market Week educational campaign, and to work with partnering organizations to build an infrastructure for education, information sharing, and training in "best practices" in order to strengthen farmers markets throughout the U.S.
- Farmers Market Consortium: The program provided leadership in organizing a public/private sector partnership dedicated to helping farmers markets by sharing information about funding and available resources. The FMC convened a "National Farmers Market Summit" – assembled key stakeholders in the U.S. farmer's market community for a national conversation to discuss key issues and challenges faced by the farmer's market industry.
- USDA Farmers Market: Operated the weekly farmers market on USDA headquarters property for the 13th consecutive year during the summer and fall seasons, coordinating schedules and logistics with 16 participating farm vendors. Provided technical assistance to the Department of Transportation with farmer recruitment and market layout for their new operation. Beginning late 2008, AMS implemented an indoor USDA Farmers Market operating each Wednesday from December through March in the USDA cafeteria.
- Maximizing the Potential of Electronic Benefits Transfer (EBT) for Farmers Markets - a Proposed Handbook: Initiated a cooperative project with Project for Public Spaces to create a publication, which addresses the integration of EBT into operational and promotional aspects of a market's management.
- West Coast Direct Farm Marketing Summit: Initiated a cooperative project with Roots of Change/Trust for Conservation Innovation to support the planning, organization and execution of a collaborative summit for west coast and nationwide leaders to discuss the future of direct farm marketing, and how to prepare for it.
- Expansion of New York City Greenmarkets: Initiated a cooperative project with Council on the Environment to study consumer behavior and identify successful techniques for boosting farmer's market profitability in lower and mixed-income communities.

Facilities Design Projects/Studies:

- South Texas Farmers Market Facility Expansion: Collaborated with market planners in Edcouch, TX about plans for the Mercado Delta Market, a \$3.1 million dollar multi-purpose public market that will focus on local farmers and community economic development.
- Rebuilding New York Hunts Point Terminal Market: Provided technical expertise at a meeting hosted by the New York City Economic Development Corporation to plan the rebuilding and modernization of the Hunts Point Terminal Produce Market.

Marketing Channel Research and Development Projects/Studies:

- National Farmers Market Survey: Completed a final research report summarizing the results of the latest USDA National Farmers Market Survey conducted in cooperation with Michigan State University.
- Analysis of Consumer Demographics to Support Farmers Market Promotional Activities: Implemented the second phase of a cooperative research project with Michigan State University to analyze possible correlations between consumer demographic characteristics and the likelihood of farmers' market patronage.
- Breaking Down Market Barriers for Small and Mid-Sized Growers in Organic Supply Chains: Initiated a cooperative project with the California Institute for Rural Studies which closely examines the marketing barriers that have led many small and mid-sized growers to exit organic farming in California in recent years, exacerbating the gap between available organic supplies and growing demand for organic food from consumers.

Postharvest and Marketing Technology:

- Supply Chain Management Informational Tools for Small-Scale Farm Producers and Processors: Published 2 reports – *The Dynamics of Change in the US Food Marketing Environment*, and *Supply Chain Basics – How Much, How Soon*, that help the small and medium-sized food producer and processor better understand the implications of supply chain management for their business operations.
- Collaborative Study of Maine Tablestock Potato Sector with USDA's Agricultural Research Service (ARS): In partnership with ARS and the Maine Potato Board, AMS completed a comprehensive marketing plan for Maine Tablestock potato growers.

Marketing Information and Education:

- Financial and Organizational Support of National and Regional Workshops: Provided financial and organizational support to several workshops on farmers markets and direct marketing issues, such as the National Good Food Network in Chicago, IL, October 2008. In addition, the Marketing Services Division participated as presenters at workshops/conferences designed to build farm marketing capacity and/or improve food marketing practices at several events, such as the Food Distribution Research Society annual meeting, Quebec City, Orlando, FL, October 2008; National Association of Produce Market Managers conference, Philadelphia, PA, April 2008; the Sustainable Agriculture and Food Systems Funders Conference, Portland, OR, June 2008; the Alcorn State University Stakeholder's Grant Writing Workshop, Alcorn, MS, July 2008; Kellogg Food and Society Conference, Phoenix, AZ, June 2008; and Southern Sustainable Agriculture Working Group, January 2008.

GRADING AND CERTIFICATION SERVICES
PROCESS VERIFICATION AND AUDIT BASED PROGRAMS

Current Activities: AMS grading and certification services provide impartial verification that agricultural products meet contractual quality standards. Use of AMS' Federal grading program is strictly voluntary, with users paying for the cost of the service.

The Agricultural Marketing Service has also developed voluntary testing and process verification programs

in response to the market's growing need to facilitate the marketing of agricultural products. AMS' Process Verification programs provide producers and marketers of livestock and seed products, fresh and processed fruit and vegetables, and poultry and poultry products the opportunity to assure customers of their ability to provide consistent quality products by having their written production and manufacturing processes confirmed through independent, third party audits. The USDA Process Verified program uses the ISO 9000 series standards for documented quality management systems as a format for evaluation documentation to ensure consistent auditing practices and promote international recognition of audit results.

Selected Examples of Recent Progress:

- a. Cotton Grading: AMS classified 18.3 million samples of cotton under the grower-classing program in 2008, with all cotton classed by the high volume instrument method. In addition, the Cotton Program classified over 1.9 thousand samples under the Cotton Futures Act. Cotton inspection, classing, and grading information for sample bales are stored and maintained in a central database. This information is provided electronically to growers and agents who request it at a charge of five cents per record. In 2008, the Cotton Program received requests for information on 25 million sample bales.

Fees and Charges in Effect FY 2008:

<u>Service Performed</u>	<u>Fees</u>
Form 1 grading services	\$1.85 per sample <u>a/</u>

a/ Base fee rate as of July 2006. A discount of five cents per sample is awarded to producers who are billed through voluntary central agents (e.g., cotton gins and warehouses).

- b. Dairy Products Grading: Product grading, laboratory analysis, and plant inspections assure purity and quality of dairy products. Upon request, AMS grades dairy products sold in commercial channels. An AMS grade is also required on all products sold to the Commodity Credit Corporation under the dairy price support program. In 2008, AMS graded approximately 920 million pounds of dairy products and conducted 925 dairy plant inspections and audits to assure sanitation of processing facilities.

International markets are increasing for U.S. dairy and related products. The Dairy Grading and Standardization Branches work together to offer assistance with inspection and certification of dairy and related products for export. Federal inspections are routinely required by importing countries. Certifications attest that dairy products are: 1) fit for human consumption; 2) produced under sanitary and wholesome conditions; and 3) free from animal diseases. In FY 2008, the Dairy Grading program issued 16,000 export certificates covering about 1.5 billion pounds of dairy products - a greater than 200 percent increase from FY 2007

Fees and Charges in Effect FY 2008:

<u>Services Performed</u>	<u>Hourly Fees</u>
Continuous resident service	\$62.00
Nonresident service	\$68.00

- c. Processed Fruit and Vegetable Grading: This program offers both grading and audit-based verification services. During 2008, AMS graded approximately 14.9 billion pounds of processed fruits and vegetables at 229 processing plants, 14 field offices, and 13 inspection points. In addition, AMS conducted third-party quality, systems, and sanitation audits for food service organizations, processors, retailers, and state and Federal government entities. AMS provides verification audits under the Qualified Through Verification (QTV) program to meet the needs of the fresh-cut produce industry. AMS performed 49 QTV audits in FY 2008. AMS's Plant Systems Audit (PSA) program provides an unbiased, third-party audit of a processor's quality assurance system. In FY 2008, AMS performed 51 PSA audits for fruit and vegetable processors nationwide. AMS provides a Food Defense System

Survey (FDSS) in support of USDA food purchases, and in FY 2008, AMS performed 346 of these surveys. In FY 2008, AMS implemented and expanded a new Quality Monitoring Program (QMP) for processed and fresh fruits and vegetables. Under QMP, AMS performs product reviews and provides industry with information regarding product conformance to specifications. AMS also developed a system for attesting to the use of Hazard Analysis Critical Control Point (HACCP) by sectors of the processed food industry to satisfy customer HACCP verification requirements.

During 2008, AMS continued to meet the demand for inspection of food components in Department of Defense (DoD) operational rations in support of military activities in the Middle East and elsewhere. In addition, the AMS Food Team participated in 29 worldwide subsistence audits under DoD's "Prime Vendor" food procurement program. These audits are conducted by food quality experts at various vendor/warehouse locations throughout the U.S. and other countries worldwide. The AMS Food Team is utilized by DoD to ensure the quality of the food products purchased under Prime Vendor contracts.

Fees and Charges in Effect FY 2008:

<u>Service Performed</u>	<u>Base</u>	<u>Hourly Fees</u>	
		<u>Overtime</u>	<u>Holiday</u>
Lot inspection	\$62.00	\$93.00	\$124.00
Yearly contract (in-plant)	\$49.00	\$73.50	\$98.00
Additional Graders (in-plant)	\$65.00	\$97.50	\$130.00
Seasonal contract (in-plant)	\$65.00	\$97.50	\$130.00

- d. Fresh Fruit and Vegetable Grading: AMS grading services for fresh fruits and vegetables are available at shipping points and in receiving markets throughout the U.S. and Puerto Rico. In 2008, AMS graded or supervised the grading of approximately 58 billion pounds of fresh fruits, vegetables, and specialty crops. Grading services were provided by approximately 3,000 Federally-licensed State employees at shipping points and cooperative market locations and by approximately 150 federal employees at 34 federal receiving markets.

AMS also provided auditing services to the fresh fruit and vegetable industry. Major audits were conducted for good agricultural and good handling practices (GAP & GHP) in addition to several other audit-based programs. These were available at both shipping point and receiving market levels through the same personnel and locations. Approximately 1,600 GAP & GHP audits were completed in 2008.

AMS provided four internal classroom refresher training classes and CDs were made with refresher slides for additional external training. Seven GAP & GHP auditor training and refresher classes were held for fresh fruit and vegetable auditors. One international training class and seven specialized industry training classes were held to cover inspection processes for various commodities and grading standards. These classes help to ensure service quality and uniform standard application of procedures.

Fees and Charges in Effect FY 2008:

<u>Service Performed</u>	<u>Fees*</u>
Quality and condition inspections of products each in quantities of 51 or more packages and unloaded from the same land or air conveyance:	
Over a half car lot equivalent product	\$151.00
Half car lot equivalent or less of each product	\$125.00
For each additional lot of the same product	\$ 69.00

*Lots in excess of car lot equivalents are charged proportionally by the quarter car lot.

	<u>Hourly Rates</u>
Hourly rate for inspections performed for other purposes during graders' regularly scheduled work week	\$74.00
Hourly rate for inspections performed under 40 hour contracts during the grader's regularly scheduled work week	\$74.00
Premium rate, in addition to hourly or car lot rates	\$38.00
Holiday hourly rate, in addition to hourly or car lot rates	\$74.00
Hourly rate for auditing (Travel and expenses, inclusive)	\$75.00

- e. Meat Grading and Certification: During 2008, meat grading and certification services were provided to approximately 200 meat packing and processing plants and other establishments worldwide. A total of 21.2 billion pounds of red meat (beef, lamb, veal and calf) were graded during the year. This figure represents 95.1 percent of steers and heifers, 77.9 percent of lamb, and 31.0 percent of veal and calf commercially slaughtered in the U.S. In addition, 26.0 billion pounds of meat and meat products were certified for specification, contractual or marketing program requirements. Nine hundred seventy-three loads of pork bellies and 145 loads of beef cattle carcasses were graded for the Chicago Mercantile Exchange. Twenty-nine Worldwide Food Audits were performed for Department of Defense prime vendor contracts.

Fees and Charges in Effect FY 2008:

<u>Service Performed</u>	<u>Hourly Fees</u>
Commitment grading	\$61.00
Non-commitment grading	\$71.00
Premium (overtime) grading	\$78.00
Holiday grading	\$122.00

- f. Audit, Review and Compliance Branch Accreditation, Audit and Verification Activities: During 2008, accreditation, audit, and verification services were provided to approximately 480 clients, including meat packing and processing plants, livestock producers and livestock service providers, beef export verification programs, organic certifying agencies, seed testing laboratories, state agencies, and other agricultural based establishments and companies worldwide. Domestic and international accreditation audits conducted for the National Organic Program represent an approval to certify and label product with the USDA Organic Seal. Organic food sales are anticipated to increase an average of 18 percent each year through 2010. Services provided to producers, meat packers, and processors verified by the Audit, Review and Compliance Branch through the Export Verification Program facilitated the opening of two new beef export markets in 2008 with a total export of 750,916 metric tons valued at \$2.8 billion for 2008, which is a 45 percent increase from 2007.

Fees and Charges in Effect FY 2008:

<u>Service Performed</u>	<u>Hourly Fees</u>
Auditing and accreditation activities	\$108.00

- g. Poultry and Egg Grading: Approximately 91 percent of poultry grading services are provided on a resident basis, where in most of these instances, a full-time grader is stationed at the plant that requests service. The remaining 9 percent of poultry grading services are provided on a non-resident (lot grading) basis. During 2008, AMS provided resident service in 118 poultry plants, grading 8.5 billion pounds of poultry and 160 shell egg plants where 1.85 billion dozen shell eggs were graded. Poultry grading services cover about 28 percent of the turkeys slaughtered, 15 percent of the broilers slaughtered, and 42 percent of the shell eggs produced in the U.S., excluding eggs used for breaking and hatching.

Fees and Charges in Effect FY 2008:

<u>Service Performed</u>	<u>Hourly Rate</u>
Non-Resident Plant--Regular Time	\$74.08
Resident Plant*	\$42.46 – \$59.05*
Auditing Activities	\$87.56

*Fee rate depending on the volume of product handled in the plant.

- h. Tobacco Grading: As of July 1, 2005, all inspections for both domestically grown and imported tobacco are provided on a voluntary basis. AMS' tobacco grading service offers voluntary tobacco inspection, grading, and expanded pesticide testing on all types of domestic and imported tobacco.

During 2008, AMS' Cotton and Tobacco Program inspected approximately 84 million kilograms of tobacco and tested 77 million kilograms of tobacco for pesticide residues.

Fees and Charges in Effect FY 2008:

<u>Service Performed</u>	<u>Fees</u>
Permissive inspection (Regular time)	\$47.40 per hour
Domestic tobacco grading	\$0.62 per hundred lbs
Certification of Export Tobacco	\$0.25 per hundred lbs
Imported tobacco grading	\$1.37 per hundred kg
Imported tobacco pesticide testing and certification	\$1.88 per hundred kg

PLANT VARIETY PROTECTION ACT

Current Activities: The Plant Variety Protection Act (PVPA) provides legal and intellectual property rights protection to developers of new varieties of plants that are sexually reproduced or tuber-propagated. This voluntary program is funded through application fees for certificates of protection. Each developer of a new variety is assessed a fee of \$5,150 to cover the cost of filing, searching, issuing, informing the public, and maintaining plant variety protection certificates.

Selected Examples of Recent Progress: More than 140 species of plants are currently protected under the PVPA. In 2008, AMS received 412 applications for protecting new agricultural, floral, and seed plant varieties. A total of 789 applications, including some from previous years, were pending action at the end of 2008. During the fiscal year, AMS conducted searches on 402 applications to determine whether the plant constituted a new variety and issued 338 certificates of protection. At the end of the fiscal year, 4,747 certificates were in force while protection had expired on 99 different varieties.

NATIONAL SHEEP INDUSTRY IMPROVEMENT CENTER

The 2008 Farm Bill provided a one-time appropriation to fund the National Sheep Industry Improvement Center to allow the industry to engage in coordinated programs of infrastructure development, production research, environmental stewardship efforts, and marketing. The Center's work has been critical in providing assistance to a declining U.S. sheep industry. A Congressionally mandated study released in June 2008 concluded that the sheep industry must create and expand alternative markets for sheep products, transition from traditional marketing practices, embrace new technology, and establish a revived customer base.

AGRICULTURAL MARKETING SERVICE

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

Limitation on Administrative Expenses

Not to exceed [~~\$62,888,000~~] \$64,583,000 (from fees collected) shall be obligated during the current fiscal year for administrative expenses: *Provided*, That if crop size is understated and/or other uncontrollable events occur, the agency may exceed this limitation by up to 10 percent with notification to the Committees on Appropriations of both Houses of Congress.

Appropriations Act, 2009	\$62,888,000
Budget Estimate, 2010.....	<u>64,583,000</u>
Increase in Limitation.....	<u>+ 1,695,000</u>

The increase of \$1,695,000 in the limitation on administrative expenses is needed to fund increased operating costs. The increased limitation will allow for uninterrupted grading services in FY 2010.

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

For payments to departments of agriculture, bureaus and departments of markets, and similar agencies for marketing activities under section 204(b) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623(b)), \$1,334,000.

Appropriations Act, 2009	\$1,334,000
Budget Estimate, 2010 <u>a/</u>	<u>1,334,000</u>
Increase in Appropriation	<u> --</u>

a/ Excludes \$338,000 provided by General Provision 732 for a grant to the State of Wisconsin.

Project Statement
(On basis of appropriation)

	<u>2008 Actual</u>		<u>2009 Enacted</u>		Increase or Decrease	<u>2010 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
Payments for marketing services work under section 204(b) of the Agricultural Marketing Service Act of 1946 (FSMIP).....	\$3,186,537	-	\$1,334,000	-	--	\$1,334,000	-
Specialty Crop Block Grant Obligations <u>b/</u>	8,422,168	1	8,407,455	-	-\$8,407,455	--	-
Unobligated balance available, start of period.....	-8,389,123	-	-8,407,455	-	8,407,455	--	-
Unobligated balance available, end of period.....	8,407,455	-	--	-	--	--	-
Subtotal Appropriation.....	8,440,500	1	--	-	--	--	-
Total Available	11,627,037	-	1,334,000	-	--	1,334,000	-
Rescission.....	81,963		--		--	--	
Total Appropriation.....	<u>11,709,000</u>	<u>1</u>	<u>1,334,000</u>	<u>-</u>	<u>--</u>	<u>1,334,000</u>	<u>-</u>

b/ FY 2007 specialty crop no-year grant application deadline was on April 11, 2008, and grants were awarded in FY 2008. FY 2008 grant application deadline was March 5, 2009, and grants were awarded in FY 2009.

AGRICULTURAL MARKETING SERVICE

Obligation Levels
(On basis of available funds)

Item	2008 Actual	2009 Enacted	2010 Estimated
Appropriation, FSMIP.....	\$3,209,000	\$1,334,000	\$1,334,000
Appropriation, Specialty Crop Block Grants.....	8,500,000	--	--
Less Rescission.....	-81,963	--	--
Unobligated Balance Available, start of period....	8,389,123	8,407,455	--
Total Available.....	20,016,160	9,741,455	1,334,000
Total Obligations, FSMIP.....	-3,186,537	-1,334,000	-1,334,000
Total Obligations, Specialty Crop Block Grants....	-8,422,168	-8,407,455	--
Unobligated Balance Available, end of period.....	8,407,455	--	--

Specialty Crop Block Grants

Geographic Breakdown of Obligations

No-year funding was provided in FY 2006 and FY 2007 to support the Specialty Crop Block Grant Program. An additional \$8,440,500 was provided in FY 2008, with applications being accepted through March 5, 2009. Obligations not awarded in grants were expended for administrative costs.

	FY 2008
Alabama.....	\$217,854
Alaska.....	100,521
Arizona.....	266,581
Arkansas.....	205,350
Colorado.....	116,139
Connecticut.....	215,869
District of Columbia.....	185,099
Florida.....	253,750
Georgia.....	259,729
Hawaii.....	218,403
Idaho.....	121,388
Indiana.....	219,135
Iowa.....	103,249
Kansas.....	204,394
Kentucky.....	205,655
Louisiana.....	104,950

AGRICULTURAL MARKETING SERVICE
Specialty Crop Block Grants

Geographic Breakdown of Obligations
(continued)

	FY 2008
Maine.....	211,614
Maryland.....	234,689
Massachusetts.....	331,776
Michigan.....	136,342
Minnesota.....	113,275
Mississippi.....	103,627
Missouri.....	208,579
Montana.....	205,452
Nebraska.....	104,134
Nevada.....	101,478
New Hampshire.....	102,245
New Jersey.....	117,037
New Mexico.....	114,950
New York.....	129,212
North Carolina.....	136,156
North Dakota.....	109,136
Ohio.....	245,379
Oklahoma.....	107,188
Oregon.....	296,641
Pennsylvania.....	257,786
Rhode Island.....	101,418
South Carolina.....	110,425
South Dakota.....	100,850
Tennessee.....	223,259
Texas.....	156,489
Utah.....	103,135
Vermont.....	101,398
Virginia.....	223,596
Washington.....	182,442
West Virginia.....	100,287
Wisconsin.....	240,611
Wyoming.....	201,390
Puerto Rico.....	212,106
Total Obligations.....	\$8,422,168

AGRICULTURAL MARKETING SERVICE
Payments to States and Possessions

Geographic Breakdown of Obligations

Distribution of obligations by State are not available until projects have been selected. Funds in 2008 for the Federal-State Marketing Improvement Program total \$3,186,537; funds in 2009 total \$1,334,000. A funding level of \$1,334,000 is proposed for 2010.

	<u>FY 2008</u>
Alaska.....	\$45,750
Colorado.....	30,500
Delaware.....	64,170
Florida.....	27,600
Georgia.....	68,090
Hawaii.....	54,400
Kansas.....	83,150
Kentucky.....	55,780
Maine.....	55,805
Maryland.....	50,462
Massachusetts.....	37,520
Michigan.....	48,000
Missouri.....	42,000
Nebraska.....	50,000
Oregon.....	60,200
Rhode Island.....	54,780
South Carolina.....	109,200
Utah.....	44,985
Vermont.....	55,000
Washington.....	107,185
Wisconsin.....	1,861,875
Wyoming.....	72,840
Guam.....	26,900
Puerto Rico.....	34,500
Virgin Islands.....	45,845
Total Obligations.....	<u>\$3,186,537</u>

PAYMENTS TO STATES AND POSSESSIONS

Current Activities: The Federal-State Marketing Improvement Program (FSMIP) provides matching funds to State departments of agriculture and other State agencies for approximately 25 projects per year. These funds have been used by States to conduct marketing studies or assist in addressing barriers, challenges and opportunities in the marketing, transportation, and distribution of U.S. food and agricultural products domestically and internationally.

Selected Examples of Recent Progress: During 2008, State agencies were encouraged again to submit FSMIP proposals that reflect a collaborative approach between the States, academia and the farm sector, and which have regional or National significance. Grant applications were received for 64 projects from 39 States and territories representing a total request for Federal funds of \$3.3 million. The program was appropriated \$1.3 million for these projects. These funds were allocated among 25 projects from 24 States.

FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM
FISCAL YEAR 2008 GRANTS

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
Alaska	To assess domestic and foreign markets for processed shelf-stable red meat products, and to determine the optimum organizational structure for Alaska livestock producers to market their products collectively.	\$45,750
Colorado	To improve the quality and consistency of draught beer nationwide by standardizing protocols to set up and maintain draught beer systems, and informing stakeholders throughout the sector of the new standards.	\$30,500
Delaware	To assess consumer willingness to pay for locally grown, organic and natural produce in a 5-state region, and to determine the impact of purchase location and state marketing programs on consumer food choices.	\$64,170
Florida	To develop a unified production and marketing strategy to establish a new tomato variety as a viable alternative crop in Florida.	\$27,600
Georgia	To conduct phase two of a project to explore changes to the current U.S. peanut grading system intended to improve quality determination, lower costs, and increase efficiency.	\$68,090
Guam	To develop a comprehensive data collection system for agricultural production and marketing information, to improve market efficiency through a better balance of supply and demand for key agricultural products.	\$26,900
Hawaii	To develop, test and implement an innovative hybrid agricultural Internet marketing system that will optimize producer expenditures on e-commerce advertising.	\$54,400
Kansas	To explore issues relating to distillers grains, including price discovery mechanisms, product quality specification profiles, market development potential, and feasibility and parameters of a distiller's grains futures contract.	\$83,150
Kentucky	To identify new niche market opportunities for sheep and goat products through direct marketing to Hispanic consumers and retailers and through alternative channels such as local butcher shops and meat processors.	\$55,780

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
Maine	To utilize word-of-mouth marketing strategies that can help farmers expand their customer base and increase sales of locally produced agricultural products.	\$55,805
Maryland	To conduct phase two of a project to facilitate use of locally produced foods in Maryland hospitals.	\$50,800
Massachusetts	To provide training and technical assistance to immigrant farmers to increase production capacity, improve harvest and post-harvest handling techniques, conduct effective marketing programs and develop value-added niche market products using on-farm pre-processing strategies.	\$37,520
Michigan	To identify, quantify and profile consumer market segments for recyclable, biodegradable horticultural containers and to assess advantages and obstacles to nurseries of marketing biodegradable plant containers to landscape professionals, commercial plant producers and consumers.	\$48,000
Missouri	To determine marketing and transportation barriers for small and medium-sized forestry product companies and assess the feasibility of establishing a regional, new-generation export co-operative to market forest products collectively in international markets.	\$42,000
Nebraska	To conduct a pilot study to determine optimum strategies for marketing source-verified beef in high-end restaurants in major metropolitan areas.	\$50,000
Oregon	To conduct phase two of a project to expand opportunities for agricultural producers and processors through the development of products for Oregon school food programs.	\$60,200
Puerto Rico	To train agricultural processors and packers in food safety and quality protocols and assist them to develop comprehensive food safety plans to improve their access to commercial markets.	\$34,500
Rhode Island	To introduce Rhode Island farmers to Good Agricultural Practices (GAP) certification through training and on-site visits and to survey consumers on their attitudes and expectations about food safety and their willingness to pay for GAP-certified farm products.	\$54,780
South Carolina	To develop a comprehensive data collection framework and a set of evaluation protocols to support continuous improvement of MarketMaker, a comprehensive multi-state, interactive web-based database of geo-coded food marketing information.	\$109,200
Utah	To conduct exploratory research to document and assess the market for sheep meat in the western United States.	\$44,985
Vermont	To increase economic opportunities for small farms and other rural populations through the development of an integrated culinary tourism program.	\$55,000
Virgin Islands	To assist producers develop a niche market for high quality, island-grown herbs.	\$45,845

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
Washington	To educate asparagus growers and handlers about food safety issues and certification, create a comprehensive food safety manual for growers and handlers, provide assistance to growers in preparing for food safety certification and create a food safety crisis management plan.	\$55,740
Washington	To conduct phase two of a project to inform food product research and development professionals about the technical aspects and uses of various forms of dry peas, lentils and chickpeas in processed products to enhance the nutritional value of existing products and create new products using these ingredients.	\$51,445
Wyoming	To determine ways to better utilize existing state and county food preparation facilities to provide opportunities for the development of value-added food products by rural producers and processors.	\$72,840
Total		<u>\$1,325,000</u>

SPECIALTY CROP BLOCK GRANT PROGRAM

On December 21, 2004, the Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621 note) provided authorization to USDA to provide state assistance for specialty crops. All fifty states, the District of Columbia, and the Commonwealth of Puerto Rico are eligible to participate. Specialty crop block grant funds can be requested to enhance the competitiveness of specialty crops. Specialty crops are defined as fruits and vegetables, tree nuts, dried fruits, and nursery crops (including floriculture).

The 2008 Farm Bill, Sec. 10109, extends the Specialty Crop Block Grant program (SCBGP-FB) through 2012 and provides funding each year from CCC. The Act amended the definition of specialty crops by adding horticulture; and Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands were added to the list of "States" eligible to apply for grants. State grants for each fiscal year will be equal to the higher of \$100,000 or 1/3 of 1 percent of the total amount of available funding. The Notice of Funding Availability for FY 2008 was published in the July 30, 2008, Federal Register. The Interim Final Rule changing the provisions were published in the September 4, 2008, Federal Register.

As a result, the Agricultural Marketing Service administered two separate programs to assist State departments of agriculture in enhancing the competitiveness of U.S. specialty crops in fiscal year 2008. While similar in name, the Specialty Crop Block Grant Program (SCBGP) and the SCBGP-FB are distinct with different definitions and separate deadlines.

SCBGP FY 2008 Awards: Funding for the SCBGP was provided in AMS' FY 2008 budget without fiscal year limitation. Five states—Maryland, Massachusetts, and New Mexico—had been awarded fiscal year 2008 funds by the end of the fiscal year. The application deadline for the remaining FY 2008 funds is March 5, 2009.

SCBGP-FB FY 2008 Awards: All 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands were awarded funds.

Information on the amounts awarded and the projects funded is available on www.ams.usda.gov/scbgp.

AGRICULTURAL MARKETING SERVICE
PERISHABLE AGRICULTURAL COMMODITIES ACT FUND

Appropriations Act, 2009	\$7,349,000
Budget Estimate, 2010	<u>7,349,000</u>
Change in Appropriation	<u> --</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	2009 <u>Enacted</u>	<u>Pay Costs</u>	<u>Program Changes</u>	2010 <u>Estimated</u>
Total Available	\$7,349,000	--	--	\$7,349,000

Project Statement
(On basis of appropriation)

	<u>2008 Actual</u>		<u>2009 Estimated</u>		Increase or Decrease	<u>2010 Estimated</u>	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Licensing dealers and handling complaints	\$9,829,152	82	\$10,325,000	85	+ \$298,000	\$10,623,000	85
Unobligated balance available start of period	-14,585,778	--	-11,430,980	--	+ 2,976,000	-8,454,980	--
Unobligated balance available end of period	11,430,980	--	8,454,980	--	- 3,274,000	5,180,980	--
Total, available or estimate	<u>6,674,354</u>	<u>82</u>	<u>7,349,000</u>	<u>85</u>	<u>--</u>	<u>7,349,000</u>	<u>85</u>

AGRICULTURAL MARKETING SERVICE

PERISHABLE AGRICULTURAL COMMODITIES ACT

OBLIGATION LEVELS
(On basis of available funds)

Item	2008 Actual	2009 Estimated	2010 Estimated
Appropriation (from receipts)	\$6,674,354	\$7,349,000	\$7,349,000
Unobligated balance available, start of period	14,585,778	11,430,980	8,454,980
Total available	21,260,132	18,779,980	15,803,980
Total obligations	-9,829,152	-10,325,000	-10,623,000
Unobligated balance available, end of period	11,430,980	8,454,980	5,180,980

Perishable Agricultural Commodities Act

Geographic Breakdown of Obligations and Staff Years
2008 Actual and Estimated 2009 and 2010

	2008		2009		2010	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Arizona.....	\$1,170,011	10	\$1,229,034	10	\$1,264,506	10
District of Columbia	6,272,894	52	\$6,589,340	55	\$6,779,522	55
Texas.....	1,199,588	10	\$1,260,104	10	\$1,296,473	10
Virginia.....	1,186,659	10	\$1,246,522	10	\$1,282,499	10
Total, Available or Estimate.....	9,829,152	82	10,325,000	85	10,623,000	85

PERISHABLE AGRICULTURAL COMMODITIES ACT FUND

Current Activities: The Perishable Agricultural Commodities Act (PACA) and the Produce Agency Act (7 U.S.C. 491 et seq.) are designed to protect producers, shippers, distributors, and retailers from loss due to unfair and fraudulent practices in the marketing of perishable agricultural commodities; and prevent the unwarranted destruction or dumping of farm products.

AMS' PACA program enforces these acts and is funded by license and user fees paid by commission merchants, dealers, and brokers handling fresh and frozen fruits and vegetables in interstate and foreign commerce. The law provides a forum for resolving contract disputes and a mechanism for the collection of damages from anyone who fails to meet contractual obligations. In addition, the PACA provides for prompt payment of fruit and vegetable sellers and sanctions and/or penalties against firms or principals who violate the law's standards for fair business practices. Violations of the PACA are investigated and result in: 1) informal agreements between two parties; 2) formal decisions involving payments to injured parties; 3) suspension or revocation of licenses and/or publication of the facts; or 4) monetary penalty in lieu of license suspension or revocation. The PACA also imposes a statutory trust that attaches to perishable agricultural commodities received by regulated entities, products derived from the commodities, and any receivables or proceeds from the sale of the commodities. The trust benefits the produce suppliers, sellers, or agents that have not been paid, to ensure they are paid in full.

Selected Examples of Recent Progress: In FY 2008, AMS was contacted by members of the trade for assistance in resolving 1,715 commercial disputes. Of these disputes, more than 89 percent were resolved informally involving approximately \$20.4 million. AMS resolved 91 percent of these disputes within four months. Decisions and orders were issued in 358 formal reparation cases involving award amounts totaling approximately \$8.3 million. During the same period, AMS initiated 12 disciplinary cases against firms for alleged violations of the PACA. AMS issued 6 disciplinary orders – either suspending or revoking the firms' PACA licenses or levying civil penalties in lieu of license suspension – against produce firms for violations of the PACA.

AGRICULTURAL MARKETING SERVICE

FUNDS FOR STRENGTHENING MARKETS, INCOME AND SUPPLY

SECTION 32

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

Funds available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), shall be used only for commodity program expenses as authorized therein, and other related operating expenses, including not less than [\$10,000,000] \$20,000,000 for replacement of a system to support commodity purchases, except for: (1) transfers to the Department of Commerce as authorized by the Fish and Wildlife Act of August 8, 1956; (2) transfers otherwise provided in this Act; and (3) not more than [\$17,270,000] \$20,056,000 for formulation and administration of marketing agreements and orders pursuant to the Agricultural Marketing Agreement Act of 1937 and the Agricultural Act of 1961.

FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY (SECTION 32)

Permanent Appropriation, 2009	\$7,979,334,788
Precluded from Obligation in Current Year.....	-343,491,985
Unobligated balance available, start of year.....	293,529,985
Rescission ^{a/}	-293,530,000
AMS Availability.....	<u>7,635,842,788</u>
Less annual transfers to:	
Department of Commerce	-108,510,788
Food and Nutrition Service (FNS), Child Nutrition Programs	<u>-6,455,802,000</u>
Total Transfers.....	-6,564,312,788
AMS 2009 Spending Limitation.....	1,071,530,000
Less FNS Transfer for the Farm Bill Fresh Fruit and Vegetable Program.....	<u>-108,000,000</u>
Adjusted Base for 2009	963,530,000
Budget Estimate, 2010:	
Annual permanent appropriation	8,061,101,371
Unobligated balance available, start of year.....	343,491,985
Rescission.....	-43,000,000
Unobligated balance available, end of year.....	-300,491,985
Less transfers to:	
Department of Commerce	-114,224,371
FNS, Child Nutrition Programs	<u>-6,747,877,000</u>
Total transfers	-6,862,101,371
Total Available.....	1,199,000,000
Less FNS Transfer for the Farm Bill Fresh Fruit and Vegetable Program.....	<u>-101,000,000</u>
Budget Estimate, 2010.....	1,098,000,000
Increase from adjusted 2009	<u>134,470,000</u>

^{a/} The amount is rescinded pursuant to the Omnibus Appropriations Act, 2009, Public Law 111-8, GP Sec. 723.

SUMMARY OF INCREASES AND DECREASES

(On basis of adjusted appropriation)

Item of Change	2009	Pay Costs	Program	2010
	<u>Enacted</u>		<u>Changes</u>	<u>Estimated</u>
Child Nutrition Programs Purchases	\$465,000,000	--	\$176,000,000	\$641,000,000
Farm Bill Specialty Crop Purchases	119,500,000	--	79,500,000	199,000,000
Farm Bill Whole Grain Products Pilot & Study	4,000,000	--	-4,000,000	--
State Option Contract	--	--	5,000,000	5,000,000
Removal of Defective Commodities	2,500,000	--	--	2,500,000
Disaster Relief	5,000,000	--	--	5,000,000
Direct Payment	750,000	--	-750,000	--
Emergency Surplus Removal	235,168,000	--	-235,168,000	--
Estimated Future Needs a/	92,261,000	--	100,847,000	193,108,000
Commodity Purchase Service	22,081,000	\$255,000	10,000,000	32,336,000
Marketing Agreements and Orders	17,270,000	443,000	2,343,000	20,056,000
Net AMS Availability	<u>963,530,000</u>	<u>698,000</u>	<u>133,772,000</u>	<u>1,098,000,000</u>
FNS Transfer for Farm Bill Fresh Fruit and Vegetable Program	108,000,000	--	-7,000,000	101,000,000
Total Available	<u>1,071,530,000</u>	<u>698,000</u>	<u>126,772,000</u>	<u>1,199,000,000</u>

a/ These funds are available for appropriate Section 32 uses based on market conditions as determined by the Secretary.

AGRICULTURAL MARKETING SERVICE

FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY (SECTION 32)Project Statement
(On basis of appropriation)

	<u>2008 Actual</u>		<u>2009 Enacted</u>		<u>Increase or Decrease</u>	<u>2010 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
1. Commodity Purchases							
a. Child Nutrition Program Purchases	\$464,937,227	--	\$465,000,000	--	\$176,000,000	\$641,000,000	--
b. Farm Bill Specialty Crop Purchases	180,777,638	--	119,500,000	--	79,500,000	199,000,000	--
c. Emergency Surplus Removal	53,653,928	--	235,168,000	--	-235,168,000	--	--
d. Estimated Future Needs	--	--	92,261,000	--	100,847,000	193,108,000	--
Subtotal	699,368,793	--	911,929,000	--	121,179,000	1,033,108,000	--
2. Farm Bill Whole Grain Products Pilot & Study	--	--	4,000,000	--	-4,000,000	--	--
3. State Option Contract	174,201	--	--	--	5,000,000	5,000,000	--
4. Removal of Defective Commodities	49,914,151	--	2,500,000	--	--	2,500,000	--
5. Disaster Relief	1,722,264	--	5,000,000	--	--	5,000,000	--
6. Direct Payments	--	--	750,000	--	-750,000	--	--
7. Accounting Adjustments	2,750,442	--	--	--	--	--	--
8. Administrative Funds							
a. Commodity Purchase Services	32,594,780	28	22,081,000	28	10,255,000 (1)	32,336,000	28
b. Marketing Agreements and Orders	15,014,622	87	17,270,000	89	2,786,000 (2)	20,056,000	98
Subtotal	47,609,402	115	39,351,000	117	13,041,000	52,392,000	126
Total Obligations	801,539,253	115	963,530,000	117	134,470,000	1,098,000,000	126
FNS Transfer for the Farm Bill Fruit and Vegetable Program	--	--	108,000,000	--	-7,000,000	101,000,000	--
Total Available	801,539,253		1,071,530,000		127,470,000	1,199,000,000	
Offsetting Collections	-53,516,377	--	--	--	--	--	--
Recovery of Prior Year Obligations	-11,861	--	--	--	--	--	--
Unobligated balance available, start of year	-500,000,000	--	-293,530,000	--	-49,962,000	-343,492,000	--
Unobligated balance available, end of year	293,529,985	--	343,492,000	--	-43,000,000	300,492,000	--
Precluded from Obligation in Current Year	--	--	-343,492,000	--	343,492,000	--	--
Total, Budget Authority	541,541,000	115	670,000,000	117	385,000,000	1,055,000,000	126
Rescission	684,000,000	--	293,530,000	--	-250,530,000	43,000,000	--
Total, Appropriation	1,225,541,000	115	963,530,000	117	134,470,000	1,098,000,000	126

AGRICULTURAL MARKETING SERVICE

FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY (SECTION 32)Obligation Levels
(On basis of appropriation)

	2008 Actual	2009 Enacted	2010 Estimated
Permanent Appropriation	\$7,563,683,777	\$7,979,334,788	\$8,061,101,371
Rescission	-684,000,000	-293,530,000	-43,000,000
Unobligated balance available, start of year	500,000,000	293,529,985	343,492,000
Precluded from Obligation in Current Year ^{a/}	--	-343,491,985	--
Offsetting Collections	53,516,377	--	--
Recoveries of Prior Year Obligations	11,861	--	--
Total Available.....	7,433,212,015	7,635,842,788	8,361,593,371
Less transfers to:			
Food and Nutrition Service, Child Nutrition Programs	-6,253,548,000	-6,455,802,000	-6,747,877,000
Food and Nutrition Service, Fresh Fruits and Vegetable Program....	--	-108,000,000	-101,000,000
Department of Commerce	-84,594,777	-108,510,788	-114,224,371
Total Transfers.....	-6,338,142,777	-6,672,312,788	-6,963,101,371
Total available after transfers	1,095,069,238	963,530,000	1,398,492,000
Less total obligations	-801,539,253	-963,530,000	-1,098,000,000
Unobligated balance available, end of year	293,529,985	--	300,492,000

^{a/} Consistent with the MAX budget system display.

Justifications of Increases and Decreases

A total increase of \$13,041,000 for Section 32 administrative activities (\$39,351,000 available in FY 2009) consisting of:

- (1) An increase of \$698,000 to fund pay costs.
- (2) An increase of \$2,343,000 and 9 staff years to enable the fruit and vegetable industry to develop, establish, and operate marketing agreements or orders that will involve quality factors affecting food safety for U.S. leafy greens and other commodities.

Over the past few years various segments of the fruit and vegetable industry have experienced a number of incidents that resulted in significantly reduced consumer demand. One option available to an agricultural industry to help support their market position is the establishment of Federal marketing

agreement and order programs. Under the Agricultural Marketing Agreement Act of 1937, marketing orders and marketing agreements are industry-initiated programs established to stabilize market conditions for producers, allow farmers to work together to solve marketing problems, balance the supply of quality product with consumer demand, and improve returns to producers. These programs provide an opportunity to conduct consumer education and authorize production research, market research and development, and advertising. Marketing agreements and orders offer agricultural industries flexibility in designing and modifying quality or other requirements as their needs change. Current examples of marketing order regulations that address food quality include a mandatory pasteurization requirement to control salmonella in almonds, and mandatory testing for aflatoxin in pistachios.

Broad commodity groups (e.g., leafy green vegetables) have initiated discussions with AMS concerning establishment of one or more marketing agreements across wide geographical areas (possibly all 50 States) that involve quality factors using FDA-recommended standards and guidelines. Based on interest expressed by the industry, AMS issued an Advance Notice of Proposed Rulemaking, published in the *Federal Register* in October 2007, to determine public interest in establishing a national leafy greens (lettuce, spinach, and cabbage) marketing agreement. Program specialists analyzed 3,500 public comments received in response to the notice. Since that time AMS has been actively engaged in discussions with agricultural producers and handlers on a possible new program. By the end of May 2009, a nationwide coalition of the U.S. produce industry is expected to submit a formal proposal to the Agricultural Marketing Service (AMS) for a national marketing agreement that would help minimize the risks of food-borne contamination in cabbage, greens, lettuce, spinach and other products defined as "leafy greens." In addition to interest from the leafy greens industry, AMS has been in discussion with the fresh tomato and other industries about similar national programs for their commodities and has strong reason to believe that more industries are likely to request programs in the foreseeable future.

A national agreement with five regions would generate the work equivalent of five new marketing order or agreement programs. AMS' current resources are fully utilized to effectively oversee and administer the existing 32 active marketing orders covering 27 commodities with a total crop value of \$7 billion. Annually, AMS conducts intensive rulemaking activities that include 2-6 hearings, 5-10 grower referenda and issuance of 100 actions published in the *Federal Register*, some of which are complex and controversial. AMS' oversight of the administrative committees and boards that locally administer the order programs includes attendance at 350 meetings and requisite compliance and operations oversight of the committees and boards. To fully and effectively respond to industry requests for new programs that address food quality within current resources would require a reduction of current rulemaking and compliance activities which would undermine the ability of the programs to address changes in the marketplace in a timely manner and AMS' ability to effectively oversee them to ensure integrity and viability. The rulemaking necessary to implement any new program could take approximately two years. It will require regional hearings and 4 to 20 complex rulemaking actions to provide ample opportunity for public comment.

Once established these new programs will require additional technical oversight and tracking systems to ensure full compliance if the agreements/orders require adherence to prescribed good agricultural, handling and/or manufacturing practices (GAPs, GHPs, and GMPs). It is critical that AMS recruit and train specialists who can ensure the adequacy of the systems established under the marketing programs as well as to investigate, and as necessary, bring appropriate and timely enforcement actions to address instances of non-compliance. AMS will also systematically track a very large number of inspection certificates and other data associated with these new programs. Finally, additional staff must be hired to conduct an industry and consumer outreach program that will involve meeting with producers, those in the marketing chain, and consumers to develop and establish these programs. In this way, this initiative will further USDA's priorities for transparency, participation, and collaboration.

These funds will help AMS improve its performance as measured by the length of time to hold public

hearings after receiving formal requests by proponent groups, the time it takes for the agency to draft rulemaking documents to establish new programs, and in implementing rules and regulations. AMS will also focus on timely resolution of compliance cases and increase the number of program and other reviews conducted annually.

- (3) An increase of \$10,000,000 to fund Web-based Supply Chain Management (WebSCM) system development.

AMS, representing the combined interests of USDA food purchasing and distribution agencies, requests the authority to use an additional \$10 million from Commodity Purchase funds (for a fiscal year total of \$20 million) to continue development of the WebSCM System. This system is urgently needed to support ongoing programs and the additional requirements established by the Farm Bill.

The implementation phase for basic functionality, which began in July 2008, continues through FY 2009, with the completion date for the basic system (replacement of PCIMS functions) scheduled for the first half of FY 2010. In preparation, USDA will conduct a massive effort to train Federal and non-Federal users on the new system. During FY 2010, all data will be moved from PCIMS to WebSCM and USDA agencies, along with USAID, will begin using the new system. Remaining at the \$10 million funding level for FY 2010 will impede these activities and could jeopardize system deployment. This increase will re-align funding with the approved business plan, and ensure more timely and efficient implementation.

Until WebSCM is functionally implemented, USDA food purchasing and distribution activities must continue to depend on the PCIMS system, which was developed in the 1980s. PCIMS is a mission critical system that supports USDA's tri-agency commodity purchase operations. PCIMS' replacement by WBSCM was approved by OMB, supported by Congress, and chosen by USDA's Executive Information Technology Investment Review Board as one of the Department's 12 Smart Choice initiatives. Upon implementation, WebSCM will improve program delivery, strengthen controls and reporting, and enhance customer service. The new system will reduce processing time and provide more information for users and customers.

AGRICULTURAL MARKETING SERVICE

Section 32 Administrative Funds

Geographic Breakdown of Obligations and Staff Years

2008 Actual and Estimated 2009 and 2010

	2008		2009		2010	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
California.....	\$792,296	2	\$654,863	2	\$871,886	2
District of Columbia.....	45,422,650	110	\$37,543,566	112	\$49,985,579	121
Florida.....	481,170	1	\$397,706	1	\$529,506	1
Oregon.....	725,859	2	\$599,950	2	\$798,775	2
Texas.....	187,426	0	\$154,915	0	206,254	0
Total, Available or Estimate.....	\$47,609,402	115	\$39,351,000	117	\$52,392,000	126

STATUS OF PROGRAM

SECTION 32

COMMODITY PURCHASES

Current Activities: AMS purchases meat, poultry, fruits and vegetables to help stabilize market conditions. The commodities acquired are furnished to the Food and Nutrition Service (FNS) to meet the needs of the National School Lunch Program and other domestic nutrition assistance programs. Purchases are coordinated with FNS to assure that the quantity, quality, and variety of commodities purchased meet the desires of schools and institutions participating in domestic food and nutrition programs and can be used to assist individuals in meeting the *Dietary Guidelines for Americans*. The Farm Service Agency (FSA) administers the payments to vendors to whom contracts have been awarded, ensures the proper storage of commodities when needed, and assists in their distribution. The administrative costs for food buying operations and coordination with FNS and FSA are paid from the Commodity Purchase Services activity in the Section 32 program.

AMS also maintains a government-wide food specification program to reduce government food purchase costs by standardizing contract specifications. For example, specifications for all frozen red meat products have been converted to Institutional Meat Purchase Specifications and these commercial specifications are used throughout the meat industry. In addition, AMS' Business Development and Quality Assurance Staff implements various programs and outreach initiatives to make AMS activities and expertise available to schools and other institutional food purchasers.

Section 4404 of the 2008 Farm Bill requires AMS to purchase, using Section 32 funds, additional fruits, vegetables, and nuts (specialty crops) to support domestic nutrition assistance programs. The Farm Bill authorizes additional specialty crop purchases beginning in FY 2008. The adjusted funding levels are now \$390,000,000 for fiscal year 2008, \$393,000,000 for fiscal year 2009, \$399,000,000 for fiscal year 2010, \$403,000,000 for fiscal year 2011, and \$406,000,000 for fiscal year 2012 and each fiscal year thereafter. For FY 2008, AMS purchased the required \$390.3 million to meet this new legislative guidance.

Selected Examples of Recent Progress:Commodity Purchases:

In FY 2008, AMS purchased \$649.4 million worth of non-price supported commodities with Section 32 funds of which \$340.3 million was for specialty crops. As authorized by the 2002 Farm Bill and required by the 2008 Farm Bill, another \$50 million was made available to Department of Defense from Section 32 funds for fresh fruit and vegetable purchases for the National School Lunch Program. Purchased commodities were used to fulfill the National School Lunch Program's commodity subsidy entitlement of 18.75 cents per meal and for emergency surplus removal. Under agreement, AMS also used funds appropriated to FNS for entitlement programs to purchase an additional \$376.6 million (\$137.6 million in specialty crops) of commodities. In total, AMS purchased approximately 1.4 billion pounds (F&V portion 981.4 million pounds) of commodities distributed by FNS through its nutrition programs.

Surplus removal (or bonus buy) commodities are donated to schools and other institutions in addition to entitlements. The following chart shows that producers of several commodity products received assistance through bonus purchases in FY 2008:

Contingency Fund Expenditures FY 2008
(Dollars in Thousands)

<u>Product</u>	<u>Funds</u>
Canned Apricots	\$5,154
Canned Cherries	97
Dried Cherries	8,365
Frozen Cherries	2,745
Canned Grapefruit Juice	11,023
Ham	6,928
Lamb	628
Canned Pears	3,851
Pork	10,977
Canned Tomatoes	<u>3,886</u>
Total	\$53,654

WebSCM: Beginning in FY 2006, AMS was authorized the use of Section 32 funding to develop a new Web-Based Supply Chain Management (WebSCM) System to support the shared interests of USDA commodity purchase programs by replacing USDA's aging Processed Commodity Inventory Management System (PCIMS) procurement system. The WebSCM system will improve the procurement, delivery, and management of more than 200 commodities and 4.5 million tons of food through domestic and foreign feeding programs operated by USDA throughout the world. AMS, FSA, and FNS have been working collaboratively over several years on system development. During FY 2008, the project team completed the planning & design phase for WebSCM and began the build phase.

Business Development and Quality Assurance Staff: During FY 2008, AMS further developed the USDA Food & Commodity Connection Web site by reviewing 73 military Commercial Item Descriptions and approving 44 Commercial Item Descriptions. The site is tailored for food manufacturers, schools, and other institutional food purchasers as a convenient source of information on a variety of USDA purchased commodities and commercial food products. These documents are principally used by school foodservice, military, and other institutional food purchasers.

Commodity Purchases Program-Performance Measure Development: During FY 2008, AMS took the initiative to continue developing outcome-based annual and long-term performance measures for the Commodity Purchase Program (CPP), pursuant to the PART recommendations reported by OMB in assessment year 2007 and the 2008 PART Improvement Plan. AMS' Budget Division assembled a team of agency procurement managers, economic analysts, and other program specialists, guided by a team of independent contractors. AMS began a three-phase approach to performance measurement: 1) establish clear mission, vision, values, and goal statements for the program that would provide a framework for performance measures development; 2) produce a logic model for the program that links CPP activities to its goals and outcomes; and 3) prepare a suite of performance measures/indicators that align with the program's goals, objectives, and logic model framework. The program has completed all phases of this project and is evaluating the draft performance measures derived from these efforts.

MARKETING AGREEMENTS AND ORDERS

Section 32 funds also support the administration of Marketing Agreements and Orders (MA&O), which help to establish orderly marketing conditions for milk, fruits, vegetables, and tree nuts.

Dairy:

Milk Marketing Orders (MMOs) establish orderly marketing conditions for the sale of milk by dairy farmers to handlers. This program sets minimum prices that handlers must pay for milk. Minimum price levels reflect supply and demand conditions in the market and assure that consumers receive an adequate supply of milk.

Selected Examples of Recent Progress:

- Approximately 116 billion pounds of milk valued at \$23 billion were delivered to handlers regulated under 10 orders. Production represented an estimated 63 percent of Grade milk produced in the U.S.
- AMS issued a rule that implemented changes to the Class III and Class IV product price formulas manufacturing allowances for cheese, butter, nonfat dry milk, and whey and increased the butterfat yield factor in the butter price formula applicable in all 10 Federal MMOs. The prices will result in prices more reflective of current economic conditions.
- AMS issued a rule increasing the Class I differentials and amending other pooling provisions in the Appalachia, Florida, and Southeast Federal MMOs. These higher differentials will improve the structure of prices and assure adequate supplies of milk for fluid use in these markets.
- AMS issued regulations that amended the general regulations for Federal milk marketing agreements and marketing orders by establishing supplemental rules of practice for amendatory formal rulemaking proceedings in accordance with section 1504 of the 2008 Farm Bill. This rule provides for supplemental guidelines, timeframes and procedures for amending Federal MMOs; authorizes the use of informal rulemaking to amend orders; and establishes provisions that permit USDA to impose assessments on pooled milk under a Federal milk marketing order to fund expedited amendatory formal rulemaking. These regulations are designed to speed the decision-making process.
- USDA issued a final rule establishing a program for producers and cooperative associations of producers to voluntarily enter into forward price contracts with handlers for pool milk used for Class II, III or IV purposes. The program allows handlers to pay producers and cooperative associations in accordance with the terms of a forward contract by exempting proprietary handlers from paying monthly minimum Federal order blend price for milk.

Dairy Mandatory Reporting: In June 2008, the Agricultural Marketing Service published a final rule that adopts amendments to the Dairy Mandatory Reporting program that was established in August 2007 by an interim final rule. The Dairy Market Enhancement Act of 2000, and certain provisions of the Farm Security and Rural Investment Act of 2002, amended the Agricultural Marketing Act of 1946 to provide for timely, accurate, and reliable market information to facilitate more informed marketing decisions and promote competition in the dairy product manufacturing industry. AMS reviewed all comments received in response to the interim final rule and considered those comments in developing the final rule. The final rule became effective on June 22, 2008.

The 2008 Farm Bill requires the Secretary to improve Dairy Price Verification by conducting quarterly audits of information submitted or reported and to compare such information with other related dairy market statistics to help prevent price reporting errors that can result in substantial losses to dairy farmers or plant operators depending upon whether the error raises or lowers product prices. Because this change would increase costs by increasing the number of audits conducted by the program from 67 to 392 per year, the program must delay implementation until additional resources are available. The 2008 Farm Bill also requires the Secretary to establish an electronic reporting system, subject to the availability of funds, and to increase the reporting frequency of dairy product sales once the system is completed.

Fruits and Vegetables:

Enforcement: USDA is responsible for marketing order enforcement. Industry administrative committees are charged with initial investigations and report complaints of possible violations to AMS. In FY 2008, the committees referred 5 cases to AMS for enforcement action. During the same time period, AMS closed 6 other cases and collected \$10,000 in civil penalties under stipulation agreements. AMS approved 32 marketing order compliance plans and conducted 13 compliance, program, and internal control reviews.

Raisins: In April 2004, USDA filed a formal complaint against Marvin Horne alleging that the grower/handler violated the Federal marketing order for California raisins and seeking \$830,000 in assessments. As a result of complex litigation, USDA's Administrative Law Judge and Judicial Officer each found Horne liable as a handler for \$1.2 million in assessments, reserves and civil penalties for violations during the 2001-2002-2003 crop years. Horne appealed this decision to US District Court in October 2007, and the hearing is scheduled for February 2009. On December 1, 2008, USDA filed a separate civil complaint against Horne for violations of the handling of raisins under the 2003-2004 crop years.

Marketing Order Online System (MOLS): Culminating 3 years of preparation, AMS has deployed a Web-based application (MOLS) which provides an efficient means for importers and receivers to complete and file the Importer's Exempt Commodity Form (FV-6) online. This system eliminates the manual filing of 16,000 paper forms annually. AMS administers the import requirements that apply to about 1,000 businesses that annually import 140,000 lots with a combined value exceeding \$1 billion.

Addressing Food Safety Concerns through Marketing Agreements and Orders: In October 2007, AMS issued an advanced notice of proposed rulemaking to determine the need and support for a national program that would help minimize the risk of food borne contamination in leafy greens. AMS analyzed the 3,500 comments received and subsequently provided a draft marketing agreement for the industry's possible use.

In an effort to address European Union (EU) concerns over high aflatoxin levels in California almonds, AMS coordinated efforts with the Almond Board of California, the Agricultural Research Service, and the Foreign Agricultural Service to design the Voluntary Aflatoxin Sampling Program. If fully implemented in 2009, the EU will replace their current measures for U.S. almonds and suspend the last 5 percent testing mandate, thus allowing almond shipments accompanied by the required certificate to flow into EU markets. The pistachio market has expressed interest in a similar program.

Beginning in 2005 under the Federal marketing order for pistachios, handlers are required to test all nuts destined for human consumption for aflatoxin, which, if present, would lower the quality and market value of pistachios. Beginning with the 2007-2008, crop handlers are required to treat almonds prior to shipment to reduce the chance of aflatoxin.

Continuance Referenda: During 2008, Growers voted to continue their respective marketing orders for Florida avocados, California kiwifruit, and tart cherries grown in 7 States.

Marketing Order Amendments: USDA amended the marketing orders for California almonds, walnuts, Florida avocados, and Texas onions. Proceedings are ongoing to amend the marketing orders for tart cherries, Florida citrus, and California pistachios and kiwifruit.

Oversight of Marketing Communication Materials for Marketing Order Committees/Boards: The AMS Fruit and Vegetable Programs' Marketing Order Administration Branch (MOAB) continued to implement its goal for full oversight of all marketing order committee/board marketing communication materials.

- In September 2008, AMS held a national marketing order conference in Denver, Colorado at which representatives of 24 committees participated. They received technical training on Federal statutes and policies affecting communications.

- **AMS held the first meeting of a newly formed working group of marketing order representatives and AMS staff that will review the rules and streamline the process for approving committee communications and commodity health claims.**

AGRICULTURAL MARKETING SERVICE

Summary of Budget and Performance Statement of Agency Goals and Objectives

The mission of the Agricultural Marketing Service (AMS) is to facilitate the competitive and efficient marketing of agricultural products. The AMS has 21 programs that contribute to four strategic goals and eight strategic objectives.

Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<p>Agency Goal 1: Support our customers in making verifiable market-enhancing claims about how their products are produced, processed, and packaged.</p>	<p><u>Objective 1.1:</u> Provide value-added services to strengthen marketing support to U.S. agriculture in an environment of rising cost pressures, increasing exports, competing imports, and changing market requirements.</p>	<ul style="list-style-type: none"> • Grading and Certification Services • Audit Verification Services • Laboratory Services 	<p><u>Key Outcome 1:</u> Quality verification programs exist to provide product or process information for buyers and consumers about the quality or specifications of the product being purchased.</p>
<p>Agency Goal 2: Provide benefits to the agriculture industry and general public by delivering timely, accurate, and unbiased market information, supporting marketing innovation, and by purchasing commodities in temporary surplus and donating them for Federal food and nutrition programs.</p>	<p><u>Objective 2.1:</u> Respond quickly and effectively to changing markets, marketing practices, and consumer trends.</p> <p><u>Objective 2.2:</u> Support small-production agricultural producers through new and existing AMS programs that are especially beneficial to that segment of the industry.</p> <p><u>Objective 2.3:</u> Address food defense concerns.</p>	<ul style="list-style-type: none"> • Market News • Standardization • Pesticide Data Program • Microbiological Data Program • Transportation Services • Wholesale, Farmers, & Alternative Market Development • Federal-State Marketing Improvement Program • Specialty Crop Block Grants • Commodity Purchases 	<p><u>Key Outcome 2:</u> AMS public good programs help the agriculture industry identify alternative ways to maintain and improve the return on funds it has invested.</p>
<p>Agency Goal 3: Enable agriculture groups to create marketing self-help programs designed to strengthen the industry's position in the marketplace.</p>	<p><u>Objective 3.1:</u> Respond to industry requests for planning and technical assistance.</p>	<ul style="list-style-type: none"> • Research and Promotion Programs • Marketing Agreements and Orders 	<p><u>Key Outcome 3:</u> Federally-authorized marketing self-help programs allow agriculture industry groups to establish programs that promote consumer purchases of their commodities on a national or regional scale.</p>

Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<p>Agency Goal 4: Monitor specific agricultural industries/activities to ensure that they maintain practices established by regulation to protect buyers, sellers, and other stakeholders.</p>	<p>Objective 4.1: Reduce the potential for mislabeling of seed and organic products.</p> <p>Objective 4.2: Institute an effective Country of Origin Labeling Program for all designated covered commodities.</p> <p>Objective 4.3: Apply a variety of dispute resolution approaches to facilitate commercial dispute resolution.</p>	<ul style="list-style-type: none"> • Organic Standards • Federal Seed Act Program • Shell Egg Surveillance • Country of Origin Labeling • Pesticide Recordkeeping • Perishable Agricultural Commodities Act Program (PACA) • Plant Variety Protection 	<p>Key Outcome 4: Marketing regulatory programs help to ensure a fair marketplace by regulating agricultural marketing at the national level to protect buyers and other stakeholders.</p>

Selected Accomplishments Expected at the FY 2010 Proposed Resource Level:

- Country of Origin Labeling (COOL) – administer a comprehensive COOL program activities for all covered commodities, including Federal-State monitoring and enforcement activities.
- National Organic Program (NOP) – enhance education and outreach; strengthen oversight of organic labeling on imported products to improve compliance with U.S. requirements; strengthen the integrity of the USDA organic seal; and ensure equal treatment of foreign and domestic organic products. Since grower groups are extensively used overseas, the program will more closely monitor the activities of NOP-accredited foreign agents who certify grower groups.
- Marketing Agreements and Orders -- support the fruit and vegetable industry in developing, establishing, and operating marketing agreements or orders.
- WebSCM system -- expedite progress toward deployment of the WebSCM system to more efficiently manage the purchasing and tracking of food commodities for USDA agencies, including the Food and Nutrition Service, the Farm Service Agency, and AMS, which will strengthen controls and reporting and improve customer service by reducing processing time (business cycle), and providing more information for users and customers.

Means and Strategies:

- Conduct regularly scheduled accreditation and compliance audits of foreign organic certifiers and operations, establish a training program for foreign certification, and regularly monitor the activities of foreign accreditation programs under the National Organic Program.
- Conduct an industry and consumer outreach program that will involve meeting with producers, those in the marketing chain, and consumers, to develop and establish these programs; recruit and train specialists who can ensure the adequacy of the systems established under the new marketing programs as well as to investigate, and as necessary, bring appropriate and timely enforcement actions to address instances of non-compliance; and establish a system to track a very large number of inspection certificates and other data associated with these new programs.
- Develop the USDA WebSCM system at the planned full funding level to expedite replacement and enhance service through contracted expertise operating under the guidance of representatives from all of the USDA food purchasing agencies.

Summary of Budget and Performance
Key Performance Outcomes and Measures

AMS Goal 1: Support our customers in making verifiable market-enhancing claims about how their products are produced, processed, and packaged.

Key Outcome 1: Unbiased, third-party, and legally recognized confirmation of product condition, lot size, USDA (quality) grade, marketing claims about a product or production process, or sales contract specifications.

Quality Certification and Verification Programs provide product or process information for buyers and consumers about the quality or specifications of the product being purchased. These programs directly benefit the requesting party by supporting product sales. Audit Verification Programs make it possible for the agriculture industry to make various marketing claims about their products and to reduce costs. Audit verification may be requested to verify that a system is in place that ensures products meet purchase specifications throughout the production process, or that the producer and/or processor followed Food and Drug Administration's recommended practices for food safety, including Good Agricultural Practices and Good Handling Practices. For export, these services support industry sales by using internationally recognized standards to assist in export marketing. Field Laboratory Services provide AMS commodity programs and the agricultural community with multidisciplinary analytical laboratory services to support grading, commodity purchases, and export certification programs.

AMS Goal 2: Provide benefits to the agriculture industry and general public by delivering timely, accurate, and unbiased market information; supporting marketing innovation; and purchasing commodities in temporary surplus and supplying them for Federal food and nutrition programs.

Key Outcome 2: The agriculture industry can identify and evaluate alternative ways to maintain and improve the return on funds it has invested.

AMS generates, collects, and processes data that are distributed directly to users, or may be repackaged and further disseminated; develops product descriptions that are used freely and widely in private contracts to provide a common language for trading; gathers and analyzes non-recurring statistical and economic data that supports agricultural marketing and contributes to public policy decisions; funds grants for projects that support marketing improvements; and purchases commodities for donation to USDA food and nutrition programs that benefit needy children and families. AMS monitors website usage and customer feedback to assess the usefulness of these products/services.

AMS Goal 3: Enable agriculture groups to create marketing self-help programs designed to strengthen the industry's position in the marketplace.

Key Outcome 3: Agriculture industry groups are able to establish self-regulatory programs on a national or regional scale to improve their ability to market products.

AMS works in partnership with the participating industry to oversee the administration of these programs. AMS' role is to ensure that industry activities remain within legal and regulatory authority and to provide the necessary rulemaking. Program activities are funded from assessments collected by the industry that initiated the program. Federally-authorized marketing self-help programs are established under Research and Promotion or Marketing Agreement and Order legislation.

AMS Goal 4: Monitor specific agricultural industries/activities to ensure that they maintain practices established by regulation to protect buyers, sellers, and other stakeholders.

Key Outcome 4: To protect buyers and other stakeholders by helping to ensure a fair marketplace at the national level for perishable agricultural produce, organically produced products, seed, and shell eggs.

AMS monitors and enforces marketing legislation that requires truthful labeling and accurate record-keeping, provides for contract dispute settlement and protection against fraud and abuse, and promotes fair trade for specified products or production methods.

Key Performance Targets

Grading and Standardization Program						
Performance Measures	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Target	FY 2010 Target
Market-identified quality attributes for which AMS has provided standardization (%)	96%	97%	97%	98%	98%	98%
The minimum acceptable accuracy rate (%) of USDA grading and certification services	88%	89%	88%	93%	92%	92%
Grading (Trust and User Fee) and Standards Funds (\$millions)	\$196	\$197	\$192	\$205	\$204	\$210

Market News and Marketing Services (excluding Standardization, Pesticide Data, and Microbiological Data Programs)						
Performance Measures	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Target	FY 2010 Target
Number of (annual) eViews for marketing and transportation information (millions)	28.5	40.9	42.3	56.7	56.8	57.0
Farmer's Market sales (\$ billions)	\$1.00	\$1.06	\$1.06	\$1.11	\$1.15	\$1.20
Percentage of regulated entities found to be in compliance with applicable Federal statutes or program regulations with no enforcement required	80%	90%	88%	88%	88%	88%
Program Funding (\$millions)	\$51	\$49	\$51	\$51	\$62	\$66

Pesticide Data Program						
Performance Measures	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Target	FY 2010 Target
Percentage of children's food commodities for which comprehensive pesticide residue data [has been reported] for dietary risk assessment	69%	76%	78%	81%	81%	83%
Increase in comprehensive pesticide data available for [general] dietary risk assessment	83%	86%	89%	90%	90%	91%
Program Funding (\$millions)	\$15	\$15	\$15	\$15	\$15	\$15

Commodity Purchases						
Performance Measures	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Target	FY 2010 Target
Percentage of commodities purchased under surplus removal authority for three out of five successive years	25%	18%	9%	9%	36%	35%
Total AMS obligations, Section 32 Funds (\$millions)	\$870	\$1,317	\$883	\$801	\$964	\$1,098

Performance Measures	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Target	FY 2010 Target
Research and Promotion Programs						
Number of peer reviewed commodity board evaluations that show quantitative financial benefits	9 of 17	11 of 17	14 of 17	16 of 17	17 of 17	17 of 18
Reimbursed Federal Expenses (\$millions)	\$3	\$3	\$3	\$3	\$4	\$4

Perishable Agricultural Commodities Act Program (PACA)						
Performance Measures	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Target	FY 2010 Target
Average processing time for new license application approvals	5 days	4 days	4 days	4 days	3 days	3 days
Number of months to resolve formal complaints [commercial disputes]	6.1	8.0	7.0	5.5	6.0	6.0
PACA Program Cost (\$millions)	\$10	\$10	\$11	\$10	\$10	\$11

NOTE: Only the dollars that relate to key performance measures are displayed.

AGRICULTURAL MARKETING SERVICE
Full Cost by Agency Strategic Goal

AMS Strategic Goal 1: Support our customers in making verifiable market-enhancing claims about how their products are produced, processed, and packaged.				
PROGRAM	PROGRAM ITEMS	Dollars in Thousands		
		FY 2008	FY 2009	FY 2010
Grading and Certification				
Grading:				
	Providing grading, certification, and audit verification, services (\$000)	184,576	184,091	189,416
	Indirect Costs (\$000)	14,535	14,497	14,916
	Total Costs (not-Federal Funds) (\$000)	\$199,111	\$198,588	\$204,332
	FTEs	1,992	2,003	2,003
Performance Measure:				
	The minimum acceptable accuracy rate (%) of USDA grading and certification services	93%	92%	92%
	Average cost per hundredweight of product graded	\$0.21	\$0.21	\$0.21

AMS Strategic Goal 2: Provide benefits to the agriculture industry and general public by delivering timely, accurate, and unbiased market information; supporting marketing innovation; and purchasing commodities in temporary surplus and supplying them for Federal food and nutrition programs.				
PROGRAM	PROGRAM ITEMS	Dollars in Thousands		
		FY 2008	FY 2009	FY 2010
Marketing Services Program				
Market News:				
	Collecting, analyzing, and disseminating time sensitive agricultural market information (\$000)	\$30,350	\$30,980	\$31,732
	Indirect Costs (\$000)	2,381	2,431	2,490
	Total Costs (\$000)	\$32,731	\$33,411	\$34,222
	FTEs	235	239	239
Performance Measure:				
	Number of e-views for marketing and transportation information (millions)	56.7	56.8	57.0
	Cost per report issued	\$46.52	\$47.26	\$47.26

AMS Strategic Goal 2 (continued): Provide benefits to the agriculture industry and general public by delivering timely, accurate, and unbiased market information; supporting marketing innovation; and purchasing commodities in temporary surplus and supplying them for Federal food and nutrition programs.

Commodity Purchase Services Program

Purchase perishable non-price supported commodities to remove marketplace surpluses, and to meet domestic nutrition assistance program needs (\$000)

	\$10,912	\$11,201	\$11,437
Indirect Costs (\$000)	858	880	899
Total Administrative Costs (\$000)*	\$11,770	\$12,081	\$12,336
FTEs	28	28	28

Performance Measure:

Percentage of commodities that were purchased under surplus removal in the current year plus one or two of the preceding years

9% 38% 37%

Administrative cost per bid received

\$6,015 \$5,516 \$5,548

* Does not include multi-agency WebSCM system development.

Pesticide Data Program

Provide statistically valid pesticide residue occurrence data that represents national consumption.

Administrative Costs (\$000)	\$14,235	\$14,133	\$14,190
Indirect Costs (\$000)	1,113	1,105	1,109
Total Costs (\$000)	\$15,348	\$15,238	\$15,299
FTEs	14	14	14

Performance Measure:

Number of children's food commodities included in the Pesticide Data Program

47 47 48

Number of compounds reported by PDP laboratories

427 388 391

Program cost per test

\$9.48 \$11.92 \$11.82

AMS Strategic Goal 3: Enable agriculture groups to create marketing self-help programs designed to strengthen the industry's position in the marketplace.				
PROGRAM	PROGRAM ITEMS	Dollars in Thousands		
		FY 2008	FY 2009	FY 2010
Research and Promotion Programs				
	Oversee the administration of research and promotion programs to ensure that industry activities remain within legal and regulatory authority and provide the necessary rulemaking (\$000)	\$3,099	\$3,589	\$3,589
	Indirect Costs (\$000)	269	312	312
	Total Costs (non-Federal funds) (\$000)	\$3,368	\$3,901	\$3,901
	FTEs	25	25	25
	Performance Measure:			
	Number of peer reviewed commodity board evaluations that show quantitative financial benefits	94%	100%	94%
	Average number of days to approve program/budget	11	8	8

AMS Strategic Goal 4: Monitor specific agricultural industries/activities to ensure that they maintain practices established by regulation to protect buyers, sellers, and other stakeholders.				
PROGRAM	PROGRAM ITEMS	Dollars in Thousands		
		FY 2008	FY 2009	FY 2010
Perishable Agricultural Commodities Act (PACA) Program				
	Ensure fair trading practices in the marketing of more than \$80 billion in annual sales of perishable agricultural commodities (\$000)	\$9,218	\$9,683	\$9,962
	Indirect Costs (\$000)	611	642	661
	Total Costs (non-Federal funds) (\$000)	\$9,829	\$10,325	\$10,623
	FTEs	82	85	85
	Performance Measure:			
	Average processing time for license [renewal] applications from time of receipt for 90 percent of applications (days)	4	4	4
	Number of licenses issued	1,372	1,400	1,450

Note: Only the dollars that relate to the reported performance measures are displayed.