

2015 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 strategic marketing of agricultural products in domestic and international markets, while ensuring fair trading practices and promoting a competitive and efficient marketplace to the benefit of producers, traders, and consumers of U.S. food and fiber products.

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. More than half of the funds needed to finance AMS activities (excluding commodity purchase program funds) are derived from voluntary user fees. AMS also provides services for private industry and State/Federal agencies on a reimbursable basis.

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
The Mandatory Price Reporting Act of 2010
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, 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. Market News data provides producers and marketers of farm products and those in related industries with timely, accurate, and unbiased market information that assists them in making the critical daily decisions of where and when to sell, and at what price; thereby enhancing competitiveness and helping to increase the efficiency of agricultural marketing systems.

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. Electronic access through internet-released market news reports and e-mail subscriptions makes Market News information quickly and widely available. The Market News Portal offers data in the format requested by the user such as customized reports, graphs, and dashboards.

2. Shell Egg Surveillance and Standardization:

These programs are authorized by the following statutes:

Egg Products Inspection Act
Agricultural Marketing Act of 1946

- a. Shell Egg Surveillance: AMS supports egg marketing by ensuring that cracked, leaking, or other types of “loss” (restricted) eggs are diverted from table egg consumption and by verifying that marketed eggs have a quality level of at least U.S. Consumer Grade B. AMS conducts this program, in cooperation with 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, which reassures buyers and supports efficient markets.

- 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 and are widely used by the agricultural industry in domestic and international trading, futures market contracts, and as a benchmark for purchase specifications in most private contracts. AMS grade standards are the basis for AMS Market News reports, grading services for cotton, milk and dairy products, eggs, fresh and processed fruits and vegetables, livestock, meat, olive oil, peanuts, poultry, rabbits, tobacco, and Federal commodity procurement. To support international markets, AMS provides technical expertise to international standards organizations to protect the interests of U.S. agricultural producers.

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. The program particularly focuses on the foods most likely consumed by children in addition to pesticide residue data for population-wide dietary risk assessments. The pesticide residue data collected by the program enhances the competitiveness 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) for further action. 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. National Organic Program (NOP): This program is authorized by the Organic Foods Production Act of 1990, which requires USDA 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 the program to examine and accredit State and private certifying agents who in turn ensure producers and handlers are in compliance with the national organic standards. AMS accredits foreign agents who certify products labeled organic for export to the U.S., and foreign governments that operate an organic accreditation program for organic exports to the U.S. which must be approved under a recognition agreement granted by USDA. This nationwide program increases the efficiency and enhances the competitiveness of domestic agricultural marketing for organic products. The 2014 Farm Bill amended the Organic Foods Production Act to provide funding to modernize NOP database and technology systems.

NOP administers the organic certification cost-share programs. The National Organic Certification Cost-Share Program was authorized by the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 6523(d)) and funded annually through 2018 by the Agricultural Act of 2014 (2014 Farm Bill), Sec. 10004(c) to offset up to 75 percent or \$750 of the certification costs incurred by organic producers and handlers. The Agricultural Management Assistance Program (7 U.S.C. 1524(b)) provides cost-share support for organic producers in 16 states.

- c. Federal Seed Program: The Federal Seed program is authorized by the Federal Seed Act and 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. State seed inspectors are authorized to inspect seed subject to the Act and samples are routinely drawn by State seed inspectors to monitor seed sold commercially. Although intrastate infractions are subject to State laws, the violation is referred to AMS by the cooperating State agency should an inspection reveal infractions of the Federal Act. Based on the results of its tests and investigations, AMS attempts to resolve each case administratively. For cases that cannot be resolved, AMS can initiate appropriate legal action.
- d. 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 to ensure that the public receives credible and accurate information on the country of origin of the fish and shellfish they purchase. In January 2009, USDA issued a final rule on mandatory COOL for all other covered commodities that became effective on March 16, 2009. The COOL Act requires country of origin labeling for 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; peanuts, goat, chicken, ginseng, macadamia and pecan nuts. 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 regulation outlines the labeling requirements for covered commodities and the recordkeeping requirements for retailers and suppliers. The program conducts retail surveillance reviews through cooperative agreements with state agencies. AMS trains Federal and State employees on enforcement responsibilities;

responds to formal complaints; conducts supply chain audits; and develops educational and outreach activities for interested parties.

- e. 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 which is 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 cotton, dairy, fluid milk, beef, lamb, pork, soybeans, sorghum, eggs, blueberries, Hass avocado, honey, mango, mushrooms, peanuts, popcorn, potatoes, processed raspberries, softwood lumber, watermelon, paper and paper-based packaging. AMS reviews and approves the budgets and projects proposed by the research and promotion boards to ensure that proposals comply with the regulation and statute. Each research and promotion board reimburses AMS for the cost of implementing and overseeing its program.

4. Transportation and Marketing:

Transportation and Market Development 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)
Farmer to Consumer Direct Marketing Act of 1976
American Taxpayer Relief Act of 2012

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.

AMS supports the development of agricultural markets through technical advice and assistance to States and municipalities that are interested in creating or upgrading wholesale market facilities, auction and collection markets, retail farmers markets, food hubs, and other direct or local 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 and Local Food Promotion Program: This program was created through amendments of the Farmer-to-Consumer Direct Marketing Act of 1976. The 2008 Farm Bill made resources available for the Farmers Market Promotion Program through 2012 to provide grants targeted to help improve and expand domestic farmers markets, roadside stands, community-supported agriculture programs, agritourism activities, and other direct producer-to-consumer market opportunities. The 2014 Farm Bill (2014 Agricultural Act) expanded the program to assist in the development of local food business enterprises and funded the expanded program through 2018. The purpose of the Farmers Market and Local Food Promotion Program is "...to increase domestic consumption of and access to locally and regionally produced agricultural products, and to develop new market opportunities for farm and ranch operations serving local markets..." Entities eligible to

apply for grants include agricultural cooperatives, producer networks, producer associations, local governments, nonprofit corporations, public benefit corporations, economic development corporations, regional farmers' market authorities, Tribal governments, and local and regional food business enterprises.

5. Payments to States and Possessions:

- a. Federal-State Marketing Improvement Program (FSMIP): FSMIP is authorized by the Agricultural Marketing Act of 1946, which 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. AMS provides matching funds on a competitive basis to State departments of agriculture, State agricultural experiment stations, and other State agencies, to assist in exploring new market opportunities for U.S. food and agricultural products, and to encourage research and innovation aimed at improving the efficiency and performance of the agriculture commodities marketing system. The State agencies may perform the work or contract with others, but must contribute at least one-half of the cost of the projects. This program has made possible many types of projects, such as electronic marketing and agricultural product diversification. For 2013, USDA requested proposals that involve collaboration among states, academia, producers and other stakeholders, and have state, multi-state or national significance.
- 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 and the 2014 Farm Bill funds the program. AMS administers this program by awarding grants to State departments of agriculture to enhance the competitiveness of fruits and vegetables, tree nuts, nursery crops (including floriculture), and horticulture. AMS provides guidance and assistance to States in developing plans; submitting applications; and meeting the administrative, reporting, and audit requirements involved in managing a funded project. AMS also establishes 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.

6. Commodity Grading, Verification, 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. AMS certification services provide assurance to buyers that the products they receive are the quantity and quality specified in their contract with the seller. AMS provides acceptance and condition inspection services for all agricultural commodities upon request. 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 are also used as evidence of quality and condition in a court of law to settle commercial disputes. AMS 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, and export certification services on a number of commodities, including seed. Grading, certification, and audit verification activities are performed by Federal employees or Federally-supervised State employees on a fee-for-service basis.

- 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. 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 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.

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

Section 32 of the Act of August 24, 1935, (7 U.S.C. 612c) made available an appropriation equal to 30 percent of gross customs receipts collected during each preceding calendar year to encourage the domestic consumption or exportation of agricultural commodities. An amount equal to 30 percent of receipts collected on fishery products is transferred to the Department of Commerce's National Marine Fisheries Service. Section 14222 of the 2008 Farm Bill established an annual amount that can be retained from these funds for Section 32 activities, with the remaining funds transferred to the Food and Nutrition Service (FNS) for Child Nutrition Programs.

- a. Commodity Purchases and Diversions: AMS purchases non-price supported commodities such as meats, fish, fruits, vegetables, poultry, and egg products in order to stabilize market conditions pursuant to Section 32, and in support of entitlement program needs within USDA. The 2002 and 2008 Farm Bills established minimum levels of specialty crop purchases. All purchased commodities are distributed by FNS to schools, as part of the entitlement for the National School Lunch Program, or to other domestic nutrition assistance programs. AMS also provides purchasing services to FNS to supply food to recipients in nutrition assistance programs and is reimbursed for the administrative costs associated with these purchases (Economy Act, 31 U.S.C. 1535).

Section 32 of the Act of August 24, 1935, authorizes the Secretary of Agriculture, through payments or indemnities, to encourage the domestic consumption of agricultural commodities or products by persons in low income groups, and to re-establish farmers' purchasing power in connection with the normal production of agricultural commodities. In addition to commodities purchased for distribution, support to growers and producers may also be accomplished through commodity diversion. The diversion program under Section 32 provides an alternative means of support to markets that are experiencing adverse

economic conditions. Section 32 authority also allows USDA to finance the removal of defective commodities and to purchase foods for disaster relief (in Presidentially-declared domestic disasters under the Stafford Act).

- b. Marketing Agreements and Orders: The Marketing Agreements and Orders Program are 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 annually through the Appropriations Bill, 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. Program activities and administration at the local level are financed through handler assessments.

- c. Sheep Production and Marketing Grant Program: The 2014 Farm Bill amends the Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.) to establish a competitive grant program to strengthen and enhance the production and marketing of sheep and sheep products in the U.S. The Farm Bill makes funding available for a grant to one or more national entities whose mission is consistent with the purpose of the program.

Geographic Dispersion of Offices and Employees:

Most of AMS' field offices are located to facilitate Market News data collection (near markets) or where needed to provide fee-funded grading, verification, and certification services to the agricultural industry (near customers). AMS regularly assesses, and when indicated, opens, relocates, or closes field offices to improve service delivery and reduce operational costs.

As of September 30, 2013, AMS had 2,525 employees, of whom 1,792 were permanent full-time and 733 were other than permanent full-time employees. Approximately 80 percent of AMS' employees are assigned to field offices. Of the 2,015 employees assigned to field office locations, 1,297 were permanent full-time and 718 were other-than permanent full-time employees.

Schedule A (Milk Market Administrator) employees as of September 30, 2013, totaled 366, of which 328 were permanent full-time and 38 were other than permanent full-time employees.

Office of the Inspector General (OIG) Audits Completed:

#50601-1-ER	11/30/2012	USDA Controls Over Shell Egg Inspections
#50601-0002-31	6/4/2013	FSIS and AMS Field-Level Workforce Challenges
#01601-02-32	7/15/2013	National Organic Program- Organic Milk Phase II
#01099-001-21	1/28/2014	Oversight of the Beef Research and Promotion Board

Government Accountability Office (GAO) Audits Completed:

#320945	3/7/2013	Food Assistance Procurement Review
#450962	8/1/2013	Regulations and Global Competitiveness

GAO Reports – In Progress:

#361446	Pesticide Residue on Food
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AGRICULTURAL MARKETING SERVICE

Available Funds and Staff Years (SYs)
(Dollars in thousands)

Item	2012 Actual		2013 Actual		2014 Estimate		2015 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Agricultural Marketing Service								
Marketing Services, Discretionary.....	\$82,211	416	\$78,863	402	\$79,914	425	\$82,963	425
Payments to States and Possessions, Discretionary	1,198	-	1,331	-	1,363	1	1,235	1
Rescission.....	-	-	-2,171	-	-	-	-	-
Sequestration.....	-	-	-2,345	-	-	-	-	-
Adjusted Appropriations, Discretionary	83,409	416	75,678	402	81,277	426	84,198	426
Congressional Relations Transfer In.....	111	-	102	-	-	-	-	-
Working Capital Fund Transfer Out.....	-150	-	-250	-	-	-	-	-
Total Available, Discretionary	83,370	416	75,530	402	81,277	426	84,198	426
Farm Bill Initiatives:								
Farmers Market Promotion Program.....	10,000	5	-	-	15,000	4	15,000	4
Local Foods Promotion Program.....	-	-	-	-	15,000	4	15,000	4
Specialty Crop Block Grants-Farm Bill.....	55,000	4	52,195	2	67,280	8	72,500	8
Modernization Technology Upgrade - Organic.....	-	-	-	-	5,000	4	-	4
Organic Production & Market Data	-	-	-	-	5,000	-	-	-
Sheep Production and Marketing Grant Program	-	-	-	-	1,500	-	-	-
National Organic Cost Share.....	-	-	-	-	11,500	3	11,500	3
AMA Organic Cost Share, Mandatory.....	1,500	-	1,500	-	1,500	-	1,000	-
Sequestration.....	-	-	-76	-	-4,068	-	-	-
Total, Farm Bill Initiatives, Mandatory.....	66,500	9	53,619	2	117,712	23	115,000	23
Permanent Appropriations, Mandatory:								
Funds for Strengthening Markets, Income, and Supply (Sec. 32)	7,947,046	171	8,990,117	160	9,211,183	172	9,714,923	172
Rescission	-150,000	-	-109,608	-	-189,000	-	-203,000	-
Sequestration.....	-	-	-40,392	-	-79,703	-	-	-
Recoveries of Prior Year Obligations	563	-	4,016	-	-	-	-	-
Offsetting Collections	-	-	20,184	-	-	-	-	-
Available Authority from Previously Precluded								
Balances, Start of Year	259,953	-	219,286	-	313,530	-	119,000	-
Transfers Out ^{a/}	-6,995,999	-	-8,002,403	-	-8,299,713	-	-8,589,923	-
Unavailable Resources, End of Year	-219,286	-	-313,530	-	-119,000	-	-122,000	-
Subtotal, Permanent Appropriations, Mandatory.....	842,277	171	767,670	160	837,297	172	919,000	172
Total, AMS Appropriations.....	992,147	596	896,819	564	1,036,286	621	1,118,198	621
Obligations under other USDA Appropriations:								
Food & Nutrition Service for Commodity								
Procurement Services (Sec. 32).....	1,107	9	1,308	9	1,275	9	1,288	9
Miscellaneous Reimbursements.....	74	-	-	-	-	-	-	-
Total, Other USDA.....	1,181	9	1,308	9	1,275	9	1,288	9
Total, Agricultural Marketing Service Appropriations.....	993,328	605	898,127	573	1,037,561	630	1,119,486	630
Non-Federal Funds:								
Perishable Agricultural Commodities Act Fund, Mandatory Reimbursable work:	10,243	72	9,775	71	10,112	77	10,980	77
Research and Promotion Boards.....	3,579	25	3,954	23	4,401	27	4,445	27
Fees for Grading of Cotton and Tobacco	43,812	341	40,904	382	60,435	421	60,709	421
Grading of Farm Products for Producers, Processors, and Municipal, State and Federal Agencies	152,057	1,328	150,743	1,318	152,666	1,338	154,185	1,338
Wool Research, Development, and Promotion	2,250	-	2,135	-	2,088	-	2,250	-
Total, Non-Federal Funds	211,941	1,766	207,511	1,794	229,702	1,863	232,569	1,863
Total, Agricultural Marketing Service	1,205,269	2,371	1,105,638	2,367	1,267,263	2,493	1,352,055	2,493
Schedule A Staff Years		370		366		366		366

^{a/} Includes the transfers to the Food and Nutrition Service (FNS), the Commerce Department, and the Fresh Fruit and Vegetable Program administered by FNS.

AGRICULTURAL MARKETING SERVICE

Permanent Positions by Grade and Staff Year Summary

Item	2012 Actual			2013 Actual			2014 Estimate			2015 Estimate		
	Wash.			Wash.			Wash.			Wash.		
	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total
SES.....	11	1	12	9	1	10	9	1	10	9	1	10
GS-15.....	43	8	51	46	4	50	47	4	51	47	4	51
GS-14.....	85	23	108	75	38	113	75	38	113	75	38	113
GS-13.....	151	122	273	151	102	253	151	110	261	150	112	262
GS-12.....	119	150	269	90	163	253	90	163	253	90	163	253
GS-11.....	38	178	216	36	161	197	39	162	201	39	162	201
GS-10.....	2	15	17	2	12	14	2	12	14	2	12	14
GS-9.....	42	491	533	23	482	505	26	483	509	26	483	509
GS-8.....	14	252	266	10	255	265	10	258	268	10	258	268
GS-7.....	20	186	206	16	161	177	20	186	206	20	186	206
GS-6.....	6	64	70	6	55	61	6	55	61	6	55	61
GS-5.....	7	57	64	5	38	43	5	38	43	5	38	43
GS-4.....	4	7	11	2	8	10	4	9	13	4	9	13
GS-3.....	1	3	4	1	2	3	1	2	3	1	2	3
GS-2.....	1	-	1	-	-	-	-	-	-	-	-	-
GS-1.....	-	-	-	-	-	-	-	1	1	-	-	-
Ungraded Positions.....	-	8	8	-	8	8	-	8	8	-	9	9
Total Perm. Positions without Schedule A.....	544	1,565	2,109	472	1,490	1,962	485	1,529	2,014	484	1,531	2,015
Unfilled, EOY.....	-	178	178	-	170	170	-	-	-	-	-	-
Total, Perm. Full-Time Employment, EOY.....	544	1,387	1,931	472	1,320	1,792	485	1,529	2,014	553	1,531	2,015
Staff Year Est.....	563	1,808	2,371	632	1,735	2,367	592	1,901	2,493	592	1,901	2,493
Schedule A Staff Years.....	16	354	370	12	354	366	12	354	366	12	354	366

AGRICULTURAL MARKETING SERVICE

SIZE, COMPOSITION AND COST OF MOTOR VEHICLE FLEET

The estimated number of passenger motor vehicles available for 2015 is the minimum necessary to maintain essential services of AMS programs. These vehicles are used to provide services such as: 1) traveling to farms, market terminals, offices of product dealers and truckers, processing plants, canneries, stockyards, cotton gins, and compress operators; 2) transporting special 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 General Services Administration (GSA). Additional passenger vehicles are requested only when the forecasted workload clearly shows existing passenger vehicles will not be adequate for program needs.

Changes to the motor vehicle fleet. AMS does not anticipate increasing the fleet of passenger motor vehicles for 2015.

Replacement of passenger motor vehicles. AMS plans to replace two of the 174 passenger motor vehicles in operation in 2015.

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

Size, composition and cost of agency motor vehicle fleet as of September 30, 2013, are as follows:

Number of Vehicles by Type *									
Fiscal Year	Sedans & Station Wagons	Light Trucks, SUVs and Vans		Medium Duty Vehicles	Ambulances	Buses	Medium size Vehicles	Total Number of Vehicles	Annual Operating Costs (\$ in thou.) **
		4X2	4X4						
2012 Actual	198	74	13	0	0	0	6	291	\$647
Change	-24	0	-11	0	0	0	-3	-38	-265
2013 Actual	174	74	2	0	0	0	3	253	382
Change	0	0	0	0	0	0	0	0	0
2014 Est.	174	74	2	0	0	0	3	253	382
Change	0	0	0	0	0	0	0	0	0
2015 Est.	174	74	2	0	0	0	3	253	382

* Numbers include vehicles that are owned by the Agency and leased from commercial sources or GSA.

** Excludes acquisition costs and gains from the sale of vehicles as shown in OMB Motor Vehicle FAST Database.

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 [\$79,914,000] \$82,963,000: 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).

Lead-Off Tabular Statement

Budget Estimate, 2015	\$82,963,000
2014 Enacted.....	<u>79,914,000</u>
Change in Appropriation	<u>+3,049,000</u>

Summary of Increases and Decreases

(Dollars in thousands)

Program	2012 Actual	2013 Change	2014 Change	2015 Change	2015 Estimate
Discretionary Appropriations:					
Market News	\$32,949	-\$1,847	+\$2,068	+\$805	\$33,975
Surveillance and Standards	7,661	-429	+476	-18	7,690
Market Protection and Promotion	35,867	-6,115	+2,091	-554	31,289
Transportation and Market Development	<u>5,734</u>	+623	+836	+2,816	<u>10,009</u>
Total	<u>82,211</u>	<u>-7,768</u>	<u>+5,471</u>	<u>+3,049</u>	<u>82,963</u>

AGRICULTURAL MARKETING SERVICE

Marketing Services

Project Statement

Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2012 Actual		2013 Actual		2014 Estimate		Inc. or Dec.		2015 Estimate		
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Appropriations:											
Market News Service.....	\$32,949	237	\$31,102	233	\$33,170	239	+\$805	(1)	-	\$33,975	239
Shell Egg Surveillance and Standardization:											
Shell Egg Surveillance.....	2,717	17	2,565	15	2,732	17	-118	(2)	-	2,614	17
Standardization.....	4,944	35	4,667	30	4,976	35	+100	(3)	-	5,076	35
Total, Surveillance and Standardization.....	7,661	52	7,232	45	7,708	52	-18		-	7,690	52
Market Protection and Promotion:											
Federal Seed Act.....	2,439	17	2,302	16	2,455	18	-101	(4)	-	2,354	18
Country of Origin Labeling.....	5,000	17	4,720	16	5,015	16	-249	(5)	-	4,766	16
Pesticide Data.....	15,330	16	14,471	19	15,347	19	-327	(6)	-2	15,020	17
Microbiological Data.....	4,348	5	-	1	-	-	-		-	-	-
National Organic Standards.....	6,919	33	6,531	33	9,026	43	+123	(7)	-	9,149	43
Pesticide Recordkeeping.....	1,831	6	1,728	4	-	-	-		-	-	-
Total, Market Protection and Promotion.....	35,867	94	29,752	89	31,843	96	-554		-2	31,289	94
Transportation and Market Development.....	5,734	33	6,357	35	7,193	38	+2,816	(8)	+2	10,009	40
Total Adjusted Appropriation.....	82,211	416	74,443	402	79,914	425	+3,049		-	82,963	425
Rescissions and Sequestration (Net).....	-	-	4,420	-	-	-	-		-	-	-
Total Appropriation.....	82,211	416	78,863	402	79,914	425	+3,049		-	82,963	425
Transfers In:											
Congressional Relations.....	111	-	102	-	-	-	-		-	-	-
Transfers Out:											
Working Capital Funds.....	-150	-	-250	-	-	-	-		-	-	-
Rescission.....	-	-	-2,135	-	-	-	-		-	-	-
Sequestration.....	-	-	-2,285	-	-	-	-		-	-	-
Total Available.....	82,172	416	74,295	402	79,914	425	+3,049		-	82,963	425
Lapsing Balances.....	-988	-	-816	-	-	-	-		-	-	-
Total Obligations.....	81,184	416	73,479	402	79,914	425	+3,049		-	82,963	425

AGRICULTURAL MARKETING SERVICE

Marketing Services

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2012 Actual		2013 Actual		2014 Estimate		Inc. or Dec.		2015 Estimate		
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Obligations:											
Market News Service.....	\$32,087	237	\$30,817	233	\$33,170	239	+\$805	(1)	-	\$33,975	239
Shell Egg Surveillance and Standardization:											
Shell Egg Surveillance.....	2,636	17	2,513	15	2,732	17	-118	(2)	-	2,614	17
Standardization.....	4,788	35	4,496	30	4,976	35	+100	(3)	-	5,076	35
Total, Surveillance and Standardization.....	7,424	52	7,009	45	7,708	52	-18		-	7,690	52
Market Protection and Promotion:											
Federal Seed Act.....	2,215	17	2,159	16	2,455	18	-101	(4)	-	2,354	18
Country of Origin Labeling.....	5,155	17	4,702	16	5,015	16	-249	(5)	-	4,766	16
Pesticide Data.....	15,948	16	14,545	19	15,347	19	-327	(6)	-2	15,020	17
Microbiological Data.....	4,513	5	92	1	-	-	-		-	-	-
National Organic Standards.....	6,294	33	6,245	33	9,026	43	+123	(7)	-	9,149	43
Pesticide Recordkeeping.....	1,770	6	1,635	4	-	-	-		-	-	-
Total, Market Protection and Promotion.....	35,895	94	29,378	89	31,843	96	-554		-2	31,289	94
Transportation and Market Development:											
Development.....	5,778	33	6,275	35	7,193	38	+2,816	(8)	+2	10,009	40
Total Obligations.....	81,184	416	73,479	402	79,914	425	+3,049		-	82,963	425
Lapsing Balances.....	988	-	816	-	-	-	-		-	-	-
Total Available.....	82,172	416	74,295	402	79,914	425	+3,049		-	82,963	425
Transfers In:											
Congressional Relations.....	-111	-	-102	-	-	-	-		-	-	-
Transfers Out:											
Working Capital Funds.....	150	-	250	-	-	-	-		-	-	-
Rescission.....	-	-	2,135	-	-	-	-		-	-	-
Sequestration.....	-	-	2,285	-	-	-	-		-	-	-
Total Appropriation.....	82,211	416	78,863	402	79,914	425	+3,049		-	82,963	425

AGRICULTURAL MARKETING SERVICE

Marketing Services

Justifications of Increases and Decreases

- (1) A net increase of \$805,000 for Market News (\$33,170,000 and 239 staff years available in 2014).

USDA Market News information impacts billions of dollars in agricultural trading each year by providing timely, accurate, and unbiased information on cotton, dairy, fruits, vegetables, specialty crops, livestock, grain, and poultry. The Market News Program will continue to provide current information on prices, supply, demand, quality, condition, movement, trends, and other market data that enables buyers and sellers of agricultural commodities to make informed marketing decisions so that product flows where and when it is needed.

The funding change is requested for the following items:

- a. An increase of \$237,000 for pay costs (\$59,000 for annualization of the 2014 pay increase and \$178,000 for the 2015 pay increase).

The increase funds the annualization of the one percent pay raise effective on January 1, 2014 and the requested one percent raise which will be effective January 1, 2015.

- b. An increase of \$717,000 for GSA and Security Payments.

USDA proposes in FY 2015 the decentralization of GSA Rental Payments and DHS payments. The amount is the equivalent share of the current GSA Rent and DHS central appropriations based upon current space occupancy across the continental United States. The appropriations request for the central GSA rent account and the DHS payment account has been reduced accordingly.

- c. A net decrease of \$149,000 through streamlining program operation.

Market News will achieve savings through streamlining of organizational structure and processes to reduce costs in non-personnel expenditures such as rent and utilities, contractual services, supplies and equipment. AMS will eliminate office space where employees can effectively perform their jobs from a home duty station. The program will cross-train employees so that employee skills will be leveraged more effectively across a broad range of activities which will allow the program to adjust resources to meet information needs in growing agricultural sectors.

- (2) A net decrease of \$118,000 for Shell Egg Surveillance (\$2,732,000 and 17 staff years available in 2014).

Base funding for the Shell Egg Surveillance (SES) Program prevents eggs not meeting minimum U.S. standards from entering the consumer marketplace. As outlined by Congress upon passage of the Egg Products Inspections Act (EPIA), the "lack of effective regulation for the handling or disposition of unwholesome, otherwise adulterated, or improperly labeled or packaged egg products and certain qualities of eggs is injurious to the public welfare and destroys markets for wholesome, not adulterated, and properly labeled and packaged eggs and egg products and results in sundry losses to producers and processors, as well as injury to consumers."

The funding change is requested for the following items:

- a. An increase of \$16,000 for pay costs (\$4,000 for annualization of the 2014 pay increase and \$12,000 for the 2015 pay increase).

The increase funds the annualization of the one percent pay raise effective on January 1, 2014 and the requested one percent raise which will be effective January 1, 2015.

b. An increase of \$51,000 for GSA and Security Payments.

USDA proposes in FY 2015 the decentralization of GSA Rental Payments and DHS payments. The amount is the equivalent share of the current GSA Rent and DHS central appropriations based upon current space occupancy across the continental U.S. The appropriations request for the central GSA rent account and the DHS payment account has been reduced accordingly.

c. A decrease of \$185,000 by streamlining the management oversight of the SES program.

The decrease will be achieved by consolidating the analysis of SES inspection results to headquarters to determine compliance and any subsequent enforcement action. The shift in management oversight is possible through modification to the Shell Egg Surveillance Program data entry and assessment system.

(3) A net increase of \$100,000 for Standardization (\$4,976,000 and 35 staff years available in 2014).

Base funds for Standardization will continue to fund development, review, and maintenance of 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. USDA standards and their utilization in commercial applications are accepted as the basis for trade, marketing, arbitration, sourcing of product, and consumer information. USDA food and fiber standards support agricultural exports as they become the basis for international harmonization of agricultural product quality grades recognized by the Codex Alimentarius and the United Nations Economic Commission for Europe.

The funding change is requested for the following items:

a. An increase of \$35,000 for pay costs (\$9,000 for annualization of the 2014 pay increase and \$26,000 for the 2015 pay increase).

The increase funds the annualization of the one percent pay raise effective on January 1, 2014 and the requested one percent raise which will be effective January 1, 2015

b. An increase of \$105,000 for GSA and Security Payments.

USDA proposes in FY 2015 the decentralization of GSA Rental Payments and DHS payments. The amount is the equivalent share of the current GSA Rent and DHS central appropriations based upon current space occupancy across the continental U.S. The appropriations request for the central GSA rent account and the DHS payment account has been reduced accordingly

c. A decrease of \$40,000 for Standardization.

The \$40,000 decrease will be realized through reduced non-salary expenditures and delays in filling vacancies.

(4) A net decrease of \$101,000 for the Federal Seed Act Program (\$2,455,000 and 18 staff years in FY 2014).

AMS will continue to administer Federal Seed Act (Act) regulations on the interstate shipment of agricultural and vegetable seeds. The Act requires that seed shipped in interstate commerce be labeled with information that allows seed buyers to make informed choices, and that seed labeling information and advertisements pertaining to the seed must be truthful. Therefore, the Federal Seed Program helps promote uniformity among State laws and fair competition within the seed trade.

AMS depends on cooperative agreements with State agencies to monitor interstate commerce of agricultural and vegetable seeds with regard to seed labeling. State inspectors routinely inspect and sample seed shipments being marketed in their States. They refer apparent violations of the Act to AMS' Federal Seed Program for investigation and appropriate action. While most complaints involving mislabeled seed are submitted by State seed control officials, they may be submitted by anyone. AMS takes regulatory action against the interstate shipper when a violation is confirmed. Actions on violations include a letter of warning for minor violations and technical violations; a monetary penalty is imposed for serious violations.

The funding change is requested for the following items:

- a. An increase of \$18,000 for pay costs (\$5,000 for annualization of the 2014 pay increase and \$13,000 for the 2015 pay increase).

The increase funds the annualization of the one percent pay raise effective on January 1, 2014 and the requested one percent raise which will be effective January 1, 2015.

- b. An increase of \$55,000 for GSA and Security Payments.

USDA proposes in FY 2015 the decentralization of GSA Rental Payments and DHS payments. The amount is the equivalent share of the current GSA Rent and DHS central appropriations based upon current space occupancy across the continental U.S. The appropriations request for the central GSA rent account and the DHS payment account has been reduced accordingly.

- c. A decrease of \$174,000 for the Federal Seed Program with a reduction of the number of seed cases investigated for violation.

The Federal Seed Program will reduce costs by \$174,000 in non-salary expenses such as contractual services, supplies, and equipment. This is expected to slightly increase the time it takes to close investigations, but the overall accuracy and value of the seed sampling program will be maintained.

- (5) A net decrease of \$249,000 for Country of Origin Labeling (\$5,015,000 and 16 staff years available in 2014).

The Country of Origin Labeling (COOL) amendments to the Agricultural Marketing Act of 1946 require retailers to notify their customers of the country of origin of covered commodities. Covered commodities are identified 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; peanuts, goat, chicken, ginseng, macadamia and pecan nuts. 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. AMS works in collaboration with all 50 States to conduct retail surveillance activities for the COOL Program.

As the COOL Program continues to mature, the types of stores being monitored is shifting from large stores, primarily located in urban areas, to include stores in more rural settings. This shift is requiring increased resources for the States to conduct these reviews. Program changes will be addressed in a planned business review during FY 2014.

The funding change is requested for the following items:

- a. An increase of \$17,000 for pay costs (\$4,000 for annualization of the 2014 pay increase and \$13,000 for the 2015 pay increase).

The increase funds the annualization of the one percent pay raise effective on January 1, 2014 and the requested one percent raise which will be effective January 1, 2015.

- b. An increase of \$48,000 for GSA and Security Payments.

USDA proposes in FY 2015 the decentralization of GSA Rental Payments and DHS payments. The

amount is the equivalent share of the current GSA Rent and DHS central appropriations based upon current space occupancy across the continental U.S. The appropriations request for the central GSA rent account and the DHS payment account has been reduced accordingly.

- c. A decrease of \$314,000 for the COOL Program through streamlining activities and maximized saving based on a FY2014 business review.

The COOL Program has been significantly streamlined over the past few fiscal years. In FY 2015, the Program will realize a \$314,000 decrease through efficiencies identified in the business review initiated in FY 2014. The review will assess and develop an improved rating system that is practical for industry stakeholders.

- (6) A net decrease of \$327,000 and 2 staff years for the Pesticide Data Program (\$15,347,000 and 19 staff years available in 2014).

The Pesticide Data Program (PDP) will continue testing food commodities for pesticide residues. Because PDP's mission is to focus on testing foods, particularly foods most likely consumed by infants and children to improve Government's ability to protect human health from pesticide risk, PDP plays a critical role in ensuring that America's children have access to safe, nutritious, and balanced meals.

PDP data are comprehensive, impartial, and reliable and reflects actual pesticide residue exposure from food and enable multiple stakeholders to carry out their missions. The Environmental Protection Agency (EPA) uses the data to assess dietary risks from pesticide exposure and determine which pesticides can continue to be used in U.S. agricultural production. It also uses the data to harmonize U.S. pesticide tolerance levels with international levels. Food and Drug Administration (FDA) uses the data to enhance its surveillance of imported foods. State governments use the data to fulfill their consumer protection commitments. Growers and distributors use the data to resolve trade issues. PDP's database is completely available to the public electronically, in support of the Administration's open data initiative.

PDP helps assure the public that decisions about pesticide use are based on sound science and accurate data. This helps to keep diverse crop protection tools available to farmers and producers who benefit, along with consumers, from the continued competitiveness of U.S. agricultural products in the global market. PDP plays a critical role in ensuring that the nation's children have access to safe food by prioritizing sampling to focus on children's foods, as their dietary patterns differ from adults in both quantity and types of foods consumed. Using PDP pesticide residue information on children's foods, EPA weighs children's risk before approving pesticide use.

The funding change is requested for the following items:

- a. An increase of \$23,000 for pay costs (\$6,000 for annualization of the 2014 pay increase and \$17,000 for the 2015 pay increase).

The increase funds the annualization of the one percent pay raise effective on January 1, 2014 and the requested one percent raise which will be effective January 1, 2015.

- b. An increase of \$51,000 for GSA and Security Payments.

USDA proposes in FY 2015 the decentralization of GSA Rental Payments and DHS payments. The amount is the equivalent share of the current GSA Rent and DHS central appropriations based upon current space occupancy across the continental U.S. The appropriations request for the central GSA rent account and the DHS payment account has been reduced accordingly.

- c. A decrease of \$401,000 and 2 staff years.

The program will not fill vacancies.

(7) A net increase of \$123,000 for the National Organic Program (\$9,026,000 and 43 staff years available in 2014).

Base funding for the National Organic Program (NOP) supports the development and maintenance of national standards governing the production and handling of agricultural products labeled as organic. This responsibility was given to the USDA by the Organic Foods Production Act of 1990. Additionally, NOP assures consumers that organically produced products meet consistent standards and facilitates the expansion of organic markets. NOP establishes a level playing field for organic farms and businesses, expands economic opportunities, creates jobs, and builds consumer confidence in the USDA organic seal.

The program accomplishes its mission by examining and accrediting State and private certifying agents who ensure producers and handlers are in compliance with the National Organic Standards. AMS also accredits foreign governments that operate an organic accreditation program, as well as foreign agents who certify products labeled organic for export to the U.S.

The funding change is requested for the following items:

- a. An increase of \$53,000 for pay costs (\$13,000 for annualization of the 2014 pay increase and \$40,000 for the 2015 pay increase).

The increase funds the annualization of the one percent pay raise effective on January 1, 2014 and the requested one percent raise which will be effective January 1, 2015.

- b. An increase of \$129,000 for GSA and Security Payments.

USDA proposes in FY 2015 the decentralization of GSA Rental Payments and DHS payments. The amount is the equivalent share of the current GSA Rent and DHS central appropriations based upon current space occupancy across the continental U.S. The appropriations request for the central GSA rent account and the DHS payment account has been reduced accordingly.

- c. A decrease of \$59,000 for National Organic Program.

The National Organic Program will reduce costs by \$59,000 in non-salary expenses such as contractual services, supplies, and equipment.

(8) A net increase of \$2,816,000 and 2 staff years for Transportation and Market Development (\$7,193,000 and 38 staff years available in 2014).

Base funds will allow AMS to continue to support the development of agricultural markets by providing technical advice and assistance to States and municipalities that are interested in creating or upgrading market facilities (e.g., wholesale, auction, collection, retail farmers markets, food hubs, and other alternative 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. As part of USDA's effort to assist the agricultural community to create prosperity, Market Development works in cooperation with other USDA agencies to assess innovative and cost-efficient options that help producers, distributors, and planners by identifying and developing alternative market outlets that help meet growing consumer demand for local and regional foods.

AMS monitors the agricultural transportation system (inland waterways, rail, truck, and ocean shipping) to inform policy decisions and support daily decision-making by shippers, producers, and traders. Base funds for Transportation Services will continue to fund insightful analysis and data generation on the movement of agricultural products from farms to markets via the major transportation modes. Transportation Services will continue to disseminate regular reporting, provide technical assistance to shippers and carriers, and represent the interests of agriculture and rural communities. The information generated by this program promotes an efficient agricultural transportation system, which improves farm income, supports exports, and meets the transportation

needs of rural America. There is no duplication with other agencies in USDA or other Federal departments for the work conducted by this program; AMS frequently receives requests from other USDA agencies and the U.S. Department of Transportation regarding analysis of agricultural transportation.

This Program's collaboration with other Federal agencies, private sector trade associations, and other stakeholders enables it to effectively leverage resources to support USDA's strategic objectives to enhance rural prosperity and support sustainable agricultural systems.

The funding change is requested for the following items:

- a. An increase of \$44,000 for pay costs (\$13,000 for annualization of the 2014 pay increase and \$40,000 for the 2015 pay increase).

The increase funds the annualization of the one percent pay raise effective on January 1, 2014 and the requested one percent raise which will be effective January 1, 2015.

- b. An increase of \$121,000 for GSA and Security Payments.

USDA proposes in FY 2015 the decentralization of GSA Rental Payments and DHS payments. The amount is the equivalent share of the current GSA Rent and DHS central appropriations based upon current space occupancy across the continental U.S. The appropriations request for the central GSA rent account and the DHS payment account has been reduced accordingly.

- c. An increase of \$2,651,000 to support local and regional markets for U.S. agricultural products.

Information concerning state and regional food needs is not readily available to food system developers and investors who need to gain a better understanding of the opportunities and challenges that exist for agricultural food systems across the country. A comprehensive assessment of the resources available to address food system development would establish a baseline and allow for trend analysis so that States can become partners in local and regional food system development.

With this increase, AMS will establish cooperative agreements with Federal and State agencies, Land-Grant Universities, Regional Planning Commissions, and other appropriate entities to develop comprehensive system-level assessments of the existing resource base, including production capacity, existing local and regional markets, distribution networks used by local buyers and sellers, market size and demographics, and other important attributes that affect the success of local food systems. Cooperators will be asked to prepare an assessment using GIS technology of the local food systems in their State, using layers to represent the resources currently in place. The assessment shall include a discussion of successes and potential challenges in the resource allocation identified by the mapping exercise. For example, the same farm production capacity being relied upon to supply multiple farmers markets, CSAs (Community Supported Agriculture), food hubs, retailers, institutions, and restaurants could pose a challenge to adequately meeting demand and create risk for some of the entities. By working with partners at the State or regional level, AMS can encourage efficient and high-impact use of Federal programs that support local foods and help inform better planning at the local level. This level of funding will fund 6 to 10 State assessments per year.

This effort will help states understand where their local and regional agricultural resources are so that state policies and initiatives for local and regional food system development can be enhanced. It will facilitate opportunities for local and regional producers and buyers to discover marketing opportunities and establish new market connections. It will also support the Farmers Market and Local Foods Promotion Programs authorized and funded by the Agricultural Act of 2014. Through these programs, AMS will award grants to increase domestic consumption of agricultural products and to develop market opportunities for farm and ranch operations serving local markets, by developing, improving, expanding, and providing outreach, training, and technical assistance to, or assisting in the development, improvement and expansion of: (1)

domestic farmers' markets and other direct producer-to-consumer market opportunities; and (2) local and regional food business enterprises (including those that are not direct producer-to-consumer markets) that process, distribute, aggregate, and store locally or regionally produced food products; this would include food hubs.

AGRICULTURAL MARKETING SERVICE

Marketing Services

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	2012 Actual		2013 Actual		2014 Estimate		2015 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Alabama	\$119	1	\$155	1	\$168	1	\$175	1
Arizona	410	2	550	3	599	3	621	3
Arkansas	557	3	315	2	342	2	355	2
California	3,761	19	3,843	21	4,180	22	4,341	22
Colorado	743	4	474	3	515	3	535	3
District of Columbia	39,794	204	40,278	220	43,804	232	45,476	232
Florida	1,792	9	1,354	7	1,473	8	1,529	8
Georgia	1,247	6	1,303	7	1,417	8	1,471	8
Idaho	631	3	508	3	553	3	574	3
Illinois	631	3	344	2	374	2	388	2
Iowa	1,706	9	1,795	10	1,952	10	2,027	10
Kansas	248	1	230	1	250	1	260	1
Kentucky	141	1	186	1	203	1	210	1
Louisiana	182	1	143	1	156	1	162	1
Maryland.....	294	1	225	1	245	1	254	1
Massachusetts	467	2	427	2	464	2	481	2
Michigan	2,585	13	1,649	9	1,794	10	1,862	10
Minnesota	915	5	319	2	347	2	360	2
Mississippi	111	1	157	1	171	1	178	1
Missouri	588	3	582	3	633	3	657	3
Montana	455	2	262	1	284	2	295	2
Nebraska	139	1	99	1	108	1	112	1
New Mexico	178	1	208	1	227	1	235	1
New York	3,248	16	2,256	12	2,454	13	2,547	13
North Carolina	2,075	10	1,957	11	2,128	11	2,210	11
Ohio	2,297	12	987	5	1,074	6	1,115	6
Oklahoma	306	2	334	2	363	2	377	2
Oregon	329	2	377	2	410	2	425	2
Pennsylvania	525	3	547	3	595	3	617	3
South Carolina	194	1	172	1	187	1	194	1
South Dakota	185	1	191	1	208	1	216	1
Tennessee	2,672	14	3,028	17	3,292	18	3,418	18
Texas	2,508	13	2,332	13	2,537	14	2,634	14
Virginia	5,015	26	2,824	15	3,071	16	3,188	16
Washington	2,248	11	1,622	9	1,763	9	1,831	9
Wisconsin	1,792	9	1,369	7	1,489	8	1,546	8
Wyoming	96	1	77	0	84	0	87	0
Obligations	81,184	416	73,479	402	79,914	425	82,963	425
Lapsing Balances	988	-	816	-	-	-	-	-
Total Available.....	82,172	416	74,295	402	79,914	425	82,963	425

AGRICULTURAL MARKETING SERVICE

Marketing Services

Classification by Objects

(Dollars in thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Personnel Compensation:				
Washington, D.C.....	\$24,541	\$24,318	\$25,895	\$26,093
Field.....	19,877	19,697	20,974	21,134
11 Total personnel compensation.....	33,609	33,186	35,092	35,349
12.0 Personnel benefits.....	10,475	10,458	11,374	11,459
13.0 Benefits for former personnel.....	334	371	403	419
Total, personnel comp. and benefits.....	44,418	44,015	46,869	47,227
Other Objects:				
21.0 Travel and transportation of persons.....	1,460	1,020	1,562	1,580
22.0 Transportation of things.....	45	16	18	18
23.1 Rental payments to GSA.....	28	59	64	1,253
23.2 Rental payments to others.....	1,351	1,074	1,168	1,213
23.3 Communications, utilities, and misc. charges.....	1,445	1,489	1,000	1,000
24.0 Printing and reproduction.....	199	279	303	515
25.2 Other services from non-Federal sources.....	20,344	15,747	17,126	18,285
25.3 Other purchases of goods and services from Federal sources.....	9,846	8,122	10,000	10,000
25.4 Operation and maintenance of facilities.....	7	-	-	-
25.6 Medical care.....	4	-	-	-
25.7 Operation and maintenance of equipment.....	132	113	123	127
26.0 Supplies and materials.....	608	488	531	551
31.0 Equipment.....	1,001	1,050	1,142	1,186
32.0 Land and structures.....	17	-	-	-
42.0 Insurance Claims and Indemnities.....	279	7	8	8
Total, Other Objects.....	36,766	29,464	33,045	35,736
Total, new Obligations.....	81,184	73,479	79,914	82,963
Position Data:				
Average Salary, ES positions.....	\$158,715	\$158,715	\$159,905	\$161,504
Average Salary, GS positions.....	\$74,385	\$74,385	\$74,916	\$75,665
Average Grade, GS positions.....	11	11	11	12

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAMS

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 agricultural products in specific markets and marketing areas – both domestic and international. This information is supplied to buyers and sellers, producers and handlers, transportation and logistics companies, insurance and lending institutions, and others in the marketing chain, including consumers. The information reported by Market News provides a high level of market transparency that contributes to the orderly marketing of agricultural commodities and helps to promote fair trade for all market participants. The market information also supports government policy makers and is widely used for value determinations, such as in courts and mediation.

All market information is reported to the Agricultural Marketing Service (AMS) on a voluntary basis with the exception of Mandatory Price Reporting for specified livestock, meat, and dairy product information. The agricultural sector constantly evolves and so does the form and content of the market news reports, as well as the ways in which that information is made available to the public. AMS Market News issues hundreds of reports daily for some 700 products and commodities resulting in millions of e-views by the public on an annual basis.

Selected Examples of Recent Progress:

Livestock Mandatory Reporting (LMR) – AMS' LMR program (as authorized by P.L. 106-78, Title 9), initiated on April 2, 2001 and reauthorized in 2010 (P.L. 111-239), 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 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:

- 79 percent of slaughter cattle
- 94 percent of boxed beef
- 94 percent of slaughter hogs
- 46 percent of slaughter sheep
- 57 percent of boxed lamb meat
- 87 percent of wholesale pork

The reports generated from this activity include specifics on negotiated, forward contract, and formula marketing arrangement purchases. LMR reports daily and weekly prices paid by packers to producers for cattle, hogs, and sheep; daily and weekly prices received by packers for their sales of boxed beef and boxed lamb to retailers, wholesalers, and further processors; and information on prices received by importers of boxed lamb.

The purpose of LMR is to make available information on pricing, contracting, and supply and demand conditions to encourage competition in the marketplace. Much of the information reported under the LMR program – such as formula transactions, forward contracts, and packer-owned transactions – was unavailable prior to the LMR Act, when USDA market reporting relied on voluntary reporting of negotiated transactions. The information in these reports is used by the livestock and meat industry to impact current and future marketing and production decisions. Prices reported through the program often are used as reference prices for the calculation of formula and contract prices. Analysts and policy makers also depend on this information to assess market conditions and the performance of the livestock and meat sectors.

On January 7, 2013, AMS Market News began implementation of the Livestock Mandatory Reporting program for wholesale pork. The provision for adding wholesale pork to LMR was mandated in the Mandatory Price Reporting

Act of 2010 (2010 Reauthorization Act) (Pub. L. 111-239), which reauthorized LMR for an additional 5 years. At the request of the swine industry, AMS initiated a transition plan from voluntary pork reporting to the mandatory program. Under this transition plan, AMS published mandatory wholesale pork market information on a 1-week delay from January 14, 2013 through March 25, 2013. A stepped up release schedule was implemented to transition from the 1-week delay to current-day reporting, which began on April 1, 2013. The voluntary pork reporting program was ended on April 12, 2013 due to a decline in reporting participation. Weekly mandatory reports for negotiated and formula pork sales began on July 1, 2013. Implementing a mandatory wholesale pork reporting program has provided market participants with considerably more market information than they have ever had in the past and has addressed concerns in the producer segment relative to the asymmetric availability of market information.

Dairy Product Mandatory Reporting (DPMR) – In November 2000, Public Law 106-532 (7 CFR 1170) required the mandatory sales reporting (price, volume, and moisture content, if applicable) on selected products by dairy handlers that process a minimum of one million pounds of qualifying sales. Mandatory reporting provides sales information on:

- 12% of butter production
- 34% of cheddar cheese production
- 60% of nonfat dry milk production
- 44% of dry whey production

The purpose of the program is to provide accurate and timely market information for the dairy sector. Widely available market information is needed to ensure markets operate competitively and fairly. AMS collects this data to be used as the price discovery mechanism to establish minimum prices for the Federal milk order system accounting for 63 percent of the U.S. milk supply. The information in these reports is also used by the dairy industry, impacting current and future production levels. Prices reported through the program often are used as reference prices for trade settlement, formula pricing, and contract pricing. Market participants and policy makers depend on this information to assess the health of the dairy industry.

In FY 2013, AMS tested and implemented enhancements to the reporting software. In addition, the program for validating the participating plants was fully implemented.

Organic Producers Survey – AMS Market News partnered with National Agricultural Statistics Service (NASS) to develop a direct survey of self-identified organic producers. The survey is an effort by AMS to more clearly understand how organic producers obtain market information, how they price and market their products, and their familiarity with current information made publically available by Market News. The survey results will help AMS build better tools to serve the information needs of the organic sector. The 12,000 self-identified organic producers fall into three broad categories: currently certified as organic, small enough to be exempt from certification, and those in the “other organic” category which includes those transitioning into organic production. The survey forms were mailed around February 1, 2014, along with an introductory letter from the AMS Administrator. Those who have not responded in two weeks will receive a reminder post card asking to complete the survey. Completed survey forms will be accepted through March 15, 2014. NASS will aggregate the survey results and provide them to AMS within 60 days of the closing of the survey period. AMS Market News will use the data to enhance organic market coverage for the benefit of organic producers, handlers and consumers nationwide.

Market News Portal (MNP) – AMS Market News began the process of migrating the MNP operating system to an open source software platform to improve service. This project is expected to be completed in May 2014. MNP functions have been virtualized and failover capability has been established and tested. Market News internalized Portal support and maintenance to reduce costs.

Data Availability on the Data.gov Website – AMS Market News has added data links to <http://www.Data.gov> for historical reports, annual summaries, and custom report generations for all commodity groups.

Market Reporting Improvements – AMS adds, modifies, or eliminates reports to support both consumers need and market environment changes on an on-going basis. Specific examples of new and enhanced agricultural market reports are listed below.

Cotton and Tobacco:

- Data used in establishing the Daily Spot Cotton Quotations: The Market New Division captured data for 10.1 percent of the crop for use in establishing the Daily Spot Cotton Quotations during the 2012-2013 marketing year. This was a 65 percent increase from the 2011-2012 marketing year and the highest percentage of the crop reported since the 2008-2009 marketing year. As a result, the Daily Spot Cotton Quotations are more reflective of local prices. Full implementation of the Seam Data file, a semi-automated process, creates recap summaries directly from the data made available by the Seam twice a day, as well as increased participation from merchants and gins, contributed to this improvement.
- Classing Office Quality Reports: Market News, working with the Classing Offices, incorporated the individual reports issued by the classing offices into the Cotton Market News Information System (CN MNIS). This allows the classing offices to generate their reports directly from the CN MNIS, automating the process and eliminating the need to manually enter data from printouts in order to generate the reports.

Dairy:

- Dairy Market News merged market reporting of five Chicago Mercantile Exchange weekly reports into a single report while maintaining all prices, averages, and trading information.
- Dairy Market News redesigned publication graphics creating more informative graphics for the user while reducing staff time.

Fruits, Vegetables and Specialty Crops:

- Fruit and Vegetable Market News modified its reporting of Mexican tomatoes, both price and volume, in accordance with the Tomato Suspension Agreement signed by the U.S. Commerce Department and the tomato shippers of Mexico. The agreement sets new floor price levels by type of tomato and requires that the environment of production (open field, adapted and controlled) be shown on all cartons crossed. Market News reports will reflect the environments for Mexico, while maintaining greenhouse for tomatoes from other origins.
- New Area Reported Auctions
 - Shenandoah Valley Produce Auction (Virginia)
- New Areas Reported for various commodities at Shipping Points – Price
 - Apples – Chile Imports through Miami Area
 - Blueberries – Mexico Crossings through Arizona, California and Texas
 - Brussels Sprouts – Mexico Crossings through Otay Mesa and Calexico, California
 - Chayote – Mexico Crossings through Texas
 - Oranges – Australian Imports through Los Angeles Area
 - Tangelos - Australian Imports through Los Angeles Area
 - Tangerines - Peru Imports through Southern California, and the Philadelphia/New York City Area
 - Tangerines – Chile Imports through Los Angeles and Philadelphia Areas
- New Shipment (Movement) Reports for organic
 - Bananas and mangos
 - Florida peppers, bell
 - Northern California potatoes
- New Shipment (Movement) Reports for organic greenhouse grown
 - Mexico peppers, bell

- Mexico tomatoes
- New Shipment (Movement) Reports for greenhouse
 - Mexico cucumbers crossing through Laredo, Otay Mesa, Pharr and Progresso
- New Shipment (Movement) Reports
 - California grape exports
 - Washington peach exports
 - Indiana potatoes
 - Missouri potatoes

Livestock, Poultry & Grain:

- In January 2013, AMS established the Livestock, Poultry and Grain Market News Division through the merger of the Livestock and Grain Market News Division with the Poultry Market News and Analysis Division.

New National, regional, and local livestock, poultry and grain reports include the following:

- 20 negotiated, formula, and forward contract wholesale pork reports
- 10 additional livestock auction markets
- Combined Livestock & Poultry Weekly Hi-lites Summary
- Combined Livestock & Poultry Weekly Imports
- Weekly National Whole Broiler/Fryer Report
- Monthly Grass-fed Beef Report
- Whole Broiler: On January 4, 2013, AMS released a new single, comprehensive whole broiler report, the Weekly National Whole Broiler/Fryer Report (Fri). This report consolidated and replaced information previously provided in fifteen separate market reports (including the 12-City Composite) with no loss of market information to the public. The new report broadens market coverage to the entire nation while providing information on a national, regional, and major metropolitan market basis, significantly improving the quality of information provided and user access.
- Grass-fed Beef: In September 2013, AMS launched a new monthly grass-fed beef report. This is the first report of its kind. It fills a significant data gap for the industry and increases transparency in the marketplace for all participants. In addition to market commentary, this new report includes three sections: prices paid for live cattle, wholesale beef prices, and direct-market beef prices. This monthly report added market clarity and exposure to assist the grass fed industry in marketing their products. In the future, as the number of market reporting participants grows, AMS will continue to expand the report by including trade volume data, and adding graphs and other visuals.

International Cooperation and Market Reporting – The Market News Program provides technical expertise to other countries through a variety of programs conducted by AMS and other U.S. agencies. These activities improve the information available to U.S. agriculture by supporting the development of foreign agricultural market information systems.

AMS hosted and worked with Foreign Agricultural Service (FAS)-sponsored groups from a number of countries who were looking at the way AMS Market News conducts data collection, analysis, and public dissemination of market information. AMS Market News, in conjunction with FAS, is working in support of the President’s Feed the Future Initiative which is a consolidated effort by the Federal government to achieve global food security and aid to developing nations dealing with chronic hunger. AMS is also providing technical assistance to develop or improve market information systems in a number of countries, including Haiti, Guatemala, and Honduras in support of regional efforts to consolidate and share market intelligence for the nations of Central America through USAID-funded programs. AMS began work in 2013 on a new multi-year assistance program in Bangladesh along with the Economic Research Service (ERS), NASS and FAS, funded by USAID. The agencies also met with officials in India to determine whether an assistance program can be defined and initiated in that country. The work

in India will also be aligned with ERS and NASS and funded by USAID through FAS.

Market Information Organization of the Americas (MIOA) – AMS continues in its leadership role in the MIOA, a network of market information organizations from 33 countries in North, Central, South America, and the Caribbean. AMS was chosen again in 2012 by the countries of the Northern Region (Canada, Mexico, and the U.S.) to serve a two year term as the Regional Representative on the Executive Committee of MIOA. The Northern Region will serve for one more year as the Chair of the Executive Committee, with the next elections scheduled for 2014. Specialists from AMS participated in several Executive Committee meetings throughout the year and directly assisted in the training efforts coordinated by MIOA – both on a regional and a hemispheric basis. AMS worked closely with the Foreign Agricultural Service (FAS) and its partners in MIOA, along with the Inter-American Institute for Cooperation on Agriculture (IICA) serving as Technical Secretariat, to support other capacity building initiatives. These included initiatives in the Central Region funded by the Inter-American Bank for Development (IDB). AMS and partners from other countries of MIOA have also supported and participated in technical meetings leading to the formation of a similar organization on the African continent, the African Agricultural Market Information System (AAMIS). That organization drew heavily on the experiences of MIOA and used many of the documents directly, such as the Rules of Procedures. The various regional partners of MIOA are working to create market reports for products of interest to all and to support interregional trade. A MIOA representative presented before the executive committee of the new G20 market information initiative called the Agricultural Market Information System (AMIS), which is currently chaired by USDA.

Customer Outreach and Training – AMS Market News routinely responds to requests for information from individuals, industry groups, and associations. Most of the new reports generated or products added are at the specific request of data users or customers of Market News. In 2013, AMS held a series of webinars on how to use the Market News Portal (MNP) to meet the users' market information needs, as well as general sessions on Market News and the information products that it creates. Additional webinars are planned for 2014 to further expose the tools and uses of the Portal to additional customers. AMS included Spanish language webinars in 2013, with more to follow in 2014.

The Cotton and Tobacco Market News Division increased reporting participation through outreach to educate buyers, sellers, producers, and ginners on the importance of participation in the Market News data collection process through personal visits, presentations, participation in local/regional meetings, and informational booths at two trade shows and two regional meetings. As a result of these outreach efforts, there are now eight producers and 30 gin operations that routinely supply market information for various reports.

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 and are most often used in animal feed; the remaining eggs are destroyed.

For 2013, the percentage of total egg operations in compliance with SES requirements was 87 percent. A 7 percent decrease from 94 percent compliance in 2012.

Selected Examples of Recent Progress:

Scheduled visits to shell egg handlers are made four times each year, and visits to hatcheries are conducted annually. Additional follow-up visits are made when violations are found. The percentage in compliance during these visits increased 3 percent in 2013, thereby requiring fewer follow-up visits.

<u>Inspections Conducted</u>				
<i>Quarterly visits are made to shell egg handlers with 3,000 or more chickens or who pack product for the ultimate consumer. If a violation of the Act is found a follow-up visit is made during the quarter.</i>				
	<u>Shell Egg Handlers</u>		<u>Hatcheries</u>	
	<u>Number of Handlers</u>	<u>Total Inspections</u>	<u>Number of Hatcheries</u>	<u>Total Inspections</u>
FY 2009	484	2,069	328	333
FY 2010	492	2,404	316	329
FY 2011	493	2,485	323	333
FY 2012	472	2,406	322	331
FY 2013	474	2,282	307	310

Note: Inspections above include both routine follow-up and other visits.

STANDARDIZATION

Current Activities: AMS food and fiber standards are widely used by the agricultural industry in domestic and international trading, futures market contracts, and as a benchmark for purchase specifications in most private contracts. Grade standards are also the basis for AMS Market News reports, grading services, and Federal commodity procurement.

Pursuant to the Agricultural Marketing Act of 1946 which directs USDA to provide such quality grade standards "to encourage uniformity and consistency in commercial practices," AMS develops quality grade standards for commodities as needed by the agriculture and food industry and modifies those standards when industry practices or consumer preferences change. Before standards are implemented, AMS conducts studies and announces proposed standards. Public comments are solicited to verify that quality grade standards will facilitate commerce. There are currently more than 500 quality grade standards in place for cotton, dairy products, eggs, fresh and processed fruits and vegetables, livestock, meat, olive oil, peanuts, poultry, rabbits, and tobacco.

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 United Nations Economic Commission for Europe (UNECE).

Selected Examples of Recent Progress:

Standards Reviews – In 2013, AMS specialists reviewed 79 commodity standards to ensure they continue to accurately describe current products, including 21 for cotton products; 3 for dairy products; 32 for fruit and vegetable products; 10 for livestock, meat, and poultry products; and 13 for tobacco. These reviews resulted in the following standard revisions:

- Cotton Grade Standards – Over 2,000 Upland and Pima cotton grade standards boxes were produced that represent the 21 physical cotton grade standards. All freshly produced standards boxes were reviewed and approved by cotton industry representatives in June of 2013 at meetings in Raleigh, NC and Visalia, CA.
- Cotton Grade Standards – The Advisory Committee on Universal Cotton Standards recommended the adoption of a Universal Cotton Standard for instrument based cotton trash measurements. This recommendation was approved by the Secretary of Agriculture on September 26, 2013.
- Frozen Okra Standards – AMS published a Final Notice in the *Federal Register* on October 23, 2013, which became effective on November 22, 2013. The rulemaking removed the “Unclassified” section from the standards, as it is not a grade and only served to show that no grade had been applied. This term has created confusion in the industry and is no longer considered necessary. AMS is removing it from all standards as they are revised.

- Eggplant Standards – AMS published a Final Notice in the *Federal Register* on January 3, 2013, which became effective February 4, 2013. The revised eggplant standards permit mixed colors and/or type packs when designated. In addition, the “Unclassified” section was removed.
- Almonds in the Shell Standards – AMS published a Final Rule in the *Federal Register* on March 8, 2013, which became effective on April 8, 2013. The revised standards change the determination of internal defects from count to weight. This change aligns the inspection procedures for incoming inspections (based on the marketing order) and outgoing inspections (based on the standards).
- Multiple Frozen Vegetables Standards – AMS published notices in the *Federal Register* on July 23, 2010, and January 13, 2013 soliciting comments on possible changes to 18 frozen vegetable standards. The proposal was for moving to a one-term system of grading (e.g., referring to “Grade A” solely, instead of allowing the use of “Grade A” and/or “Extra Fancy” to describe the same degree of quality). This change to the standards will improve consistency between new and old standards, and minimize any confusion that might arise in the marketplace in interpreting or understanding the grading terminology used on packaging. Comments supported the proposal. The notice was published in the July 30, 2013; *Federal Register* and the revised standards took effect August 29, 2013.
- Three Fresh Onion Standards – AMS received various inquiries in recent years seeking amendment of the various onion standards to allow packing of mixed colors. Therefore, AMS proposed revising the United States Standards for Grades of Bermuda-Granex-Grano Type Onions, the United States Standards for Grades of Onions (Other Than Bermuda-Granex-Grano and Creole Type), and the United States Standards for Grades of Creole Onions to amend the similar varietal characteristics requirement to permit specified packs of mixed colors to be certified to a U.S. grade. The proposed revisions will bring the standards in line with current marketing practices, and improve the standards usefulness in serving the industry. On August 21, 2013, AMS published the proposed revisions in the *Federal Register*. The public comment period ended October 21, 2013, with only positive feedback. A final draft is in clearance.
- Safe Harbor Cuts for Beef Tenderness – AMS proposed to amend its operational requirements for certification of tenderness marketing claims to establish “safe harbor” cuts given that certain age and quality requirements are met. These operational requirements were developed by AMS in 2012 to certify tenderness marketing claims made in accordance with American Society for Testing and Materials’ (ASTM) Tenderness Standard for Meat Cuts Derived from Beef. Subsequent research and data analysis supported amending the operational requirements to include the safe harbor provision. For operations that meet the safe harbor requirements, the AMS certification process will be shortened significantly. Under safe harbor, these operations will not be required to randomly select cuts and assess tenderness of the cuts using a USDA approved technology that measures slice shear force.
- AMS developed draft documents concerning proposed changes to egg standards that seek to clarify the definition for condition of shell eggs.
- AMS developed a draft proposal to revise the standard for lamb carcasses and cuts. The draft proposes to add another method -- dentition -- for determining maturity, in addition to the current physiological method. Suggestions to change the class name from yearling mutton to yearling lamb and to add flavor option classes were also included in the draft proposal.
- AMS took action through ASTM to engage stakeholders in the development of an industry standard for lamb tenderness. When implemented, AMS will certify tenderness marketing claims for lamb similar to the process used for beef.

International Activities – AMS remains a leader 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, the American Society for Testing and Materials International, the U.S. Canadian Regulatory Cooperation Council, the

International Cotton Advisory Committee, international cotton outreach, and several bilateral consultative committees on Agriculture. Examples include:

- AMS participated in the 61st Session of the UNECE Specialized Section on Standardization of Fresh Fruits and Vegetables, which continued to develop two new standards, revised eight existing standards, and complete two interpretative brochures were completed.
- One AMS staff member chaired and another served as the U.S. delegate to the UNECE 60th Session of the Specialized Section on Standardization of Dry and Dried Produce at which six standards and one interpretative brochure were completed. Another six standards and an interpretative brochure are being developed. AMS also led four working groups within this Specialized Section.
- AMS representatives attended UNECE's rapporteurs meeting in July 2013, in Poland to revise and update international porcine standards. Representatives of nine countries reviewed the existing pork cuts contained in the standards, added new cuts being traded internationally, and updated technical cut descriptions. With the world now seeing more retail cuts traded worldwide, the United States is leading the development of UNECE retail cut standards for both beef and pork.
- AMS achieved adoption of UNECE's first standard for retail meat cuts in November 2013. AMS served as Vice-Chair of UNECE's Specialized Section on the Standardization of Meat where the focus of meetings held in July 2013 was on gaining the consensus of delegates concerning draft standards for retail meat (beef and pork) cuts and further processed poultry products. The U.S. led the development of these draft standards and was successful in gaining the concurrence of delegates on the draft standard for retail meat cuts. Subsequently, this standard was adopted by the Working Party at its meeting in November, 2013. AMS will seek concurrence and adoption of the further processed poultry standard during 2014 meetings of the Specialized Section and Working Party.
- One AMS official serves as Delegate to the Codex Committee on Milk and Milk Products. The 36th session of the Codex Alimentarius Commission agreed to establish an Electronic Working Group (eWG) to determine the feasibility of developing one or more standards for processed cheese. The delegate is participating in this eWG to represent the interests of the U.S. dairy industry on this issue.
- AMS representatives participated in Codex committees and working groups established to advance standards for fruit and vegetables, and participated in two international Codex outreach programs to build international support for U.S. positions at Codex committee plenary sessions. AMS coordinates its activities with the U.S. Codex Offices in the USDA/Food Safety and Inspection Service and the Food and Drug Administration, relevant domestic stakeholders, and with Codex committees and working groups.
 - AMS worked with five electronic working groups' subsidiaries of the Codex Committee on Processed Fruits and Vegetables (CCPFV) in preparation for the 27th session scheduled for September 2014. Main issues for the 27th CCPFV Session include the merging of eleven different frozen vegetable standards, merging four different canned fruits standards, and the converting the Codex Regional Asia Standard for ginseng products into an international standard.
 - AMS worked with Codex Committee on Fresh Fruits and Vegetables (CCFFV) electronic working group to prepare for the 18th CCFFV Session.
 - AMS was assigned to be the U.S. co-delegate to the Codex Committee on Spices and Culinary Herbs (CCSCH).
- AMS participated in the Organization for Economic and Cooperation Development (OECD) Fruit and Vegetable Scheme technical working group on the development of brochures for Fresh Pomegranate based on the Codex Standard for Pomegranate. AMS' participation in OECD's brochure development is geared at protecting the interests of the U.S. pomegranate industry and U.S. agricultural exports. AMS also uses such opportunities to undertake outreach activities in support of USDA international standardization activities.

- AMS participated in the International Nut and Dried Fruit Council (INC) 30th Congress in Barcelona, Spain as a speaker at its scientific seminar day. The INC Congress is the largest international dry fruit and nut industry annual event, and AMS used this opportunity to promote USDA standardization activities and to undertake outreach directly to the international dry fruit and nut industry.
- AMS participated in Germany's biennial fresh fruit and vegetable standardization workshop to conduct outreach to Europe inspection agencies and to gather information on future European Union standardization plans and policies related to the marketing of fresh fruits and vegetables.
- AMS officials participated in the International Union for the Protection of New Varieties of Plants (UPOV) meetings in Geneva, Switzerland. The UPOV convention creates an international system of plant breeder (intellectual property) rights based on a set of uniform and clearly defined principles. Issues that were discussed included international cooperation for testing new plant varieties (i.e., Distinct, Uniform and Stable), molecular techniques, electronic plant variety protection applications, and the structure/organization of UPOV database. Both the AMS Plant Variety Protection Office and the U.S. Patent and Trademark Office regularly participate in UPOV meetings.
- AMS officials led U.S. participation in the U.S./Canada Regulatory Cooperation Council's initiative to harmonize meat and poultry nomenclature between the two countries. AMS met with representatives of the American Meat Institute, Canadian Food Inspection Agency, North American Meat Association, and industry officials to harmonize each country's nomenclature for meat and poultry cuts. With only minor differences in poultry cut nomenclature, AMS outlined the meat nomenclature differences for beef and pork between the two countries and offered solutions for resolving the differences. AMS proposed to harmonize the U.S. and Canadian standards based upon the Institutional Meat Purchasing Specifications (IMPS) and the Uniform Retail Meat Identity Standard (URMIS). Subsequent discussions led to agreement by representatives of both countries and industry stakeholders on the updated nomenclature. AMS plans to have the updated IMPS nomenclature published by the end of calendar year 2013. Additionally, AMS has engaged discussions with the Mexican meat industry to adopt IMPS. If so, the result would create a standardized North American meat nomenclature system.
- An AMS official served as the Chairperson of the U.S. Technical Advisory Group (U.S. TAG) for the International Organization for Standardization's (ISO) Food and Food Products Technical Working Group on Animal Welfare (ISO TC 34/WG 16 (Working Group)). The U.S. TAG for TC 34/WG 16 is composed of 46 U.S. representatives and is tasked with providing the U.S. position to ISO TC 34/WG 16 in the development of a new ISO technical specification for animal welfare. ISO TC 34 received a request from the World Organisation for Animal Health's (OIE) to develop the new standard to complement section 7 of the OIE Terrestrial Animal Code. The AMS representative participated in the inaugural meeting of WG 16 in Paris, France in October, 2012 and led a meeting of the U.S. TAG in Washington, DC in October, 2013.
- An AMS representative served as the Chairperson of the International Organization for Standardization's (ISO) Food and Food Products Technical subcommittee for "Horizontal methods for molecular biomarker analysis" (ISO TC 34/SC 16), completing a five year term which began in November, 2008. The AMS official is now a candidate for a renewed three year term. ISO TC 34/SC 16 was established in 2008 to advance fair and transparent commerce of food and agricultural biotechnology products through the development of internationally harmonized standard methods for DNA, protein and biochemical analysis. It is the only international standards developing organization tasked with providing global standards and specifications to verify the genetic identity of high valued commodities and food products, provide validation for coexistence claims, detect GMOs in non-GMO and organic products, and detect plant pathogens in commerce. It is sponsored in part by AMS and composed of over 200 scientific subject matter experts representing the national standardization bodies of thirty-three countries. The AMS chairperson participated in the 7th ISO TC 34 Chairman's Advisory Group meeting in Paris, France and led the 4th ISO TC 34/SC 16 plenary meeting in London, United Kingdom during April, 2013.

Market Access Activities – AMS' standardization activities enhance and expand export market access for US commodities through collaboration with regulatory and trade federal agencies and industry groups to develop

market and export assistance programs (e.g., systems-based programs to meet export requirements and policies for specific countries). Due to AMS' market expertise, Federal agencies and the agricultural industry depend on AMS to develop and administer marketing programs (e.g., quality systems verification programs and laboratory approval programs) to make products eligible for export to various countries. For example, the use of veterinary drugs is an increasing issue for animal agriculture in America and one that may be addressed through marketing programs in order to enhance the US industry's competitiveness in various international markets.

In 2013, export verification became a high priority issue for the beef, pork, and turkey industries when the Russian Federation banned the use of ractopamine, a beta-agonistic drug approved for use in food-producing animals to promote leanness and to improve feed efficiency. To address Russia's zero-tolerance policy, FAS and FSIS approached AMS to develop programs to assist FSIS in ensuring products destined for export to various countries meet the Export Library requirements. AMS' Livestock, Poultry and Seed Program administers Quality Systems Verification Programs which provide companies that supply agricultural products and services the opportunity to assure customers of their ability to provide consistent quality products or services. AMS' Science and Technology Program administers laboratory approval programs that verify the analysis of products destined to be exported meet various countries' requirements. In 2013, AMS developed programs to address this issue for both export and domestic trading purposes.

FEDERAL SEED ACT

Current Activities: AMS administers Federal Seed Act (Act) regulations on the interstate shipment of agricultural and vegetable seeds. The Act requires that seed shipped in interstate commerce be labeled with information that allows seed buyers to make informed choices, and that seed labeling information and advertisements pertaining to the seed must be truthful. Therefore, the Federal Seed Program helps promote uniformity among State laws and fair competition within the seed trade.

AMS depends on cooperative agreements with State agencies to monitor interstate commerce of agricultural and vegetable seeds with regard to seed labeling. State inspectors routinely inspect and sample seed shipments being marketed in their States. They refer apparent violations of the Act to AMS' Seed Regulatory and Testing Division for investigation and appropriate action. While most complaints involving mislabeled seed are submitted by State seed control officials, they may be submitted by anyone. AMS takes regulatory action against the interstate shipper when a violation is confirmed. Actions on violations include a letter of warning for minor violations and technical violations; a monetary penalty is imposed for serious violations.

Selected Examples of Recent Progress:

During FY 2013, AMS initiated 244 investigations based on 233 Federal Seed Act complaints from 16 States, 1 local store, and 6 individuals. In cooperation with State agencies, AMS received 463 regulatory seed samples from 23 States, 3 companies, and 5 local stores for trueness-to-variety. AMS conducted field tests on the samples at 2 locations to determine trueness-to-variety of seed shipped in interstate commerce.

The Federal Seed Program administratively settled 144 Federal Seed Act cases during the fiscal year with 73 warnings, 55 no-actions, and 16 with penalty assessments totaling \$73,050. Individual assessments ranged from \$1,050 to \$19,500.

To ensure uniform application of the regulations, AMS conducted a training workshop for seed analysts from seven States. In addition to the seed analyst training, AMS was the host for the Association of Official Seed Analysts/Society of Commercial Seed Technologists consolidated exam.

In cooperation with the Association of Official Seed Analysts and the Society of Commercial Seed Technologists, AMS began conducting web-based training seminars with both State and private industry professionals to increase awareness of and changes to seed regulations, rules, standards, and testing techniques. Seminars may be conducted multiple times per year as needed or requested by industry.

COUNTRY OF ORIGIN LABELING

Current Activities: The Country of Origin Labeling (COOL) amendments to the Agricultural Marketing Act of 1946 require retailers to notify their customers of the country of origin of covered commodities. Covered commodities are identified as muscle cuts of beef (including veal), lamb, goat, chicken, and pork; ground beef, ground lamb, ground goat, ground chicken, and ground pork; fish and shellfish; perishable agricultural commodities (fruits and vegetables); peanuts, pecans, macadamia nuts, and ginseng. 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 Act states that “normal course of business” records and producer affidavits may be used for verification, the same requirements and penalties apply to both suppliers and retailers, and the maximum penalty per violation is \$1,000. The COOL requirement became mandatory for retailers in March 2009 upon implementation of the final rule.

In May 2013, Parts 60 and 65 of the regulation were amended, which expanded the definition of “retailer” and changed labeling provisions for meat muscle cut covered commodities for compliance with the World Trade Organization findings. AMS prepared educational materials and participated in outreach events with industry stakeholders. In addition, COOL initiated a business process review of enforcement protocols in an effort to maintain program integrity, reduce the burden on industry, and ensure consumers are notified of country or origin and method of production information at the point of sale.

Selected Examples of Recent Progress:

Enforcement Activities – AMS continues to work in collaboration with all 50 States to conduct retail surveillance activities for the COOL program. In 2013, the COOL Program conducted 2,061 retail reviews and 547 follow-up retail reviews of the roughly 37,000 regulated retailers. Based on the average number of COOL covered commodities sold in a store location, overall retailer compliance to COOL was approximately 96 percent, but considering the number of stores with at least one non-compliance finding, only about 19 percent of retailers were in full compliance. In addition, 152 products were audited through the supply chain. Overall compliance by suppliers to retail stores is approximately 97 percent.

Program Audit – AMS improved program operations by incorporating key Office of Inspector General (OIG) recommendations into program activities, including a survey of 370 small retail establishments to determine if they are covered retailers and subject to COOL conformance.

Training – Beginning in April 2013, COOL refresher training was made available to State officials electronically via USDA’s AgLearn system. Four individual training modules were created, deployed and successfully completed by approximately 350 state and federal employees. This web-based training investment reduced travel cost by approximately \$240,000 in FY 2013.

Outreach – In May 2013, COOL strengthened its education and outreach efforts for affected industry stakeholders via webinar events. The program’s goal is collaboration and complete transparency with industry.

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. The program has the largest database on pesticide residues in children’s foods in the U.S. In a collaborative effort, AMS, the Environmental Protection Agency (EPA), and the Food and Drug Administration (FDA) coordinate and prioritize residue-testing and program activities. In addition, AMS conducts annual planning meetings with all program participants, including the cooperating State agencies and agricultural industry stakeholders, to select commodities and water sampling sites for inclusion in the program.

Selected Examples of Recent Progress:

During 2013, PDP tested more than 11,000 food and water samples, resulting in over 2 million individual tests.

Commodities – Commodities surveyed by PDP include fresh and processed fruit and vegetables, milk and dairy products, beef, pork, poultry, catfish, salmon, corn grain and corn syrup, soybeans, wheat and wheat flour, barley, oats, rice, almonds, peanut butter, honey, pear juice concentrate, bottled water, groundwater, and treated and untreated drinking water. In 2013, PDP added two new commodities – salmon and raspberries and reintroduced previously tested commodities bringing the number of commodities surveyed to date to 110. Consumption of salmon and raspberries are on the rise due to efforts to promote a healthy diet. Pesticide residue data on these commodities are needed to more accurately reflect different agricultural production practices (e.g., farm-raised salmon; foreign pesticides used on imported raspberries). Data on previously tested commodities is 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 – PDP's water survey test surface and groundwater sites around the U.S. Through April 2013, PDP surveyed 92 municipal sites drawing from surface water in 29 States and the District of Columbia, 1,206 potable groundwater wells in 42 States, 586 school/childcare facility wells, 90 groundwater samples from 8 Native American Tribes and 93 brands of bottled water. Data were shared with the local agency and with the school/childcare facility. The majority of pesticides included in the PDP testing profiles were not detected; those compounds that were detected were primarily commonly used herbicides and their metabolites. None of the detections exceeded the recently established Human Health Benchmarks for Pesticides (HHBPs) or Maximum Contaminant Levels (MCLs). The PDP water survey was discontinued in April 2013 due to budget reductions.

Sampling – During 2013, PDP achieved a 99.9 percent success rate in collecting samples. PDP uses statistical tools and marketing data to enhance sample collection rate. Recent improvements in the sample tracking database and the use of electronic sample information forms that allow for instant availability of data at food distribution points make the data more 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 – PDP enhanced its testing methods to bring the total number of pesticides and metabolites tested to over 490, including pharmaceutical compounds tested in water. PDP 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 also expanded pesticide testing by adding pesticides that are used overseas but are not allowed in the U.S. These illegal pesticides are used on products imported to the U.S. and are being gradually incorporated in response to requests by the Government Accountability Office (GAO) and EPA's OIG.

Outreach – PDP staff met routinely with EPA officials to present new information/data and to conduct program planning sessions. To improve communications, PDP staff met with minor crop and chemical industry representatives, Pest Control Officials and the Association of Food and Drug Officials. PDP staff also participated in the Association of Analytical Chemists Proficiency Test Advisory Committee and Pesticides Subcommittee, and attended interagency meetings with FSIS' Office of Pest Management Policy and NASS to discuss program planning issues and to share technical information.

Reporting – AMS publishes annual data summaries. Public-domain databases containing sample identity and analytical results data for each sample tested are posted on the Program's website at <http://www.ams.usda.gov/AMSV1.0/pdp>.

NATIONAL ORGANIC PROGRAM

Current Activities: Through the work of the National Organic Program (NOP) (authorized by the Organic Foods Production Act of 1990, 7 U.S.C. 6501 et seq.), AMS facilitates market access by developing, implementing, and enforcing USDA organic regulations which govern the production, handling, and labeling of organic agricultural products. AMS accredits 84 third-party organic certifying agents worldwide and those certifiers oversee more than 25,000 certified organic operations around the world. AMS also establishes and maintains organic recognition and equivalency agreements with foreign governments. To maximize public participation and transparency, AMS supports the work of the National Organic Standards Board (NOSB), a group of 15 private-sector appointees who recommend materials to be allowed or prohibited in organic operations and provide other recommendations related to organic agriculture to the Secretary.

Selected Examples of Recent Progress:

International Trade – USDA engages with other countries to advance organic trade through recognition and equivalency agreements. In September 2013, the U.S. and Japan announced that beginning January 1, 2014, organic products certified in Japan or in the U.S. may be sold as organic in either country. This partnership between two significant organic markets will streamline access for U.S. farmers and processors to the growing Japanese organic market, benefiting the thriving organic industry and supporting jobs and businesses on a global scale. AMS also traveled to Brussels, Belgium to support the existing U.S.-EU organic equivalency agreement; completed a peer assessment with Canada to support the existing U.S.-Canada equivalency agreement; conducted an assessment of the Swiss organic program as part of a possible path towards equivalency; and conducted an audit in New Zealand to support an existing recognition agreement.

Consumer Protection (Compliance, Enforcement, and Appeals) – In FY 2013, the NOP completed its investigation of 239 complaints alleging violations of the organic regulations, and reduced its total backlog of open complaint investigations for the first time. Over the course of the year, the NOP issued 18 civil penalties through settlement agreements for willful violations of the USDA organic regulations. These violations ranged from selling product as “organic” without certification to the application of prohibited substances in organic crops. Penalties totaled \$96,500. AMS also supported criminal investigations and sentencing efforts led by other offices, including the OIG Criminal Division and the Department of Justice. To improve the appeals process, AMS reorganized and realigned the NOP appeals function. Through process streamlining and the increased use of settlements, the number of open appeals cases has been cut in half, and the average days a case is open stands at only 129 days, down from 339 days before the transition. These improvements expedited the NOP appeals process, and allowed staff to be utilized on other critical NOP projects. NOP received positive feedback from stakeholders involved in appeals.

Organic Integrity – Accreditation Activities – At the close of FY 2013, USDA organic certifiers were in full compliance with 95 percent of the NOP’s accreditation criteria, and have implemented corrective actions for all deficiencies. Over the year, AMS conducted 25 accreditation renewal audits, 5 accreditation midterm audits, and an initial accreditation audit resulting in the issuance of 63 reinstatements of certification, 9 temporary variances to the USDA organic regulations, and 4 export authorizations. During FY 2013, AMS also launched a new “sound and sensible” initiative designed to make the organic certification process affordable and attainable for organic operations. This included gaining certifier feedback about the current barriers to certification, establishing the principles of the sound and sensible initiative to make organic certification accessible, attainable, and affordable for all operations, updating program materials, and conducting outreach to certifiers.

Standards Development – In FY 2013, the NOP successfully led approximately 20 standards projects, all designed to clarify standards for certifiers and operators. Published standards are helping to level the playing field across organic businesses include 3 final rules, 3 proposed rules, 2 draft guidance documents, 5 final guidance documents, and a number of instructions and policy memos. NOP collaborated with the National Organic Standards Board to guide the development of a revamped process for reviewing substances used in organic agriculture to improve efficient use of USDA resources and ensure stability for organic markets.

Training and Outreach – Each year, the National Organic Program conducts training for accredited certifying agents. This year’s training, in Orlando, Florida reached over 100 certifier representatives, and was supplemented by

certifier conference calls and webinars during the year. NOP representatives also spoke at several organic conferences, focusing particularly on the “sound and sensible” organic certification initiative. Further, more than 15,000 USDA employees accessed the Organic Literacy Training, developed by the USDA Organic Working Group and AMS. The USDA Organic Insider email service has 17,703 subscribers as of November 2013, a 25 percent increase from the beginning of FY 2013. This service is used to send USDA organic updates and the Organic Quarterly newsletter. The program published seven articles on the USDA organic regulations and certification on USDA’s blog, including “*Can GMOs Be Used in Organic Products?*” which has been consistently ranked as one of the most-read articles on the USDA blog. In addition to these activities, AMS held two public meetings of the National Organic Standards Board in Providence, Rhode Island in October 2012 and in Portland, Oregon in April 2013.

Collaboration with Federal Partners – AMS expanded its cooperation with other Federal partners on shared organic issues in FY 2013. This included working with the Department of Justice, DHS Customs and Border Protection, the Food and Drug Administration (FDA), the Environmental Protection Agency (EPA), and the Alcohol and Tobacco Tax and Trade Bureau (TTB) on both enforcement and regulatory issues. For example, the NOP increased cross-training and interaction with FDA, EPA, and TTB on food additives, pesticide products and inerts, and organic alcohol labeling; and entered into an agreement with the Federal Trade Commission to collect data on consumer perceptions of personal care products and textiles sold as organic.

External Audits – The OIG completed one audit related to the NOP in FY 2013. The audit report, "National Organic Program (NOP) - Organic Milk Operations," focused on the compliance of organic milk producers to the USDA organic regulations. The OIG found that generally USDA successfully implemented the access to pasture rule for organic dairy cattle, offering six recommendations to build on existing oversight controls. These recommendations focus on ensuring all organic dairy producers are treated consistently and that all aspects of organic milk production comply with USDA organic requirements. AMS has projects underway that will meet all OIG's recommendations.

Organic Certification Cost-Share Grant Program – In FY 2013, AMS continued to administer the Agricultural Marketing Assistance Organic Certification Cost Share Grant Program, a program that supports organic producers in 16 designated States. AMS allocated approximately \$1.4 million to the 16 states to support this program; organic producers in those States can apply for reimbursements up to \$750 for the cost of organic certification.

PESTICIDE RECORDKEEPING PROGRAM

Current Activities: The Federal Pesticide Recordkeeping Program (PRP) is a National program that enforces the Federal Pesticide Recordkeeping regulations, which requires certified private pesticide applicators (over 600,000 agricultural producers) to maintain records of their restricted use pesticide (RUP) applications. This is accomplished by conducting compliance inspections of these certified private pesticide applicators utilizing State and Federal personnel. PRP also provides information to the regulated community to assist them with compliance and provides outreach materials to licensed health care professionals to inform them of the availability of RUP record information when needed for medical treatment.

For FY 2013, the Federal Pesticide Recordkeeping Program (PRP) implemented 21 cooperative agreements with state lead pesticide agencies and one university to carry out the provisions of the recordkeeping regulations. The cooperative agreements totaled \$779,000 for 1,600 inspections and provided educational outreach to certified private pesticide applicators. The PRP will be terminated in FY 2014. Program activities were suspended September 30, 2013.

RESEARCH AND PROMOTION PROGRAMS

Current Activities: AMS provides administrative oversight to 20 industry-funded commodity research and promotion (check off) programs with over \$667.4 million in revenue. Industry research and promotion boards collect assessments from producers, feeders, seed stock producers, exporters, packers, importers, processors, manufacturers, and handlers, to carry out programs aimed at strengthening the demand for their 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. Those industries reimburse AMS for the cost of administrative oversight activities.

Selected Examples of Recent Progress:

Cotton – Two high priorities for the cotton industry are 1) reducing environmental impact and increasing efficiencies in the field and in textile manufacturing; and 2) maintaining consumer and trade interest in cotton fiber. The Cotton Research and Promotion Program, in cooperation with the National Cotton Council and Cotton Council International recently launched a joint program with Cotton Australia to raise awareness of the responsible growing practices among cotton producers in Australia and the United States. The Cotton LEADS™ program is aimed at textile brands, retailers and manufacturers committed to sourcing cotton that is grown in a responsible and transparent manner. Validating the Cotton LEADS program are the national-level oversight, regulatory enforcement, and transparency of practices common to both countries. Combined, Australia and the United States account for roughly 17 percent of global cotton production. Cotton LEADS is designed to assist businesses along the cotton supply chain with their sustainability goals. Cotton LEADS is a complement to many of the farm-by-farm certification programs that have appeared in recent years.

In late 2013, Cotton Incorporated launched a new marketing campaign called *Cotton or Nothing*. The campaign was designed to persuade brands and retailers to return cotton into their apparel offerings that, due to cotton's increase in price in 2011, were being made with less expensive synthetic fibers. During New York's Fashion Week, Cotton Incorporated staged a "protest" with unclothed mannequins holding up signs saying they wanted to wear cotton, or nothing. The campaign also invited consumers to "Join The Protest" by having their picture taken with the striking mannequins and signing a *Cotton Or Nothing* manifesto. *Cotton Or Nothing* is an industry-facing marketing program fueled by growing consumer dissatisfaction with poorly-produced garments. Over 300 people supported the mannequins' cause by participating in the Mannequin Protest. A stop-motion short film of the protest is available for viewing on <http://www.cottonornothing.com/>.

In 2013, the Cotton Research and Promotion Programs continued its rollout of Cotton University (<http://cottonuniversity.org/>) to provide cotton production and manufacturing educational programs on-line, such as workshops and continuing education, to retailers and sourcing specialists.

Dairy Products – The Dairy Research and Promotion Program focused on sustainability through the check off-created Innovation Center for U.S. Dairy (IC). The dairy industry is committed to reducing the carbon footprint of fluid milk by 25 percent by the year 2020 – equivalent to taking more than 1.25 million cars off the road every year. In April 2013, the IC and USDA renewed a MOU to cooperate on sustainability initiatives. Eight tools will focus on operational efficiencies and innovations to reduce greenhouse gas emissions throughout the entire dairy value chain – from production of feed for dairy cows, to on-farm energy audits, to retail. Many of the IC-created resources are available online and provide information on grant opportunities that are made available through USDA programs.

The dairy check off program also continued health and wellness efforts and launched a partnership with Feeding America and the Academy of Nutrition and Dietetics to help fight hunger and make additional resources available for the nearly 50 million Americans who are food insecure. As part of this partnership, the organizations will identify ways to improve access to milk and other dairy foods at local food banks.

Eggs – The Egg Research and Promotion Program's Good Egg Project educate consumers about egg production and promote nutrition and philanthropy. A key goal of the project is to invite the public to join egg farmers in the fight against hunger through the donation of eggs to local food banks and Feeding America. Since the Good Egg Project began in 2009, egg farmers have donated more than 48.2 million eggs to the Nation's hungry population.

Paper and Paper-Based Packaging – AMS's Fruit and Vegetable Program worked with the Paper and Paper-Based Packaging Panel – a group of industry leaders of all sizes and including manufacturers and importers of paper and paper-based packaging – to develop a national research, promotion, and information program. A proposed rule for a Paper and Paper-Based Packaging Program was published in the *Federal Register* on January 2, 2013. Seventy-five

comments were received; 62 in support of the program. A referendum to determine industry support was held October 28 through November 8, 2013. Eighty-five percent of those voting in the referendum representing 95 percent to the volume represented in the referendum favored implementation of the program. A final rule was published in the *Federal Register* on January 22, 2014, establishing the program, with an effective date of January 23, 2014. The program will be administered by a 12-member Board, consisting of 11 manufacturers and 1 importer. A 35-cent per ton assessment rate will result in approximately \$25 million in collections annually. Manufacturers and importers of less than 100,000 tons of paper annually would be exempt. Assessment collection begins March 1, 2014.

Hardwood Lumber and Hardwood Plywood – AMS’s Fruit and Vegetable Program worked with the Blue Ribbon Committee – a group of hardwood lumber and hardwood plywood industry leaders of all sizes of manufacturers – to develop a Hardwood Lumber and Hardwood Plywood Research, Promotion and Information Program. The program would help increase demand for U.S. hardwoods, since consumption has declined significantly over the last several years. Hardwood lumber products are used in residential and commercial construction, including flooring, furniture, moldings, doors and kitchen cabinets. The program would conduct promotion activities to improve perception, competitive position and sales of hardwood lumber and hardwood plywood. The proposal for the program was published in the *Federal Register* on November 13, 2013, with comments due by January 13, 2014.

Soybean – In 2012, the United Soybean Board (Soybean Board) began funding a project for the development and expansion of high oleic oil soybeans in cooperation with DuPont Pioneer and Monsanto Corporation. The Soybean Board has set a goal of harvesting 18 million acres of high oleic oil soybeans in 2023, equating to about 22 percent of total U.S. soybean acreage projected for that year. On November 7, 2013, the Food and Drug Administration announced plans to measure support for the removal of trans fats from the generally-recognized-as-safe (GRAS) status. The soybean industry had anticipated the phase-out of partially hydrogenated vegetable oils, including commodity soyoil, from the food supply. Soybeans that produce high-oleic soy oil contain no trans fats.

Research and Promotion Program Industry Revenue
FY 2013 Estimate
(Dollars in Millions)

<u>Commodity</u>	<u>Estimated Revenue</u>
Cotton	\$88.1
Dairy	103.8
Fluid Milk	104.6
Beef	39.7
Lamb	2.5
Pork	83.4
Soybeans	96.8
Sorghum	9.5
Eggs	25.0
Blueberries	5.3
Hass Avocado Board	41.3
Honey Board	5.5
Mango Board	5.7
Mushroom Council	4.5
Peanut Board	12.0
Popcorn Board	0.9
Potato Board	19.9
Processed Raspberries	1.5
Softwood Lumber	14.2

<u>Commodity</u>	<u>Estimated Revenue</u>
Watermelon Board	3.2
Total	\$667.4

Note: The board's fiscal year coincides with the calendar year for the blueberry, cotton, dairy, egg, fluid milk, Hass avocados, honey, mangos, mushroom, pork, popcorn, and Softwood lumber boards. The other boards operate under different 12-month fiscal periods.

TRANSPORTATION AND MARKET DEVELOPMENT

Current Activities: AMS serves as the expert source for economic analysis on agricultural transportation from farm to markets. The Agency informs, represents, and helps agricultural shippers and government policymakers through market reports, regulatory representation, economic analysis, transportation disruption reports, and technical assistance.

AMS supports and enhances the distribution of U.S. agricultural products and marketing opportunities for small and mid-sized producers through grant programs, applied research, and technical services. These activities focus on direct marketing and locally grown initiatives.

Selected Examples of Recent Progress:

Transportation Reports and Studies – AMS provides a variety of reports and information for diverse audiences, including government entities and agricultural stakeholders, on regulatory, policy, and legislative matters related to agricultural and rural transportation. These products inform decision-makers and promote the development of an efficient agricultural transportation system that improves farm income, expands exports, and meets the transportation needs of rural America. Routine reports and publications that AMS provide include, the weekly *Grain Transportation Report*, the weekly *Ocean Shipping Container Availability Report*, the *Agricultural Refrigerated Truck Quarterly*, and the annual *Transportation of U.S. Grains: A Modal Share Analysis*, the quarterly *Mexico Transport Cost Indicator Report*, and the quarterly *Brazil Soybean Transportation Report*.

In FY 2013, AMS developed a new Agricultural Transportation Research and Information Center on its website. Publications and articles that were created and published in FY 2013 include the following:

- [The Shift to Larger Railcars for the Shipment of Grain](#) – provides insight on the increased use of larger railcars (C-114 covered hopper cars) for the shipment of grain.
- [The Effects of Increased Shuttle-Train Movements of Grain and Oilseeds](#) – provides brief analysis regarding increased shuttle-train movements of grain and oilseeds between 1994 and 2011.
- [State Grain Rail Statistical Summary](#) – provides statistics and analysis for movements of grain and oilseeds by rail throughout the United States.
- [A Comprehensive Rail Rate Index for Grain](#) – develops new rail rate indices for unit trains and shuttle trains and compares them with a rail cost index.
- [Profiles of Top U.S. Agricultural Ports](#) – provide a view of the top 20 U.S. ocean ports moving agricultural export and import traffic.
- [A Reliable Waterway System Is Important to Agriculture](#) – describes the importance of marine transportation to fiscal 2013 agricultural exports.
- [The Potential Impact of Brazil Transportation Efficiencies on World Cotton Trade](#) – summarizes data regarding the estimated impact of Brazil improvements in transportation infrastructure on cotton production, prices, and exports

Regulatory Representation – AMS is often asked to provide input to various regulatory agencies on issues related to agricultural shipping under the authorities of the Agricultural Adjustment Act of 1938, Agricultural Marketing Act

of 1946, and International Carriage of Perishable Foodstuffs Act of 1982. During FY 2013, AMS provided input on 4 major transportation issues, including: the Surface Transportation Board (STB) Petition for Rulemaking to Adopt Revised Competitive Switching Rules, EP-711; the STB proposal to revise its rules regarding interchange commitments, EP 714; the STB proposal to make rate regulation reforms, EP-715; and the Canadian Pacific's Railway investment representations in the purchase of the former Dakota, Minnesota and Eastern Railroad.

Outreach and Education – In conjunction with agricultural trade groups, State associations, and other groups, AMS sponsored eight seminars and workshops for new and experienced exporters and shippers.

- *Agricultural Export Documentation and Transportation Workshops* – These seminars, held in Fresno and Sacramento, CA, Boise, ID, Minneapolis, MN, Memphis, TN, and Portland, OR, provided a fundamental understanding of the transportation options, cost factors, and technical considerations associated with export transportation of high-valued and value-added agricultural products.
- *Networking across the Supply Chain: Transportation Innovations in Local and Regional Food Systems* – This was a matchmaking conference in La Crosse, WI, with the Center for Integrated Agricultural Systems, University of Wisconsin-Madison. One hundred food system professionals attended, including growers, distributors, retailers, transportation researchers, regional and urban planners, and public sector officials. A presentation at the 2013 American Planning Association, Wisconsin Chapter, and Annual Conference in June and a report are among follow-up activities underway.
- *National Agricultural Transportation Summit* – Along with the Soy Transportation Coalition and the National Grain and Feed Association, AMS co-sponsored an Agricultural Transportation Summit in Rosemont, IL, to:
 - Raise the awareness of the importance of transportation to the success and profitability of U.S. agriculture;
 - Precipitate and motivate further action to promote a transportation infrastructure that better serves the interests of U.S. agriculture;
 - Provide a venue for advocates of U.S. agriculture to network and develop collaborations for the purpose of promoting the transportation needs of U.S. agriculture; and
 - Build bridges between government and agricultural interests that will result in more effective promotion of agricultural transportation issues.

Direct Marketing/Locally Grown – There continues to be an increasing demand by consumers for locally-grown products, as evidenced by the continued growth of farmers markets and the rapid emergence and development of food hubs occurring across the country. In FY 2013, over 8,100 farmers markets were recorded in the AMS National Farmers Market Directory, a 4 percent increase from FY 2012 and 54 percent increase from 2009. In addition, AMS helped develop a food hub database that now includes 236 regional food hubs (a 7 percent increase over last year).

FY 2013 examples of AMS support for the growth and development of markets for locally and regionally grown agricultural products include the following:

Innovative Research

- **Cooperative Agreements:** AMS sponsored five research cooperative agreements to identify new and innovative marketing opportunities for local food entrepreneurs. None of the research projects have concluded, but AMS convened its first Local Foods Research Symposium to present results from the funded cooperative. Topics presented included the following:
 - [Assessing the Economic Impacts of Regional Food Hubs](#) (Cornell University) - Builds a replicable methodology to assess the economic impact of food hubs, including impacts on participating farms and the multiplier and distributional impacts on regional economies.
 - [Networking across the Supply Chain: Transportation Innovations in Driftless Local and Regional Food Systems](#) (University of Wisconsin) – Recognizes that emerging wholesale markets for local

food are pulling product through intermediated supply chains, resulting in new business opportunities and transportation needs. It also summarizes the experience of participants in an AMS sponsored, University of Wisconsin hosted, and regional business consortium to explore innovations in intermediated, regional food supply chains and discuss their significance for transportation infrastructure and planning.

- [National Survey of CSAs: Emerging Marketing and Business Strategies](#) (University of Kentucky) – Summarizes results from five regional exploratory cases highlighting diverse and innovative uses of the CSA model.
 - [Impacts of Relationship-Based Online Marketing and Social Media Use on Community Supported Agriculture \(CSA\) Programs](#) (University of Maryland and Lehigh University) – Describes initial results from a national survey of CSA operators designed to address questions of how specific CSA practices and use of social media technologies interact to affect multi-dimensional performance of CSA programs.
 - [Measuring Effects of Mobile Markets on Healthy Food Choices](#) (University of Wisconsin) – Describes the results of a focus group study that was used to investigate questions seeking: (1) understanding on who uses mobile markets, who does not, and why? and (2) whether mobile markets facilitate healthy food choices, and if so, how?
- **Assessing the Role of Terminal Markets in Regional Food Systems Development:** AMS' Fruit and Vegetable Program collaborated with the Transportation and Market Development Program to document and analyze flows of local/regional food moving through the Philadelphia Wholesale Terminal Market in order to better understand the importance and contribution of terminal markets in today's food system. Once data are collected and analyzed, AMS will assist market managers and wholesalers better position the market to take advantage of emerging demand for local and regional produce.

Facilities Design Projects/Studies – AMS provides direct site assessment and design services for food market planners, managers, and community stakeholders to improve the efficiency of permanent food market facilities. In FY 2013, AMS provided architectural plans and design assistance to 7 local food businesses. Examples include:

- The development of architectural designs for the first USDA-inspected and all locally-sourced processing facility and meat counter in New York City, to be called the "Tiberio Custom Meat Shop" located in the Moore Street Public Market. The mission of the meat food hub is to support small regional farms and make local meat more affordable. The project is under the auspices of Brooklyn Economic Development Corporation and supported by the New York State Department of Agriculture and Markets.
- The development of architectural designs for a minority-owned food hub in Holmes County, MS, that will support future expansion of the facility so that it can become more efficient and continue to provide local produce to school cafeterias in Mississippi.

Outreach/Training/Technical Assistance – During FY 2013, AMS responded to more than 200 requests for information and assistance regarding local and regional food marketing issues. AMS also participated in 20 regional and national conferences, webinars, training workshops, and conference calls to share information with more than 1,400 small and mid-sized enterprises and individuals on opportunities to enhance their marketing and purchasing strategies regarding locally and regionally produced foods. For example, 82 food service managers participated in a conference call with Veterans' Administration hospitals across the country. AMS provided information to the participants regarding ways to source more local food with many of the hospitals to institute changes in their sourcing processes to obtain more local food items.

AUDITING, CERTIFICATION, GRADING, TESTING, AND VERIFICATION SERVICES

Current Activities: AMS provides impartial verification services that ensure agricultural products meet specified requirements. These services include AMS' grading program, which verifies that product meets USDA grade standards. These services are voluntary, with users paying for the cost of the requested service.

AMS has also developed voluntary testing and process verification programs in response to the industry's growing need to facilitate the marketing of agricultural products. AMS' Process Verified Program provides producers and marketers of livestock, seed products, 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:

Cotton Grading – AMS classified 15.9 million bales of cotton under the grower-classing program in FY 2013, with all cotton classed by the High Volume Instrument (HVI) method. This represents a 7.5 percent production increase from the FY 2012 enacted level. Classing information is provided electronically to owners of the cotton. In FY 2013, the Cotton Program disseminated data for over 54 million bales, a 12.5 percent increase from FY 2012. This data represents multiple crop years or multiple requests for the same bale.

The AMS Cotton and Tobacco Program provided classification services on 913,179 samples submitted for futures certification during FY 2013. This classification total was 186 percent higher as compared to FY 2012 when classification services were provided on 318,337 samples submitted. The primary cause for the increase in the number of samples classed was the marketing environment during FY 2013. Many cotton merchants found it more advantageous to certificate the cotton on the futures market rather than sell the cotton on the spot market.

Fees and Charges in Effect 2013:

<u>Service Performed</u>	<u>Fees</u>
Form 1 grading services	\$2.20 per sample <u>a/</u>
Futures grading services	3.50 per sample

a/ Base fee rate as of July 2008. A discount of five cents per bale is awarded to producers who are billed through voluntary central agents (e.g., cotton gins and warehouses).

During FY 2013, AMS graded 227 million kilos of tobacco and performed pesticide testing on 69 million kilograms of tobacco to ensure that pesticide residue levels were within tolerance. In addition, 2 million pounds of tobacco were graded under the MOU with USDA's Risk Management Agency.

Fees and Charges in Effect 2013:

<u>Service Performed</u>	<u>Fees</u>
Permissive Inspection	\$47.40 per hour
Domestic Tobacco Grading	0.70 per hundred lbs
Certification of Export Tobacco	0.25 per hundred lbs
Imported Tobacco Grading	1.54 per hundred kg
Imported Tobacco Pesticide Testing and Certification	0.54 per hundred kg
Domestic Tobacco Pesticide Testing and Certification	0.25 per hundred lbs
Retest Tobacco Pesticide Testing and Certification	220.00 per sample

Dairy Products Grading – Dairy products grading, laboratory analysis, and dairy 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 some products sold to the Commodity Credit Corporation (CCC) under the dairy price support program.

Fees and Charges in Effect in 2013:

<u>Services Performed</u>	<u>Fees</u>
Continuous Resident Service	\$69.00 per hour
Nonresident Service	75.00 per hour

International markets are increasing for U.S. dairy and related products. AMS Dairy Programs offer assistance with inspection and certification of dairy and related products for export. Certifications attest that dairy products are: 1) fit for human consumption; 2) produced under sanitary and wholesome conditions; and 3) free from animal diseases. The Dairy Grading Program implemented the electronic Document Creation System (eDOCS) to facilitate the issuing of export certificates for product going to the European Union (EU). In 2013, the Dairy Grading program issued 32,000 export certificates which was a 50 percent increase over 2012. AMS Dairy Programs continues to look for ways to improve the certificate issuance program. Currently the program is working on adding requests for export certificates for China to the eDOCS system. Requests for sanitary certificates have been updated to allow exporters to request certificates by e-mail instead of fax.

Fruit and Vegetable, Specialty Crop Inspections (SCI) – This program offers both grading and audit-based verification services for the food industry. In 2013, AMS graded or supervised the grading of approximately 73 billion pounds of fresh and processed fruits, vegetables, specialty crops, and miscellaneous products. Grading services were provided by approximately 1,500 Federally-licensed State employees at shipping points and cooperative market locations and by more than 800 federal employees at 31 federal receiving markets, 237 processing plants, 14 field offices, and 14 inspection points. Also, SCI expanded its Quality Monitoring Program (QMP) for two fresh fruit and vegetable inspection applicants. Mandatory inspections for fresh fruits and vegetables for the Defense Commissary Act were eliminated for current and future contracts in July 2013 by Defense Commissary Agency officials in a budget cutting move. This is projected to reduce services (and revenue) by approximately \$1 million for Federal and State inspection offices.

AMS performs Fresh Products Good Agricultural Practices (GAP) & Good Handling Practices (GHP) audits. GAP/GHP is an audit based activity that assesses a participant's ability to conform to generally recognized "best practices" that minimize the risk of food safety hazards contaminating fruits, vegetables, and other specialty products during the production, harvesting, packing, transportation and storage of the product. In 2013, AMS conducted approximately 4,178 audits on over 90 different commodities in 49 states, Canada (Quebec, Ontario, and British Columbia), and Chile.

In addition, AMS conducted third-party quality, systems, and sanitation audits for food service organizations, processors, retailers, and state and federal government entities. Below is a listing of 2013 highlights:

- AMS performed 12 verification audits under the Qualified Through Verification (QTV) program to meet the needs of the fresh-cut produce industry.
- Performed 54 Domestic Origin Verification audits at facilities to confirm products supplied for USDA purchases were of domestic origin.
- Performed 11 audits under the Plant Systems Audit (PSA) program which is an unbiased, third-party audit of a processor's quality assurance system, for fruit and vegetable processors nationwide.
- AMS performed 413 surveys from the Food Defense Survey System in support of USDA food purchases. The reviews verify the measures that operators of food establishments take to minimize the risk of tampering or intentional contamination of food under their control.
- AMS inspected food components in Department of Defense (DOD) operational rations in support of military activities in Iraq, Afghanistan, and elsewhere and participated with the U.S. Department of Commerce Food Team in 6 worldwide subsistence audits under DOD's "Prime Vendor" food procurement program in 2013. These audits are conducted by food quality experts at various vendor/warehouse locations throughout the U.S. and other countries worldwide to ensure the quality of the food products purchased under Prime Vendor contracts. In 2013, AMS auditors participated in 16 DOD Produce Quality

Audits. These audits verify that produce suppliers' facilities meet DOD's food safety requirements and that produce meets their specifications.

- In 2013, AMS began providing inspection of Ready-to-Use Supplementary Food contracted by the Farm Service Agency on behalf of the U.S. Agency for International Development. This food is provided to children from 6 months to 5 years old with moderate acute malnutrition.
- AMS manages the Child Nutrition (CN) Labeling program, including training additional staff to review CN labels as needed based on label volume, performing outreach, and training to CN manufacturers and school food service professionals on program and policy changes. During 2013, AMS reviewed for approval 3,365 label applications.

Fees and Charges in Effect for Processed Fruit and Vegetable Grading in 2013:

<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

Fees and Charges in Effect for Fresh Fruit and Vegetable Grading in 2013:

Quality and condition inspections of products each in quantities of 51 or more packages and unloaded from the same land or air conveyance:

<u>Service Performed</u>	<u>Fees</u>
Over a half car lot equivalent	\$151.00
Half car lot equivalent or less of each product	125.00
For each additional lot of the same product	69.00

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

Hourly Rates:

Hourly rate for inspections performed for other purposes during the grader's 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)	92.00

AMS conducted 29 training classes during 2013 to ensure quality service and uniform application of procedures:

- One 5-day Basic GAP training class for new Federal and Federal/State inspector auditors.
- Eight LiveMeeting commodity refresher training classes for more than 250 Federal and State inspectors.
- Nine regional classroom sessions on GAP and GHP for more than 290 fresh fruit and vegetable Federal and State auditors.
- Three industry training classes on inspection processes for various commodities and grading standards in conjunction with a formal agreement with United Fresh Produce Association.
- Five classes for Food and Nutrition Services for more than 160 state public school cafeteria nutrition and food specialists.
- One comprehensive 6-week Market Inspector Training course for 18 new Federal and Federal/State

inspectors. This course included 4 days of LiveMeeting training, 4 weeks of onsite training and a one-week on-the-job training assignment in the Hunts Point Market, Bronx, NY.

- One 2-day industry training class for 12 company personnel onsite at Fresh Produce Association of the Americas, Nogales, Arizona.
- One 2-day industry training class for 19 company personnel onsite at Houston Food Bank, Houston, Texas.

Meat Grading and Verification – During FY 2013, grading and verification services were provided to approximately 820 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. A total of 27.8 billion pounds of meat and meat products were verified for specification, contractual or marketing program requirements.

A total of 19.9 billion pounds of red meat (beef, lamb, veal and calf) were graded, which represents approximately 94 percent of steers and heifers, 68 percent of lamb, and 30 percent of veal and calf commercially slaughtered in the U.S. Services designed to help producers, packers, processors and others verify specific requirements for overseas customers facilitated the export of 3.3 million metric tons (valued at \$12.1 billion) of beef, lamb, veal and pork. AMS graded 273 loads of beef cattle carcasses for the Chicago Mercantile Exchange and performed 8 worldwide food audits for Department of Defense prime vendor contracts. Instrument grading has been successfully implemented at ten major beef harvesting facilities.

The program conducted on-site audits of USDA accredited certification agents to the ISO Guide 65 program, within the scope of USDA Grass-fed Standard. This provides producers the ability to label and sell their products as USDA Certified Grass Fed as well as USDA Certified Organic through the same accredited certification agent.

Fees and Charges in Effect in FY 2013:

<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
Audit verification	\$108.00

Poultry and Egg Grading – Approximately 89 percent of poultry grading services were provided on a resident basis, where a full-time grader is usually stationed at the plant that requests service. The remaining 11 percent of poultry grading services are provided on a non-resident (lot grading) basis. During 2013, AMS provided resident service in 103 poultry plants, grading 9.8 billion pounds of poultry and 170 shell egg plants where 5.97 billion dozen shell eggs were graded. There was a 1.20 billion pound decrease in the volume of chicken received in official plants, and a 0.56 billion pound decrease of turkey handled in official plants for a 0.76 billion pound total decreases in poultry received. Shell eggs certified in 2013 increased by 5.8 billion pounds. Poultry grading services covered about 27 percent of the turkeys slaughtered, 22 percent of the broilers slaughtered, and 50 percent of the shell eggs produced in the U.S., excluding eggs used for breaking and hatching.

Currently, three companies with 17 facilities are approved under the Process Verified Program with claims such as all vegetarian diet, no animal by-products, humanely raised, antibiotic free, raised cage free, tenderness guaranteed, and no antibiotics ever. There are 14 qualified Process Program auditors who perform audits under that program.

Fees and Charges in Effect in 2013:

<u>Service Performed</u>	<u>Hourly Rate</u>
Non-Resident Plant--Regular Time	\$77.28
Resident Plant*	44.27 – 61.29
Auditing Activities	89.20

**Note: Fee rate depends on the volume of product handled in the plant.*

The Poultry Export Verification Program (PEV) certifies U.S. poultry exports to the EU member states because of concerns by European Commission (EC) auditors about 1) the use of chlorinated water in the processing of U.S. poultry and 2) perceived deficiencies in the U.S. system regarding verification of on-farm Good Manufacturing Practices. In 2013, AMS conducted two PEV surveillance audits and the audited company shipped 539,000 turkey products to EU countries ranging from 6,000–20,000 pound lots.

Voluntary Seed Testing – AMS offers seed inspection and certification services to users for a fee. Most of the users of this service are seed exporters. During 2013, AMS tested 1,640 samples and issued 1,640 Seed Analysis Certificates. This represents a 12 percent decrease in certification requests due to world-wide economic conditions and the privatization of accredited seed testing for U.S. seed being shipped internationally.

Fees and Charges in Effect 2013:

<u>Service Performed</u>	<u>Hourly Fees</u>
Seed Testing Activities	\$52.00

Administration of Organization for Economic Cooperation and Development (OECD) Seed Schemes – AMS is responsible for the administration of U.S. participation in the OECD Seed Schemes, an international program through which seed companies export seed certified for varietal purity. AMS collects a fee to operate the program that is based on the amount of seed shipped. During 2013, AMS approved the shipment of 187 million pounds of seed and approved 1,536 new varieties.

Fees and Charges in Effect 2013:

<u>Service Performed</u>	<u>Fees</u>
Seed Export Management	\$0.20 per 100 lbs. – Corn 0.11 per 100 lbs. – Other Crops

AMS Laboratory Approval and Testing Division (LATD) – The LATD provides scientific, technical, and testing support services to AMS commodity programs and to the agricultural community in order to facilitate domestic and international marketing of agricultural commodities.

Specifically, LATD:

- Develops and administers laboratory approval programs to enhance and expand export market access for U.S. commodities.
- Provides scientific and market advice to federal partners to assist in negotiating and establishing export requirements and policies and administers laboratory approval programs that verify the analysis of products destined to be exported meet various countries’ requirements.
- Through the National Science Laboratories (NSL), provides analytical testing services in the fields of chemistry, microbiology, and molecular biology on a fee-for-service basis. The NSL’s primary mission is to serve AMS commodity programs, other Federal agencies, and industries, with analytical testing in support of grading, commodity purchases, exports, compliance, product specifications, and research. The NSL has established a high level of quality assurance and is ISO/IEC 17025:2005 accredited. The laboratory consistently performs tests on commodities such as food products, juice products, canned and fresh fruits and vegetables, eggs and egg products, honey, meats, milk and dairy products, military and emergency food rations, oils, peanuts and other nuts, organic foods and products, and tobacco.

During FY 2013, LATD administered the following number of laboratory approval programs: 5 export programs (70 labs in total), 3 domestic programs (32 labs in total), and 2 programs (12 labs in total) in support of AMS commodity programs. Three new laboratories were approved. In administering these programs, LATD conducted 54 onsite lab audits, analyzed 582 check sample data sets, and monitored each lab’s proficiency data.

The AMS NSL tested 87,700 samples of various agriculture commodities, many of which were tested for multiple analytes. The NSL provided analytical testing services to other Federal programs, including the NOP, Agricultural Research Service, and Animal and Plant Health Inspection Service.

Fees and Charges in Effect 2013:

<u>Service Performed</u>	<u>Fees</u>
Aflatoxin	\$29.00 – \$102.00 per test
Olive Oil testing	83.00 per hour
Dairy	83.00 per hour
Citrus	78.00 per hour
Tobacco	290.50 – 539.50 per test
Voluntary/Other	83.00 per hour
Laboratory Approval Service	\$510 – \$16,500 per lab

PLANT VARIETY PROTECTION ACT

Current Activities: The Plant Variety Protection (PVP) Act 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 PVP. In 2013, AMS received 488 applications for protecting new agricultural, floral, and seed plant varieties, which is a 1 percent decrease from 2012. A total of 642 applications, including some from previous years, were pending action at the end of 2013. During the fiscal year, AMS conducted searches on 963 applications to determine whether the plant constituted a new variety. On the basis of those searches, the program issued 831 certificates of protection, a 163 percent increase from 2012. At the end of the fiscal year, 5,683 certificates were in force while protection had expired on 112 different varieties.

In April 2013, AMS completed development Phase 1 of the electronic online PVP application filing (ePVP) system by migrating the database. This ePVP system will provide U.S. PVP applicants with an interactive Web based filing system and AMS PVP examiners with the tools to conduct electronic examinations – both features that will speed PVP application processing and granting of PVP property rights. The Program initiated Phase II of the ePVP system development in May 2013. Phase II is the development of the Web portal for external users and the Customer Relationship Management (CRM) system for internal users, including the PVP application and crop specific forms. This part of the project uses the Agile software development technique, which is based on iterative and incremental development where requirements and solutions evolve through collaboration between the PVPO and vendor development teams.

NATIONAL SHEEP INDUSTRY IMPROVEMENT CENTER

The National Sheep Industry Improvement Center (Sheep Center) was initially authorized under the Federal Agricultural Improvement and Reform (FAIR) Act. The Act, as amended, was passed as part of the 1996 Farm Bill. The purpose of the Sheep Center is to allow the industry to engage in coordinated programs focusing on infrastructure development, production research, and environmental stewardship efforts, and marketing. The Sheep Center's work has been instrumental in providing assistance to a declining U.S. sheep industry and was re-established under the 2008 Farm Bill, which provided a one-time, no-year appropriation to fund additional Sheep Center projects.

Selected Examples of Recent Progress:

In November 2012, AMS approved nine grants selected by the Sheep Center Board of Directors to improve the competitiveness of the U.S. sheep and goat industries for a total of \$300,000. In April 2013, AMS approved the Sheep Center's 2013 Strategic Plan and budget in the amount of \$383,800. The Board of Directors announced it was accepting grant proposals in August 2013, with applications due September 30, 2013. On November 20, the Board of Directors approved 10 grants and submitted them to USDA for approval.

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 [~~\$60,435,000~~] \$60,709,000 (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.

Budget Estimate, 2015	\$60,709,000
2014 Enacted	<u>60,435,000</u>
Change in Appropriation	<u>+274,000</u>

AGRICULTURAL MARKETING SERVICE

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

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)), [\$1,363,000] \$1,235,000.

Lead-Off Tabular Statement

Budget Estimate, 2015.....	\$1,235,000
2014 Enacted.....	<u>1,363,000</u>
Change in Appropriation.....	<u><u>-128,000</u></u>

Summary of Increases and Decreases

(Dollars in thousands)

	2012	2013	2014	2015	2015
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Discretionary Appropriations:					
Payments to States and Possessions.....	\$1,198	+\$37	+\$128	-\$128	\$1,235
Total.....	<u>1,198</u>	<u>+37</u>	<u>+128</u>	<u>-128</u>	<u>1,235</u>

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Project Statement

Appropriation Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2012 Actual		2013 Actual		2014 Estimate		Inc. or Dec.		2015 Estimate		
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Appropriations:											
Payments to States and Possessions.....											
	\$1,198	-	\$1,331	-	\$1,363	1	-\$128	(1)	-	\$1,235	1
Total Appropriation.....	1,198	-	1,331	-	1,363	1	-128	-	-	1,235	1
Rescission.....	-	-	-36	-	-	-	-	-	-	-	-
Sequestration.....	-	-	-60	-	-	-	-	-	-	-	-
Total Available.....	1,198	-	1,235	-	1,363	1	-128	-	-	1,235	1
Total Obligations.....	1,198	-	1,235	-	1,363	1	-128	-	-	1,235	1

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2012 Actual		2013 Actual		2014 Estimate		Inc. or Dec.		2015 Estimate		
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Obligations:											
Payments to States and Possessions.....											
	\$1,198	-	\$1,235	-	\$1,363	1	-\$128	(1)	-	\$1,235	1
Total Obligations.....	1,198	-	1,235	-	1,363	1	-128	-	-	1,235	1
Total Available.....	1,198	-	1,235	-	1,363	1	-128	-	-	1,235	1
Rescission.....	-	-	36	-	-	-	-	-	-	-	-
Sequestration.....	-	-	60	-	-	-	-	-	-	-	-
Total Appropriation....	1,198	-	1,331	-	1,363	1	-128	-	-	1,235	1

AGRICULTURAL MARKETING SERVICE

Justification of Increases & Decreases

Payments to States and Possessions

- (1) A decrease of \$128,000 for the Federal State Marketing Improvement Program (\$1,363,000 and 1 staff year available in 2014).

AMS' Federal State Marketing Improvement Program (FSMIP) will continue to offer matching funds through the competitive grants program to State Departments of Agriculture, State Agricultural Experiment Stations, and other State agencies to assist in exploring new market opportunities for U.S. food and agricultural products, and to encourage research and innovation aimed at improving the efficiency and performance of marketing systems.

This change will reduce the amount of matching grant funds awarded for state projects. AMS will encourage grant applicants to submit proposals that address USDA strategic objectives.

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Distribution of obligations by State is not available until projects have been selected. Projects for 2014 will be selected in the fourth quarter of 2014. Funds in 2014 for the Federal-State Marketing Improvement Program total \$1,363,000. A funding level of \$1,235,000 is proposed for 2015.

Geographic Breakdown of Obligations

(Dollars in thousands)

	<u>2012 Actual</u>	<u>2013 Actual</u>
Arkansas.....	-	\$50
Florida.....	-	70
Hawaii.....	\$28	75
Illinois.....	98	-
Kansas.....	-	107
Kentucky.....	69	-
Massachusetts.....	53	37
Michigan.....	-	127
Minnesota.....	-	45
Mississippi.....	53	-
Missouri.....	60	-
Montana.....	39	-
Nevada.....	46	-
New Jersey.....	63	-
New Mexico.....	43	-
New York.....	-	106
North Carolina.....	30	-
North Dakota.....	-	78
Oregon.....	-	99
Pennsylvania.....	95	-
South Dakota.....	32	-
Tennessee.....	90	-
Texas.....	-	78
Vermont.....	47	89
Virginia.....	108	97
Washington.....	144	127
Wisconsin.....	66	-
Wyoming.....	-	50
District of Columbia.....	34	-
Total, Available.....	<u>1,198</u>	<u>1,235</u>

AGRICULTURAL MARKETING SERVICE

Specialty Crop Block Grants

Annual funding of \$52,195,000 was provided in 2013 for the Specialty Crop Block Grant Program by the 2008 Farm Bill. Solicitation of grant applications was released on May 9, 2013. Applications were accepted through July 10, 2013 and awarded in September 2013. Obligations not awarded in grants were expended for administrative costs. This is a formula block grant program; 2014 amounts are based on the formula, net of 7.2 percent sequestration.

Geographic Breakdown of Obligations
(Dollars in thousands)

	<u>2012 Actual</u>	<u>2013 Actual</u>	<u>2014 Estimate</u>
Alabama	\$401	\$381	\$481
Alaska	195	185	234
Arizona	1,265	1,318	1,664
Arkansas	255	243	307
California	18,708	18,270	23,071
Colorado	682	684	864
Connecticut	404	376	475
District of Columbia	181	172	217
Delaware	245	229	289
Florida	4,484	4,222	5,331
Georgia	1,133	1,142	1,442
Hawaii	379	347	438
Idaho	930	1,001	1,264
Illinois	634	540	682
Indiana	398	373	471
Iowa	271	253	319
Kansas	259	240	303
Kentucky	261	244	308
Louisiana	351	326	412
Maine	403	402	508
Maryland	394	447	564
Massachusetts	439	420	530
Michigan	1,340	1,269	1,602
Minnesota	704	676	854
Mississippi	282	276	349
Missouri	351	319	403
Montana	329	305	385
Nebraska	332	314	396
Nevada	260	251	317
New Hampshire	239	224	283
New Jersey	816	777	981
New Mexico	515	429	542

AGRICULTURAL MARKETING SERVICE

Specialty Crop Block Grants

Geographic Breakdown of Obligations

(Dollars in thousands)

(continued)

	<u>2012 Actual</u>	<u>2013 Actual</u>	<u>2014 Estimate</u>
New York	\$1,116	\$1,010	\$1,275
North Carolina	1,153	1,083	1,368
North Dakota	616	483	610
Ohio	643	507	640
Oklahoma	385	333	421
Oregon	1,490	1,514	1,912
Pennsylvania	1,029	956	1,207
Rhode Island	217	205	259
South Carolina	553	508	642
South Dakota	208	195	246
Tennessee	528	474	599
Texas	1,854	1,421	1,794
Utah	289	280	354
Vermont	224	209	264
Virginia	496	459	580
Washington	3,327	3,262	4,119
West Virginia	217	205	259
Wisconsin	884	871	1,100
Wyoming	205	197	249
American Samoa	216	203	256
Guam	183	174	220
Northern Mariana Islands.....	96	-	-
Puerto Rico	382	352	445
U.S. Virgin Islands	182	-	-
Subtotal, Grant Obligations	54,333	51,556	65,105
Administrative Expenses	667	639	2,175
Total, Available or Estimate	55,000	52,195	67,280

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Classification by Objects

(Dollars in thousands)

	2012	2013	2014	2015
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Personnel Compensation:				
Washington, D.C.....	-	-	\$179	\$181
Field.....	-	-	-	-
11.0 Total personnel compensation.....	-	-	138	139
12.0 Personnel benefits.....	-	-	41	42
Total, personnel comp. and benefits.....	-	-	179	181
Other Objects:				
41.0 Grants, subsidies and contributions.....	1,198	1,235	1,184	1,054
Total, Other Objects.....	1,198	1,235	1,184	1,054
Total, Payments to States and Possessions.....	1,198	1,235	1,363	1,235

Position Data:

Average Salary, ES positions.....	-	-	-	-
Average Salary, GS positions.....	-	-	\$138,136	\$139,172
Average Grade, GS positions.....	-	-	14	14

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAMS

PAYMENTS TO STATES AND POSSESSIONS

Current Activities: The Federal-State Marketing Improvement Program (FSMIP) is a grant program which provides matching funds to State Departments of Agriculture, State agricultural experiment stations, and other appropriate State agencies to help them explore new market opportunities for U.S. food and agricultural products, and to encourage research and innovation aimed at improving the efficiency and performance of the marketing system.

Selected Examples of Recent Progress:

In FY 2013, FSMIP reviewed 51 matching grant proposals from 24 states to help create economic opportunities for American farmers and ranchers. AMS awarded \$1.2 million to 18 State departments of agriculture and universities in 15 states for projects that will explore agricultural marketing opportunities or address agricultural marketing challenges that have statewide or regional impact on farmers and agri-businesses. The projects will enable states to research new opportunities, and spark innovation in the marketing, transportation and distribution of U.S. agricultural products. Many of the FY 2013 projects focus on researching how to improve marketing strategies, and increasing sales of value added meat products, aquaculture products, and fresh and processed produce in local and regional food systems. Other topics include bioenergy, forestry, and horticulture.

Federal-State Marketing Improvement Program
Fiscal Year 2013 Grants

<u>State</u>	<u>Purpose</u>	<u>Award</u>
Arkansas	Create wealth in the rural Eastern Arkansas area through local and regional food systems and value-added agriculture.	\$49,700
Florida	Determine the impact of state-specific signs and labels on consumer demand for the U.S. and Florida grown tomatoes.	69,500
Hawaii	Interview and survey grocery retailers and restaurants in Hawaii to explore market acceptance, demand level, preferred product form, packaging and price point for produce and fish harvested by aquaponic farms and related food-safety requirements.	75,000
Kansas	Study the current use by nurseries and garden centers of social media marketing.	107,160
Massachusetts	Determine the best methods for expanding the existing business model to new markets by researching and identifying the needs of wholesale and institutional outlets and aggregation/distribution costs of the Food Hub.	37,374
Michigan	Assess emerging demand for U.S. pork in China by evaluating urban Chinese consumer preferences for various product-attributes using a well-established experimental economics methodology.	99,879
Michigan	Investigate and refine measurements of the extent to which attention-capturing elements of retail displays of branded and non-branded food producing plants vary among consumers by the level of their gardening expertise.	26,655

<u>State</u>	<u>Purpose</u>	<u>Award</u>
Minnesota	Identify a yield-maximizing process to convert acid whey to soluble dietary fiber, evaluate the economic feasibility of the process, and explore the market size and potential for growth in demand for the fiber.	45,279
New York	Understand the roles and opportunities for small-scale farmer marketing cooperatives as food hubs in addressing growing demands for local, source-identified food products through intermediated marketing channels.	106,258
North Dakota	Support the commercialization of a new biofuel pathway by collecting and analyzing market information on energy beets, creating a demand schedule using an economic feasibility simulation models, and exploring the most cost efficient way of transporting energy beets or beet juice.	78,298
Oregon	Train entrepreneurial food producers and processors in the basics of conducting product sensory and consumer tests themselves.	99,180
Texas	Develop a profile and identify marketing strategies to reach an emerging yet sizeable market of wine consumers - the Hispanic wine consumer.	77,803
Vermont	Amplify the economic impacts (and mitigate risks) of agricultural and culinary tourism for Vermont farms through research and evaluation of economic impacts; capacity development and risk management for producers offering on-farm experiences; coordinated marketing campaign to drive visitors to farm and food businesses offering authentic experiences; and leadership and network development to ensure the sharing of best practices and strong agricultural organizations.	88,500
Virginia	Examine factors in business partnership selection and contractual relationships between small scale producers and middlemen in the market for specialty crops in order to increase the efficiency and profitability specialty crops markets through improved understanding and more effective use of business relationships and contracts.	39,580
Virginia	Identify the deficiencies in the local food marketing system and develop marketing strategies that meet the needs of small farmers and consumers in selected counties in Virginia.	57,200
Washington	Assess the feasibility of and develop the framework options for a farmer “verification” program for Washington State to ensure public trust in local products sold at the state’s farmers markets.	76,633
Washington	To assess the impact of post-harvest labor shortages in the U.S. pome and prunus industries on profit and economic welfare, and determine the extent to which such labor shortages interfere with marketing, distribution, and delivery in domestic and foreign markets.	50,699
Wyoming	Measure pollination services’ value in Wyoming’s rural economy, assess Wyoming’s pollination industry structure and organization and explore Wyoming beekeepers’ openness to new marketing avenues.	49,992
	Total	<u>\$1,234,690</u>

SPECIALTY CROP BLOCK GRANT PROGRAM

Current Activities: The Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621 note) authorized USDA to provide state assistance for specialty crops. All 50 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, Section 10109, extended the Specialty Crop Block Grant (SCBG) Program through 2012 and provided Commodity Credit Corporation funding at the following levels: \$10 million in 2008, \$49 million in 2009, and \$55 million for 2010 through 2012. The Farm Bill also amended the definition of specialty crops by adding horticulture; and added Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands to the list of “States” eligible to apply for grants.

Section 701 of the American Taxpayer Relief Act of 2012 extended funding for Section 10109 of the Farm Bill for one year until September 30, 2013.

State grants for each fiscal year are equal to the higher of \$100,000 or 1/3 of one percent of the total amount of available funding. Program regulations require State departments of agriculture to describe their outreach efforts to specialty crop producers, including socially disadvantaged and beginning farmers; and to describe their efforts to conduct a competitive process to ensure maximum public input and benefit.

Selected Examples of Recent Progress:

The 2013 Notice of Funding Availability was published on May 9, 2013, in the *Federal Register* with a grant application deadline of July 10, 2013. During 2013, grant awards were made to the 50 States, District of Columbia, the Commonwealth of Puerto Rico, Guam, and American Samoa. Grant awards totaled approximately \$52 million for 694 projects. Project awards were aimed at enhancing the competitiveness of specialty crops through marketing and promotion, food safety, research, production, pest and plant health, and education initiatives. Information on the amounts awarded and the projects funded is available on www.ams.usda.gov/AMSV1.0/scbgp.

In Fiscal Year 2013, the SCBG Program monitored its grantees through site visits, site visit follow-up reviews, and a review of performance reports. SCBGP staff conducted 9 site visits and 18 site visit follow-up reviews with State departments of agriculture grantees. The site visits and follow-up reviews enhanced the performance of the SCBG Program, identified effective practices and outstanding program outcomes, facilitated decision making by parties with responsibility of overseeing or initiating corrective action, and improved public accountability. Of the 122 corrective actions identified through site visits conducted by the SCBGP Program, 108 were implemented, according to the follow-up reviews performed in fiscal year 2013. In addition, program staff reviewed over 2,300 project performance reports totaling over \$157 million in grant funds to evaluate the significance and impact of the program in enhancing the competitiveness of specialty crops.

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Lead-Off Tabular Statement

Budget Estimate, 2015.....	\$10,980,000
2014 Enacted.....	10,112,000
Change in Appropriation.....	<u>+868,000</u>

Summary of Increases and Decreases

(Dollars in thousands)

Program	2012 Actual	2013 Change	2014 Change	2015 Change	2015 Estimate
Mandatory Appropriations:					
Perishable Agricultural Commodities Act..	\$10,243	-\$468	+\$337	+\$868	\$10,980
Total.....	<u>10,243</u>	<u>-468</u>	<u>337</u>	<u>868</u>	<u>10,980</u>

Project Statement

Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	<u>2012 Actual</u>		<u>2013 Actual</u>		<u>2014 Estimate</u>		<u>Inc. or Dec.</u>		<u>2015 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Appropriations:										
Appropriation (from receipts)..	\$11,548	72	\$11,739	71	\$10,897	77	+\$83	-	\$10,980	77
Recoveries.....	257	-	216	-	-	-	-	-	-	-
Sequestration.....	-	-	-535	-	-785	-	-	-	-	-
Balance Available, SOY.....	4,989	-	6,551	-	8,196	-	-	-	8,196	-
Total Available.....	16,794	72	17,971	71	18,308	77	+83	-	19,176	77
Balance Available, EOY.....	-6,551	-	-8,196	-	-8,196	-	-	-	-8,196	-
Total Obligations.....	<u>10,243</u>	<u>72</u>	<u>9,775</u>	<u>71</u>	<u>10,112</u>	<u>77</u>	<u>+868</u>	<u>-</u>	<u>10,980</u>	<u>77</u>

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Project Statement

Obligations Detail and Staff Years (SYs)
(Dollars in thousands)

Program	<u>2012 Actual</u>		<u>2013 Actual</u>		<u>2014 Estimate</u>		<u>Inc. or Dec.</u>		<u>2015 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Obligations:										
Total Obligations.....	\$10,243	72	\$9,775	71	\$10,112	77	+\$868	-	\$10,980	77
Balance Available, EOY.....	6,551	-	8,196	-	8,196	-	-	-	8,196	-
Total Available.....	16,794	72	17,971	71	18,308	77	+868	-	19,176	77
Recoveries.....	-257	-	-216	-	-	-	-	-	-	-
Sequestration.....	-	-	535	-	785	-	-	-	-	-
Bal. Available, SOY.....	-4,989	-	-6,551	-	-8,196	-	-	-	-8,196	-
Total Appropriation (from receipts).....	11,548	72	11,739	71	10,897	77	+83	-	10,980	77

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	<u>2012 Actual</u>		<u>2013 Actual</u>		<u>2014 Estimate</u>		<u>2015 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Arizona.....	\$1,006	10	\$1,024	10	\$1,070	11	\$1,070	11
District of Columbia.....	6,968	41	6,574	41	6,628	43	7,496	43
Texas.....	1,093	10	1,124	10	1,163	11	1,163	11
Virginia.....	1,176	11	1,053	10	1,251	12	1,251	12
Obligations.....	10,243	72	9,775	71	10,112	77	10,980	77
Bal. Available, EOY.....	6,551	-	8,196	-	8,196	-	8,196	-
Total, Available.....	16,794	72	17,971	71	18,308	77	19,176	77

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAMS

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, PACA provides for prompt payment to fruit and vegetable sellers and may place sanctions and/or civil penalties against firms or principals who violate the law's standards for fair business practices.

AMS investigates violations of PACA, resulting 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.

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 produce suppliers, sellers, or agents that have not been paid, to ensure they are paid in full.

Selected Examples of Recent Progress:

In 2013, AMS was contacted by members of the fruit and vegetable industry for assistance in resolving 1,186 commercial disputes. These disputes involved approximately \$20.5 million. AMS resolved approximately 91 percent of those disputes informally within four months. Decisions and orders were issued in 375 formal reparation cases involving award amounts totaling approximately \$8.8 million. AMS initiated 38 disciplinary complaints against firms for alleged violations of the PACA. AMS issued 37 disciplinary orders – either suspending or revoking a firm's PACA license, levying civil penalties, or issuing a finding of repeated and flagrant violations against produce firms for violations of the PACA. In addition, the PACA Division assisted 2,078 telephone callers needing immediate transactional assistance.

Fees and Charges in Effect in 2013:*

<u>Service Performed</u>	<u>Cost</u>
Basic License	\$995.00 per year
Branch License	600.00 per location

* PACA adjusted its annual license fee in 2011 for the first time since 1995, with the support of the Fruit and Vegetable Advisory Committee and other trade associations. That fee remains in effect.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income and Supply

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

Section 32

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, including up to \$500,000 to pay for eligible small businesses' first pre-award audits, and other related operating expenses, 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 [\$20,056,000] \$20,317,000 for formulation and administration of marketing agreements and orders pursuant to the Agricultural Marketing Agreement Act of 1937 and the Agricultural Act of 1961.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income, and Supply (Section 32)

Lead-Off Tabular Statement

Permanent Appropriation, 2014	\$9,211,182,712
Prior Year Appropriation Available, start of year	313,530,530
Less Food and Nutrition Service (FNS) transfer from prior year funds for the Farm Bill Fresh Fruit and Vegetable Program (FFVP) <u>a/</u>	-117,000,000
Less annual transfers to:	
Department of Commerce	-130,144,436
FNS, Child Nutrition Programs	-8,011,568,806
Total, Transfers	-8,141,713,242
Farm Bill Spending Authority, 2014	1,266,000,000
Less Rescission	-189,000,000
Less Sequester	-79,703,000
Less Current Year Unavailable, held for the Farm Bill FFVP <u>b/</u>	-119,000,000
Total AMS Budget Authority, 2014	878,297,000
Less FNS transfer for the Farm Bill FFVP	-41,000,000
Total Available for Obligation, 2014	837,297,000
Budget Estimate, 2015:	
Permanent Appropriation, 2015	9,714,922,892
Prior Year Appropriation Available, start of year	119,000,000
Less Food and Nutrition Service (FNS) transfer from prior year funds for the Farm Bill Fresh Fruit and Vegetable Program (FFVP) <u>b/</u>	-119,000,000
Less annual transfers to:	
Department of Commerce	-131,000,000
FNS, Child Nutrition Programs	-8,299,922,892
Total, Transfers	-8,430,922,892
Farm Bill Spending Authority, 2015	1,284,000,000
Less Proposed Rescission	-203,000,000
Less Current Year Unavailable, held for the Farm Bill FFVP <u>c/</u>	-122,000,000
Total AMS Budget Authority, 2015	959,000,000
Less FNS transfer for the Farm Bill FFVP	-40,000,000
Agency Request, 2015	919,000,000
Change from Adjusted 2014 Base	81,703,000

a/ USDA appropriations for FY 2013, P.L. 113-6, General Provision Section 722, directs the transfer on October 1, 2013, of 2013 funds made available under subsection (c) of Section 14222 of P.L. 110-246 to carry out section 19(i)(1)(c) of the Richard B. Russell National School Lunch Act.

b/ USDA appropriations for FY 2014, P.L. 113-76, General Provision Section 719, directs the transfer on October 1, 2014, of 2013 funds made available under subsection (c) of Section 14222 of P.L. 110-246 to carry out section 19(i)(1)(c) of the Richard B. Russell National School Lunch Act.

c/ The FY 2015 Budget assumes that \$122 million of the July 1, 2015, transfer will not be made available until October 1, 2015.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income, and Supply (Section 32)

Summary of Increases and Decreases

(Dollars in thousands)

Program	2012 Actual	2013 Change	2014 Change	2015 Change	2015 Estimate
Mandatory Appropriations:					
Child Nutrition Program Purchases	\$465,000	-	-	-	\$465,000
Farm Bill Specialty Crop Purchases	175,600	-\$122,400	+\$152,800	-	206,000
Emergency Surplus Removal	2,200	+197,645	-199,845	-	-
Estimated Future Needs <u>a/</u>	224,913	-63,245	-62,549	+\$80,854	179,973
State Option Contract	5,000	-	-	-	5,000
Removal of Defective Commodities	2,500	-	-	-	2,500
Disaster Relief	5,000	-	-	-	5,000
Small Business Support	-	-	-	+500	500
Commodity Purchases Services	27,731	-	+6,891	+88	34,710
Marketing Agreements and Orders	20,056	-	-	+261	20,317
AMS Spending Authority	928,000	+12,000	-102,703	+81,703	919,000
FNS Transfer for Farm Bill Fresh					
Fruit and Vegetable Program <u>b/</u>	20,000	+21,000	-	-1,000	40,000
AMS Budget Authority	948,000	+33,000	-102,703	+80,703	959,000

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

b/ Does not include amounts held for transfer on October 1 of the subsequent fiscal year.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income, and Supply (Section 32)

Project Statement

Appropriations Detail and Staff Years (SYs)
(Dollars in thousands)

Program	<u>2012 Actual</u>		<u>2013 Actual</u>		<u>2014 Estimate</u>		<u>Inc. or Dec.</u>		<u>2015 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Appropriations:										
Permanent Appropriation.....	\$7,947,046	171	\$8,990,117	160	\$9,211,183	172	+\$503,740	-	\$9,714,923	172
Transfers Out:										
Food and Nutrition Service (FNS),										
Child Nutrition Programs.....	-6,749,901	-	-7,697,031	-	-8,011,569	-	-288,354	-	-8,299,923	-
FNS Transfer from PY funds.....	-117,000	-	-133,000	-	-117,000	-	-2,000	-	-119,000	-
FNS, Fresh Fruit and										
Vegetable Program.....	-20,000	-	-41,000	-	-41,000	-	+1,000	-	-40,000	-
Department of Commerce.....	-109,098	-	-131,372	-	-130,144	-	-856	-	-131,000	-
Subtotal.....	-6,995,999	-	-8,002,403	-	-8,299,713	-	-290,210	-	-8,589,923	-
Rescission.....	-150,000	-	-109,608	-	-189,000	-	-14,000	-	-203,000	-
Sequestration.....	-	-	-40,392	-	-79,703	-	+79,703	-	-	-
Prior Year Appropriation.....										
Available, SOY.....	259,953	-	219,286	-	313,530	-	-194,530	-	119,000	-
Recoveries.....	563	-	4,016	-	-	-	-	-	-	-
Offsetting Collections.....	-	-	20,184	-	-	-	-	-	-	-
Unavailable Resources, EOY.....	-219,286	-	-313,530	-	-119,000	-	-3,000	-	-122,000	-
Total Obligations.....	842,277	171	767,670	160	837,297	172	+81,703	-	919,000	172

Note: A rescission has been proposed for \$203 million for FY 2015.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income, and Supply (Section 32)

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2012 Actual		2013 Actual		2014 Estimate		Inc. or Dec.		2015 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Commodity Purchases:										
Child Nutrition Program Purchases.	\$462,913	-	\$464,982	-	\$465,000	-	-	-	\$465,000	-
Farm Bill Specialty Crop Purchases.	162,173	-	53,200	-	206,000	-	-	-	206,000	-
Emergency Surplus Removal.....	171,726	-	199,846	-	-	-	-	-	-	-
Estimated Future Needs.....	-	-	-	-	99,119	-	+80,854	-	179,973	-
Subtotal.....	796,812	-	718,028	-	770,119	-	+80,854	-	850,973	-
State Option Contract.....	-	-	-	-	5,000	-	-	-	5,000	-
Removal of Defective Commodities....	-	-	145	-	2,500	-	-	-	2,500	-
Disaster Relief.....	447	-	4,039	-	5,000	-	-	-	5,000	-
Small Business Support.....	-	-	-	-	-	-	+500 (1)	-	500	-
Prior Year Adjustment.....	-1,982	-	-	-	-	-	-	-	-	-
Administrative Funds:										
Commodity Purchases Services.....	27,151	60	27,593	62	34,622	61	+88 (2)	-	34,710	61
Marketing Agreements and Orders.	19,849	111	17,865	98	20,056	111	+261 (2)	-	20,317	111
Subtotal.....	47,000	171	45,458	160	54,678	172	+349	-	55,027	172
Total Obligations.....	842,277	171	767,670	160	837,297	172	+81,703	-	919,000	172
Recoveries.....	-563	-	-4,016	-	-	-	-	-	-	-
Offsetting Collections.....	-	-	-20,184	-	-	-	-	-	-	-
Precluded from Obligation										
in Current Year.....	-133,000	-	-117,000	-	-119,000	-	-3,000	-	-122,000	-
Unavailable Resources, EOY.....	219,286	-	313,530	-	119,000	-	+3,000	-	122,000	-
Transfer to FNS.....	259,953	-	219,286	-	313,530	-	-191,530	-	122,000	-
Prior Year Appropriation										
Available, SOY.....	-259,953	-	-219,286	-	-313,530	-	+191,530	-	-122,000	-
Total Appropriation.....	928,000	171	940,000	160	837,297	172	+81,703	-	919,000	172

AGRICULTURAL MARKETING SERVICE

Justification of Increases and Decreases

Funds for Strengthening Markets, Income, and Supply (Section 32)

- (1) An increase of \$500,000 to pay for eligible small business' first "pre-award" audit to make them eligible to participate in USDA's Federal food procurement program.

AMS has historically supported USDA's small business goals through commodity purchases. Recently the program has faced increased challenges in recruiting small businesses into the purchase program due to initial start-up costs of qualifying. The increase would pay for eligible small business first pre-award audit costs thus increasing the pool of available vendors.

- (2) An increase of \$349,000 for administrative costs associated with Commodity Purchases and oversight of Marketing Agreements and Orders (\$54,678,000 and 172 staff years available in 2014).

This increase is requested to fund salary costs for employees with technical expertise needed to conduct marketing order regulatory and oversight activities and to purchase agricultural commodities used in USDA food assistance programs. Without this increase, AMS will have to reduce services that benefits farmers, agricultural, producers, processors, handlers, recipient agencies, and other stakeholders.

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	2012 Actual		2013 Actual		2014 Estimate		2015 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
California.....	\$1,143	4	\$1,138	10	\$1,167	10	\$1,167	10
District of Columbia.....	44,075	160	42,668	135	51,692	147	52,029	147
Florida.....	618	2	607	5	631	5	631	5
Oregon.....	900	3	825	7	919	7	919	7
Texas.....	65	1	5	1	66	1	66	1
Virginia.....	199	1	215	2	203	2	215	2
Total, Available.....	47,000	171	45,458	160	54,678	172	55,027	172

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAMS

SECTION 32

COMMODITY PURCHASES

Current Activities: AMS purchases meat, poultry, eggs and egg products, and fruits, vegetables and tree nuts 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. Food 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 nutrition assistance 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, and ensures the proper storage of commodities when necessary. The administrative costs for food buying operations and coordination with FNS and FSA are paid from the Commodity Purchase Services (CPS) 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, and conducts 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 directs USDA to purchase additional fruits, vegetables, and tree nuts (specialty crops) using Section 32 funds, to assist growers and support domestic nutrition assistance programs. The adjusted totals, which include the \$200 million minimum purchase level established by previous legislation, are: \$390 million for 2008, \$393 million for 2009, \$399 million for 2010, \$403 million for 2011, and \$406 million for 2012 and each fiscal year thereafter. In 2013, AMS purchased over \$417.3 million of specialty crop products which is approximately 3 percent over the minimum purchase level.

Selected Examples of Recent Progress:

Commodity Purchases – In 2013, AMS purchased \$670.7 million worth of non-price supported commodities with Section 32 funds. The Department of Defense purchased an additional \$50 million of fresh fruits and vegetables for the National School Lunch Program (NSLP) from Section 32 funds on behalf of AMS. Purchased commodities were used to fulfill the National School Lunch Program's commodity subsidy entitlement of 23.25 cents per meal and for emergency surplus removal to assist agricultural producers.

Under agreement, AMS also purchased an additional \$847.5 million (including \$243.8 million in specialty crops) of commodities on behalf of FNS using funds appropriated to FNS for entitlement programs. In total, AMS purchased approximately 1.8 billion pounds (1.2 billion pounds in specialty crops) of commodities distributed by FNS through the Department's various nutrition assistance programs.

Surplus Removal – Surplus removal (or bonus) commodities are donated to schools and other institutions in addition to entitlements purchases. The following chart reports the commodities purchased under surplus removal and reflects the variety of producers that received assistance through bonus purchases:

2013 Contingency Fund Expenditures
for Surplus Removal

<u>Commodity</u>	<u>Amount</u>
Blueberries, Wild	\$15,670,661
Blueberries, Cultivated	14,973,884
Catfish Products	9,934,460
Chicken Products	50,000,000
Cranberries	4,987,092
Grapefruit Juice	3,786,034
Lamb Products	4,965,064
Potatoes	25,000,000
Strawberries	1,968,843
Tomatoes	3,559,856
Turkey	64,999,575
Total	<u>\$199,845,469</u>

Disaster Assistance – Section 32 funds are available each fiscal year to purchase commodities for disaster assistance, as needed under authority of the Stafford Act. A total of \$4,039,169 was authorized to AMS and FSA for disaster assistance. Following are the disaster assistance activities funded by Section 32 in FY 2013:

- Hurricane Sandy – AMS was authorized \$583,000 to pay for transportation incurred and to purchase Group A (not price-supported) commodities as a replacement for USDA foods used in New York during Hurricane Sandy. FSA was authorized \$1,271,022 to purchase Group B (price-supported) commodities as a replacement for USDA foods used in the same disaster area.
- Oklahoma Disaster – FSA was authorized \$153,680 to purchase Group B commodities to replace commodities utilized for assistance in Oklahoma due to severe weather and tornadoes.
- Republic of the Marshall Islands (RMI) Drought – Section 32 funds totaling \$2,022,000 was authorized for the purchase and distribution of foods for drought disaster assistance in the RMI through the Defense Logistics Agency.

Web-Based Supply Chain Management – Beginning in 2006, AMS was authorized to use Section 32 funds to develop and operate a new computer system to support the shared interests of USDA commodity purchase programs. The Web-Based Supply Chain Management (WBSCM) system has improved the procurement, delivery, and management of more than 200 commodities and 4.5 million tons of food through domestic and foreign feeding programs administered by AMS, FSA, FNS, and the United States Agency for International Development (USAID). The system went “live” during FY 2011, and supported full operations through FY 2013. Currently, the system is supporting over 7,000 registered users.

In FY 2013, WBSCM management began a technical upgrade of the underlying SAP software. The technical upgrade will bring the SAP software up to the most current versions, allowing all web browsers to be used when accessing WBSCM. The technical refresh will also enhance several user screens, while correcting some known issues, and improving system efficiencies in data processing and handling. This effort will supplant most of the normal operations and maintenance activities, reducing the number of system issues that can be corrected over the course of the year. Funds that were earmarked for operations and maintenance have been diverted to the technical refresh effort, which is scheduled to be completed in the summer of 2014. In FY 2014, WBSCM management will also undertake acquisition of a new contract for WBSCM operations and maintenance, since the current contract concludes at the end of FY 2014.

Procurement Program Redesigns – Last year, in response to industry requests to improve the timing and methods for procuring canned and frozen fruit and vegetable products, as well as FNS’ need to supply these products year-round for domestic food assistance programs, AMS launched completely redesigned procurement programs for these products. For 2013, solicitations were issued in the spring and AMS secured contracts for the entire 2013-2014

school year (July 2013 through June 2014). CPS continues to refine the timing of purchases, and made significant changes to the sweet potatoes purchased for the year. At the request of industry, the Solicitation was released even earlier in the year with the purpose of giving vendors more time to obtain the product necessary to meet product specifications.

CPS continued to build on prior efforts to use long term contract vehicles such as request for proposals (RFPs). Turkey taco meat was purchased for the first time on an RFP in hopes of providing a more consistent product to FNS recipients. Diced chicken was also bought on an RFP, but with additional option periods. CPS exercised an option for turkey taco meat for the very first time, hoping the option period will encourage vendors to continue to perform well and deliver on time. CPS is now purchasing turkey roasts on yearlong contracts, with contracts being awarded to vendors by FNS region (state groupings). This process allows vendors to know a year in advance how many turkey roasts to produce while recipients receive a consistent product over the entire year.

CPS also redesigned the purchasing program for chicken, turkey, beef, pork and ham, buying product once every four weeks instead of every two weeks. Vendors report they like knowing the quantity of product they need to produce for the entire month, and are better able to plan production and deliveries. Internally, CPS personnel report a lower amount of administrative burden over the course of the month and an improved ability to monitor vendor performance. CPS continues to receive positive feedback from recipients and the vendor community for improvements seen with the use of long term contract vehicles.

Product Development – During FY 2013, CPS worked within AMS and FNS to make improvements to current USDA foods as well as to develop and introduce a variety of new products, improving the quality and variety available to domestic food assistance programs and creating additional outlets for domestic agricultural products and suppliers. CPS added low sodium ham, diced mushrooms (for processing), and bulk beans (for processing), with many other products on the horizon for improvement or development. New products will be rolled out over the course of the year when formulations are finalized.

A handful of items were improved by CPS' commodity procurement to assist FNS programs with acceptability of the product or to help FNS meet dietary guidelines. For example, CPS added a smaller sized beef patty to help meet lower fat and protein requirements for younger children. CPS is also assisting industry with a formation change of the breaded catfish filet so the breading is whole grain and lower in fat, again to assist FNS in meeting whole grain requirements and to reduce overall fat. Additional product improvements are also in the offing and will be rolled out as soon as formulations can be developed and adjusted.

Food Safety – AMS samples and tests every lot of ground beef produced under contract for foodborne pathogens (*Escherichia coli* O157:H7 and *Salmonella*) and various indicator organisms. Any lot found positive for a pathogen is rejected for purchase. Indicator organism testing results are used to measure statistical process capability, with the result that vendors found to have lost process control are downgraded from “process capable” to “conditional” status or from “conditional” status to “ineligible” status. In addition, any lot found to have indicator organism values exceeding critical limits is also rejected for purchase. In FY 2013, AMS tested approximately 71,000 samples of beef, less than 0.05 and 0.5 percent of which were positive for *E. coli* O157:H7 and *Salmonella*, respectively.

MARKETING AGREEMENTS AND ORDERS

Current Activities: Section 32 funds support the administration of Federal marketing agreements and marketing orders, which help to establish orderly marketing conditions for dairy products, fruits, vegetables, nuts and specialty crops. Marketing agreements and orders enable dairy farmers and fruit/vegetable growers to work together to solve marketing problems that they cannot solve individually, by balancing the availability of quality product with the need for adequate returns to producers and the demands of consumers. Twenty-eight marketing orders are currently active for fruits, vegetables, nuts and specialty crops, and they are customized to meet the needs of a particular industry and may have provisions that: (1) impose mandatory grading and inspection services to meet minimum grade levels; (2) standardize the packaging and labeling of containers; (3) sponsor production research projects; (4) create market research and product promotion activities; and (5) increase or decrease the amount of product allowed into commercial channels during periods of exceedingly high or low volume. Ten regional marketing orders are

currently active for milk and dairy products to ensure orderly marketing conditions and an adequate supply of fluid milk for public consumption.

Selected Examples of Recent Progress:

Dairy Program:

Class III and Class IV Product Price Formulas – AMS issued a final rule that permanently adopts changes to the manufacturing cost allowances and the butterfat yield factor used in Class III and Class IV product-price formulas applicable to all Federal milk marketing orders. These changes were implemented previously through an interim final rule that became effective on October 1, 2008. The final rule provides regulatory certainty to industry stakeholders by ensuring that the Class III and Class IV product-price formulas remain reflective of current marketing conditions. Major stakeholders supported finalizing the rule so that they could begin a conversation with the Department on alternatives to the current classified pricing system. These conversations could not begin until this and related Class III and Class IV rulemaking proceedings were closed. With this action, the Department is no longer under ex parte restrictions and is better able to serve the needs of the dairy industry.

Evolving Industry Needs – AMS has provided technical consultation for industry stakeholders regarding a proposed Federal milk marketing order covering the state of California. Industry representatives are exploring alternative milk marketing options to provide nationally coordinated milk pricing.

Fruits and Vegetable Program:

Evolving Industry Needs – AMS programs help U.S. producers and handlers remain competitive in domestic and global markets. In an effort to respond to industry needs, AMS personnel met with representatives from numerous industries to discuss matters of industry concern and to consider broad scale regulatory changes responsive to recent trends in production volume and handling practices. In particular, AMS attended 264 board/committee meetings and approved 26 operating budgets. AMS specialists reviewed 732 promotional pieces to ensure board/committee messaging was compliant with Departmental guidelines. AMS also reviewed proposals for dozens of research projects funded by industry assessments, each of which is designed to address issues like pest management and post-harvest handling. Fruit, vegetable, and specialty crop marketing orders directly affect and benefit more than 33,000 U.S. farmers.

In accordance with marketing order requirements, AMS conducted referenda among the growers of two commodities to determine whether continuation of those programs is desirable. Growers of Walla Walla sweet onions and Vidalia onions voted unanimously to continue their programs.

AMS specialists conducted regional outreach and collaborated with other agencies on projects like the Food and Nutrition Service's Farm to School Grant Program, and served on the California Food and Agriculture Council, as well as on Fruit and Vegetable Program Project Teams. AMS responded to inquiries from various industries interested in establishing new Federal marketing orders, including U.S. pecans, Mississippi and California sweet potatoes, U.S. catfish, and U.S. eggs.

Enforcement – AMS is responsible for the enforcement of 28 Federal marketing orders and 14 section 8e import regulations, as well as export regulations for 3 commodities and the U.S. Peanut Standards. Industry administrative committees are responsible for conducting initial investigations and report complaints of possible violations to AMS.

- AMS reviewed and analyzed 7,600 imported lots subject to section 8e regulations for potential violations, covering 700 companies, and entered into 5 stipulation agreements and issued 70 official warnings to violators.
- AMS handled two multi-million dollar compliance cases:
 - Koretoff v. Vilsack: AMS obtained a favorable ruling that establishment of the Salmonella treatment regulation was within the Secretary's authority under the Agricultural Marketing Agreement Act of

1937 and the Federal marketing order for California almonds. The plaintiffs challenged the Department Regulation that requires almond handlers to treat (pasteurize or chemically) raw almonds to reduce the risk of Salmonella bacteria contamination. Both the District Court and the appellate court ruled that the promulgation of the rule was within Department authority, and followed proper procedures.

- Marvin Horne, et al. v. the U.S. Department of Agriculture was argued in front of the Supreme Court in March 2013. This case involves the violation of the raisin marketing order for the 2002-03 and 2003-04 crop years. The Supreme Court held that the plaintiff may raise their takings claim as a defense to the fines imposed on them, but took no position on the merits of the takings claim, and remanded the case to the U.S. Court of Appeals for the Ninth Circuit.
- AMS conducted 14 compliance reviews of administrative committees and boards to ensure the integrity of the marketing programs.
- AMS signed a memorandum of understanding with the U.S. Census Bureau to share export data on shipments covered under the Export Fruit Acts and section 8e imports. AMS will use Census data for verification and enforcement purposes for the export shipment of apples, table grapes and plums.
- A major technology project is under development that will integrate, analyze, and automate data from multiple sources to improve the monitoring and enforcement of compliance with domestic, import, and export regulations. This project will greatly enhance the agency's ability to effectively monitor and enforce the regulations of 28 domestic marketing orders, with an \$11 billion annual crop value; section 8e import regulations for 14 commodities with 150,000 shipments annually, valued at \$3 billion; the Export Fruit Acts, which cover the annual exportation of 1.4 million tons of US apples, grapes, and plums; and Congressionally mandated peanuts standards.

Rulemaking – In all, the Fruit and Vegetable Rulemaking Branch processed 80 dockets, including 26 work plans, 14 proposed rules, 2 continuance referenda, 14 interim rules, 11 final rules, and 12 interim final rules. AMS managed the amendatory processes for the Florida citrus and California kiwifruit marketing orders, a responsibility that included facilitating hearings, analyzing evidence, and drafting and clearing rulemaking actions prior to publication in the Federal Register. AMS also handled rulemaking processes for terminating the California-Oregon potato marketing order and suspending regulations under the Washington potato marketing order, based on industry requests.

AGRICULTURAL MARKETING SERVICE

Shared Funding Projects

(Dollars in thousands)

	2012	2013	2014	2015
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Working Capital Fund:				
Administration:				
Mail and Reproduction Management.....	\$917	\$902	\$770	\$944
Beltsville Service Center.....	261	202	224	229
Integrated Procurement System.....	311	283	284	293
Procurement Operations.....	-	1	1	1
Subtotal.....	1,489	1,388	1,279	1,467
Communications:				
Creative Media & Broadcast Center.....	52	63	365	348
Finance and Management:				
NFC/USDA.....	529	706	850	907
Non-USDA.....	-	-	-	-
Controller Operations.....	1,363	1,300	1,396	1,405
Financial Systems.....	2,436	2,400	1,978	1,954
Internal Control Support Services.....	143	99	91	93
Subtotal.....	4,471	4,505	4,315	4,359
Information Technology:				
NITC/USDA.....	4,110	4,688	3,886	3,894
Non-USDA.....	-	-	-	-
Internal Technology Services.....	-	15	-	-
Telecommunications Services.....	933	897	945	908
Subtotal.....	5,043	5,600	4,831	4,802
Correspondence Management.....	170	143	126	149
Total, Working Capital Fund.....	11,225	11,699	10,916	11,125

AGRICULTURAL MARKETING SERVICE

Shared Funding Projects

(Dollars in thousands)

	2012	2013	2014	2015
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Department-Wide Reimbursable Programs:				
1890's USDA Initiatives.....	82	78	79	79
Advisory Committee Liason Services.....	30	23	28	28
Continuity of Operations Planning.....	46	55	56	56
E-GOV Initiatives HSPD-12.....	168	175	182	182
Emergency Operations Center.....	64	61	62	62
Facility and Infrastructure Review and Assessment.....	6	11	12	12
Faith-Based Initiatives and Neighborhood Partnerships.....	11	10	11	11
Federal Biobased Products Preferred Procurement Program.....	9	9	9	9
Hispanic-Serving Institutions National Program.....	54	52	54	54
Honor Awards.....	2	1	2	2
Human Resources Transformation (inc. Diversity Council).....	45	42	44	44
Intertribal Technical Assistance Network.....	53	-	-	-
Medical Services.....	18	22	22	22
Personnel and Document Security.....	33	34	35	35
Pre-authorizing Funding.....	93	90	100	100
Retirement Processor/Web Application.....	14	15	15	16
Sign Language Interpreter Services.....	53	63	63	63
TARGET Center.....	24	24	25	25
USDA 1994 Program.....	21	20	21	21
Virtual University.....	57	55	56	56
Visitor Information Center.....	21	23	26	26
Total, Department-Wide Reimbursable Programs.....	904	863	902	903

AGRICULTURAL MARKETING SERVICE

Shared Funding Projects

(Dollars in thousands)

	2012	2013	2014	2015
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
E-Gov:				
Budget Formulation and Execution Line of Business.....	2	3	3	3
Disaster Assistance Improvement Plan	-	-	-	-
Enterprise Human Resources Intigration.....	78	66	60	60
E-Rulemaking.....	13	28	28	28
E-Training.....	65	56	75	75
Financial Management Line of Business.....	2	5	5	5
Geospatial Line of Business.....	-	-	-	-
GovBenefits.gov.....	-	-	-	-
Grants.gov.....	16	19	17	17
Grants Management Line of Business.....	-	-	-	-
Human Resources Line of Business.....	7	7	7	7
Integrated Acquisition Environment – Loans and Grants...	32	36	51	51
Integrated Acquisition Environment.....	15	18	18	18
Recreation One-Stop.....	-	-	-	-
Total, E-Gov.....	230	238	264	264
Agency Total.....	<u>12,359</u>	<u>12,800</u>	<u>12,082</u>	<u>12,292</u>

Summary of Budget and Performance

Statement of Department Goals and Objectives

The mission of the Agricultural Marketing Service (AMS) is to facilitate the competitive and efficient marketing of agricultural products.

AMS has 21 programs, 4 strategic goals, and 7 strategic objectives that contribute to 2 United States Department of Agriculture (USDA) Strategic Goals.

USDA Strategic Goal: Assist Rural Communities to Create Prosperity so they are Self-sustaining, Repopulating, and Economically Thriving

Objective: Increase Agricultural Opportunities by Ensuring a Robust Safety Net, Creating New Markets, and Supporting a Competitive Agricultural System

Agency Strategic Goals	Agency Objectives	Programs that Contribute	Key Outcomes
<p>AMS Goal 1: Support our customers in making verifiable market-enhancing claims about how their products are produced, processed, and packaged.</p>	<p>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>Agricultural producers and sellers can document market-enhancing claims that offer greater economic returns.</p>
<p>AMS 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>Respond quickly and effectively to changing markets, marketing practices, and consumer trends.</p> <p>Support small-production agricultural producers through new and existing AMS programs that are especially beneficial to that segment of the industry.</p>	<ul style="list-style-type: none"> • Market News • Standardization • Transportation and Market Development • Federal-State Marketing Improvement Program • Commodity Purchases [to support domestic producers] • Specialty Crop Block Grants • Farmers Market Promotion Program • Local Food Promotion Program 	<p>The agriculture industry can identify alternative ways to maintain and improve the return on funds invested, and the food needs of USDA nutrition program recipients are matched with those of agricultural producers.</p>
<p>AMS Goal 3: Enable agriculture groups to create marketing self-help programs designed to strengthen the industry's position in the marketplace.</p>	<p>Respond to industry requests for planning and technical assistance (while maintaining oversight of program activities).</p>	<ul style="list-style-type: none"> • Research and Promotion Programs • Marketing Agreements and Orders 	<p>Agriculture industry groups can establish programs that promote consumer purchases of their commodities on a national or regional scale.</p>

Agency Strategic Goals	Agency Objectives	Programs that Contribute	Key Outcomes
<p>AMS 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>Reduce the potential for mislabeling of agricultural products.</p> <p>Institute an effective Country of Origin Labeling Program for all designated covered commodities.</p> <p>Apply a variety of dispute resolution approaches to facilitate commercial dispute resolution for perishable commodities.</p>	<ul style="list-style-type: none"> • National Organic Program • Organic Cost-Share Programs • Country of Origin Labeling • Shell Egg Surveillance Program • Federal Seed Act Program • Perishable Agricultural Commodities Act Program • Plant Variety Protection 	<p>A fair agricultural marketplace that offers protections for buyers and other stakeholders at the national level.</p>

Key Outcome: Agricultural producers and sellers can document market-enhancing claims that offer greater economic returns.

Key Performance Measures and Targets:

Grading and certification programs enable agricultural producers and sellers to document market-enhancing claims that offer greater economic returns using 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.

Certification and verification programs provide product or process information for buyers and consumers about the quality or specifications of the product being purchased, which directly benefits the requesting party by supporting product sales. Grading and certification services verify quality or other contract requirements. Audit verification services make it possible for the agriculture industry to make various marketing claims about their products and to reduce costs. For example, 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 the Food and Drug Administration’s (FDA) recommended practices for food safety, including Good Agricultural Practices and Good Handling Practices. For exports, these services support 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.

Selected FY 2013 Accomplishments toward Achievement of the Key Outcome:

- Classified 15.9 million bales of cotton under the grower-classing program in FY 2013, which represents a 7.5 percent production increase from the FY 2012 level. The primary cause for the increase was the marketing environment in which many cotton merchants found it more advantageous to certificate the cotton on the futures market rather than sell the cotton on the spot market.
- Implemented an electronic Document Creation System to facilitate the issuing of export certificates for dairy product going to the European Union (EU) and issued 32,000 export certificates, a 50 percent increase over the previous year.

- Graded approximately 73 billion pounds of fresh and processed fruits, vegetables, specialty crops, and miscellaneous products. Grading services were provided at shipping points and cooperative market locations, federal receiving markets, processing plants, field offices, and inspection points.
- Provided meat grading and verification services to approximately 820 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. Verified a total of 27.8 billion pounds of meat and meat products against specification, contractual or marketing program requirements.
- Provided resident grading service in 103 poultry plants to grade 9.8 billion pounds of poultry, and in 170 shell egg plants to grade 5.97 billion dozen shell eggs.

Selected Accomplishments Expected at the FY 2015 Proposed Resource Level: AMS will continue to support rural economies by offering services that add value by documenting the quality of agricultural products or support marketing claims of interest to buyers and consumers.

Key Outcome: The agriculture industry can identify alternative ways to maintain and improve the return on funds invested, and the food needs of USDA nutrition program recipients are matched with those of agricultural producers.

Key Performance Measures and Targets:

AMS generates, collects, and processes data that are distributed directly to users, or may be repackaged and further disseminated; provides commodity descriptions that are widely used by buyers and sellers of commodities throughout the agricultural industry for domestic and international trading, futures market contracts, and as a benchmark for purchase specifications in most private contracts; 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 children and families in need. AMS monitors website usage and customer feedback to assess the usefulness of these products/services.

AMS programs benefit the agriculture industry and general public by delivering timely, accurate, and unbiased market information; supporting marketing innovation; and by purchasing non-price supported commodities in temporary surplus and supplying them for Federal food and nutrition programs. Market information is crucial to informed decision-making and alternative markets are a key component to thriving rural economies. Commodity purchases and other forms of producer assistance provide temporary support for rural economies against unanticipated drops in price or demand.

Measure	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2015 Target
Relevance of Market News Information (customer survey results)	N/A	N/A	N/A	81%	81%	81%	82%
Relevance of Market News Information for Food Hubs (customer survey results)	N/A	N/A	N/A	0	0	0	75%
Utilization of Market News Information (Reports generated on the portal per year)	N/A	N/A	N/A	5 million	5.5 million	6 million	6.5 million
Market News Funding (\$ thousands)	\$33,411	\$34,222	\$33,149	\$32,949	\$31,102	\$33,170	\$33,975

Measure	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2015 Target
Transportation and Marketing Program: New markets established or expanded through technical and financial assistance	NA	NA	NA	NA	518	568	653
Transportation and Marketing Program: Number of new jobs created through food hub and direct marketing growth	NA	NA	NA	NA	200	309	409
Transportation and Market Development Program Funding (\$ thousands)	\$5,681	\$5,824	\$5,734	\$5,734	\$6,357	\$7,193	\$10,009

Selected FY 2013 Accomplishments toward Achievement of the Key Outcome:

- Implemented mandatory reporting for wholesale pork based on a transition plan developed at the request of the swine industry, phasing into weekly mandatory reports for negotiated and formula pork sales by July 1, 2013. The mandatory wholesale pork reporting program provides market participants with considerably more market information than they ever had in the past and addressed producer concerns about the asymmetric availability of market information.
- Reviewed 79 commodity standards to ensure they continue to accurately describe current products, and represented U.S. interests in development of international standards. AMS chaired committees and provided technical guidance to United Nations Economic Commission for Europe, Codex Alimentarius, and International Organization for Standardization, Organization for Economic Cooperation and Development, and others.
- Developed a new Agricultural Transportation Research and Information Center on the AMS website; provided input on 4 major transportation issues; recorded over 8,100 farmers markets in the AMS National Farmers Market Directory, a 4 percent increase from FY 2012 and 54 percent increase from 2009; participated in development of a food hub database that now includes 236 regional food hubs (a 7 percent increase over 2012).
- Awarded \$1.2 million in Federal-State Marketing Improvement Program matching grants to 15 states for 18 projects that explore agricultural marketing opportunities or address challenges with statewide or regional impact on farmers and agri-businesses, such as value added products, aquaculture, and local and regional sales of produce.
- Purchased \$253 million worth of non-price supported commodities with Section 32 funds to assist agricultural producers through emergency surplus removal and to meet specialty crop purchase requirements. These commodities were distributed through the various USDA domestic nutrition assistance programs.

Selected Accomplishments Expected at the FY 2015 Proposed Resource Level:

- Expand Market News reporting on local and regional markets to generate new transparency for local marketing and new opportunities for producers selling through these markets.
- Support development of local and regional agricultural markets by providing technical advice and assistance to States that are interested in creating or upgrading market facilities (e.g., wholesale, auction, collection, retail farmers markets, food hubs, and other alternative markets) through cooperative agreements with Federal and State agencies, Land-Grant Universities, Regional Planning Commissions, and other appropriate entities to develop comprehensive system-level assessments of the existing resource base, including production capacity,

existing local and regional markets, distribution networks used by local buyers and sellers, market size and demographics, and other important attributes that affect the success of local food systems.

Key Outcome: Agriculture industry groups can establish programs that promote consumer purchases of their commodities on a national or regional scale.

Key Performance Measures and Targets:

AMS works in partnership with the participating industry to oversee the administration of marketing self-help 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 (R&P) or Marketing Agreement and Order (MA&O) legislation.

Selected FY 2013 Accomplishments toward Achievement of the Key Outcome:

- Oversaw the activities of 20 industry-funded commodity research and promotion (check off) programs with over \$667.4 million in assessments from producers, feeders, seed stock producers, exporters, packers, importers, processors, manufacturers, and handlers. AMS reviews and approves budgets and projects 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 designed to strengthen the demand for their products.
- Provided regulatory support and Federal oversight of 10 milk marketing orders and 28 active orders for fruits, vegetables, nuts and specialty crops, customized to meet the needs of each industry.

Key Outcome: A fair agricultural marketplace that offers protections for buyers and other stakeholders at the national level.

Key Performance Measures and Targets:

AMS monitors and enforces marketing legislation that requires truthful labeling and accurate recordkeeping; provides for contract dispute settlement and protection against fraud and abuse; and promotes fair trade for specified products or production methods. These activities protect buyers and other stakeholders by helping to ensure a fair marketplace at the national level for specified agricultural commodities, including perishable produce, seed, shell eggs, and organically-produced products.

AMS programs monitor specific agricultural industries/activities to ensure that they maintain practices established by regulation to protect buyers, sellers, and other stakeholders. A fair marketplace supports rural economies, sustainable production, and the purchase of safe and nutritious meals for children.

Measure	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2015 Target
National Organic Program: Percentage compliance with certification and criteria	n/a	90%	90%	96%	90%	95%	95%
National Organic Program Funding (\$ thousands)	\$3,867	\$6,919	\$6,919	\$6,919	\$6,531	\$9,026	\$9,149

Selected FY 2013 Accomplishments toward Achievement of the Key Outcome:

- Completed investigation of 239 complaints alleging violations of the organic regulations, and reduced the total backlog of open complaint investigations. Expedited the appeals process through reorganization, process

improvements, and increased use of settlements, cutting the number of open appeals cases in half and the average days a case is open by 60 percent. Launched a new “sound and sensible” initiative designed to make the organic certification process affordable and attainable for organic operations. Using certifier feedback about barriers to certification updated program materials and conducted outreach to certifiers.

- Conducted 2,061 Country of Origin Labeling retail reviews and 547 follow-up retail reviews of the roughly 37,000 regulated retailers. Retail reviews report overall retailer compliance to COOL at approximately 96 percent based on the average number of COOL covered commodities sold in a store location, but only about 19 percent of retailers in full compliance (due to the number of stores with at least one non-compliance finding). Audited 152 products through the supply chain, reporting overall compliance by suppliers to retail stores at approximately 97 percent.
- Conducted 2,282 inspections of shell egg handlers and 310 inspections of egg hatcheries, and found 94 percent of all egg operations in compliance with program requirements. Since the number of operations in compliance improved, follow-up visits resulting from violations decreased 7percent from FY 2012.
- Initiated 244 investigations of Federal Seed Act complaints and conducted field tests for trueness-to-variety on 463 regulatory seed samples. Administratively settled 144 Federal Seed Act cases during the fiscal year with 73 warnings, 55 no-actions, and 16 with penalty assessments ranging from \$1,050 to \$19,500.
- Assisted members of the fruit and vegetable industry in resolving 1,186 commercial disputes involving approximately \$20.5 million. Of these disputes, AMS resolved 91percent informally within 4 months. Decisions and orders were issued in 375 formal reparation cases involving award amounts totaling approximately \$8.8 million. AMS initiated 38 disciplinary cases against firms for alleged violations of the PACA and issued 37 disciplinary orders – either suspending or revoking a firms PACA license, levying civil penalties, or issuing a finding of repeated and flagrant violations against produce firms for violations of the PACA.
- Conducted searches on 963 Plant Variety Protection applications to determine whether the plant constituted a new variety and issued 831 certificates of protection, a 163 percent increase from 2012.

Selected Accomplishments Expected at the FY 2015 Proposed Resource Level:

The National Organic program will continue to strengthen organic compliance and enforcement to keep up with the growing market segment and support the integrity of organic labeling. The program will also focus resources on agreements with international trading partners to open market opportunities.

USDA Strategic Goal: Ensure that all of America’s Children have Access to Safe, Nutritious, and Balanced Meals.

Objectives: Improve Access to Nutritious Food; Protect Public Health by Ensuring Food is Safe

Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
AMS 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.	Respond quickly and effectively to changing markets, marketing practices, and consumer trends. Support small-production agricultural producers through new and existing AMS programs that are especially beneficial to that segment of the industry.	<ul style="list-style-type: none"> • Pesticide Data Program • Commodity Purchases [supporting USDA child nutrition programs] 	The agriculture industry can identify alternative ways to maintain and improve the return on funds invested, and the food needs of USDA nutrition program recipients are matched with those of agricultural producers.

Key Outcome: The agriculture industry can identify alternative ways to maintain and improve the return on funds invested, and the food needs of USDA nutrition program recipients are matched with those of agricultural producers.

Key Performance Measures and Targets:

AMS programs benefit the agriculture industry and general public by delivering timely, accurate, and unbiased information that supports agricultural marketing; and by purchasing non-price supported commodities and supplying them for Federal food and nutrition programs. America’s children benefit from commodities purchased for child nutrition programs and from surplus commodities that are supplied through all USDA food assistance programs.

Measure	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2015 Target
Pesticide Data Program: 5-year running total number of children's food commodities tested (out of top 24)	21	22	21	20	21	21	20
Pesticide Data Program: Percentage of comprehensive pesticide residue data available for dietary risk assessment	91%	90%	90%	87%	84%	83%	83%
Pesticide Data Program Funding (\$ thousands)	\$15,238	\$15,360	\$15,330	\$15,330	\$14,471	\$15,347	\$15,020

Selected FY 2013 Accomplishments toward Achievement of the Key Outcome:

- Tested more than 11,000 food and water samples for pesticide residues, resulting in over 2 million individual tests. Two new commodities – salmon and raspberries – bring the number of commodities surveyed to date to 110.
- Purchased \$415 million worth of non-price supported commodities with Section 32 funds, plus an additional \$50 million of fresh fruits and vegetables through the Department of Defense, to fulfill the National School Lunch Program’s commodity subsidy entitlement. Purchased an additional \$847.5 million (including \$243.8 million in specialty crops) of commodities on behalf of FNS using funds appropriated to FNS for entitlement programs.

Strategic Goal and Objectives Funding Matrix

(Dollars in thousands)

Discretionary Program/ Program Items	FY 2012 Actual	FY 2013 Actual	FY 2014 Estimate	Increase or Decrease	FY 2015 Estimate
Department Strategic Goal 1: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving					
Strategic Objectives 1.2: Increase Agricultural Opportunities by Ensuring a Robust Safety Net, Creating New Markets, and Supporting a Competitive Agricultural System					
Market News.....	\$32,949	\$31,102	\$33,170	+\$805	\$33,975
Staff Years.....	237	233	239	0	239
National Organic Program	6,919	6,531	9,026	+123	9,149
Staff Years.....	33	33	43	-	43
Transportation and Market Development.....	5,734	6,357	7,193	+2,816	10,009
Staff Years.....	33	35	38	2	40
Standardization	4,944	4,667	4,976	+100	5,076
Staff Years.....	35	30	35	-	35
Federal Seed	2,439	2,302	2,455	-101	2,354
Staff Years.....	17	16	18	-	18
Shell Egg Surveillance	2,717	2,565	2,732	-118	2,614
Staff Years.....	17	15	17	-	17
Country of Origin Labeling Program.....	5,000	4,720	5,015	-249	4,766
Staff Years.....	17	16	16	-	16
Pesticide Recordkeeping	1,831	1,728	-	-	-
Staff Years.....	6	4	-	-	-
Federal/State Marketing Improvement Program....	1,198	1,331	1,363	-128	1,235
Staff Years.....	-	-	1	-	1
Total Costs, Strategic Goal 1.....	63,731	61,303	65,930	+3,248	69,178
Total Staff Years, Strategic Goal 1	395	382	407	+2	409
Department Strategic Goal 4: Ensure that all of America’s children have access to safe, nutritious, and balanced meals					
Strategic Objectives 4.1 & 4.3: Improve Access to Nutritious Food; Protect Public Health by Ensuring Food is Safe					
Pesticide Data Program	15,330	14,471	15,347	-327	15,020
Staff Years	16	19	19	-2	17
Microbiological Data Program	4,348	-	-	-	-
Staff Years.....	5	1	-	-	-
Total Costs, Strategic Goal 4.....	\$19,678	\$14,471	\$15,347	-327	\$15,020
Total Staff Years, Strategic Goal 4	21	20	19	-2	17
Total Costs, All Strategic Goals.....	83,409	75,774	81,277	+2,921	84,198
Total Staff Years, All Strategic Goals	416	402	426	-	426

Full Cost by Department Strategic Goal
(Dollars in Thousands)

Department Strategic Goal 1: Assist Rural Communities to Create Prosperity So They Are Self Sustaining, Repopulating, and Economically Thriving

Discretionary Program/Program Items	2012 Actual	2013 Actual	2014 Estimate	2015 Estimate
Market News.....	\$29,600	\$28,231	\$30,387	\$31,124
Indirect Costs.....	2,487	2,586	2,783	2,851
Total Costs	32,087	30,817	33,170	33,975
FTEs.....	237	233	239	239
Performance Measure:				
Organic Market Reporting: Number products reported.....	246	246	246	246
Number (in millions) of (annual) eViews for market information.....	55.7	55.7	55.7	55.7
National Organic Program.....	5,806	5,721	8,269	8,381
Indirect Costs.....	488	524	757	768
Total Costs	6,294	6,245	9,026	9,149
FTEs.....	33	33	43	43
Performance Measure:				
Percentage of accredited certifying agents, foreign and domestic, in conformance with 90 percent of the NOP accreditation criteria...	96%	90%	90%	90%
Transportation and Market Development.....	5,330	5,749	6,590	9,169
Indirect Costs.....	448	526	603	840
Total Costs	5,778	6,275	7,193	10,009
FTEs.....	33	35	38	40
Performance Measure:				
Cumulative number of farmers markets established.....	7,864	7,900	7,950	7,950
Number of publications and activities to improve local food access	34	34	75	75
Standardization.....	4,417	4,119	4,559	4,650
Indirect Costs.....	371	377	417	426
Total Costs	4,788	4,496	4,976	5,076
FTEs.....	35	30	35	35
Federal Seed.....	2,032	1,978	2,249	2,156
Indirect Costs.....	183	181	206	198
Total Costs	2,215	2,159	2,455	2,354
FTEs.....	17	16	18	18
Shell Egg Surveillance.....	2,432	2,302	2,503	2,395
Indirect Costs.....	204	211	229	219
Total Costs	2,636	2,513	2,732	2,614
FTEs.....	17	15	17	17
Country of Origin Labeling Program.....	4,755	4,308	4,594	4,366
Indirect Costs.....	400	394	421	400
Total Costs	5,155	4,702	5,015	4,766
FTEs.....	17	16	16	16
Performance Measure:				
Percentage of retail stores in compliance with Country of Origin Labeling regulations.....	96%	96%	96%	96%
Pesticide Recordkeeping.....	1,633	1,498	-	-
Indirect Costs.....	137	137	-	-
Total Costs	1,770	1,635	-	-
FTEs.....	6	4	-	-
Federal/State Marketing Improvement Program.....	1,198	1,235	1,363	1,363
Indirect Costs.....	-	-	-	-
Total Costs	1,198	1,235	1,363	1,363
FTEs.....	-	-	1	1
Total Discretionary Costs, Strategic Goal 1.....	\$61,921	\$60,077	\$65,930	\$69,306
Total FTEs, Strategic Goal 1.....	395	382	407	409

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

	2012	2013	2014	2015
Discretionary Program/Program Items	Actual	Actual	Estimate	Estimate
Pesticide Data Program.....	14,712	13,325	14,059	13,760
Indirect Costs.....	1,236	1,220	1,288	1,260
Total Costs	15,948	14,545	15,347	15,020
FTEs.....	16	19	19	17
Performance Measure:				
Number of foods, based on top two dozen children's food commodities, in the Pesticide Data Program.....	20.0	21.0	21.0	21.0
Comprehensive pesticide residue data available for dietary risk assessment.....	89.0	89.0	89.0	89.0
Microbiological Data Program.....	4,163	92	-	-
Indirect Costs.....	350	-	-	-
Total Costs	4,513	92	-	-
FTEs.....	5	1	-	-
Performance Measure:				
Number of samples tested.....	14,000	0	0	0
Number of commodities tested.....	7.0	0.0	0.0	0.0
Total Discretionary Costs, Strategic Goal 4.....	\$20,461	\$14,637	\$15,347	\$15,020
Total FTEs, Strategic Goal 4.....	21	20	19	17
Total Discretionary Costs, All Strategic Goals.....	\$82,382	\$74,714	\$81,277	\$84,326
Total Discretionary FTEs, All Strategic Goals.....	416	402	426	426

Department Strategic Goal 1: Assist Rural Communities to Create Prosperity So They Are Self Sustaining, Repopulating, and Economically Thriving

	2012	2013	2014	2015
Mandatory Program/Program Items	Actual	Actual	Estimate	Estimate
Commodity Purchase Services - Agri. Support & Emergency (AS&E).....	10,468	9,004	12,871	14,684
Indirect Costs.....	879	825	1,179	1,345
Total Costs	11,346	9,829	14,050	16,029
FTEs.....	25	22	25	28
Commodity Purchases Program Funds - AS&E.....	332,365	257,230	317,619	398,973
Marketing Agreements & Orders.....	18,311	16,366	18,373	18,612
Indirect Costs.....	1,538	1,499	1,683	1,705
Total Costs	19,849	17,865	20,056	20,317
FTEs.....	111	98	111	111
Total Mandatory Costs, Strategic Goal 1.....	\$363,560	\$284,924	\$351,725	\$435,319
Total FTEs, Strategic Goal 1.....	136	120	136	139

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

	2012	2013	2014	2015
Mandatory Program/Program Items	Actual	Actual	Estimate	Estimate
Commodity Purchase Services - Child Nutrition Purchases (CNP).....	14,579	16,274	18,846	17,114
Indirect Costs.....	1,225	1,490	1,726	1,567
Total Costs	15,805	17,764	20,572	18,681
FTEs.....	35	40	36	33
Commodity Purchases Program Funds - CNP.....	462,912	464,982	465,000	465,000
Total Mandatory Costs, Strategic Goal 4.....	\$478,717	\$482,746	\$485,572	\$483,681
Total FTEs, Strategic Goal 4.....	35	40	36	33
Total Mandatory Costs, All Strategic Goals.....	\$842,277	\$767,670	\$837,297	\$919,000
Total Mandatory FTEs, All Strategic Goals.....	171	160	172	172