

2014 Explanatory Notes
Agricultural Marketing Service

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AGRICULTURAL MARKETING SERVICE

Purpose Statement

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

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

1. Market News Service:

The Market News program is authorized by the following statutes:

Agricultural Marketing Act of 1946
Agricultural and Food Act of 1981 (as amended by the Food Security Act of 1985)
The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill)
Cotton Statistics and Estimates Act of 1927
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 and wool; 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, developed over the past few years, further increased the value of the collected market information to the user by offering data in the format requested by the user such as customized reports, graphs, and dashboards.

Market News also addresses changes in user interests. For example, since 2008, the program has greatly expanded reporting on organic production to provide market information needed by producers in that expanding sector.

- a. Mandatory Reporting: AMS' Livestock Mandatory Reporting (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. LMR Market News reports provide information regarding price, contracts for purchase, and supply and demand conditions for livestock, livestock production, and livestock products; improve the price and supply reporting services of USDA; and encourage competition in the marketplace. In addition to providing information regarding daily and weekly prices paid by packers to producers for cattle, hogs, and sheep, and daily and weekly prices received by packers for their sales of boxed beef and boxed lamb to retailers, wholesalers, and further processors, LMR reports also provide information on prices received by importers of boxed lamb and lamb products. The information in these reports is used by the livestock and meat industry to impact current, as well as 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 depend on this information to assess market conditions and the performance of the livestock and meat sectors. The Mandatory Price Reporting Act of 2010 added mandatory reporting of price and volume for wholesale pork cuts and electronic reporting for dairy products.

- b. Organic Market Reporting: AMS' Market News program is also responsible for the collection and distribution of organic market data and has improved reports for organic products expanded the number of organic commodities reported and developed additional organic market information tools within the Market News Portal.

2. Shell Egg Surveillance and Standardization:

These programs are authorized by the following statutes:

Egg Products Inspection Act
Agricultural Marketing Act of 1946

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

- a. Shell Egg Surveillance: AMS conducts this program, in cooperation with the State departments of agriculture, to ensure that shell egg handling operations are inspected at least four times annually and hatcheries are inspected at least once each year to control the disposition of certain types of under grade and restricted eggs. This program diverts eggs that are not at least U.S. Consumer Grade B--and which cannot be sold in shell form--to egg breaking plants, 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 also the basis for AMS Market News reports, grading services for cotton, milk and dairy products, eggs, fresh and processed fruits and vegetables, catfish, livestock, meat, olive oil, peanuts, poultry, rabbits, tobacco, Federal commodity procurement, and are used to foster marketing opportunities in global commerce. AMS provides technical guidance to the following international standards organizations by providing expertise to protect the interests of U.S. agricultural producers: United Nations Economic Commission for Europe, Codex Alimentarius, and International Organization for Standardization, and Organization for Economic Cooperation and Development.

3. Market Protection and Promotion Programs:

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

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

Agricultural Marketing Act of 1946
Beef Promotion and Research Act of 1985
Capper-Volstead Act
Cotton Research and Promotion Act
Commodity Promotion, Research, and Information Act of 1996
Dairy Production Stabilization Act of 1983
Egg Research and Consumer Information Act
Export Apple Act
Export Grape and Plum Act
Farm Security and Rural Investment Act of 2002
Federal Seed Act
Fluid Milk Promotion Act of 1990
Food, Conservation, and Energy Act of 2008
Food Quality Protection Act of 1996
Hass Avocado Promotion, Research, and Information Act of 2000
Honey Research, Promotion and Consumer Information Act
Mushroom Promotion, Research and Consumer Information Act of 1990
Organic Foods Production Act of 1990
Peanut Promotion, Research and Information Order
Popcorn Promotion, Research, and Consumer Information Act
Potato Research and Promotion Act
Pork Promotion, Research and Consumer Information Act of 1985
Soybean Promotion, Research and Consumer Information Act
Specialty Crops Competitiveness Act of 2004
Watermelon Research and Promotion Act

- a. Pesticide Data Program (PDP): Established under authority of the Agricultural Marketing Act of 1946 and the 1996 Food Quality Protection Act, PDP develops and communicates comprehensive, statistically-reliable information on pesticide residues in food to improve Government dietary risk assessments. This program provides data on a continual basis to the Environmental Protection Agency (EPA) for use in the pesticide registration process and to other Federal and State agencies for use in determining policies intended to safeguard public health. In addition to pesticide residue data for population-wide dietary risk assessments, the program particularly focuses on the foods most likely consumed by children. 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. Microbiological Data Program (MDP): Implemented in 2001 and terminated in 2013, MDP was established to support agricultural marketing and address consumer concerns on microbiological contamination by collecting information regarding the prevalence of food-borne pathogens and indicator organisms on domestic and imported fresh fruits and vegetables. The Federal program established uniform procedures, determined testing methodologies for cooperating laboratories, analyzed the data, and

published findings on an annual basis. Sampling and testing of fruits and vegetables in U.S. markets were conducted under agreement by personnel from cooperating States. MDP data was provided to USDA's Food Safety and Inspection Service and Agricultural Research Service, as well as the Centers for Disease Control and Prevention (CDC) and FDA.

- c. 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. The nationwide program increases the efficiency and enhances the competitiveness of domestic agricultural marketing for organic products.
- d. Federal Seed Program: The Federal Seed program is authorized by the Federal Seed Act, which regulates agricultural and vegetable seed moving in interstate commerce. The program prohibits false labeling and advertising of seed, as well as the shipment of prohibited noxious-weed seed into a State. 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. Intrastate infractions are subject to State laws. Should an inspection reveal infractions of the Federal Act, the violation is referred to AMS by the cooperating State agency. Based on the results of its tests and investigations, AMS attempts to resolve each case administratively. For cases that cannot be resolved, AMS can initiate appropriate legal action.
- e. Pesticide Recordkeeping Program: The Pesticide Recordkeeping program is authorized by the Food, Agriculture, Conservation and Trade Act of 1990. This program established Federal regulations requiring certified applicators to maintain records on applications of Federally-restricted use pesticides as required by the Act. The Act also requires that records be surveyed to provide a database on the use of restricted pesticides, and AMS, NASS, and EPA established a Memorandum of Understanding to identify the responsibilities and roles of each agency pertaining to record surveys and reporting on restricted pesticide usage.
- f. Country of Origin Labeling (COOL): The COOL Act requires retailers to notify their customers of the country of origin of covered commodities. Labeling requirements for fish and shellfish became mandatory during FY 2005, and AMS established an audit-based compliance program the following year 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 covered commodities that became effective on March 16, 2009, which incorporated the 2008 Farm Bill changes to the COOL Act. 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 established cooperative agreements with state agencies to conduct the retail surveillance reviews. AMS is responsible for training Federal and State employees on enforcement responsibilities; analyzing and responding to formal complaints; conducting supply chain audits; and developing educational and outreach activities for interested parties.
- g. Commodity Research and Promotion Programs: AMS provides oversight and direction to industry-funded and managed commodity research and promotion programs. The various research and promotion acts authorize the collection of an assessment from identified segments of the marketing chain 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, softwood lumber, and watermelons. AMS reviews and approves the budgets and projects proposed by the research and promotion boards to ensure that proposals comply with the regulation and 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, and retail farmers markets. AMS also conducts feasibility studies in cooperation with the private sector, non-profit organizations, and other government agencies to evaluate and suggest efficient ways to handle and market agricultural commodities. AMS studies changes in the marketplace to assist States, localities, market managers/operators, and growers in making strategic decisions for future business development.

Farmers Market Promotion Program (FMPP): FMPP was created through an amendment of the Farmer-to-Consumer Direct Marketing Act of 1976 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. Entities eligible to apply include agricultural cooperatives, producer networks, producer associations, local governments, nonprofit corporations, public benefit corporations, economic development corporations, regional farmers' market authorities, and Tribal governments. The 2008 Farm Bill (Sec. 10106), which made resources available for this program through 2012, allowed for a broad industry impact.

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 2012, 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. The 2008 Farm Bill (Sec. 10109) amended the Specialty Crops Competitiveness Act to continue the program through 2012, expand the definition of specialty crops and eligible states, revise the minimum base grant, and provide mandatory funding. The program was extended through 2013 by the American Taxpayer Relief Act of 2012. 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.

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, 2012, AMS had 2,674 employees, of whom 1,931 were permanent full-time and 743 were other than permanent full-time employees. Approximately 79% of AMS' employees are assigned to field offices. Of the 2,117 employees assigned to field office locations, 1,392 were permanent full-time and 725 were other-than permanent full-time employees.

Schedule (Milk Market Administrator) employees as of September 30, 2012, totaled 371, of which 360 were permanent full-time and 11 were other than permanent full-time employees.

OIG Audits:

OIG Reports – Completed

#0501-2-12	11/15/2011	Federal Information Security Management Act Audit
#01601-04-Hy	5/5/2011	Implementation of Country of Origin Labeling
#01601-01-32	2/27/2012	National Organic Program- Organic Milk Phase I
#01601-01-23	7/20/2012	National Organic Program's National List of Allowed and Prohibited Substances
#01099-32-Hy	3/12/2012	Oversight of Federally Authorized Research & Promotion Boards

OIG Reports – In Progress

#01601-02-32	National Organic Program- Organic Milk Phase II
#01099-001-21	Oversight of the Beef Research and Promotion Board
#50601-1-ER	USDA Controls Over Shell Egg Inspections

GAO Reports – Completed

#311245	7/11/2012	Government-Wide Cost Estimating Practices for IT Investments (WBSCM selected for USDA)
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GAO Reports – In Progress

#361302	Pesticides and Food Safety
#450962	Regulations and Global Competitiveness
#361446	Pesticide Residue on Food
#320945	Food Assistance Procurement Review

AGRICULTURAL MARKETING SERVICE

Available Funds and Staff Years (SY)

(Dollars in thousands)

Item	2011 Actual		2012 Actual		2013 Estimate		2014 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Agricultural Marketing Service								
Marketing Services, Discretionary	\$86,711	441	\$82,211	416	\$82,715	424	\$82,792	432
Payments to States and Possessions, Discretionary	1,334	-	1,198	-	1,205	-	1,363	-
Recission.....	-176	-	-	-	-	-	-	-
Total, Appropriations, Discretionary	87,869	441	83,409	416	83,920	424	84,155	432
Congressional Relations Transfer In	131	-	111	-	-	-	-	-
Working Capital Fund Transfer Out.....	-	-	-150	-	-	-	-	-
Total, Available, Discretionary	88,000	441	83,370	416	83,920	424	84,155	432
2008 Farm Bill Initiatives, Mandatory:								
Farmers Market Promotion Program.....	10,000	4	10,000	5	-	4	-	-
Specialty Crop Block Grants-Farm Bill.....	55,000	4	55,000	4	55,000	4	-	-
AMA Organic Cost Share, Mandatory.....	1,500	-	1,500	-	1,500	-	1,500	-
Total, 2008 Farm Bill Initiatives, Mandatory.....	66,500	8	66,500	9	56,500	8	1,500	-
Permanent Appropriations, Mandatory:								
Funds for Strengthening Markets, Income, and Supply (Sec. 32)	6,605,946	160	7,947,046	171	8,990,117	171	9,211,183	173
Recission	-	-	-150,000	-	-150,000	-	-166,000	-
Recoveries of Prior Year Obligations	112	-	563	-	-	-	-	-
Offsetting Collections	13,257	-	-	-	-	-	-	-
Available Authority from Previously Precluded								
Balances, Start of Year	122,127	-	259,953	-	219,286	-	150,000	-
Transfers Out ^{a/}	-5,476,814	-	-6,995,999	-	-8,117,403	-	-8,135,183	-
Unavailable Resources, End of Year	-259,953	-	-219,286	-	-150,000	-	-119,000	-
Subtotal, Permanent Appropriations, Mandatory.....	1,004,675	160	842,277	171	792,000	171	941,000	173
Total, AMS Appropriations.....	1,159,175	609	992,147	596	932,420	603	1,026,655	605
<u>Obligations under other USDA Appropriations:</u>								
Food & Nutrition Service for Commodity								
Procurement services (Sec. 32).....	1,122	4	1,107	9	1,250	9	1,275	9
Miscellaneous Reimbursements.....	-	-	74	-	-	-	-	-
Total, Other USDA.....	1,122	4	1,181	9	1,250	9	1,275	9
Total, Agricultural Marketing Service Appropriations	1,160,297	613	993,328	605	933,670	612	1,027,930	614
<u>Non-Federal Funds:</u>								
Perishable Agricultural Commodities Act Fund, Mandatory.								
Reimbursable work:								
Research and Promotion Boards	4,235	27	3,579	25	4,315	27	4,401	27
Fees for Grading of Cotton and Tobacco	43,938	421	44,328	341	62,592	421	60,435	421
Grading of Farm Products for Producers, Processors, and Municipal, State and Federal Agencies	151,497	1,332	153,251	1,328	153,217	1,338	152,936	1,342
Wool Research, Development, and Promotion	2,250	-	2,250	-	2,250	-	2,250	-
States for Collection & Dissemination of Market News Information.....	7	-	-	-	-	-	-	-
Total, Non-Federal Funds	212,281	1,855	213,651	1,766	233,152	1,863	230,919	1,867
Total, Agricultural Marketing Service	1,372,578	2,468	1,206,979	2,371	1,166,822	2,475	1,258,849	2,481
Schedule A Staff Years		370		370		370		370

^{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	2011 Actual			2012 Actual			2013 Estimate			2014 Estimate		
	Wash.		Total	Wash.		Total	Wash.		Total	Wash.		Total
	D.C.	Field		D.C.	Field		D.C.	Field		D.C.	Field	
ES.....	11	1	12	11	1	12	11	1	12	11	1	12
GS-15.....	42	6	48	43	8	51	47	6	53	47	6	53
GS-14.....	86	30	116	85	23	108	82	33	115	82	33	115
GS-13.....	150	112	262	151	122	273	185	110	295	185	110	295
GS-12.....	119	141	260	119	150	269	109	172	282	109	172	282
GS-11.....	36	180	216	38	178	216	41	174	215	41	176	217
GS-10.....	2	16	18	2	15	17	2	12	14	2	12	14
GS-9.....	42	505	547	42	491	533	40	479	518	40	483	522
GS-8.....	15	232	247	14	252	266	6	258	264	6	258	264
GS-7.....	30	201	231	20	186	206	28	196	224	28	196	224
GS-6.....	8	64	72	6	64	70	6	63	69	6	63	69
GS-5.....	5	66	71	7	57	64	11	57	68	11	57	68
GS-4.....	4	16	20	4	7	11	4	11	15	4	11	15
GS-3.....	1	3	4	1	3	4	1	4	5	1	4	5
GS-2.....	2	-	2	1	-	1	-	-	-	-	-	-
GS-1.....	-	-	-	-	-	-	-	1	1	-	1	1
Ungraded Positions.....	-	7	7	-	8	8	-	7	7	-	7	7
Total Perm. Positions without Schedule A.....	553	1,580	2,133	544	1,565	2,109	572	1,584	2,155	572	1,590	2,161
Unfilled, EOY.....	-	131	131	-	178	178	-	-	-	-	-	-
Total, Perm. Full-Time Employment, EOY a/.....	553	1,449	2,002	544	1,387	1,931	572	1,584	2,155	572	1,590	2,161
Staff Year Est.....	651	1,817	2,468	563	1,808	2,371	588	1,887	2,475	589	1,892	2,481
Schedule A Staff Years.....	16	354	370	16	354	370	16	354	370	16	354	370

a/ AMS total end-of-year employment for FY 2012 was 2,674, of which 1,931 were permanent full-time and 743 were other than permanent full-time employees. Due to the seasonality of grading, AMS peak employment occurred during the months of October through December and the average employment during that period was 3,916 employees.

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

The estimated number of passenger motor vehicles available for 2014 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 2014.

Replacement of passenger motor vehicles. AMS plans to replace two of the 178 passenger motor vehicles in operation in 2014.

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, 2012, 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						
2011 Actual	166	74	28	0	0	0	3	271	\$621
Change	+12	(2)	(26)	0	0	0	+3	(13)	(16)
2012 Actual	178	72	2	0	0	0	6	258	605
Change	0	0	0	0	0	0	0	0	0
2013 Est.	178	72	2	0	0	0	6	258	605
Change	0	0	0	0	0	0	0	0	0
2014 Est.	178	72	2	0	0	0	6	258	605

* 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 proposed changes in the language for this item as follows:

Marketing Services

For necessary expenses of the Agricultural Marketing Service \$82,792,000: 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

2013 Estimate	\$82,715,000
Budget Estimate, 2014	<u>82,792,000</u>
Change in Appropriation	<u><u>77,000</u></u>

Summary of Increases and Decreases

(Dollars in thousands)

	2011	2012	2013	2014	2014
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Discretionary Appropriations:					
Market News	\$33,149	-\$200	+\$202	+\$19	\$33,170
Surveillance and Standards	7,661	-	+47	-	7,708
Market Protection and Promotion	39,994	-4,127	+220	-4,244	31,843
Transportation and Market Development	5,734	-	+35	+4,302	10,071
Total, Appropriation or Change	<u>86,538</u>	<u>-4,327</u>	<u>+504</u>	<u>+77</u>	<u>82,792</u>

AGRICULTURAL MARKETING SERVICE

Marketing Services

Project Statement

Appropriations Detail and Staff Years (SY)

(Dollars in thousands)

Program	2011 Actual		2012 Actual		2013 Estimate		Inc. or Dec.		2014 Estimate		
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY	
Discretionary Appropriations:											
Market News Service.....	\$33,149	256	\$32,949	237	\$33,151	243	+\$19	(1)	-	\$33,170	243
Shell Egg Surveillance and Standardization:											
Shell Egg Surveillance.....	2,717	16	2,717	17	2,734	17	-2	(2)	-	2,732	17
Standardization.....	4,944	33	4,944	35	4,974	35	+2	(2)	-	4,976	35
Total, Surveillance and Standardization.....	7,661	49	7,661	52	7,708	52	-	-	-	7,708	52
Market Protection and Promotion:											
Federal Seed Act.....	2,439	18	2,439	17	2,454	18	+1	(3)	-	2,455	18
Country of Origin Labeling.....	7,942	16	5,000	17	5,031	16	-16	(4)	-	5,015	16
Pesticide Data.....	15,330	19	15,330	16	15,424	19	-77	(5)	-	15,347	19
Microbiological Data.....	4,592	6	4,348	5	4,375	1	-4,375	(6)	-1	-	-
National Organic Standards....	6,919	35	6,919	33	6,961	34	+2,065	(7)	+9	9,026	43
Pesticide Recordkeeping.....	2,772	7	1,831	6	1,842	6	-1,842	(8)	-6	-	-
Total, Market Protection and Promotion.....	39,994	101	35,867	94	36,087	94	-4,244		+2	31,843	96
Transportation and Market Development.....	5,734	35	5,734	33	5,769	35	+4,302	(9)	+6	10,071	41
Total Adjusted Appropriation....	86,538	441	82,211	416	82,715	424	+77		+8	82,792	432
Rescissions and Transfers (Net)....	173	-	-	-	-	-	-		-	-	-
Total Appropriation.....	86,711	441	82,211	416	82,715	424	+77		+8	82,792	432
Transfers In:											
Congressional Relations.....	131	-	111	-	-	-	-		-	-	-
Transfers Out:											
Working Capital Funds.....	-	-	-150	-	-	-	-		-	-	-
Rescission.....	-173	-	-	-	-	-	-		-	-	-
Total Available.....	86,669	441	82,172	416	82,715	424	+77		+8	82,792	432
Lapsing Balances.....	-350	-	-988	-	-	-	-		-	-	-
Total Obligations.....	86,319	441	81,184	416	82,715	424	+77		+8	82,792	432

AGRICULTURAL MARKETING SERVICE

Marketing Services

Project Statement

Obligations Detail and Staff Years (SY)

(Dollars in thousands)

Program	<u>2011 Actual</u>		<u>2012 Actual</u>		<u>2013 Estimate</u>		<u>Inc. or Dec.</u>		<u>2014 Estimate</u>		
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY	
Discretionary Obligations:											
Market News Service.....	\$33,698	256	\$31,959	237	\$33,151	243	+\$19	(1)	-	\$33,170	243
Shell Egg Surveillance and Standardization:											
Shell Egg Surveillance.....	2,594	16	2,633	17	2,734	17	-2	(2)	-	2,732	17
Standardization.....	4,880	33	4,779	35	4,974	35	+2	(2)	-	4,976	35
Total, Surveillance and Standardization.....	7,474	49	7,412	52	7,708	52	-	-	-	7,708	52
Market Protection and Promotion:											
Federal Seed Act.....	2,394	18	2,209	17	2,454	18	+1	(3)	-	2,455	18
Country of Origin Labeling.....	7,678	16	5,132	17	5,031	16	-16	(4)	-	5,015	16
Pesticide Data.....	15,367	19	15,937	16	15,424	19	-77	(5)	-	15,347	19
Microbiological Data.....	4,585	6	4,509	5	4,375	1	-4,375	(6)	-1	-	-
National Organic Standards.....	6,630	35	6,266	33	6,961	34	+2,065	(7)	+9	9,026	43
Pesticide Recordkeeping.....	2,756	7	1,699	6	1,842	6	-1,842	(8)	-6	-	-
Total, Market Protection and Promotion.....	39,410	101	35,752	94	36,087	94	-4,244		+2	31,843	96
Transportation and Market Development.....											
Development.....	5,737	35	5,749	33	5,769	35	+4,302	(9)	+6	10,071	41
Total Obligations.....	86,319	441	81,184	416	82,715	424	+77		+8	82,792	432
Lapsing Balances.....	350	-	988	-	-	-	-		-	-	-
Total Available.....	86,669	441	82,172	416	82,715	424	+77		+8	82,792	432
Transfers In:											
Congressional Relations.....	-131	-	-111	-	-	-	-		-	-	-
Transfers Out:											
Working Capital Funds.....	-	-	150	-	-	-	-		-	-	-
Rescission.....	173	-	-	-	-	-	-		-	-	-
Total Appropriation.....	86,711	441	82,211	416	82,715	424	77		+8	82,792	432

Marketing Services

Justification of Increases & Decreases

- 1) A net increase of \$19,000 for Market News (\$33,151,000 and 243 staff years available in FY 2013) consisting of:
 - a) An increase of \$221,000 for salaries and benefits pay costs.
 - b) A decrease of \$202,000 which represents the 0.612% in additional funding authorized by Section 101(c) of P.L. 112-175, the Continuing Appropriations Act, 2013.
- 2) No net change for Shell Egg Surveillance and Standardization (\$7,708,000 and 52 staff years available in 2013) consisting of:
 - a) An increase of \$47,000 for salaries and benefits pay costs.
 - b) A decrease of \$47,000 which represents the 0.612% in additional funding authorized by Section 101(c) of P.L. 112-175, the Continuing Appropriations Act, 2013.
- 3) A net increase of \$1,000 for Federal Seed (\$2,454,000 and 18 staff years available in FY 2013) consisting of:
 - a) An increase of \$16,000 for salaries and benefits pay costs.
 - b) A decrease of \$15,000 which represents the 0.612% in additional funding authorized by Section 101(c) of P.L. 112-175, the Continuing Appropriations Act, 2013.
- 4) A net decrease of \$16,000 for Country of Origin Labeling (\$5,301,000 and 16 staff years available in FY 2013) consisting of:
 - a) An increase of \$15,000 for salaries and benefits pay costs.
 - b) A decrease of \$31,000 which represents the 0.612% in additional funding authorized by Section 101(c) of P.L. 112-175, the Continuing Appropriations Act, 2013.
- 5) A net decrease of \$77,000 for Pesticide Data Program (\$15,424,000 and 19 staff years available in FY 2013) consisting of:
 - a) An increase of \$17,000 for salaries and benefits pay costs.
 - b) A decrease of \$94,000 which represents the 0.612% in additional funding authorized by Section 101(c) of P.L. 112-175, the Continuing Appropriations Act, 2013.
- 6) A net decrease of \$4,375,000 and 1 staff year for the Microbiological Data Program (4,375,000 and 1 staff year available in 2013) consisting of:
 - a) A decrease of \$4,348,000 and 1 staff year to terminate the Microbiological Data Program.

The Microbiological Data Program (MDP) was proposed for termination in the FY 2013 Budget and ceased operations as of January 2013 based on FY 2013 House and Senate concurrent actions. Continuation through the first quarter of FY 2013 under the Continuing Resolution allowed cooperating State agencies to complete FY 2012 activities.

- b) A decrease of \$27,000 which represents the 0.612% in additional funding authorized by Section 101(c) of P.L. 112-175, the Continuing Appropriations Act, 2013.
- 7) A net increase of \$2,065,000 and 9 staff years for the National Organic Program (\$6,961,000 and 34 staff years available in 2013) consisting of:
- a) An increase of \$39,000 for salaries and benefits pay costs.
 - b) An increase of \$2,068,000 and 9 staff years to strengthen organic labeling compliance and enforcement activities and to provide the resources needed to improve development of international agreements.

The National Organic Program (NOP) is responsible for developing national standards for organically-produced agricultural products and ensuring the integrity of the USDA organic seal in the U.S. and throughout the world. This increase supports USDA's goal to create prosperity in rural communities by supporting the development of new domestic markets. Success in this objective is indicated by the growing number of agricultural operations certified as organic.

To support continued growth in organic sales, USDA must ensure consistent and uniform application of organic standards across the marketplace, coupled with timely and effective enforcement to maintain buyer confidence in organic labeling. As the number of certified operations rises, the NOP must have sufficient resources to accredit, audit, and oversee the work of certifying agents. The requested resource level will allow the NOP to keep pace with the increasing number of complaints submitted to the program for investigation and enforcement, maintain existing equivalency agreements, and pursue new equivalency agreements with selected foreign countries to expand trade opportunities. This request includes the following increases:

- \$1,547,000 and 7 staff years to expand organic compliance and enforcement. The program has maximized its resource capacity and must expand to keep up with organic industry growth. Complaints alleging violations of NOP regulations have been trending upward since FY 2009; the number of reported fraudulent organic certificates is also rising. NOP has steadily increased its number of complaints investigated and closed each year, and decreased the average number of days required to investigate complaints through process improvements. Since the beginning of FY 2011, the NOP has levied \$120,000 in civil penalties as a result of complaint investigations, an increase over previous years. Additional resources will allow the NOP to maintain or increase its annual rate of case investigations and closures to keep up with the quickening pace of incoming complaints, and ensure timely enforcement action where violations are found.
- \$521,000 and 2 staff years to pursue international agreements with additional countries and continue to support existing agreements. Working closely with the Foreign Agricultural Service and the United States Trade Representative, the NOP plays a key role in coordinating international organic equivalency agreements. For example, the NOP played a critical role in establishing landmark international organic trade agreements with Canada and the European Union (EU); both are vital to the trade of U.S. organic products in international markets. These agreements require ongoing compliance monitoring and standards coordination. Maintaining these agreements and ensuring the continued integrity of organic products requires regularly assessing Canadian and EU oversight systems, reviewing trade partner activities in individual European countries, hosting Canadian and EU reviews of U.S. organic oversight systems, participating in technical working group meetings and teleconferences, and participating in Steering Committees. The NOP also currently holds recognition agreements with four countries, which require ongoing oversight as well. In addition to maintaining existing agreements, the growth of organic markets internationally opens market opportunities,

especially in emerging organic markets such as Brazil, Korea, Japan and India. The establishment of new agreements requires careful assessment and evaluation of other governments' organic standards and oversight systems. With additional funding, NOP will be able to maintain existing agreements, and pursue equivalency arrangements with India, Japan, Korea, and Costa Rica.

NOP will continue to use base funds to develop regulations and guidance on organic standards; manage the National List of Allowed and Prohibited Substances; accredit certifying agents to certify organic producers and handlers; establish international organic import and export policies; investigate and act on regulatory violation complaints; facilitate the work of the National Organic Standards Board; provide training to certifying agents and other stakeholders; and generally serve the organic community.

- c) A decrease of \$42,000 which represents the 0.612% in additional funding authorized by Section 101(c) of P.L. 112-175, the Continuing Appropriations Act, 2013.

8) A net decrease of \$1,842,000 and 6 staff years for the Pesticide Recordkeeping Program (\$1,842,000 and 6 staff years available in 2013) consisting of:

- a) A decrease of \$1,831,000 and 6 staff years to terminate the Pesticide Recordkeeping Program.

The FY 2013 Budget proposed termination of the Pesticide Recordkeeping Program (PRP), but since Congressional intent was divided in the Appropriations Committees, Federal program employees continued to conduct baseline activities in FY 2013. PRP administers Federal pesticide recordkeeping regulations based on Section 1491 of the Food, Agriculture, Conservation, and Trade Act of 1990, commonly referred to as the 1990 Farm Bill, which requires all private applicators to maintain record(s) of their federally restricted use pesticide (RUP) applications for a period of 2 years.

- b) A decrease of \$11,000 which represents the 0.612% in additional funding authorized by Section 101(c) of P.L. 112-175, the Continuing Appropriations Act, 2013.

9) A net increase of \$4,302,000 and 6 staff years for Transportation and Marketing Development (\$5,769,000 and 35 staff years available in 2013) consisting of:

- a) An increase of \$37,000 for salaries and benefits pay costs.
- b) An increase of \$4,300,000 and 6 staff years for Transportation and Marketing Programs in 2013 to: (1) determine the feasibility and economic value of incorporating food hub and other food value chain activities into existing underutilized infrastructure; (2) support economic assessments, infrastructure assessment, and site design planning assistance for food value chains such as food hubs and wholesale markets; (3) enhance marketing opportunities for producers and food value-chain businesses while expanding consumer access to locally-and-regionally-produced food.

AMS has observed a surge in consumer demand for food produced in their local community or region. The number of farmers markets has grown by 175 percent since 2000; a 2011 survey by the National Grocers Association found that 85 percent of consumers choose a grocery store based in part on whether it stocks products from local farms. The number of food hubs – facilities that aggregate and distribute the locally-and-regionally-produced food – has grown from 72 to 223 in the two years since AMS began studying these business models. Through these and other innovative marketing channels, producers are experiencing a substantial improvement in farm income as a result of facilitated sales to consumers, restaurants, schools and other institutional outlets.

AMS will assist the agricultural community in meeting consumer demand by: (1) identifying innovative and cost-efficient options that help producers, regional food system aggregators, distributors, planners, managers and vendors compete effectively in this growing consumer-driven market segment; (2) providing feasibility, economic impact, and infrastructure assessments and architectural design services to emerging and expanding enterprises in food value chains (i.e., strategic alliances between agricultural producers and other

supply chain partners that deal in significant volumes of high-quality, differentiated local and regional food products); and (3) reinvigorating our Nation's existing network of wholesale markets and other well-located distribution nodes – which for a variety of reasons are often underutilized – by providing funds to refurbish and better equip this existing infrastructure.

These initiatives will capitalize on AMS marketing systems and other USDA expertise to stimulate the development of food value chains, including regional food hubs. It will identify and encourage utilization of existing infrastructure that has fallen into disrepair. It will also allow AMS to conduct a number of activities that support USDA's mission to create new economic opportunities by better connecting consumers with local and regional producers. AMS will use 6 additional staff years to manage these initiatives.

Examples of the activities that AMS plans to engage in include:

- Exploring the potential to use existing farmers markets, public markets, and wholesale market infrastructure as product aggregation/distribution points for local food deliveries to restaurants, retail, and institutional clients;
- Identifying the most promising organizational and distribution models to facilitate strong local and regional food value chains; including those that connect producers with consumers in underserved communities;
- Investigating the role of commercial kitchens and light processing facilities in enhancing small business access to markets and permitting greater producer returns;
- Conducting feasibility and economic impact assessments of proposed and existing food value chains to help them obtain additional resources for market growth and expansion;
- Providing infrastructure and site design planning assistance to help local and regional food enterprises establish or expand their marketing facilities;
- Providing financial assistance to refurbish and better equip existing infrastructure appropriately situated to connect producers and consumers.

To accomplish much of the work proposed in this budget justification (e.g., feasibility and economic impact assessments, infrastructure and site design planning and retrofitting), AMS will establish, through the Federal Register, a program that outlines how eligible entities can request assistance. The majority of the services provided will be facilitated through cooperative agreements with other Federal agencies, state and local governments, universities, non-profits organizations, and other entities.

- c) A decrease of \$35,000 which represents the 0.612% in additional funding authorized by Section 101(c) of P.L. 112-175, the Continuing Appropriations Act, 2013.

AGRICULTURAL MARKETING SERVICE

Marketing Services

Geographic Breakdown of Obligations and Staff Years (SY)

(Dollars in thousands)

State/Territory	2011 Actual		2012 Actual		2013 Estimate		2014 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Alabama	\$112	1	\$119	1	\$121	1	\$121	1
Arizona	556	3	410	2	418	2	418	2
Arkansas	434	1	557	3	568	3	568	3
California	1,625	8	3,761	19	3,832	20	3,835	20
Colorado	461	2	743	4	757	4	758	4
District of Columbia	67,185	345	39,794	204	40,543	208	40,583	211
Florida	704	4	1,792	9	1,826	9	1,827	9
Georgia	1,165	5	1,247	6	1,271	6	1,272	7
Idaho	629	3	631	3	643	3	643	3
Illinois	699	3	631	3	643	3	643	3
Iowa	1,875	9	1,706	9	1,738	9	1,740	9
Kansas	247	1	248	1	253	1	253	1
Kentucky	172	1	141	1	144	1	144	1
Louisiana	173	1	182	1	185	1	186	1
Maryland.....	-	-	294	1	300	1	300	2
Massachusetts	358	2	467	2	476	2	476	2
Michigan	11	-	2,585	13	2,634	13	2,636	14
Minnesota	588	3	915	5	932	5	933	5
Mississippi	131	1	111	1	113	1	113	1
Missouri	579	3	588	3	599	3	600	3
Montana	173	1	455	2	464	2	464	2
Nebraska	185	1	139	1	142	1	142	1
New Mexico	-	-	178	1	181	1	182	1
New York	632	3	3,248	16	3,309	17	3,312	17
North Carolina	184	1	2,075	10	2,114	11	2,116	11
Ohio	127	1	2,297	12	2,340	12	2,342	12
Oklahoma	352	2	306	2	312	2	312	2
Oregon	371	2	329	2	335	2	336	2
Pennsylvania	512	3	525	3	535	3	535	3
South Carolina	74	-	194	1	198	1	198	1
South Dakota	302	2	185	1	188	1	189	1
Tennessee	2,696	14	2,672	14	2,722	14	2,725	14
Texas	1,134	6	2,508	13	2,555	13	2,558	13
Virginia	164	1	5,015	26	5,110	26	5,114	27
Washington	658	3	2,248	11	2,290	12	2,293	12
Wisconsin	880	4	1,792	9	1,826	9	1,827	10
Wyoming	171	1	96	1	98	1	98	1
Obligations	86,319	441	81,184	416	82,715	424	82,792	432
Lapsing Balances	350	-	988	-	-	-	-	-
Total, Available or Estimate	86,669	441	82,172	416	82,715	424	82,792	432

AGRICULTURAL MARKETING SERVICE

Marketing Services and Payments to States and Possessions

Classification by Objects

(Dollars in thousands)

	2011	2012	2013	2014
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Personnel Compensation:				
Washington, D.C.....	\$30,217	\$24,541	\$25,004	\$24,953
Field.....	16,079	19,877	20,252	20,210
11.0 Total personnel compensation.....	35,324	33,609	34,243	34,178
12.0 Personnel benefits.....	10,925	10,475	10,673	10,644
13.0 Benefits for former personnel.....	47	334	340	341
Total, personnel comp. and benefits.....	46,296	44,418	45,256	45,163
Other Objects:				
21.0 Travel and transportation of persons.....	1,377	1,460	1,488	1,817
22.0 Transportation of things.....	24	45	46	51
23.1 Rental payments to GSA.....	3	28	29	29
23.2 Rental payments to others.....	1,450	1,351	1,376	1,251
23.3 Communications, utilities, and misc. charges.....	2,086	1,445	1,472	1,466
24.0 Printing and reproduction.....	322	199	203	212
25.1 Advisory and assistance services.....	8	-	-	-
25.2 Other services from non-Federal sources.....	20,836	20,344	20,728	20,090
25.3 Other purchases of goods and services from Federal sources.....	11,130	9,846	10,032	10,032
25.4 Operation and maintenance of facilities.....	10	7	7	7
25.5 Research and development contracts.....	-	-	-	480
25.6 Medical care.....	5	4	4	4
25.7 Operation and maintenance of equipment.....	137	132	134	134
26.0 Supplies and materials.....	910	608	619	613
31.0 Equipment.....	1,666	1,001	1,020	1,142
32.0 Land and structures.....	4	17	17	17
42.0 Insurance Claims and Indemnities.....	55	279	284	284
Total, Other Objects.....	40,023	36,766	37,459	37,629
Total, Marketing Services.....	86,319	81,184	82,715	82,792
Payments to States and Possessions:				
41.0 Grants, subsidies and contributions.....	1,331	1,198	1,205	1,363
Total, Payments to States and Possessions.....	1,331	1,198	1,205	1,363
Total, new obligations.....	87,650	82,382	83,920	84,155
Position Data:				
Average Salary, ES positions.....	\$163,731	\$158,715	\$158,715	\$158,715
Average Salary, GS positions.....	\$61,235	\$74,385	\$74,358	\$72,623
Average Grade, GS positions.....	9	11	11	11

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAM

MARKETING SERVICES

MARKET NEWS

Current Activities: The Market News Service provides current, unbiased information on supply, demand, prices, movement, location, quality, condition, and other market data on 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 changes and so do 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 with 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
- 93 percent of boxed beef
- 95 percent of slaughter hogs
- 55 percent of slaughter sheep
- 38 percent of boxed lamb meat

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.

New LMR Data Tools – The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) directed USDA to implement an enhanced system of electronic publishing to improve the presentation of market information collected pursuant of the Livestock Mandatory Reporting Act. In response to this mandate, AMS Market News launched a

Cattle Dashboard in 2010, the Swine and Lamb Dashboards in 2011, and the Boxed Beef Dashboard in 2012. The Dashboards, which are available on the Market News Portal website, are data visualization tools designed to allow users to view weekly volume and price information presented in the form of interactive graphs and tables that can be customized for viewing and downloaded for use in reports and presentations.

On September 28, 2010, Congress enacted the Mandatory Price Reporting Act of 2010 (2010 Reauthorization Act) (Pub. L. 111-239) which reauthorized LMR for an additional 5 years and added a provision for mandatory reporting of wholesale pork cuts. The 2010 Reauthorization Act directed USDA to engage in negotiated rulemaking on the regulatory changes needed. After the negotiated rulemaking process was completed, the Final Rule was published in the *Federal Register* on August 22, 2012, with an effective date of January 7, 2013. Implementing a mandatory wholesale pork reporting program will provide market participants with considerably more market information than they have had in the past and will address 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 required the mandatory reporting (price, volume, and moisture content, if applicable) of certain dairy products to USDA. AMS uses this information as the price discovery mechanism to establish minimum raw milk prices. Dairy statistics were, and continue to be, collected under Title 7 Part 1170 of the Code of Federal Regulation (7 CFR 1170) on a weekly basis.

After passage of the Mandatory Reporting Act of 2010, AMS began rulemaking, including one public comment period, to incorporate changes from the law into the Final Rule. AMS published the Final Rule on February 15, 2012, creating the DPMR Program. The Final Rule, effective April 4, 2012, established an electronic reporting system, moved the publication date to Wednesday's at 3:00 p.m. Eastern Time, and effectively transferred all NASS responsibilities of collection, aggregation, and publication of data to AMS. AMS publishes sales information for cheddar cheese, butter, dry whey, and nonfat dry milk on a weekly basis. Any manufacturer that processes and markets less than one million pounds of these products per calendar year is exempt from the reporting requirements. AMS implemented a web-based system which leveraged the existing LMR system to ensure a consistent platform for all mandatory reporting and decrease the development time needed to launch dairy reporting. After completing the software development, AMS began collecting data on April 4, 2012. The purpose of the program is to provide accurate and timely market information for dairy industry participants. Widely available market information is needed to ensure markets operate competitively and fairly. Data collected through the program is 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.

Market News Organizational Assessment – During fiscal years (FY) 2011 and 2012, AMS commissioned a comprehensive organizational assessment of its Market News program to look at organizational efficiency and effectiveness and identify areas where further improvements could be achieved. The final report, issued in April 2012, highlighted the importance of Market News to American agriculture, and identified a number of potential improvements to the Program. The report findings will serve as a roadmap for the future as AMS continues to improve customer service and program performance. From the recommendations in the assessment report, AMS identified the following as the highest priority items to be addressed:

- Increase customer use of the Market News Portal as the preferred method of information dissemination.
- Standardize retail data collection and promote greater collaboration for retail reporting across commodities.
- Co-locate and consolidate offices whenever possible and convert small offices to a Resident Agent approach whenever possible.
- Increase supervisor/subordinate ratio.
- Conduct a complete assessment to determine the Return on Investment for upgrading the IT system to support Market News into the future.

Market News Customer Satisfaction Survey – Four years after the first *Market News Customer Satisfaction Survey*, AMS conducted a second survey in the spring of 2012. This survey was administered through the use of a pop-up on the AMS web site through the Cornell email subscription service, and emailed to known data users and contacts. There were nearly 2,200 respondents to the survey from a variety of agricultural sectors.

The key findings from the survey include:

- Customer Satisfaction with USDA Market News is essentially the same as it was in the baseline study of 2008. The one point increase to 74 is not statistically significant. The score is 7 points above the latest federal government average (67) and remains on par with the scores of other agencies providing information in the federal government.
- Market News has become more influential in impacting users' businesses with a 5-point increase in the ratings of influence it has on respondents' businesses. Market News remains most influential among those using it on a daily basis or for those whose primary area of interest is livestock, meat, and grains.
- Analyzing markets and general market awareness remain the two top activities for which USDA Market News is being used. Three-quarters (75 percent) use it to analyze markets and 68 percent for general market awareness. Product pricing (49 percent), value determination (42 percent) and developing market strategy (40 percent) were other commonly cited uses. Of note, many more users found USDA Market News useful in value determination in 2012 (42 percent as shown above), as compared to only 16 percent who mentioned it as a use in 2008.
- Information about inventory, wholesale markets, and movement were rated as the most important types of information. In terms of meeting users' needs, scores tended to be higher for meeting needs among the most important types of information. Nearly 80 percent or more of those using inventory, auction markets, movement, shipping point market information, direct trade and wholesale markets information found it met their needs.
- Information Quality and Customer Service were two areas that have the most impact on customer satisfaction. Customer service in particular continues to be an area of excellence for USDA Market News with a score of 90 out of a possible 100 in the 2012 survey. This is a significant 5-point improvement from 2008. Thirty-eight percent of respondents contacted Customer Service, and found employees to be highly courteous, and timely in their responses. AMS staff was effective in resolving customers' issues and highly knowledgeable.
- To the point that Customer Service positively influences customers, those who had interacted with Customer Service had a customer satisfaction index 6 points higher than those who did not contact them.
- There was no change in the Information Quality rating from 2008, with the rating holding at 79. Information received highest marks for being relevant, impartial, and free from bias.
- Market News Reports also had a high impact on customer satisfaction. There was not a significant change in the ratings on clarity of tables and graphics, or layout of reports being easy to read and use. Some newly added questions, about ease of finding reports and information, and ability to perform custom queries found that both of these areas were problematic for users.
- Confidence in the information provided by USDA Market News (80 out of 100) and likelihood to recommend USDA Market News (82 out of 100), two outcomes that are driven by satisfaction, remained unchanged from 2008.

Market News Portal (MNP) – AMS Market News went through an Organizational Assessment in 2012, in which the consultant identified the MNP as the most effective and efficient method of disseminating information to the Market News customers. With this in mind, AMS worked to increase the availability and accessibility of the system by replacing and upgrading hardware, and worked to migrate the operating system to provide a failover option at the Agency's backup site. This work will be completed in 2013. AMS is also working to migrate the MNP operating system to an updated version that will be easier and less expensive to maintain. Additionally, AMS has worked to identify partners, such as NASS, to assist in the final testing and development of the Customer Averaging Tool (CAT), which was released to the public in March 2013. The CAT is being developed in cooperation with the USDA Risk Management Agency. The tool will display information in both a dashboard and data visualization format, as well as a tabular form or chart form, allowing the user to see the trend, the averages, and the specific data points that make up the average.

Data Availability on the Data.gov Website – AMS Market News has added data links to Data.gov for historical reports and custom report generations. Additionally, LGMN has added a number of annual summaries and other documents, while the Fruit and Vegetable Program has added the link to Custom Reports from the Market News Portal.

Futures Trading for Apple Juice Concentrates – Fruit and Vegetable Market News began reporting apple juice concentrate (AJC) in fiscal year (FY) 2012 at the request of the industry. The Minneapolis Grain Exchange (MGEX) needed a benchmark in order to have futures trading for AJC. Once AMS began reporting the AJC, the MGEX was able to offer the futures contracts in 2012.

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 from 2012 are listed below.

Cotton and Tobacco:

- **Seam Data File:** Cotton and Tobacco Market News created and implemented a semi-automated process that utilizes electronic cotton price files provided by The Seam to create recap summaries without the reporter having to manually enter information. The Seam is the largest source of cotton price data for Market News. At times, well over 2,000 individual recaps may be offered for sale, and during active trading periods, there have been as many as 180 transactions occurring in a single day. The Seam makes available a comma-separated values (CSV) file that contains bale by bale data for all sales for the previous day. Cotton and Tobacco Market News developed a process that allows reporters to load this data into an excel spreadsheet and generate price summaries that they analyze to determine various cotton prices for the day. This semi-automated process allows reporters to consider all of The Seam's data while leaving time to collect price information from other sources, as well as investigating possible new sources of information.
- **New Reports:** Cotton Market News introduced 10 new reports during 2012. Seven of the new reports are designed to be viewed as text messages on cell phones and are based on the Daily Spot Cotton Quotations; one report is a CSV data file that provides easier access to historical daily cotton prices for the base quality (color grade 41, leaf grade 4, staple 34); and the final two reports provide more detailed information on extraneous matter than in previous reports. The new reports were developed based on customer feedback and request for specific data.

Dairy:

- Dairy Market News finished development of the National Dairy Retail Report including retail prices for 18 conventional and organic products with additional breakout of regional and product information.
- Completed conversion of the DPMR Program, the resulting aggregated data is published (weekly) in the National Dairy Product Sales Report.
- Redesigned the Advanced Prices and Pricing Factors and the Class and Component Prices to include additional information in response to industry feedback.

Fruits, Vegetables and Specialty Crops:

- New or enhanced Fee-on-Board (FOB) Shipping Point Price Reports;
- Domestic: Beets, including Mexico Crossings and South and Central California; blackberries from Santa Maria, California; broccoli from the Central Joaquin Valley, California; potatoes from Nebraska; and eggplant, plum tomatoes, and grape tomatoes from Western North Carolina.
- International: Avocados from Peru; imports through Southern California, Philadelphia and South Florida;

cucumbers from Mexico through Texas; Onions from Chile through various East Coast ports of entry; and tangelos from Chile and Peru for imports through Southern California.

- **Movement Data:** The Mexico crossings data for entering through Texas was broken down in 2012 into nine specific ports of entry, allowing for greater clarity of the data. Also, movement data for U.S. greenhouse cucumbers, plum tomatoes, and grape tomatoes were reported for the first time.

Livestock & Grain:

- **Audit Based Livestock Auction Market Reporting Pilot Project:** Developed the USDA Quality System Assessment Livestock Auction Market Reporting Program, which is an audit-based auction market reporting service. The purpose of this pilot program is to provide additional market reporting transparency in locations with limited or no USDA or state Market News presence. AMS authorizes accredited private firms and/or livestock auction markets that are trained and certified to grade livestock according to USDA grading standards to self-report market data. This data is then disseminated through AMS Market News channels. Currently, this program is being piloted in auction markets in Pennsylvania.
- **New national, regional, and local livestock and grain reports include the following:**
 - Colorado Weekly Summary
 - Florida Weekly Livestock Review
 - Montana Weekly Summary
 - Nebraska Weekly Summary
 - Oklahoma Weekly Summary
 - 5-Area Weekly Direct Slaughter Cattle Formula, Grid, & Contracts
 - Colorado Weekly Direct Slaughter Cattle Formula, Grid, & Contracts
 - Iowa-Minnesota Weekly Direct Slaughter Cattle Formula, Grid, & Contracts

Poultry and Eggs:

- **Turkey:** In January 2012, retail turkey reporting was expanded from a three-region to a six-region basis to align with other retail reports and to reflect the change in wholesale turkey reporting from three regions to a national basis. The Poultry Portal was updated to provide this information to the public.
- **Whole Broiler:** In June 2012, AMS released a new single, comprehensive whole broiler report, the Weekly National Whole Broiler/Fryer Report (Fri), that consolidates and replaces information previously provided on 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. The new report officially replaced all other AMS whole broiler reports on January 4, 2013.
- **Organic Poultry and Eggs:** AMS continued to expand information on organically-grown poultry and egg commodities by adding organic whole body turkey wholesale market price data to the Weekly USDA Certified Poultry and Egg report on a seasonal basis and including five new industry cooperators. Completed two bi-annual surveys of the U.S. organic table egg layer flock size to ensure current information for users.

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 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 will work in early 2013 on a new multi-year assistance program in Bangladesh along with Economic Research Service (ERS), NASS and FAS, again funded by USAID. The agencies will also meet with officials in India in early 2013 to determine whether an assistance program can be defined and initiated in that country.

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 was elected by the Executive Committee to serve as Chair for the next two years as well. 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 its partners in MIOA and with the Technical Secretariat, the Inter-American Institute for Cooperation on Agriculture (IICA), to support other initiatives, such as those funded in the Central Region 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 “MIOA-like” organization on the African continent. The organization, the African Agricultural Market Information System (AAMIS), had drawn 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. MIOA has also offered support to the new G20 market information initiative called the Agricultural Market Information System (AMIS), which USDA will chair for the coming year.

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 2012, 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 2013 to further expose the tools and uses of the Portal to additional customers. Fruit and Vegetable Market News worked with industry groups and associations to hold a series of hands-on training sessions on MNP system navigation and usage.

The Cotton and Tobacco Market News Division also continued 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 part of this outreach campaign, Cotton and Tobacco Market News Division employees contacted 47 gins, attended 28 local/regional meetings and 1 national meeting where employees discussed what Cotton and Tobacco Market News had to offer and how to participate in the data collection process. As a result of these outreach efforts, there are now eight producers and 30 gin contacts 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 2012, the percentage of total egg operations in compliance with SES requirements was 94 percent.

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 20 percent in 2012, 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

Note: Inspections above include both routine, make-up, 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 2012, AMS specialists reviewed 81 commodity standards to ensure they continue to accurately describe current products, including 21 for cotton products; 6 for dairy products; 27 for fruit and vegetable products; 14 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 2012 at meetings in Memphis, TN and Visalia, CA.
- Grapefruit Juice Standards – AMS began seeking comments on a proposed revision to the U.S. standards for grades of grapefruit juice. The Florida Citrus Processors Association, noting advances in industry processing technology, petitioned USDA to revise the standards. The proposed standards are designed to give the grapefruit juice industry greater flexibility to meet market demands. Notice of the proposed new U.S. standards for grapefruit juice grades was published in the August 18, 2011, *Federal Register* with comments due by October 17, 2011. The U.S. Standards for Grades of Grapefruit Juice were published in the August 27, 2012 *Federal Register*, and the revised standards took effect September 26, 2012.
- Ginseng Standards – AMS revised standards and created new grades for cultivated ginseng. Changes to the standards included the addition of tolerance levels, reclassifying sizes, the removal of table values and amending definitions. The revisions will make the marketing of U.S. ginseng easier in a changing and

competitive world market. The new standards are based on quality and percentage of defects. On April 5, 2012, AMS published a Final Notice in the *Federal Register* (77 FR 20610) and the revised standards became effective on May 7, 2012. During the process of revising the standards, AMS worked closely with the Ginseng Board of Wisconsin (GBW), which represents approximately 95 percent of American ginseng growers. The GBW unanimously endorsed the revisions.

- **Maple Syrup Standards** – In June 2012, AMS received a petition from the International Maple Syrup Institute requesting a revision to the grade standards for maple syrup. The grade of a sample unit of maple syrup would be ascertained considering the factors of color, flavor and odor, defects, and cloudiness. The proposed grade standards would provide a common language for trade, and a means of measuring value in the marketing of maple syrup, and provide guidance in the effective utilization of maple syrup. The proposed Notice has been drafted and is currently in the internal review process.
- **Frozen Okra Standards** – AMS sought comments on a proposed revision to the U.S. Standards for Grades of Frozen Okra. The American Frozen Food Institute petitioned USDA to revise the standards to convert them from a variable score point system to a statistically based individual attribute grading system, similar to the U.S. Standards for Grades of Canned Green and Wax Beans. The new standards are intended to provide the okra industry with greater flexibility to meet industry and consumer demand. The notice was published in the October 17, 2011 *Federal Register* and the revised standards took effect November 16, 2011.
- **Okra Standards** – AMS published an Advanced Notice in the *Federal Register* on February 9, 2012, seeking comments to revise the U.S. Standards for Grades of Okra. The standards were last revised in 1928. The Advanced Notice proposed to remove the “Unclassified” section from the standards and encouraged additional revisions that the industry believed necessary. The “Unclassified” category 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. The industry did not request any new revisions; therefore, AMS will publish an Intermediate Notice in the *Federal Register* to remove the “Unclassified” section from the standard. The proposed Notice is currently moving through the review process.
- **Cauliflower Standards** – While engaged in field research, AMS received verbal requests from the industry to revise the color requirements for cauliflower curds. To address the industry’s needs, AMS published an Advanced Notice in the *Federal Register* in February 2012. The industry has requested revisions to also allow grade certification of curds smaller than 4 inches in diameter. AMS has worked closely with the Western Growers Association to develop the proposed size and marking requirements. These proposed revisions will allow for greater flexibility and align the standard with current marketing practices. Therefore, AMS is proposing revisions to reflect this request as well as remove the “Unclassified” section. The proposed Notice is being drafted by AMS pending additional input from the industry.
- **Eggplant Standards** – AMS sought comments on a proposed revision to the U.S. Standards for Grades of Eggplant. Noticing changes in the marketing of eggplant, AMS proposed revisions to amend the “similar varietal characteristics” requirement to allow mixed types or colors when designated. The Notice was published in the February 9, 2012 *Federal Register* with a 60 day comment period. There were no negative comments regarding the proposed revision. The Final Notice for the eggplant standards is pending publication in the *Federal Register*. When effective, the revised eggplant standards will permit mixed colors and/or type packs when designated. In addition, the “Unclassified” section will be removed. Final Notice for the eggplant is under internal review.
- **Almonds in the Shell Standards** – On March 11, 2011 AMS received a petition from The Almond Board of California (ABC), to amend the standards by changing the determination of internal defects from count to weight. The ABC represents 90 percent of the growers, processors, and handlers in the domestic industry. A proposed rule regarding these revisions to the U.S. Standards for Grades of Almonds in the Shell was published in the *Federal Register* on July 16, 2012. The public comment period closed on August 15, 2012, with no responses. AMS believes the revisions will bring the standards for almonds in the shell in line with the marketing order and thereby improve their usefulness. When effective, the revised standards will change the determination of internal defects from count to weight. This change will align the inspection procedures for

incoming inspections (based on the marketing order) and outgoing inspections (based on the standards.) The Final Rule is under internal review.

- Multiple Frozen Vegetables Standards – AMS published a notice in the *Federal Register* on July 23, 2010 soliciting comments on the 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 help to 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 were in support of the proposal. A second request for comments has completed the review process and is under internal review.

New Standards Development – AMS sought comment on a proposal to establish new U.S. Standards for Grades of Frozen Onions. The American Frozen Food Institute, a national trade association promoting and representing the interest of the frozen fruit and vegetable industry, requested that AMS develop grade standards for frozen onions. NASS reported that U.S. production of onions was 7.2 billion pounds. The notice was published in the June 1, 2011, *Federal Register*. Comments to revise onion defect definitions were received which have been incorporated into the document for re-proposal. The new proposal will be posted for a 60-day comment period. The proposed Notice is being drafted by AMS.

International Activities – AMS remains active in global marketing standards initiatives and represents the U.S. in meetings of the Codex Alimentarius, the International Dairy Federation, the United Nations Economic Commission for Europe (UNECE), the Organization for Economic Cooperation and Development, the International Organization for Standardization, the International Seed Testing Association, the International Meat Secretariat, 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 66th Session of the UNECE Specialized Section on Standardization of Fresh Fruits and Vegetables, at which development work commenced on three new standards, ten existing standards were revised, and two interpretative brochures were completed.
- One AMS staff chaired while another was the US delegate to the UNECE 59th Session of the Specialized Section on Standardization of Dry and Dried Produce at which six standards were completed and nine standards and an interpretative brochure is ongoing development. AMS also lead four working groups within this Specialized Section.
- AMS representatives hosted a meeting of rapporteurs in Atlanta, GA, April 24-26, 2012, to revise UNECE’s chicken and turkey standards and begin discussions concerning the further processed poultry products standard. Delegates representing nine countries, the European Union (EU), and the Caribbean attended the meeting. Revisions were drafted for the chicken and turkey standards, and AMS prepared the drafts for presentation to delegates of UNECE’s Specialized Section on Standardization of Meat.
 - AMS representatives attended UNECE’s rapporteurs meeting in May 2012, in Argentina to revise and update international bovine and porcine standards. Representatives of nine countries reviewed the existing beef and pork cuts contained in the standards, added new cuts being traded internationally, and updated technical cut descriptions. With the world now seeing more beef and pork retail cuts traded worldwide, the United States is leading the development of the associated UNECE retail cut standards.
- AMS representatives attended the UNECE Working Party on Agricultural Quality Standards meeting on September 10-12, 2012, in Geneva, Switzerland. AMS served as Vice-Chair of UNECE’s Specialized Section on the Standardization of Meat where the focus of the meeting was on the development of draft standards for retail cuts of pork and further processed poultry products. The U.S. is leading the way with the drafts for the beef and pork retail cuts and the further processed poultry products. AMS led discussions of revisions to UNECE’s standards for chicken and turkey products and gained concurrence by all

delegates to recommend these standards for adoption.

- An AMS representative participated in the preparation and review of new standards and guidelines for the 33rd meeting of the Codex Committee on Methods of Analysis and Sampling.
- AMS representatives participated in Codex committees and working groups established to advance standards for fruit and vegetables, and participated in three international Codex outreach programs to build international support for U.S. positions at Codex committee plenary sessions.
 - AMS worked with U.S. Codex Office in the USDA/Food Safety and Inspection Service and the Codex Food Standards Program under the U.N. Food and Agriculture Organization in preparation for chairing the 26th session of Codex Committee on Processed Fruits and Vegetables (CCPFV) held October 15-19, 2012. This effort led to approval of a revised Codex standard for Table Olives and rejection of a proposed Codex Standard for Flavored Water-Based Drinks.
 - AMS led the U.S. delegation at the 17th Session of the Codex Committee on Fresh Fruits and Vegetables (CCFFV), which completed the revision of the standard for avocados and a new standard for pomegranates.
- An AMS official participates in the U.S. Delegation to the Codex Committee on Fats and Oils (CCFO) in the ongoing discussion of proposed changes to the Codex Standard for Olive Oil. The 23rd Session of the CCFO will be held in Langkawi, Malaysia, February 25 – March 1, 2013. The meeting agenda will include three topics related to olive oil. There will be a Discussion Paper on the Revision of the Limit for Campesterol in the Codex Standard for Olive Oils and Olive Pomace Oils; a Discussion Paper on the Amendment of the Standard for Olive Oils and Olive Pomace Oils of Content of delta-7-stigmastenol; and a Discussion Paper on Defining Cold Pressed Oils.
- AMS participated in the Organization for Economic and Cooperation Development (OECD) Fruit & Vegetable Scheme technical working groups on the development of brochures for Asparagus, Mangoes, Hazelnuts (in shell and kernel) and Onions. AMS' participation in OECD's brochure development is geared at protecting the interests of Florida citrus exports to Europe. AMS also uses such opportunities to undertake outreach activities in support of USDA international standardization activities.
- Two 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 PVP 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.
- An AMS program representative attended the International Olive Oil Council (IOC) Chemist meeting in Madrid, Spain as a U.S. observer. The IOC is an international inter-governmental organization of member countries that sets standards and facilitates authoritative discussions on issues of interest to the olive oil industry.
- AMS officials met in Ottawa 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. AMS outlined the meat nomenclature differences for beef and pork between the two countries and offered solutions for resolving the differences, including both the Institutional Meat Purchasing Specifications (IMPS) and the Uniform Retail Meat Identity Standard (URMIS). AMS promoted an action plan to harmonize the U.S. and Canadian documents based on the IMPS system. Canadian representatives supported this approach. AMS has engaged discussions with Mexican meat industry to adopt IMPS. If so, the result would create a standardized North American meat nomenclature system.

- An AMS representative is serving a five year term that began in 2009 as the Chairperson of the ISO Food and Food Products Technical Committee (TC-34), Subcommittee (SC-16) – Horizontal Methods for Molecular Biomarker Analysis which was established to advance fair and transparent commerce of food and agricultural biotechnology products through the development of harmonized technical standard methods. The subcommittee is hosted in the U.S., sponsored in part by AMS and composed of delegates from twenty-seven national standardization bodies. ISO SC 16 is the only international standards development organization providing standards and specifications for verifying the identity of high valued agricultural commodities and testing genetically engineered organisms in commerce. The AMS Chairperson attended the 3rd ISO TC 34 Plenary and the 6th ISO TC 34 Chairman’s Advisory Group Meeting held April, 2012 in Nairobi, Kenya.

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’ 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.

Selected Examples of Recent Progress:

In cooperation with State agencies, AMS conducted field tests on 491 samples at three different locations to determine trueness-to-variety of seed shipped in interstate commerce. During FY 2012, AMS received 218 new Federal Seed Act complaints from 16 States and 5 individuals, resulting in 242 cases. AMS tested 213 regulatory seed samples from 15 States and 109 mail order seed samples from six seed companies for trueness-to-variety. The Program administratively settled 153 Federal Seed Act cases during the fiscal year, with 95 warnings, 42 no-actions, and 16 with penalty assessments totaling \$74,625 and individual assessments ranging from \$1,225 to \$16,900. To ensure uniform application of the regulations, AMS conducted one training workshop for seed analysts from five states and one training session for inspectors from seven states.

The changes made to the Federal Seed Act regulations include updated:

- nomenclature of some agricultural and vegetable seeds listed per current usages on the International Code of Botanical Nomenclature;
- list of prohibited noxious-weed seeds;
- seed testing regulations to reflect improvements in seed testing technology and methods;
- noxious-weed seed tolerances;
- seed certification regulations; and
- labeling requirements for seed treated with the most toxic class of chemical compounds.

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, 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 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. AMS works in collaboration with all 50 States to conduct retail surveillance activities for the COOL program.

Selected Examples of Recent Progress:

Enforcement Activities: In 2012, the COOL Program conducted 3,836 retail reviews and 521 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 is approximately 96 percent, but considering the number of stores with at least one non-compliance finding, approximately 19 percent of retailers are in full compliance. In addition, 225 products were audited through the supply chain. Overall compliance for suppliers to retail stores is approximately 97 percent.

Database: The COOL program designed and developed an automated database system called COOL FACTS. This system is used to capture compliance information from retailers and suppliers to retailers generated by reviews and audits. The database enables increased accuracy and efficiency by eliminating second-hand data entry and will provide several reporting mechanisms that can identify specific trends and target problems relating to compliance and performance. The system went live in June 2012.

Program Audit: AMS improved program operations by incorporating key Office of Inspector General (OIG) recommendations into program activities. Based on the 14 recommendations from the OIG audit, 11 have been resolved/closed and the remaining 3 are anticipated to be closed in March 2013 following additional survey activities.

Training: In June 2012, AMS held four training sessions on the COOL regulatory requirements, retail surveillance procedures, and the COOL FACTS Portal with State cooperators. Through a train-the-trainer program, approximately 400 State reviewers are certified to conduct COOL reviews in retail stores across the country.

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 2012, PDP tested more than 12,000 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, 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 2012, PDP added five new commodities – avocados, baby food applesauce, baby food carrots, baby food peaches, and baby food peas – and reintroduced previously tested commodities bringing the number of commodities surveyed to date to 108. Data on ready-to-eat baby foods was needed to more accurately evaluate pesticide exposure for this vulnerable segment of the population; avocados are an important addition to the program in order to address dietary exposure for growing ethnic segments of the U.S. population. 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 – The PDP water survey began in 2001 and to date has surveyed 92 municipal sites drawing from surface water in 29 States and the District of Columbia, 1,192 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. PDP continued to monitor surface water, sampling 9 sites in 7 States throughout the year, and tested schools and childcare facilities with onsite wells for pesticide residues. Although testing of the water from these facilities is required under the Safe Drinking Water Act, few pesticides are tested and the testing is focused on parent compounds rather than metabolites; metabolites most commonly occur in groundwater. For the schools/childcare facility survey, PDP partners with various State and county/local agencies responsible for sample collection. These partners coordinate sampling efforts and samples are shipped to the designated PDP laboratory for analysis. Data are 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).

Sampling – During 2012, PDP achieved a 99.7 percent success rate in collecting samples, an increase from 2011, during which PDP achieved a sampling success rate of 98.5 percent. PDP uses statistical tools and marketing data to enhance sample collection rates, and 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 the 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 – Methods were enhanced to bring the total number of pesticides and metabolites tested to over 440, 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 implemented inclusion of pesticides that may not have U.S. registrations, but are used overseas on crops imported to the U.S. in response to audits by the EU, the Government Accountability Office (GAO), and EPA's OIG. PDP laboratories participated in national and international proficiency testing rounds, and performed as well as, or better than, other participating laboratories in the U.S. and around the world.

Outreach – PDP staff presented program sampling and testing details to the Korean and Chinese delegations in conjunction with the FAS to facilitate trade with Korea and China. PDP staff met with minor crop and chemical industry representatives and Pest Control Officials to improve communications. At the request of EPA's Environmental Fate and Effects Division (EFED), a PDP staff member reviewed EFED's White Paper on methodology for "Development of Community Water Systems Drinking Water Intakes Percent Cropped Area Adjustment Factors for Drinking Water Exposure Assessments". PDP staff also participated in the Association of Analytical Chemists Proficiency Test Advisory Committee and Pesticides Subcommittee and in interagency meetings with the Food Safety and Inspection Service to discuss program planning issues for both programs and to share technical information. PDP staff attended the European Pesticide Residue Workshop to develop contacts and gain knowledge in order to implement testing of pesticides that may not have U.S. registrations, but are used overseas on crops imported to the U.S.

Reporting – AMS publishes an annual data summary, with reports currently available for 1991-2010. 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>.

MICROBIOLOGICAL DATA PROGRAM

Since 2001, the Microbiological Data Program (MDP) has administered a multi-state laboratory network that uses the latest validated methods and technology to test select domestic and imported fresh produce for the presence of disease-causing bacteria such as *Salmonella*, pathogenic *Escherichia coli*, and *Listeria monocytogenes*. MDP works closely with the U.S. Food and Drug Administration (FDA), the Centers for Disease Control and Prevention (CDC), and state health and regulatory officials by providing produce pathogen data that augments their management of food safety issues and allows implementation of sound measures to prevent contamination throughout the produce chain (production, processing, and distribution). MDP operations ceased effective December 31, 2012.

For FY 2012, MDP performed over 30,000 tests on more than 15,000 samples. The decline in output from the previous year (35,041 tests on 17,431 samples) was due to resource constraints and extreme winter weather in the western States that affected sample delivery and laboratory operations (multiple days of power outage).

Commodities – In FY 2012, MDP tested 7 commodities: cantaloupe, cilantro, hot peppers, bagged/bunched lettuce (leaf and romaine), bagged spinach, sprouts (alfalfa/clover), and tomatoes (Roma/plum and grape/cherry). In the past MDP has tested celery, green onions, onions, parsley, peanut butter, and round tomatoes. All commodities were included in sampling and testing schemes following consultation with CDC and FDA and because they had previously been associated with food-borne outbreaks.

Testing Methods – MDP's implementation of real-time polymerase chain reaction (rt-PCR) assays for the detection of *E. coli* O157:H7 and non-O157 pathogenic *E. coli* (STEC) increased target detection sensitivity and saved time in pathogen identification. In early FY 2012, MDP implemented testing for *Listeria monocytogenes* in cantaloupe, sprouts, bagged lettuce, and bagged spinach, due to the deadly 2011 cantaloupe listeriosis outbreak.

Reporting – MDP actively exchanged program information and pathogen detection data with several offices of the FDA including the Center for Food Safety and Applied Nutrition's Office of Produce Safety, the Office of Food Defense, Communication, and Emergency Response; FERN; the Office of Regulatory Affairs' regional laboratories and State Department of Health Agencies. MDP information is also shared with CDC epidemiologists, the National Antimicrobial Resistance Monitoring System (NARMS), and the PulseNet laboratory. On request, MDP provides data to USDA's Agricultural Research Service and the National Advisory Committee on Microbiology Criteria for Food.

During FY 2012, MDP reported to FDA, two *E. coli* O157:H7, 32 *Salmonella*, and 13 *Listeria monocytogenes* positives. These 47 positive reports, which included sample information and test results, were used by FDA in conjunction with additional information collected by FDA inspectors to recommend 19 limited voluntary recalls of the affected lots of fresh produce (cantaloupe, sprouts, cilantro, cherry tomato, and bagged lettuce or spinach). All data, including non-O157 *E. coli* has been reported to FDA.

MDP continuously shared its data on pathogen characteristics such as serotypes and genomic fingerprints by pulsed-field gel electrophoresis (PFGE) with FDA and CDC. The close relationship between MDP-participating State laboratories and their respective health agencies allowed for rapid serotyping and identification of pathogen species and reporting of this information into the CDC PulseNet database within days of isolating a pathogen. MDP data enabled outbreak investigators nationwide to match pathogens isolated in food commodities with those isolated from humans. As a result, CDC epidemiologists were able to identify a total of 15 MDP *Salmonella* and *Listeria monocytogenes* matches to human illness. MDP also provided all its isolate data to the new VolNet database, a database similar to PulseNet, but strictly for pathogens isolated from produce. MDP has also provided data to an Interagency Risk Assessment Consortium and a CDC/FSIS risk assessment group for facilitating development of attribution models in linking a commodity to a food-borne pathogen.

The Program's most recent Annual Report for 2011 was published in November 2012 and can be found at <http://www.ams.usda.gov/AMSV1.0/mdp>.

Interagency Coordination and Cooperation – In order to cross-utilize federal resources, MDP and FDA Food Emergency Response Network (FERN) held monthly conference calls and numerous meetings to discuss

interagency agreements for sharing resources for sampling, testing, equipment purchases, and to harmonize collection of sample information and reporting of analytical results. In FY 2012, MDP worked closely with FDA to assist in research and method development and to provide produce samples for the FERN Cooperative Agreement Program (CAP) laboratories. MDP also assisted FDA by continuing to collect cilantro samples for use by the FDA Module-1 Laboratory in evaluation of the robustness of a newly developed testing method. MDP consulted FDA CFSAN Produce Safety Staff to discuss commodity selection, and with the CDC PulseNet Database Unit and the CDC Outbreak Response and Prevention Branch (Division of Foodborne, Waterborne, and Environmental Diseases) to discuss sharing of MDP isolates data in PulseNet for match-up with food or human illness in a timely manner.

NATIONAL ORGANIC PROGRAM

Current Activities: The National Organic Program (NOP) (authorized by the Organic Foods Production Act of 1990, 7 U.S.C. 6501 et seq.) develops, implements, and enforces national standards governing the production, handling, and labeling of organic agricultural products. The NOP facilitates trade and ensures integrity of organic agricultural products by consistently implementing organic standards and enforcing compliance with the regulations. The NOP accredits certifying agents worldwide so that they may certify that organic producers and processors are in compliance with national organic regulations. The NOP evaluates and establishes recognition and equivalency agreements with foreign governments. The NOP provides support to the National Organic Standards Board (NOSB). The NOSB consists of 15 private-sector appointees who recommend materials to be allowed or prohibited in organic operations and provide other recommendations to the Secretary related to the NOP.

Selected Examples of Recent Progress:

Rulemaking:

- Published Amendments to the National List of Allowed and Prohibited Substances (Crops and Processing) Rule: (Microcrystalline cheesewax; Acidified sodium chlorite; Non-organic dried orange pulp; Non-organic Pacific kombu seaweed; Bleached, non-organic lecithin)
- Published National List Rule: Adding Fenbendazole and Moxidectin
- Published National List Rule: Sunset 2012
- Published National List Rule: Tetracycline Use in Organic Apple and Pear Production
- Published National List Rule: Synthetic Methionine Use in Organic Poultry Production
- Published Sunset 2012: Vitamins and Minerals Interim Rule

Resources and Guidance:

- Issued Draft Guidance: Handling Bulk, Unpackaged Organic Products.
- Released new instruction documents for USDA-accredited certifiers, including: Responsibilities of Certified Operations Changing Certifying Agents; Reinstating Suspended Organic Operations; Recommended Penalties for Violations of Specific Regulatory Requirements; Unannounced Inspections; Information Submission Requirements for Certifying Agents; Annual Report Reviews; and Responding to Non-compliances.
- Updated existing instruction documents for certifiers, including Disclosure of Information Concerning Operations Certified under the National Organic Program, and the NOP's online accreditation audit checklists.
- Published other documents to assist and guide certifiers and organic producers, such as a policy memo outlining the appropriate use of the "Certified Organic" seal; a notice related to the use of sodium nitrate in organic production, memoranda related to international trade agreements, and a reference table presenting National List Sunset Dates.
- Led the development and launch of the Organic Literacy Initiative, a collection of resource materials that trains USDA personnel and farmers about certification and market opportunities in the organic food industry.

Investigation and Enforcement:

- The NOP completed the investigation of 279 complaints in FY 2012, more than twice the number of closures as the previous year. As a result of investigations, NOP issued nine civil penalties through settlement agreements for willful violations of the NOP regulations. These penalties totaled more than \$120,000.
- As a result of process improvements, significant progress was made in reducing the backlog of complaint cases. By the end of FY 2012, 97 percent of complaints received in FY 2010 and 87 percent of complaints received in FY 2011 had been closed.
- The NOP supported criminal investigations and sentencing efforts led by other offices, including the Office of Inspector General Criminal Division and the Department of Justice.

Accreditation Activities:

- The NOP conducted audits of USDA-accredited certifying agents, including 45 accreditation renewal audits, three midterm audits, two initial audits, three surveillance audits, and a recognition assessment audit.
- As a result of accreditation activities and reviews, the NOP processed and issued: 51 reinstatement approvals and 18 reinstatement denials; 1 Notice of Accreditation; 12 Renewals of Accreditation; 8 Notices of Continued Accreditation; 3 Surrender of Accreditation; 51 Notices of Noncompliance; a Notice of Denial of Reduction of Certification Ineligibility; 13 temporary variances; and 4 Application of Export Authorization.
- Analysis of audit findings indicates that certifying agents have fully implemented 92 percent of USDA accreditation criteria.

International Activities:

- Continued to engage with other countries to advance organic community trade through recognition and equivalency agreements. NOP was a key force in establishing the United States – European Union Equivalency Arrangement that has opened up a \$24 billion dollar market to U.S. organic producers and handlers.
- Ensured smooth implementation of both the United States - Canadian equivalency arrangement and the European organic equivalency arrangement.
- Conducted certifier audits and participated in meetings with government officials in Australia, China, Germany, Costa Rica, Brazil, Guatemala, and Argentina. Participated in technical discussions with Japanese government officials to assess future possibilities for organic equivalency.

Training and Outreach:

- Conducted training for accredited certifying agents in San Antonio, Texas in January 2012, and attended multiple conferences and outreach events, resulting in a better understanding of the NOP and the impact of the rules and regulations for both producers and organic consumers.
- Continued to improve program communication and transparency by publishing the NOP Organic Integrity Newsletter, and by communicating through the NOP Organic Insider. The Insider electronic email service had 14,108 subscribers as of early September 2012, more than triple the number of subscribers at the beginning of FY 2012. During FY 2012, NOP sent 73 content-rich update e-mails through the service.
- Held public meetings of the National Organic Standards Board in Savannah, Georgia in November-December 2011 and in Albuquerque, New Mexico in May 2012.
- Launched an “Organic 101” blog series within the USDA Blog site and posted eight articles during FY 2012, all providing an introductory overview of the USDA organic regulations and certification.

External Audits – The OIG completed two audits related to the NOP in FY 2012. The first was entitled “Organic Milk Audit – Phase 1,” and included four findings with recommendations related to the oversight of certified organic milk operations. The second audit resulted in a “No findings” Report on NOP’s management of the National List of Allowed and Prohibited Substances. This “No Findings” Report was particularly significant given close external scrutiny of the National List over the last few years.

Organic Certification Cost-Share Grant Programs – In FY 2012, NOP continued to administer both the National and Agricultural Marketing Assistance Organic Certification Cost Share Grant Programs. This included overseeing the allocation of approximately \$7.2 million to States so that they were able to partially reimburse producers and handlers for the cost of organic certification. NOP outreach efforts for these programs included conference presentations, one-on-one outreach with State points of contact, and email outreach.

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.

Records Inspection and Educational Outreach: Approximately 2,265 inspections of certified private applicators have been conducted by States that follow the Federal regulations. Due to the reduction of program funding for FY 2012, the number of inspections was reduced in many of the 27 States operating under the Federal requirements. The program continued to provide guidance and educational support to the 27 States as needed and on request. PRP continues to support farmers by providing resources to assist them in completing timely and accurate restricted use pesticide application records. PRP distributed 6,925 program brochures, 5,225 fact sheets, 11,300 greenhouse/nursery recordkeeping manuals, 4,435 pocket-sized recordkeeping manuals, 26,882 full-sized recordkeeping manuals, 7,220 wallet reference cards, and other educational materials to total almost 80,000 outreach materials provided to private certified pesticide applicators, including small and minority farmers.

Outreach to Private Applicators: The PRP continues to support AMS outreach efforts by participating in monthly conference calls and face-to-face meetings. Informational materials were made available to attendees on AMS programs including the Farmers Market Promotion Program, AMS Poultry Programs, AMS Fruit & Vegetable Programs and the Pesticide Recordkeeping Program. PRP exhibited and provided outreach materials at the Virginia State Fair in Richmond, Virginia; Sunbelt Agricultural Exposition in Moultrie, Georgia; Beltwide Cotton Conference in Orlando, Florida; and the Southern Sustainable Agriculture Working Group Conference in Chattanooga, Tennessee. More than 150,000 private applicators from the southeastern states were in attendance at these meetings. More than 25,000 outreach materials were provided to private certified pesticide applicators.

Inspection Training: Regional State inspector training was conducted in Alabama, Idaho and Minnesota to provide guidance to new inspectors on the provisions and enforcement of the Federal Pesticide Recordkeeping Regulations. An additional 10 webinar meetings were conducted with new and experienced inspectors that participate remotely. In total, more than 100 inspectors participated in the regional and webinar training meetings.

Annual Summary: The PRP FY 2011 Annual Summary was published in December 2012, and provides information on the number of compliance inspections conducted, the list of State cooperators that assisted with conducting applicator inspections, outreach materials provided, tradeshow attended to reach private applicators, and other program information. The FY 2011 Annual Summary will be posted to the AMS website at the following address: <http://www.ams.usda.gov/AMSV1.0/pesticiderecords>.

RESEARCH AND PROMOTION PROGRAMS

Current Activities: AMS provides administrative oversight to 20 industry-funded commodity research and promotion programs with over \$677 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. The industries reimburse AMS for the cost of administrative oversight activities.

Selected Examples of Recent Progress:

AMS strengthened its oversight of research and promotion programs by implementing standard operating procedures. During 2012, AMS worked with the boards to ensure the procedures were followed (for example, requiring specific language in board contracts).

Cotton – The completion of the landmark cotton Life Cycle Analysis (LCA) is clearly a highlight of the past year, and, as a metric, it presents where cotton is today as far as environmental impact that will serve as a yardstick to measure future environmental gains. Prior to the LCA, data on the environmental impact of cotton production and processing was obsolete. The environmental impact and the perception of environmental impact continue to be obstacles to increasing demand for cotton. From cotton fiber sourcing to end product, stakeholders and consumers alike are demanding methods of measuring and reducing the environmental impact of textile products. Tools such as Life Cycle Inventories and Life Cycle Assessments can aid in environmental decision-making by identifying key impact areas and benchmarking environmental success, such as impact on water usage or air emissions, over time. The present metrics also identify where the greatest improvements can most quickly be made, which are already helping to guide cotton research strategies moving forward.

The Cotton Research and Promotion Program also continued collaboration to perfect an environmentally-friendly foam application for wrinkle-free finishes, and continued partnering with Under Armour® in incorporating more moisture-wicking cotton apparel into its line of products. The Cotton's 24-Hour Runway Show made history in November 2011 by presenting a cotton look a minute—1,440 different looks—over a 24-hour period. The event was streamed live over the Internet, conveying to a large international audience that cotton is a versatile and fashionable option for any hour of the day. In 2012, cotton research and promotion developed 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 continued to focus on child health and nutrition through the check-off created school program - Fuel Up to Play 60 (FUTP60). FUTP60 combines the 2010 Dietary Guidelines with the star power of the National Football League (NFL) to encourage youth to consume nutrient-rich foods, including low-fat and fat-free dairy, and to have 60 minutes of physical activity every day. AMS continued to participate in the implementation of the Memorandum of Understanding (MOU) between USDA, the Department of Education, the Department of Health and Human Services, National Dairy Council, Gen YOUth Foundation, and the NFL. This MOU set a new precedent for public-private partnerships and cross-department collaboration to further the goals of FUTP60 through healthier eating and increased physical activity. The FUTP60 program is now in more than 73,000 schools serving 38 million students, an 18 percent increase from 2011. Since 2010, \$6.5 million has been awarded to FUTP60 schools, of which 60 percent are serving high-needs student populations (over 40 percent of students are eligible for free/reduced price meals). AMS collaborated quarterly with the Food and Nutrition Service, Center for Nutrition Policy and Promotion, and the National Dairy Council to strengthen joint efforts to address child nutrition and exercise. FUTP60 also shares the goals of the First Lady's childhood obesity platform "*Let's Move!*"

Eggs – The Egg Research and Promotion Program pursued strategies to fortify hen feed with additional vitamin D, a nutrient in which many people are deficient. This followed research showing that eggs are naturally a good source of vitamin D. Once researchers demonstrated that feed fortified with various levels of vitamin D had no detrimental effect on hens, the egg program initiated efforts in tandem with egg farmers to incorporate more of this important nutrient into feed formulations.

The Program also continued its Good Egg Project which educates consumers about egg production and promotes 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 38.6 million eggs to the Nation’s hungry population.

Processed Raspberries – AMS’ fruit and vegetable program implemented a new Processed Raspberry Research and Promotion Program. The Program will assess domestic manufacturers of raspberries for processing and imported processed raspberries. The purpose of the program is to strengthen the position of the processed raspberry industry in the marketplace, maintain and expand markets for processed raspberries, and develop new uses for processed raspberries within the U.S.

Research and Promotion Program Industry Revenue
 FY 2012 Estimate
 (Dollars in Millions)

<u>Commodity</u>	<u>Estimated Revenue</u>
Cotton	\$118.6
Dairy	106.4
Fluid Milk	104.0
Beef	39.2
Lamb	1.9
Pork	83.3
Soybeans	90.8
Sorghum	7.2
Eggs	21.1
Blueberries	8.1
Hass Avocado Board	37.3
Honey Board	4.3
Mango Board	5.9
Mushroom Council	4.5
Peanut Board	6.9
Popcorn Board	1.1
Potato Board	20.0
Processed Raspberries	0.0
Softwood Lumber	12.0
Watermelon Board	4.6
Total	\$677.2

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.

- The weekly *Grain Transportation Report* recounts developments affecting the transport of grain, both in the domestic and international marketplaces. This report includes up-to-date volume and price data for barges, railroads, trucks, and ocean vessels involved in the transport of grain. As a complementary resource, the Agency publishes Grain Transportation Report Datasets on Data.gov, which allow users to structure and analyze a wide breadth of grain transportation information to meet their specific needs.
- The *Ocean Shipping Container Availability Report*, published in support of the President's National Export Initiative, provides a weekly snapshot of the current and projected short-term availability of various types of marine shipping containers at 18 intermodal locations for westbound transpacific trade lanes. The report helps agricultural exporters realize an estimated 25 percent increase in agricultural cargo by allowing them to identify available containers.
- The *Agricultural Refrigerated Truck Quarterly* provides a view of U.S. regional refrigerated truckload movements in terms of volume and rates to gauge truck transportation in the fresh fruit and vegetable markets.
- The annual *Transportation of U.S. Grains: A Modal Share Analysis* examines trends in the types of transportation used to move grains grown for food and feed to help U.S. agriculture maintain a well-developed, efficient transportation system.
- The quarterly *Mexico Transport Cost Indicator Report* provides a snapshot of the agricultural transportation traffic of grain, soybeans, livestock, fruit, vegetables, and container shipments between the United States and Mexico. The report also looks in depth at the specific cost components of transporting grain between the two countries, and provides data on cross-border livestock movements and the effect of protected agriculture on fruit and vegetable shipments.
- The quarterly *Brazil Soybean Transportation Report* shows the total cost of shipping soybeans from Brazil to major export markets.
- Other AMS information products include: *Soybean Transportation Guide: Brazil 2010*, *Impacts of Transportation Infrastructure on the U.S. Cotton Industry*; *U.S. Grain and Soybean Exports to Mexico—A Modal Share Transportation Analysis, 2007-2010*; *Infrastructure Moves Agriculture*; *Rail Rate and Revenue Changes since the Staggers Act*; *the Mississippi River Gage Report*, *the Biofuel Transportation Database*; *Comprehensive Rail Rate Index*, a report on the three components of rail rates: rail tariff rates, fuel surcharges, and secondary rail market bids/offers; and the report, *Reliable Waterway System is Important to Agriculture*, which describes the importance of marine transportation to agricultural exports.

Regulatory Representation – Because of the Agency's expertise, AMS is often asked to provide input to various regulatory agencies on issues related to agricultural shipping under the authority of the Agricultural Adjustment Act of 1938, Agricultural Marketing Act of 1946, and International Carriage of Perishable Foodstuffs Act of 1982. During FY 2012, AMS provided input or comments on more than 10 major transportation issues, including: Western Coal Traffic League, Petition for Declaratory Order, BNSF Railway Company Acquisition Premium, Surface Transportation Board (STB) FD-35506; Competitive Switching Rules, STB EP-711; Rate Regulation Reforms, EP-715; Assessment of Mediation and Arbitration Procedures, STB EP-699; Agricultural Hours of Service Exemption for Drivers Transporting Farm Supplies; Exemptions for Certain Farm Vehicles and Drivers; Global Supply Chain Security; and Working Party on the Transport of Perishable Foodstuffs.

Direct Marketing/Locally Grown:

Farmers Market Promotion Program (FMPP) – AMS administers the FMPP, a program funded by the 2008 Farm Bill, which provides grants to establish, improve, and expand domestic farmers markets, roadside stands, community-supported agriculture programs, agritourism, and other direct producer-to-consumer market strategies. Grants of up to \$100,000 are awarded through a competitive process to eligible entities, which include agricultural cooperatives, economic development corporations, local governments, nonprofit corporations, producer associations, producer networks, regional farmer’s market authorities, and Tribal governments. In 2012, AMS provided over \$9 million in FMPP grants to organizations in 39 states, the District of Columbia, and Puerto Rico for initiatives that bolster the connection between agricultural producers and their consumers, improve access to healthy food, and strengthen local economies. The 2012 grants funded more than 40 projects that connect farmers and ranchers to new customers by establishing new markets and other retail outlets, community supported agriculture programs, or extend the market season; 17 that use new delivery approaches such as online and mobile markets; 13 that foster the economic growth of new and beginning farmers and ranchers; 12 that support American Indian and Alaskan Native communities, and provide new opportunities for Latino, refugee, and immigrant farmers; 10 that help hospitals and health care organizations improve eating habits in their communities through education and the direct marketing of fresh local produce; and 9 projects that support agritourism. Synopses of the 2012 FMPP grants can be viewed at <http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRDC5100605>.

Farmers Markets – As part of its mission to educate and support farmers markets and the local food sector, AMS maintains a comprehensive directory of U.S. farmers markets at (<http://www.ams.usda.gov/farmersmarkets>). In FY 2012, 7,864 farmers markets were reported operating in the United States; the number of farmers markets with winter operating hours increased 38 percent from 886 in 2011 to 1,225 in 2012.

Food Hubs – AMS is working to support the small and mid-sized producers’ movement toward distribution and processing infrastructures of appropriate scale to broaden their access to retail, institutional, and commercial foodservice markets, where demand for local and regional foods continues to rise. Food hubs provide a combination of production, aggregation, distribution, and marketing services, making it possible for producers to gain entry into new and additional markets that would be difficult or impossible to access on their own. AMS is a partner with local and regional food stakeholders in the National Good Food Hub Collaboration, a public-private effort to collect data and analyze the latest developments, research, and activities related to food hubs. In 2012, AMS led the Collaboration in developing a database of more than 213 operating or emerging regional food hubs (double the number recorded in 2011), and launched the Food Hub Community of Practice, a national peer-learning network intended to accelerate research, best practices, and sharing of resources among food hub stakeholders. AMS also published a new *USDA Regional Food Hub Resource Guide*, a comprehensive compilation of guidance for developing or participating in a regional food hub, and issued *Moving Food Along the Value Chain: Innovations in Regional Food Distribution*, a detailed study of food hub models. During FY 2012, AMS conducted outreach at 26 regional and national conferences, training workshops, webinars, and conference calls to share knowledge about and potential funding sources for food hubs with more than 2,000 food hub stakeholders, and responded to more than 150 direct requests for food hub information.

Direct Marketing Studies and Reports

- In FY 2012, AMS, with the USDA Economic Research Service, authored *Mapping Competition Zones for Vendors and Customers in U.S. Farmers Markets*, a study that used heat maps (a graphical representation of data where the individual values contained in a matrix are represented as colors) to track the relative concentration of farmers’ market vendors and customers across the country with the goal of helping market managers and planners better understand local market conditions.
- As mentioned above, AMS published *Moving Food Along the Value Chain: Innovations in Regional Food Distribution*, a report about the distribution practices of eight producer networks that distribute locally or regionally-grown food to retail and foodservice customers. The report delineates how the networks tap into the growing commercial demand for local and regional food to create economic opportunities and expand healthy food access. AMS also published the *USDA Regional Food Hub Resource Guide*. These two

reports provide clarity on the food hub concept, showcase food hub impacts on regional food systems, and describe Federal and non-Federal resources that can be used to support food hub growth and development.

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 2012, AMS provided architectural plans and design assistance to 10 farmers markets that will be used to either establish new or enhance existing farmers' market facilities.

Outreach/Training – During FY 2012, AMS participated in 26 regional and national conferences, webinars, training workshops, and conference calls to share information with more than 2,000 small and mid-sized enterprises and individuals on opportunities to enhance their marketing strategies. As a result of the Agency's food hub outreach, it has been estimated that the volume of private foundation contributions to support food projects is over \$15 million.

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 14.8 million bales of cotton under the grower-classing program in FY 2012, with all cotton classed by the high volume instrument method. This represents a 14 percent decrease from the FY 2011 level. This information is provided electronically to growers and agents who request it, at a charge of five cents per record. In FY 2012, the Cotton Program received requests for information on over 48 million bales, a 27 percent increase from FY 2011.

The AMS Cotton and Tobacco Programs provided classification services on 318,337 samples submitted for futures certification during FY 2012. This classification total was 64 percent lower as compared to FY 2011 when classification services were provided on 895,029 samples submitted. The primary cause for the reduction in the number of samples classed was the marketing environment during FY 2012. Many cotton merchants found it more advantageous to sell the cotton on the spot market rather than certificate the cotton on the futures market. The number of bales available for delivery on the futures market is also impacted by the percentage of the total U.S. crop graded as "tenderable". The percentage of bales meeting this requirement was also reduced, resulting in a smaller pool of potential bales available for futures classification.

AMS developed and implemented a new instrument-based leaf grade for cotton to replace the long-standing, labor-intensive determination assigned by human graders. This new grading technique utilizes imaging technology and a comprehensive algorithm developed internally by AMS employees. The algorithm was pilot-tested in FY 2010-2011 alongside the official manual grade for all cotton grown and graded in the U.S. The new algorithm and process was fully vetted by the cotton industry, which supported this progressive step forward. These highly accurate instrument measurements will be used to market cotton worldwide. This new methodology will increase efficiency and reduce labor without sacrificing data accuracy. The program was fully implemented under the Revision of Cotton Classification Procedures for Determining Cotton Leaf Grade (Final Rule- April 5, 2012).

In February 2012, AMS developed and implemented a new system for futures classification. The new system was developed to streamline the futures classification process through advancements in technology. Implementation of the new futures system allowed AMS to maintain the current futures classification fee rate.

Fees and Charges in Effect 2012:

<u>Service Performed</u>	<u>Fees</u>
Form 1 grading services	\$2.20 per sample ^{a/}
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).

Tobacco Grading – AMS’ Tobacco Grading Service offers voluntary tobacco inspection, grading, and expanded pesticide testing on all types of domestic and imported tobacco.

During FY 2012, 115.5 million kilos of tobacco were graded and pesticide testing was performed on 64 million kilograms of tobacco to ensure that pesticide residue levels were within tolerance. In addition, 199 samples and 308,000 pounds of tobacco were graded under the USDA Risk Management Program.

Fees and Charges in Effect 2012:

<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 2012:

<u>Services Performed</u>	<u>Fees</u>
Continuous Resident Service	\$63.00 per hour
Nonresident Service	68.00 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 dairy export certification programs in Chile, Brazil, and Kazakhstan thus eliminating trade barriers resulting in increased exports. In 2012, the Dairy Grading program issued 20,515 export certificates which was a 2.5 percent increase over 2011. AMS Dairy Programs continues to look for ways to improve the certificate issuance program. To facilitate the issuance of these certificates, the Program is developing an online system to request certification. To date exporters can request certificates for the EU, and generic sanitary certificates online.

Specialty Crop Inspections – Processed Commodities: This program offers both grading and audit-based verification services for the food industry. During 2012, AMS graded approximately 16.2 billion pounds of processed fruits and vegetables at 232 processing plants, 14 field offices, and 14 inspection points. This represents a 2.5 percent increase above the 2011 level.

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 2012 highlights:

- AMS provided verification audits under the Qualified Through Verification (QTV) program to meet the needs of the fresh-cut produce industry. AMS performed 14 QTV audits in 2012.
- The Plant Systems Audit (PSA) program provides an unbiased, third-party audit of a processor’s quality assurance system. In 2012, AMS performed 16 PSA audits for fruit and vegetable processors nationwide.
- AMS provided surveys from the Food Defense Survey System in support of USDA food purchases. In 2012, AMS performed 325 of these surveys. The reviews provide industry with information regarding product conformance to specifications.
- AMS continued to meet the demand for inspection of food components in Department of Defense (DOD) operational rations in support of military activities in Iraq, Afghanistan, and elsewhere. In addition, AMS continued to participate with the U.S. Department of Commerce Food Team in 21 worldwide subsistence audits under DOD’s “Prime Vendor” food procurement program in 2012. 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 2012, AMS auditors participated in 19 DOD Produce Quality Audits. These audits verify that produce suppliers’ facilities meet DOD’s food safety requirements and that produce meets their specifications.
- AMS continued management of 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 2012, AMS reviewed for approval 3,100 label applications.

Fees and Charges in Effect in 2012:

<u>Service Performed</u>	<u>Hourly Fees</u>		
	<u>Base</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

Specialty Crop Inspections – Fresh Commodities: AMS grading services for fresh fruits and vegetables are available at shipping points and in receiving markets throughout the U.S. and Puerto Rico. These services include voluntary inspections as well as services required for import and export certifications, Federal Marketing Order requirements, and for Commodity Procurement Programs. In 2012, AMS graded or supervised the grading of approximately 57.5 billion pounds of fresh fruits, vegetables, and specialty crops. Grading services were provided by approximately 1,500 Federally-licensed State employees at shipping points and cooperative market locations and by approximately 123 federal employees at 32 federal receiving markets.

AMS Fresh Products Good Agricultural Practices (GAP) & Good Handling Practices (GHP) program 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 2012, approximately 3,404 audits were conducted on over 90 different commodities in 49 states, Canada (Quebec, Ontario, and British Columbia) and Chile.

AMS conducted training classes during 2012 to ensure quality service and uniform application of procedures. Specifics include:

- Two five-day Basic GAP training classes were held for new federal and federal-state inspector auditors.
- Nine LiveMeetings for commodity refresher training classed for over 250 federal and state inspectors.
- Seven LiveMeetings on GAP and GHP for over 200 fresh fruit and vegetable federal and state auditors.
- One five-day D.E.P.S. (Developing Effective Presentation Skills) class for 17 Federal and Federal/State employees.
- Three industry training classes were held to cover inspection processes for various commodities and grading standards in conjunction with a formal agreement with United Fresh Produce Association.
- Five classes for the FNS were held for over 150 state public school cafeteria officials.
- Four on-line webinars were held for FNS state public school cafeteria officials.
- One comprehensive eight-week Market Inspector Training course was held for 19 new Federal and

Federal/State inspectors.

- This course included four days of LiveMeeting training, five weeks of on-site training and a two-week on-the-job training assignment in the Hunts Point Market, Bronx, NY.
- One three-day industry training class for 15 company personnel on-site at A-Z Produce, Salt Lake City, Utah.
- One 1-day industry training class for 18 company personnel on-site at Kingdom Fresh Produce, McAllen, Texas.
- One 2-day industry training class for 20 company personnel on-site at Houston Food Bank, Houston, Texas.

Fees and Charges in Effect in 2012:

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

Meat Grading and Verification – During FY 2012, grading and verification services were provided to approximately 1,080 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 30.8 billion pounds of meat and meat products were verified for specification, contractual or marketing program requirements.

AMS graded 259 loads of beef cattle carcasses for the Chicago Mercantile Exchange and performed 30 worldwide food audits for Department of Defense prime vendor contracts. Instrument grading has been successfully implemented at ten major beef harvesting facilities. A total of 20.1 billion pounds of red meat (beef, lamb, veal and calf) were graded which represents approximately 94.4 percent of steers and heifers, 72 percent of lamb, and 33 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 1.4 million metric tons (valued at \$11.4 billion) of beef, lamb, veal and pork in FY 2012.

Domestic and international accreditation audits conducted for the National Organic Program represent an approval to certify and label product with the USDA Organic Seal. 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. The program also conducted animal welfare audits for the Professional Animal Auditor Certification Organization.

Fees and Charges in Effect in FY 2012:

<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 service is provided on a non-resident (lot grading) basis. During 2012, AMS provided resident service in 107 poultry plants, grading 7.1 billion pounds of poultry and 175 shell egg plants where 2.25 billion dozen shell eggs were graded. There was a 1 billion pound decrease in the volume of chicken products received in official plants, and a 0.47 billion pound increase of turkey handled in official plants for a 0.53 billion pound total decrease in poultry graded. Shell eggs certified in 2012 increased by 0.32 billion pounds. Poultry grading services covered about 29 percent of the turkeys slaughtered, 15 percent of the broilers slaughtered, and 50.1 percent of the shell eggs produced in the U.S., excluding eggs used for breaking and hatching.

Currently, there are 14 qualified Process Verified Program auditors who perform Process Verified Program audits. There are two companies with 13 facilities approved under the 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. Due to recent growth of this program and advertising campaigns made by Perdue Farms, Inc. in 2012, it is anticipated that approximately 5 to 10 additional facilities from the shell egg, egg products, and poultry industries will apply and meet the requirements of the program.

Fees and Charges in Effect in 2012:

<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) was established as a result of a 1997 ban on U.S. poultry exports to the EU member states based on concerns by European Commission (EC) auditors about 1) the use of chlorinated water in the processing of U.S. poultry and 2) deficiencies in the U.S. system regarding verification of on-farm Good Manufacturing Practices. In 2012, the audited company shipped turkey products to EU countries ranging from 6,000–20,000 pound lots. Five loads were shipped between May–September 2012. The development of this verification program led to the re-opening of poultry export markets to the EU.

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 2012, AMS tested 1,249 samples and issued 1,744 Seed Analysis Certificates. This represents a 42 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. Most of the samples tested and certificates issued represent seed scheduled for export. Also in 2012, the Seed Regulatory and Testing Division accredited two companies at six plant locations for the new Seed Conditioning USDA Process Verified Program. This program allows for the verification of specified seed conditioning processes, including Refuge in the Bag. Fees collected for these activities in FY 2012 totaled \$32.2 million.

Fees and Charges in Effect 2012:

<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 2012, AMS approved the shipment of 151 million pounds of seed and approved 1,539 new varieties.

Fees and Charges in Effect 2012:

<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 Division – The AMS Laboratory Division provides USDA, other federal agencies, and the agricultural industry with a network of analytical testing laboratories supporting commodity purchases, export certification programs, grading, quality assurance and biosecurity. The laboratory consistently performs tests on commodities such as breads and cakes, butter, coffee, citrus juices and juice products, citrus trees, canned and fresh fruits and vegetables, canola, corn, crop plants, eggs and egg products, honey and honey products, meats, milk and dairy products, military and emergency food rations, oils and spreads, olive oil, peanuts, rice, fish and seafood, organic foods and products, soybeans, tobacco, turf grass and others. The tests are performed to detect, identify, characterize and quantify dietary content, pathogen contamination, Aflatoxin, varietal identity, pesticide residue contamination, organoleptic properties and proximate characteristics.

During 2012, the AMS Laboratory Division conducted over 130,000 chemical, microbiological, bio-molecular, proximate, and organoleptic analyses on over 47,000 samples representing a wide variety of agricultural products. The AMS Laboratory Division produced \$6.8 million in user fee revenue. In 2012, the Division provided analytical testing services to other Federal programs, including the NOP, FDA with the Family Smoking Act of 2009, ARS with honeybee colony collapse disorder testing, and Animal and Plant Health Inspection Service with the redistribution of pest control testing resulting from laboratory closures.

Fees and Charges in Effect 2012:

<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

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:

We estimate that more than 140 species of plants are currently protected under the PVP. In 2012, AMS received 491 applications for protecting new agricultural, floral, and seed plant varieties, which is a 7 percent decrease from 2011. A total of 1,124 applications, including some from previous years, were pending action at the end of 2012. During the fiscal year, AMS conducted searches on 570 applications to determine whether the plant constituted a new variety. On the basis of those searches, the program issued 323 certificates of protection. At the end of the fiscal year, 5,021 certificates were in force while protection had expired on 208 different varieties.

In February 2012, the Program awarded a contract to a vendor to evaluate converting the current STAR database to a new relational system and to plan for an electronic online PVP application filing system. The Program held a meeting with its 14 Board members in April 2012 to discuss the new system, process improvements, and industry outlook. In December 2012, the PVP Office relocated from Beltsville, Maryland to Washington, DC. This move will result in better communication with the Program and reduce operating costs.

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, 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:

On December 7, 2010, USDA issued a Final Rule and announced the appointment of the Sheep Center's Board of Directors. The first meeting of the Board of Directors was held January 19, 2011. The Sheep Center submitted its Strategic Plan (Plan) as required by the 2008 Farm Bill, and the Plan was approved by AMS on March 14, 2012. On June 1, 2012 the Sheep Center Board of Directors announced it was accepting grant proposals designed to improve the competitiveness of the U.S. sheep and goat industries. Applications for the \$300,000 budget were due August 31, 2012. On November 1, 2012, AMS approved eight of nine grants, with additional information pending on the remaining grant.

AGRICULTURAL MARKETING SERVICE

The estimates include proposed changes in the language for this item as follows:

Limitation on Administrative Expenses

Not to exceed \$60,435,000 (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.

2013 Estimate	\$62,592,000
Budget Estimate, 2014.....	<u>60,435,000</u>
Change in Appropriation	<u>-2,157,000</u>

AGRICULTURAL MARKETING SERVICE

The estimates include proposed changes in the language for this item as follows:

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.

Lead-Off Tabular Statement

2013 Estimate.....	\$1,205,000
Budget Estimate, 2014.....	<u>1,363,000</u>
Change in Appropriation.....	<u>+158,000</u>

Summary of Increases and Decreases

(Dollars in thousands)

	2011	2012	2013	2014	2014
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Discretionary Appropriations:					
Payments to States and Possessions.....	\$1,331	-\$133	+\$7	+\$158	\$1,363
Total, Appropriation or Change.....	<u>1,331</u>	<u>-133</u>	<u>+7</u>	<u>+158</u>	<u>1,363</u>

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Project Statement

Appropriation Detail and Staff Years (SY)

(Dollars in thousands)

Program	2011 Actual		2012 Actual		2013 Estimate		Inc. or Dec.		2014 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Discretionary Appropriations:										
Payments to States and Possessions.....										
	\$1,331	-	\$1,198	-	\$1,205	-	+\$158 (1)	-	\$1,363	-
Total Adjusted Approp..	1,331	-	1,198	-	1,205	-	158	-	1,363	-
Rescissions and Transfers (Net).....										
	3	-	-	-	-	-	-	-	-	-
Total Appropriation.....	1,334	-	1,198	-	1,205	-	+158	-	1,363	-
Recission.....	-3	-	-	-	-	-	-	-	-	-
Total Available.....	1,331	-	1,198	-	1,205	-	+158	-	1,363	-
Total Obligations.....	1,331	-	1,198	-	1,205	-	+158	-	1,363	-

Project Statement

Obligations Detail and Staff Years (SY)

(Dollars in thousands)

Program	2011 Actual		2012 Actual		2013 Estimate		Inc. or Dec.		2014 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Discretionary Obligations:										
Payments to States and Possessions.....										
	\$1,331	-	\$1,198	-	\$1,205	-	+\$158 (1)	-	\$1,363	-
Total Obligations.....	1,331	-	1,198	-	1,205	-	+158	-	1,363	-
Total Available.....	1,331	-	1,198	-	1,205	-	+158	-	1,363	-
Recission.....	3	-	-	-	-	-	-	-	-	-
Total Appropriation....	1,334	-	1,198	-	1,205	-	+158	-	1,363	-

Justification of Increases & Decreases
Payments to States and Possessions

1) A net increase of \$158,000 for Payment to States and Possessions (\$1,205,000 available in 2013) consisting of:

- a) An increase of \$165,000 (\$1,205,000 available for FY 2013) for matching grants offered through the Federal-State Marketing Improvement Program (FSMIP).

FSMIP is a competitive matching grant program for State Departments of Agriculture or similar State agencies. FSMIP grants are designed to encourage research and innovation; improve agricultural marketing efficiency; foster new and expanded domestic/foreign markets; collect and disseminate marketing information; and develop more efficient post-harvest and packaging methods, electronic marketing, and product diversification. Federal funding for matching grants leverage state and regional resources to resolve marketing problems. In 2012, the program funded 22 projects in 18 states and the District of Columbia, with a grant average of \$54,000, to help create economic opportunities for American producers and businesses.

The FSMIP program is unique in that it supports projects across a wide spectrum of marketing issues facing the U.S. agriculture sector, and often, these projects serve as catalysts for new initiatives that improve farm income and consumer welfare. The funds are instrumental in assisting private business and act as a stimulus for the nation's food and agricultural sectors. Eligible projects for the program's matching grants include livestock and livestock products, food and feed crops, fish and shellfish, horticulture, viticulture, apiary, forest products, processed or manufactured products derived from such commodities, nutraceuticals, compost, and other products made from agricultural residues. FSMIP grants directly support AMS' marketing mission and USDA's support for rural communities, as the funds allocated to these projects put resources directly into communities nationwide.

The requested resources will allow the program to focus additional resources on grant proposals to meet emerging needs such as changes driven by new FDA Food Safety Modernization Act reforms, without reducing resources for other high-impact projects that benefit multiple producers or other agricultural businesses; projects that reflect a collaborative approach between States, academia, the farm sector and other stakeholders; and projects that build on past project best practices.

- b) A decrease of \$7,000 for the Federal-State Marketing Improvement Program (FSMIP) which represents 0.612% funding authorized by Section 101 (c) of P.L. 112-175, the Continuing Appropriations Act, 2013.

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Distribution of obligations by State is not available until projects have been selected. Projects for 2013 will be selected in the fourth quarter of 2013. Funds in 2013 for the Federal-State Marketing Improvement Program total \$1,205,000. A funding level of \$1,363,000 is proposed for 2014.

Geographic Breakdown of Obligations
(Dollars in thousands)

	<u>2011 Actual</u>	<u>2012 Actual</u>
Arkansas.....	\$61	-
Connecticut.....	89	-
Georgia.....	55	-
Hawaii.....	-	\$28
Idaho.....	67	-
Illinois.....	55	98
Kansas.....	144	-
Kentucky.....	49	69
Louisiana.....	87	-
Maine.....	64	-
Massachusetts.....	26	53
Michigan.....	150	-
Minnesota.....	60	-
Mississippi.....	-	53
Missouri.....	61	60
Montana.....	-	39
Nebraska.....	79	-
Nevada.....	-	46
New Jersey.....	-	63
New Mexico.....	-	43
New York.....	74	-
North Carolina.....	-	30
Pennsylvania.....	-	95
South Dakota.....	-	32
Tennessee.....	-	90
Texas.....	78	-
Vermont.....	-	47
Virginia.....	75	108
Washington.....	-	144
Wisconsin.....	-	66
Wyoming.....	36	-
District of Columbia.....	-	34
Puerto Rico.....	21	-
Total, Available.....	<u>1,331</u>	<u>1,198</u>

AGRICULTURAL MARKETING SERVICE

Specialty Crop Block Grants

Annual funding of \$55,000,000 was provided in 2012 for the Specialty Crop Block Grant Program by the 2008 Farm Bill. Solicitation of grant applications was released on February 8, 2012. Applications were accepted through July 11, 2012 and awarded in September 2012. Obligations not awarded in grants were expended for administrative costs. This is a formula block grant program; 2013 amounts are based on the formula.

Geographic Breakdown of Obligations

(Dollars in thousands)

	<u>2011 Actual</u>	<u>2012 Actual</u>	<u>2013 Estimate</u>
Alabama	\$439	\$401	\$401
Alaska	197	195	195
Arizona	1,172	1,265	1,265
Arkansas	255	255	255
California	18,679	18,708	18,706
Colorado	712	682	682
Connecticut	430	404	404
District of Columbia	181	181	181
Delaware	242	245	245
Florida	4,386	4,484	4,483
Georgia	1,135	1,133	1,133
Hawaii	392	379	379
Idaho	1,016	930	930
Illinois	650	634	634
Indiana	408	398	398
Iowa	277	271	271
Kansas	274	259	259
Kentucky	264	261	261
Louisiana	341	351	351
Maine	399	403	403
Maryland	420	394	394
Massachusetts	451	439	439
Michigan	1,352	1,340	1,340
Minnesota	739	704	704
Mississippi	269	282	282
Missouri	354	351	351
Montana	297	329	329
Nebraska	346	332	332
Nevada	265	260	260
New Hampshire	250	239	239
New Jersey	792	816	816
New Mexico	459	515	515

AGRICULTURAL MARKETING SERVICE

Specialty Crop Block Grants

Geographic Breakdown of Obligations

(Dollars in thousands)

(continued)

	<u>2011 Actual</u>	<u>2012 Actual</u>	<u>2013 Estimate</u>
New York	\$1,060	\$1,116	\$1,116
North Carolina	1,207	1,153	1,153
North Dakota	642	616	616
Ohio	703	643	643
Oklahoma	381	385	385
Oregon	1,724	1,490	1,489
Pennsylvania	1,043	1,029	1,029
Rhode Island	221	217	217
South Carolina	511	553	553
South Dakota	209	208	208
Tennessee	522	528	528
Texas	1,738	1,854	1,853
Utah	312	289	289
Vermont	230	224	224
Virginia	522	496	496
Washington	3,110	3,327	3,326
West Virginia	214	217	217
Wisconsin	977	884	884
Wyoming	205	205	205
American Samoa	218	216	216
Guam	183	183	183
Northern Mariana Islands.....	-	96	96
Puerto Rico	376	382	382
U.S. Virgin Islands	182	182	182
Subtotal, Grant Obligations	54,333	54,333	54,327
Administrative Expenses	642	667	673
Lapsing Balances	25	-	-
Total, Available or Estimate	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>

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 2012, AMS awarded \$1.2 million to 22 State departments of agriculture and universities in 18 states and the District of Columbia 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. More than half of the 22 projects focus on increasing sales of value added meat products, aquaculture products, and fresh and processed produce in local and regional food systems. Other research topics include forestry, bioenergy and horticulture.

FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM FISCAL YEAR 2012 GRANTS

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
District of Columbia	Assess consumer and restaurant demand for traditional African crops grown by local farmers/producers.	\$34,500
Hawaii	Develop a strategy for marketing three unique varieties of Hawaiian vegetables to U.S. mainland retailers and to determine the optimum packing methods for preserving quality and nutritional content over long distances.	28,100
Illinois	Survey consumers about the value they place on biomass heating fuels and appliances for residential heating and determine which segments have the highest interest and sales potential and disseminate the results to producers and biomass heating appliance manufacturers and dealers.	97,982
Kentucky	Assist in the development of frozen and value-added Kentucky grown blueberry food products, and evaluate demand for these products in direct, institutional, and retail markets.	69,230
Massachusetts	Create a consumer-oriented website that will support the <i>Plant Something</i> campaign to promote the state's horticulture industry	21,500
Massachusetts	Research the benefits, costs, regulatory requirements and options for meat-cutting and processing businesses that serve local meat producers in Massachusetts in order to expand the sector to meet the growing consumer demand for high-value meat products.	32,060
Mississippi	Provide training to vegetable producers about the food safety and quality standards required for major retailers, strengthen the capacity of producers to respond effectively to the demand for local, sustainability-produced food, and inform producers about the benefits of participating in the <i>Make Mine Mississippi</i> program.	52,920

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
Missouri	Study the economics of producing high-quality cattle, and developing a marketing strategy for premium beef that facilitates producer cooperation and coordination of supply.	59,678
Montana	Expand market opportunities for Montana farmers by determining the best methods for processing and preparing fruits and vegetables to make them available year-round to supply the state's K-12 schools.	39,115
Nevada	Assess demand for locally grown fruits and vegetables in the Hispanic community of northern Nevada, and provide insight to Nevada growers seeking to improve their effectiveness in marketing to diverse consumers.	45,747
New Jersey	Develop and launch New Jersey grown and processed value-added products that meet the nutritional and cost requirements of the National School Lunch Program.	62,713
New Mexico	Document the diversity of the New Mexico cattle sector in terms of size and demographics, assess prices and other relevant factors in the various marketing channels, and conduct workshops and training sessions for New Mexico ranchers that will enable them to optimize their production and marketing strategies.	43,000
North Carolina	Provide direct marketing training to small-scale growers to enable them to access new markets.	30,000
Pennsylvania	Document baseline consumer wine purchasing and consumption patterns, and examine the impact on consumer demand for wine produced in the mid-Atlantic region in response to different promotion and marketing approaches.	94,947
South Dakota	Assess factors that influence consumer preferences for, and purchases of, bison meat to assist bison producers to better target their promotion and devise appropriate pricing strategies.	31,725
Tennessee	Survey consumers about their preferences and buying patterns for locally raised beef, conduct consumer focus groups to determine preferences for product labeling and packaging, complete an economic analysis of farm-based beef production systems, and incorporate findings into producer outreach and educational venues.	90,000
Vermont	Facilitate development of a branded, value-added meat sector in New England through technical assistance, marketing support and encouragement of profitable producer-processor partnerships.	47,250
Virginia	Determine the requirements for selling live shrimp to distributors, develop, and improve handling protocols and packing methods for waterless shipping, and conduct field tests to assess the effectiveness of these handling methods.	87,130

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
Virginia	Conduct a pilot project at selected grocery stores to evaluate consumer acceptance of locally-produced freshwater shrimp, and train producers on food safety and handling requirements to sell freshwater shrimp in retail markets.	20,909
Washington	Identify and survey Washington food companies that currently do not export their products to assess barriers to exporting, determine what types of assistance programs are needed to overcome export barriers, and inform food companies about export assistance that is available at the local state department of agriculture.	47,333
Washington	Conduct market research aimed at identifying new and strategic marketing plans, and new and emerging markets for value-added U.S. wood products in China, Vietnam, and Thailand.	96,636
Wisconsin	Develop international markets for value-added hardwood lumber products from Wisconsin and other lake states.	65,525
	Total	<u>\$1,198,000</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.

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 2012 Notice of Funding Availability was published on February 8, 2012, in the *Federal Register* with a grant application deadline of July 11, 2012. During 2012, grant awards were made to the 50 States, District of Columbia, the Commonwealth of Puerto Rico, Guam, and the U.S. Virgin Islands, American Samoa, and the Commonwealth of the Northern Mariana Islands. Grant awards totaled approximately \$55 million for 748 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 2012, the SCBG Program conducted 20 site visits with State departments of agriculture grantees and reviewed project performance reports as part of their monitoring activities. The site visits 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. Program staff reviewed over 1,500 project performance reports totaling over \$110 million in grant funds to evaluate the significance and impact of the program in enhancing the competitiveness of specialty crops.

In October 2012, AMS facilitated a best practices discussion with the 56 grantees to help improve future performance of the program. During the discussion, grantees had the opportunity to share their expertise and management processes with other grantees, share their program management challenges, and hear from their counterparts in other states how they handled specific administrative issues.

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Lead-Off Tabular Statement

2013 Estimate.....	\$10,778,000
Budget Estimate, 2014.....	<u>10,897,000</u>
Change in Appropriation.....	<u>+ 119,000</u>

Summary of Increases and Decreases

(Dollars in thousands)

	2011 <u>Actual</u>	2012 <u>Change</u>	2013 <u>Change</u>	2014 <u>Change</u>	2014 <u>Estimate</u>
Perishable Agricultural Commodities Act.....	<u>\$10,411</u>	<u>+\$1,137</u>	<u>-\$770</u>	<u>+\$119</u>	<u>\$10,897</u>
Total, Appropriation or Change.....	<u>10,411</u>	<u>+1,137</u>	<u>-770</u>	<u>+119</u>	<u>10,897</u>

Project Statement

Appropriations Detail and Staff Years (SY)

(Dollars in thousands)

Program	<u>2011 Actual</u>		<u>2012 Actual</u>		<u>2013 Estimate</u>		<u>Inc. or Dec.</u>		<u>2014 Estimate</u>	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Mandatory Appropriations:										
Appropriation (from receipts).....	\$10,411	75	\$11,548	72	\$10,778	77	+\$119	-	\$10,897	77
Recoveries, Other (Net).....	12	-	257	-	-	-	-	-	-	-
Balance Available, SOY.....	<u>4,920</u>	<u>-</u>	<u>4,989</u>	<u>-</u>	<u>6,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,551</u>	<u>-</u>
Total Available.....	<u>15,343</u>	<u>75</u>	<u>16,794</u>	<u>72</u>	<u>17,329</u>	<u>77</u>	<u>+119</u>	<u>-</u>	<u>17,448</u>	<u>77</u>
Balance Available, EOY.....	<u>-4,989</u>	<u>-</u>	<u>-6,551</u>	<u>-</u>	<u>-6,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-6,551</u>	<u>-</u>
Total Obligations.....	<u>10,354</u>	<u>75</u>	<u>10,243</u>	<u>72</u>	<u>10,778</u>	<u>77</u>	<u>+119</u>	<u>-</u>	<u>10,897</u>	<u>77</u>

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Project Statement

Obligations Detail and Staff Years (SY)

(Dollars in thousands)

Program	<u>2011 Actual</u>		<u>2012 Actual</u>		<u>2013 Estimate</u>		<u>Inc. or Dec.</u>		<u>2014 Estimate</u>	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Mandatory Obligations:										
Total Obligations.....	\$10,354	75	\$10,243	72	\$10,778	77	+\$119	-	\$10,897	77
Balance Available, EOY.....	4,989	-	6,551	-	6,551	-	-	-	6,551	-
Total Available.....	15,343	75	16,794	72	17,329	77	+119	-	17,448	77
Recoveries, Other (Net).....	-12	-	-257	-	-	-	-	-	-	-
Bal. Available, SOY.....	-4,920	-	-4,989	-	-6,551	-	-	-	-6,551	-
Total Appropriation (from receipts).....	10,411	75	11,548	72	10,778	77	+119	-	10,897	77

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands)

State/Territory	<u>2011 Actual</u>		<u>2012 Actual</u>		<u>2013 Estimate</u>		<u>2014 Estimate</u>	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Arizona.....	\$930	10	\$1,006	10	\$1,058	11	\$1,070	11
District of Columbia.....	6,937	43	6,968	41	7,333	43	7,413	43
Texas.....	1,298	10	1,093	10	1,150	11	1,163	11
Virginia.....	1,189	12	1,176	11	1,237	12	1,251	12
Obligations.....	10,354	75	10,243	72	10,778	77	10,897	77
Bal. Available, EOY.....	4,989	-	6,551	-	6,551	-	6,551	-
Total, Available.....	15,343	75	16,794	72	17,329	77	17,448	77

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.

Violations of PACA are investigated and result in: 1) informal agreements between two parties; 2) formal decisions involving payments to injured parties; 3) suspension or revocation of licenses and/or publication of the facts; or 4) monetary penalty in lieu of license suspension or revocation.

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 2012, AMS was contacted by members of the fruit and vegetable industry for assistance in resolving 1,501 commercial disputes. These disputes involved approximately \$17.6 million. AMS resolved approximately 93 percent of these disputes informally within four months. Decisions and orders were issued in 491 formal reparation cases involving award amounts totaling approximately \$12 million. AMS initiated 38 disciplinary cases against firms for alleged violations of the PACA. AMS issued 22 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 1,936 telephone callers needing immediate transactional assistance.

Fees and Charges in Effect in 2012:*

<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.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income and Supply

The estimates include proposed changes in the language for this item as follows:

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 \$20,181,000 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, 2013	\$8,990,116,825
Prior Year Appropriation Available, start of year	219,285,611
Less Food and Nutrition Service (FNS) transfer from prior year funds for the Farm Bill	
Fresh Fruit and Vegetable Program <u>a/</u>	-133,000,000
Less annual transfers to:	
Department of Commerce	-131,371,895
FNS, Child Nutrition Programs	<u>-7,697,030,541</u>
Total, Transfers	-7,828,402,436
Farm Bill Spending Authority, 2013	1,248,000,000
Less Rescission	-150,000,000
Less Current Year Unavailable	<u>-150,000,000</u>
Total Budget Authority, 2013	948,000,000
Less FNS transfer for the Farm Bill Fresh Fruit and Vegetable Program <u>b/</u>	<u>-156,000,000</u>
Total Available for Obligation, 2013	792,000,000
Budget Estimate, 2014:	
Annual Permanent Appropriation	9,211,182,713
Prior Year Appropriation Available, start of year	150,000,000
Less annual transfers to:	
Department of Commerce	-131,000,000
FNS, Child Nutrition Programs	<u>-7,964,182,713</u>
Total, Transfers	-8,095,182,713
Farm Bill Spending Authority, 2014	1,266,000,000
Less Rescission	-166,000,000
Less Current Year Unavailable, held for the Farm Bill Fresh Fruit and Vegetable Program <u>c/</u> ..	<u>-119,000,000</u>
Total Budget Authority, 2014	981,000,000
Less FNS transfer for the Farm Bill Fresh Fruit and Vegetable Program	<u>-40,000,000</u>
Agency Request, 2014	<u>941,000,000</u>
Change from Adjusted 2013 Base	<u>149,000,000</u>

a/ USDA appropriations for 2012 Budget, P.L. 112-55, General Provision Section 726, directs the transfer on October 1, 2012, of 2012 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/ Estimated transfer amount pursuant to the 2008 Farm Bill, P.L. 110-246, Section 4304.

c/ The Budget assumes that \$119 million of the July 1, 2014, transfer will not be made available until October 1, 2014.

AGRICULTURAL MARKETING SERVICE

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

Summary of Increases and Decreases

(Dollars in thousands)

	2011	2012	2013	2014	2014
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Mandatory Appropriations:					
Child Nutrition Program Purchases	\$246,100	+\$218,900	-	-	\$465,000
Farm Bill Specialty Crop Purchases	158,300	+17,300	-\$10,600	+\$41,000	206,000
Emergency Surplus Removal	-	+2,200	+73,800	-76,000	-
Estimated Future Needs <u>a/</u>	50,934	+173,979	-199,200	+176,484	202,197
State Option Contract	5,000	-	-	-	5,000
Removal of Defective Commodities	2,500	-	-	-	2,500
Disaster Relief	5,000	-	-	-	5,000
Direct Payments	550,000	-550,000	-	-	-
Small Business Support	-	-	-	+500	500
Commodity Purchases Services	27,110	+621	-	+6,891	34,622
Marketing Agreements and Orders	20,056	-	-	+125	20,181
AMS Spending Authority	1,065,000	-137,000	-136,000	+149,000	941,000
FNS Transfer for Farm Bill Fresh Fruit and					
Vegetable Program <u>b/</u>	33,000	-13,000	+136,000	-116,000	40,000
AMS Budget Authority	1,098,000	-150,000	-	+33,000	981,000

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 (SY)

(Dollars in thousands)

Program	<u>2011 Actual</u>		<u>2012 Actual</u>		<u>2013 Estimate</u>		<u>Inc. or Dec.</u>		<u>2014 Estimate</u>	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Mandatory Appropriations:										
Permanent Appropriation.....	\$6,605,946	160	\$7,947,046	171	\$8,990,117	171	+\$221,066	+2	\$9,211,183	173
Transfers Out:										
Food and Nutrition Service (FNS),										
Child Nutrition Programs.....	-5,277,574	-	-6,749,901	-	-7,697,031	-	-117,152	-	-7,814,183	-
FNS Transfer from PY funds.....	-76,000	-	-117,000	-	-133,000	-	-17,000	-	-150,000	-
FNS, Fresh Fruit and										
Vegetable Program.....	-33,000	-	-20,000	-	-156,000	-	+116,000	-	-40,000	-
Department of Commerce.....	-90,240	-	-109,098	-	-131,372	-	+372	-	-131,000	-
Subtotal.....	-5,476,814	-	-6,995,999	-	-8,117,403	-	-17,780	-	-8,135,183	-
Rescission.....	-	-	-150,000	-	-150,000	-	-16,000	-	-166,000	-
Prior Year Appropriation										
Available, SOY.....	122,127	-	259,953	-	219,286	-	-69,286	-	150,000	-
Recoveries.....	112	-	563	-	-	-	-	-	-	-
Offsetting Collections.....	13,257	-	-	-	-	-	-	-	-	-
Unavailable Resources, EOY.....	-259,953	-	-219,286	-	-150,000	-	+31,000	-	-119,000	-
Total Obligations.....	1,004,675	160	842,277	171	792,000	171	+149,000	+2	941,000	173

AGRICULTURAL MARKETING SERVICE

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

Project Statement

Obligations Detail and Staff Years (SY)

(Dollars in thousands)

Program	2011 Actual		2012 Actual		2013 Estimate		Inc. or Dec.		2014 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Commodity Purchases:										
Child Nutrition Program Purchases..	\$466,067	-	\$462,913	-	\$465,000	-	-	-	\$465,000	-
Farm Bill Specialty Crop Purchases..	157,214	-	162,173	-	165,000	-	+\$41,000	-	206,000	-
Emergency Surplus Removal.....	56,115	-	171,726	-	76,000	-	-76,000	-	-	-
Estimated Future Needs.....	-	-	-	-	25,713	-	+176,484	-	202,197	-
Subtotal.....	679,396	-	796,812	-	731,713	-	+141,484	-	873,197	-
State Option Contract.....	-	-	-	-	5,000	-	-	-	5,000	-
Removal of Defective Commodities....	-	-	-	-	2,500	-	-	-	2,500	-
Disaster Relief.....	4,321	-	447	-	5,000	-	-	-	5,000	-
Direct Payments.....	268,000	-	-	-	-	-	-	-	-	-
Small Business Support.....	-	-	-	-	-	-	+500 (3)	-	500	-
Prior Year Adjustment.....	141	-	-1,982	-	-	-	-	-	-	-
Administrative Funds:										
Commodity Purchases Services.....	33,538	54	27,151	60	27,731	60	+6,891 (1,2)	+2	34,622	62
Marketing Agreements and Orders..	19,279	106	19,849	111	20,056	111	+125 (1)	-	20,181	111
Subtotal.....	52,817	160	47,000	171	47,787	171	+7,016	+2	54,803	173
Total Obligations.....	1,004,675	160	842,277	171	792,000	171	+149,000	+2	941,000	173
Recoveries.....	-112	-	-563	-	-	-	-	-	-	-
Offsetting Collections.....	-13,257	-	-	-	-	-	-	-	-	-
Precluded from Obligation										
in Current Year.....	-140,132	-	-133,000	-	-150,000	-	+31,000	-	-119,000	-
Unavailable Resources, EOY.....	259,953	-	219,286	-	150,000	-	-31,000	-	119,000	-
Transfer to FNS.....	76,000	-	259,953	-	219,286	-	-69,286	-	150,000	-
Prior Year Appropriation										
Available, SOY.....	-122,127	-	-259,953	-	-219,286	-	+69,286	-	-150,000	-
Total Appropriation.....	1,065,000	160	928,000	171	792,000	171	+149,000	+2	941,000	173

Justifications of Increases and Decreases

Section 32

- (1) An increase of \$198,000 for pay costs which includes \$28,000 for annualization of the fiscal year 2013 pay raise and \$170,000 for the anticipated fiscal year 2014 pay increase.

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 benefit farmers, agricultural, producers, processors, handlers, recipient agencies, and other stakeholders.

- (2) An increase of \$6,818,000 and 2 staff years for Commodity Purchase Services administration to support the Web-Based Supply Chain Management (WBSCM) system, with a corresponding offset in program funds resulting in a net \$0 budget increase.

WBSCM is a mission critical system supporting commodity operations for the Agricultural Marketing Service (AMS), the Food and Nutrition Service (FNS), the Farm Service Agency (FSA), the Foreign Agricultural Service (FAS), and the United States Agency for International Development (USAID).

WBSCM is an integrated Internet-based commodity acquisition, distribution, and tracking system, built on System Application and Products in Data Processing (SAP) Commercial-Off-The-Shelf (COTS) software, critically needed by USDA agencies and USAID for the commodity distribution program that provides over 4.5 million tons of food (involving over 200 commodities across eight programs) to targeted populations in the U.S. and abroad. The program serves over 30 million Americans and is administered through 55 State Distributing Agencies (SDA) and 92 Indian Tribal Organizations (ITO). International aid programs serve over 280 million people in 60 countries and support the global UN World Food Program, with aid provided through 70 foreign governments and 30 private voluntary organizations (PVOs).

An upgrade to WBSCM software is necessary because the software provider (SAP) will no longer support the current version of their software after March 2015. Customers and other stakeholders are already experiencing problems because they can only access the system using old versions of Internet Explorer. The upgrade will extend the expected life of the system at least through 2024. Without this upgrade, USDA will have to begin system replacement activities in 2015 because WBSCM will not be functional after 2019. System replacement is estimated at a minimum of \$125 million. In FY 2015, the additional funds will be used for the system upgrade. This request will be offset from Commodity Purchase Program funds for a net \$0 budget impact.

In FY 2014, the additional funds will be used primarily for prerequisite activities toward a technical system upgrade necessary in 2015. The proposed 2014 activities will reduce the cost of system upgrade, while improving customer and financial reporting. These funds will enable USDA to build an interface directly into the accounting system, institute reporting tools to improve reporting for customers and stakeholders, conduct a business process review and analysis to ensure a successful upgrade for domestic and international operations, and implement previously unavailable SAP management tools that will ensure a smooth transition to the newer software version. Costs include COTS-centric labor for software defects and change request activities, additional analysis and development, business process engineering, requirement analysis, developing standard operational procedures, electronic records management, Federal program management, and NITC System Hosting and Support Services.

- (3) AMS requests authority to make up to \$500 thousand available from Section 32 program funds to pay for eligible small businesses' first "pre-award" audit to make them eligible to participate in USDA's Federal food procurement program.

This request, which is identified in proposed Section 32 appropriations language, will have a net \$0 budget impact.

AMS has historically supported USDA's small business goals through commodity purchases, but recently has faced increased challenges in recruiting small businesses into the purchase program and additional limitations on retaining them if the eligible pool of vendors for certain products drops below numbers that the Federal Acquisition Regulation allows for maintaining set-asides.

For example the meat industry faces more requirements and restrictions than others and does not have alternative sources of financial support. Recently, we faced a specific issue related to a ground beef purchase program set aside that had two eligible small businesses but were reduced to only one when the other filed for bankruptcy. Now, the remaining firm, which has already paid to meet all USDA's pre-eligibility requirements, risks losing the set-aside and having us open up the program to full and open competition with large businesses. We called other small businesses asking them if they would have an interest in participating in our program, but one of the hurdles they face is that they have to pay for mandatory pre-award audits without any guarantee that there will be a small business set-aside or that they will win any contracts. In sum, our very formal ground beef pre-approval system requires these small businesses to incur significant costs without any guarantee of return.

USDA would conduct this first audit at no cost to bring them into eligibility and once they are a part of the program, all future audit costs would be paid by the firm while they are eligible to bid or are producing product under award. We estimate that financing the cost of pre-approval audit expenses could bring in as many as six new small businesses per year. This would allow AMS to more aggressively recruit small vendors into the program.

AGRICULTURAL MARKETING SERVICE

Section 32 Administrative Funds

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands)

State/Territory	2011 Actual		2012 Actual		2013 Estimate		2014 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY
California	\$1,105	3	\$1,143	4	\$1,162	4	\$1,167	4
District of Columbia	49,899	151	44,075	160	44,814	160	51,817	162
Florida	571	2	618	2	628	2	631	2
Oregon	1,044	3	900	3	915	3	919	3
Texas	198	1	65	1	66	1	66	1
Virginia	-	-	199	1	202	1	203	1
Total, Available	52,817	160	47,000	171	47,787	171	54,803	173

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 2012, AMS purchased over \$407.2 million of specialty crop products which is approximately 0.3% over the minimum purchase level.

Selected Examples of Recent Progress:

Commodity Purchases – In 2012 AMS purchased \$747.1 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 22.25 cents per meal and for emergency surplus removal to assist agricultural producers.

Under agreement, AMS also purchased an additional \$687.4 million (including \$172.8 million in specialty crops) of commodities on behalf of FNS with funds appropriated to FNS for entitlement programs. In total, AMS purchased approximately 1.5 billion pounds (0.9 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, including significant removal of excess protein supplies in support of the Department's 2012 drought assistance efforts, and reflects the variety of producers that received assistance through bonus purchases:

2012 Contingency Fund Expenditures
for Surplus Removal

<u>Commodity</u>	<u>Amount</u>
Fresh Pears	\$33,516
Catfish Products	9,949,600
Chicken Products	50,000,000
Lamb Products	11,779,836
Pork Products	99,962,702
Total	\$171,725,654

Disaster Assistance – Section 32 funds are available each fiscal year to purchase commodities for disaster assistance, as needed under authority of the Stafford Act. In order to complete the needed disaster assistance in Puerto Rico due to Hurricane Irene, funds were authorized in August 2011 to purchase additional commodity canned pork, valued at \$270,659, to replenish warehouse inventories depleted in the immediate aftermath of the disaster. Also, commodities purchased for Hurricane Irene assistance during FY 2011 were delivered to temporary storage warehouses. Storage and transportation costs totaling \$176,430 were incurred in FY 2012 when these commodities were distributed to their ultimate destinations.

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 during FY 2012. Currently, the system is supporting 6,770 registered users. WBSCM deploys key functionality changes periodically throughout the year through system releases. Release notes, issued with each deployment release, communicate key changes and updates all users. During FY 2012, WBSCM experts and support staff identified areas of improvement in the system, to enhance the experience of internal and external users and expand functions and flexibilities. Changes included the streamlining of international processes, the identification of roles and responsibilities for the international community in WBSCM, improvements to the consolidation process in WBSCM, and changes to the bidding functionality in WBSCM. These changes largely enhanced the experience of external users of WBSCM, and were well-received.

Procurement Program Redesigns – 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. Solicitations were issued in the spring of 2012, and AMS secured contracts for the entire 2012-2013 school year (July 2012 through June 2013).

In past years, AMS issued sealed-bid “invitations” and awarded fixed price contracts, which required funded orders before the procurement process could begin. This limitation often resulted in untimely purchases versus actual market cycles and commodity product availability which fundamentally hindered AMS’ ability to secure the volume and variety of products desired by recipient agencies.

The redesigned programs hinged on the use of the request for proposals (RFPs) procurement method, which enabled AMS to award indefinite delivery contracts, with either definite quantities (exact volumes) or indefinite quantities (guaranteed minimums and estimated maximums), before specific orders and destinations were known. Securing these contracts--in advance of seasonal planting and harvest schedules--allowed AMS to lock in the needed volume of over 50 commodity items from producers who otherwise would have committed much of the acreage and harvest elsewhere in the commercial market. AMS received praise from both industry groups and FNS recipient agencies for the success of these procurements.

Implementation of RFPs and “other than fixed-price contracts” for several protein items similarly improved AMS’ ability to secure quality product and significant volumes during 2012. Among them was the program for frozen turkey roasts which, due to limited commercial availability, suffered for several years from minimal offers and recipient demands not being met. Through an RFP and indefinite delivery/indefinite quantity contracts, AMS successfully secured the entire demand for all domestic food assistance programs for school year 2012, and set in place the option to extend these contracts for an additional four years.

Product Development – During FY 2012, CPS worked within AMS and with 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 eight canned fruit products to the list of available foods identified as packed specifically in a sucrose-sweetened medium, known commercially as extra light syrup. Counterpart commodities for these eight products can be packed with other approved sweeteners, so the addition of these “sucrose” materials offered recipient agencies (schools and institutions) the ability to choose more specifically the type of end product they desire for their program.

Similarly, when FNS requested their customers be allowed to choose whether to order beef products produced with or without the use of lean finely textured-beef (LFTB), CPS responded by creating new materials designated as LFTB-free to parallel commodity products in which LFTB was an optional ingredient. This satisfied the request of recipient agencies who wished to avoid LFTB products, while maintaining the option for recipients who desired to continue ordering the regular products.

A handful of new items were also added to CPS’ commodity procurement activities, including a fully-cooked oven roasted turkey for the Food Distribution Programs on Indian Reservations, frozen bagged broccoli and frozen ready-to-cook diced beef for the NSLP, and bulk fresh apples for processing under the FNS Commodity Processing program.

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 fruits, vegetables, nuts and specialty crops. Marketing agreements and orders enable 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.

Selected Examples of Recent Progress:

Dairy Program:

Mideast Milk Marketing Area – AMS held a hearing to consider changes to the distributing plant definition. A recommended decision and final decision were issued that met all required timeframes established by the 2008 Farm Bill. Changes were implemented that resulted in restoring handler competitive equity and returned an estimated \$4.2 million annually to producers in the Mideast order.

Fruits and Vegetable Program:

Federal Marketing Order for Pistachios – In August 2012, AMS established a minimum quality regulation for pistachios imported into the United States. The regulation, authorized by section 8e of the Agricultural Marketing Agreement Act of 1937, specifies maximum aflatoxin tolerance levels as well as mandatory aflatoxin testing and certification requirements. These import quality requirements are the same as, or comparable to, those in effect for the domestically produced commodity. This action assures all pistachios offered for sale in the United States meet

the same aflatoxin standards, thus promoting high quality product in the market place, and benefiting the industry and consumers.

AMS also conducted a referendum in which 98 percent of producers favored adoption of an amendment that grants the Administrative Committee for Pistachios new authority to recommend aflatoxin and quality regulations for exported pistachios. In 2012, working closely with the industry, AMS submitted a follow-up report to the European Commission's Food and Veterinary Office regarding a 2010 audit of U.S. aflatoxin control systems for pistachios. The Food and Veterinary Office responded, confirming its satisfaction with the United States' aflatoxin control measures and closing the audit. AMS' efforts included revising USDA's laboratory approval protocols to meet EU specifications. As a consequence, U.S. pistachio handlers are able to continue exporting pistachio shipments to European Union member states with no additional restrictions.

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 partnered with the Cherry Industry Administrative Board to: (1) amend the marketing order revising the definition of "Handle" and regulations concerning "Marketing Policy" and "Grower Diversion Privilege"; (2) establish the proportion of tart cherries from the 2011 crop to be handled in commercial outlets at 88 percent free and 12 percent restricted; and (3) increase the volume of tart cherries to be placed in the primary inventory reserve from 50 million pounds to 100 million pounds, and revise exemption provisions by limiting diversion credits for new market development and market expansion activities to one year. Each action is intended to help the domestic tart cherry industry address challenges it had with handling fluctuating production levels.

Presentations and Webinars:

- Presentation to the staff of Seald Sweet, Inc., in New Jersey, on section 8e import violations, April 2012.
- Presentation to Customhouse Brokers in Miami, Florida, on Section 8e import violations, specifically to those showing higher than normal violations, May 2012.
- Webinar on "An Introduction to USDA's Fruit and Vegetable Marketing Orders and Agreements," hosted by the Director of the Marketing Order and Agreement Division, July 2012.

Enforcement – AMS is responsible for marketing order and section 8e (imports regulated under a Marketing Order enforcement). Industry administrative committees are responsible for conducting initial investigations and report complaints of possible violations to AMS.

- AMS processed 48 section 8e violation cases (including official warnings). Section 8e of the Agricultural Marketing Agreement Act of 1937 requires us to ensure imports of certain products covered by Federal marketing orders in the United States meet the same standards as those imposed on the domestically grown commodities.
- AMS successfully received favorable judgments in walnut and raisin marketing order compliance cases, as well as a favorable judgment in a high profile almond case, which is currently being appealed.
- AMS investigated 559 cases related to section 8e import compliance and had 6 Department of Justice case referrals based on favorable decisions from the USDA Judicial Officer. Through diligent efforts to enforce regulations consistently across all programs, the number of reported violations has declined as compared to previous years.
- AMS conducted 17 compliance reviews each of which ensure the integrity of the marketing programs.
- AMS is currently working with the U.S. Census Bureau in finalizing a Memorandum of Understanding to obtain export data on commodities covered under the Export Fruit Acts and section 8e imports. AMS will use data for verification and enforcement purposes for the export shipment of apples, table grapes and plums.
- AMS is working with the Arizona Department of Agriculture and U.S. Customs and Border Protection in establishing the best procedure to detect the non-compliance of section 8e inspection requirements in Nogales, Arizona, a high-volume truck traffic port of entry. AMS will attempt to create a process that would require minimum disruption to the day to day business operations.

Rulemaking – In response to industry recommendations and requests, AMS issued approximately 24 rulemaking actions for revisions to fruit, vegetable, nut and specialty crop marketing orders within established internal timeframes. Our timeframe/benchmark for rulemaking is based on an internal 17-day span that begins when one of our regional offices receives an administrative committee’s 10-point justification for rulemaking. The clock stops when our headquarters staff sends the rulemaking package to the Office of the General Counsel for review and approval.

Summary of Budget and Performance

Statement of Agency Goals and Objectives

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

AMS has 21 programs, 4 strategic goals, and 8 strategic objectives that contribute to 2 United States Department of Agriculture (USDA) Strategic Goals.

USDA Strategic Goal	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<p>USDA Strategic Goal 1: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.</p>	<p>AMS Goal 1: Support our customers in making verifiable market-enhancing claims about how their products are produced, processed, and packaged.</p>	<p><u>Objective 1.1:</u> Provide value-added services to strengthen marketing support to U.S. agriculture in an environment of rising cost pressures, increasing exports, competing imports, and changing market requirements.</p>	<ul style="list-style-type: none"> • Grading and Certification Services • Audit Verification Services • Laboratory Services 	<p><u>Key Outcome 1:</u> 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><u>Objective 2.1:</u> Respond quickly and effectively to changing markets, marketing practices, and consumer trends.</p> <p><u>Objective 2.2:</u> Support small-production agricultural producers through new and existing AMS programs that are especially beneficial to that segment of the industry.</p>	<ul style="list-style-type: none"> • Market News • Standardization • Transportation and Market Development • Federal-State Marketing Improvement Program • Farmers Market Promotion Program • Specialty Crop Block Grants • Commodity Purchases [to support domestic producers] 	<p><u>Key Outcome 2:</u> 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><u>Objective 3.1:</u> 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><u>Key Outcome 3:</u> Agriculture industry groups can establish programs that promote consumer purchases of their commodities on a national or regional scale.</p>

USDA Strategic Goal	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<p>USDA Strategic Goal 1 (continued): Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.</p>	<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><u>Objective 4.1:</u> Reduce the potential for mislabeling of agricultural products.</p> <p><u>Objective 4.2:</u> Institute an effective Country of Origin Labeling Program for all designated covered commodities.</p> <p><u>Objective 4.3:</u> Apply a variety of dispute resolution approaches to facilitate commercial dispute resolution.</p>	<ul style="list-style-type: none"> • National Organic Program • Organic Cost-Share Programs • Country of Origin Labeling • Federal Seed Act Program • Pesticide Recordkeeping • Perishable Agricultural Commodities Act Program • Plant Variety Protection 	<p><u>Key Outcome 4:</u> A fair agricultural marketplace that offers protections for buyers and other stakeholders at the national level.</p>
<p>USDA Strategic Goal 4: Ensure that all of America’s children have access to safe, nutritious, and balanced meals.</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><u>Objective 2.1:</u> Respond quickly and effectively to changing markets, marketing practices, and consumer trends.</p> <p><u>Objective 2.2:</u> Support small-production agricultural producers through new and existing AMS programs that are especially beneficial to that segment of the industry.</p> <p><u>Objective 2.3:</u> Address food defense concerns.</p>	<ul style="list-style-type: none"> • Pesticide Data Program • Commodity Purchases [supporting USDA child nutrition programs] 	<p><u>Key Outcome 2:</u> 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 4: Monitor specific agricultural industries/activities to ensure that they maintain practices established by regulation to protect buyers, sellers, and other stakeholders.</p>	<p><u>Objective 4.1:</u> Reduce the potential for mislabeling of agricultural products.</p>	<ul style="list-style-type: none"> • Shell Egg Surveillance Program 	<p><u>Key Outcome 4:</u> A fair agricultural marketplace that offers protections for buyers and other stakeholders at the national level.</p>

Key Outcome 1: Agricultural producers and sellers can 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. These programs directly benefit 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.

Long-term Performance Measure: Ensure that USDA grading and certification services deliver reliable verification of marketing claims to support the marketing of agricultural commodities by maintaining an accuracy rate over 90 percent.

Selected FY 2012 Accomplishments toward Achievement of the Key Outcome:

Cotton – AMS implemented a new instrument-based leaf grade for cotton classing using highly accurate instrument measurement, and a new system for futures classification that adopted advanced technology to streamline the process. AMS classified 14.8 million bales of cotton under the grower-classing program, a 14 percent decrease from FY 2011 due to smaller crop size, and 318,337 samples submitted for futures certification, which dropped by 60 percent in favor of the spot market.

Dairy – International markets are increasing for U.S. dairy and related products. AMS implemented dairy export certification programs in Chile, Brazil, and Kazakhstan, to eliminate trade barriers and increase exports. AMS Dairy Grading issued 20,515 export certificates, a 29 percent increase over FY 2011. To facilitate the issuance of these certificates, the Program is developing an online system for certification requests.

Fruit and Vegetable – AMS graded approximately 16.2 billion pounds of processed fruits and vegetables at 232 processing plants, 14 field offices, and 14 inspection points. This represents a 2.5 percent increase above the 2011 level. AMS graded or supervised Federally-licensed State employees in grading approximately 57.5 billion pounds of fresh fruits, vegetables, and specialty crops. AMS grading services for fresh fruits and vegetables are available at shipping points and in 32 Federal receiving markets throughout the U.S. and Puerto Rico.

Meat – Grading and verification services were provided to approximately 1,080 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 30.8 billion pounds of meat and meat products were verified for specification, contractual or marketing program requirements.

Poultry and Egg – AMS graded 7.1 billion pounds of poultry in 107 plants 2.25 billion dozen shell eggs in 175 shell egg plants. These quantities represent about 29 percent of the turkeys slaughtered, 15 percent of the broilers slaughtered, and 50 percent of the shell eggs.

Selected Accomplishments Expected at the FY 2014 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 2: The agriculture industry can identify alternative ways to maintain and improve the return on funds it has invested and the food needs of USDA nutrition program recipients are matched with those of agricultural producers.

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. America's children benefit from commodities purchased for child nutrition programs and from surplus commodities that are supplied through all USDA food assistance programs.

Long-term Performance Measure: Farmers markets increase consumer access to local food. AMS programs assist in the development and improvement of farmers markets. The cumulative number of farmers markets established was projected in 2009 to increase from 5,274 to 6,300 by 2015. The number of self-reported farmers markets in the National Farmers Market directory exceeded the USDA goal by reaching 7,864 in FY 2012 an increase of 9.6%. AMS continues to strongly support development of farmers and other alternative markets.

Selected FY 2012 Accomplishments toward Achievement of the Key Outcome:

Market News – AMS developed new tools to enhance Livestock Mandatory Reporting data by developing the boxed beef market dashboard. The Dashboard is available on the Market News Website which provides data visualization tools designed to allow users to view weekly volume and price information on direct slaughter cattle, swine, and lambs presented in the form of interactive graphs and tables that can be customized for viewing and downloaded for use in reports and presentations. In a spring 2012 customer satisfaction survey, nearly 2,200 respondents verified their satisfaction and confidence in the data reported.

The Mandatory Price Reporting Act of 2010 mandated reporting of wholesale pork cuts through negotiated rulemaking to address concerns in the producer segment relative to the asymmetric availability of market information. The Final Rule was published in the Federal Register on August 22, 2012, with an effective date of January 7, 2013. Pork processing plants covered by this regulation are required to submit price and volume information for all pork sales transactions to AMS in accordance with the requirements of the regulation. Included in the changes are reports for negotiated sales, formula sales, forward sales, sow and boar pork, export and a comprehensive pork cutout. The mandatory wholesale pork reporting program provides market participants with considerably more market information than was previously available.

AMS also implemented Dairy Product Mandatory Reporting, as required by the Mandatory Price Reporting Act. The Final Rule was published on February 15, 2012, and effective April 4, 2012. This electronic web-based reporting system moved the publication date to Wednesdays at 3 pm (EST) and includes sales information for cheddar cheese, butter, dry whey, and nonfat dry milk on a weekly basis. This information is used as a basis for minimum prices for the Federal milk order system accounting for 63% of the U.S. milk supply.

Standardization –AMS reviewed 81 commodity standards, began updating standards for almonds in shell, and proposed new or revised standards for four other commodities. AMS regularly reviews standards, proposes revisions or new standards as industry practices or consumer preferences change, and implements changes after public comment to ensure that they will facilitate commerce. To help protect the interests of U.S. agricultural

producers, AMS provides leadership in representing U.S. interests in development of international standards and promotion of U.S. inspection practices. AMS chaired committees and provided technical guidance to the following international standards organizations: United Nations Economic Commission for Europe, Codex Alimentarius, and International Organization for Standardization, Organization for Economic Cooperation and Development and others.

Transportation and Market Development (TMD) – TMD supported agricultural market innovation, expansion, and transportation through studies, reports, and technical assistance, including providing online access to the Grain Transportation Report (GTR) data. The data facilitate grain marketing and enhance research. In addition, AMS provided input or comments on more than 10 major transportation issues. AMS led the National Food Hub Collaboration in developing a database of more than 213 operating or emerging regional food hubs, and launched the Food Hub Community of Practice, a national peer-learning network intended to accelerate research, best practices, and sharing of resources among food hub stakeholders. The program published a new *USDA Regional Food Hub Resource Guide* and issued *Moving Food Along the Value Chain: Innovations in Regional Food Distribution* (a study of food hub models). TMD also conducted outreach at 26 regional and national conferences, training workshops, webinars, and conference calls to share knowledge about and potential funding sources for food hubs with more than 2,000 food hub stakeholders.

Farmers Market Promotion Program (FMPP) – AMS awarded over \$9 million in FMPP grants to organizations in 39 states, the District of Columbia, and Puerto Rico. The 2012 grants funded projects that connect farmers and ranchers to new customers (over 40); use new delivery approaches such as online and mobile markets (17); foster the economic growth of new and beginning farmers and ranchers (13); support minority farmers (12); help hospitals and health care organizations improve eating habits in their communities (10); and support agritourism (9).

Federal-State Marketing Improvement Program (FSMIP) – AMS awarded \$1.2 million in matching grant funds to 18 states for 22 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.

Pesticide Data Program (PDP) – PDP tested more than 12,000 food and water samples, resulting in over 2 million individual tests. Commodities surveyed by PDP include fresh and processed fruit and vegetables, milk and dairy products, beef, pork, poultry, catfish, 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. PDP added five new commodities for the year – avocados, baby food applesauce, baby food carrots, baby food peaches, and baby food peas – and reintroduced previously tested commodities bringing the number of commodities surveyed to date to 108.

Commodity Purchases – AMS purchased \$741.1 million worth of non-price supported commodities in 2012 with Section 32 funds. The Department of Defense purchased, on AMS' behalf, an additional \$50 million of fresh fruits and vegetables for distribution through the National School Lunch Program (NSLP). Purchased commodities were used to fulfill the National School Lunch Program's commodity subsidy entitlement of 22.25 cents per meal, and to assist agricultural producers through purchases of surplus commodities on the market.

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 redesigned procurement programs for these products, with solicitations issued in the spring of 2012 for contracts covering the entire 2012-2013 school year (July through June). Also during FY 2012, AMS worked with FNS to improve current USDA purchased foods, as well as to develop and introduce a variety of new products. The goal is to improve the quality and variety available to domestic food assistance programs and create additional outlets for domestic agricultural products and suppliers. For example, eight canned fruit products were added to the list of available foods packed in extra light syrup.

Selected Accomplishments Expected at the FY 2014 Proposed Resource Level:

- With additional Transportation and Market Development resources, AMS will improve local food access and availability by stimulating the development of regional food hubs and marketing outlets for locally and regionally grown food. AMS will conduct a number of activities, including tailored guidance to community planners and market managers that will open new commercial, institutional, and retail market opportunities for small and mid-size farmers.
- In FSMIP, AMS will fund three additional State matching grant proposals for high-impact projects that benefit the farm sector and other stakeholders, including emerging needs such as changes driven by new FDA Food Safety Modernization Act reforms.

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

AMS works in partnership with the participating industry to oversee the administration of 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.

Long-term Performance Measure: The percentage of peer reviewed commodity board evaluations of research and promotion programs that show quantitative financial benefits is 94% or higher.

Selected FY 2012 Accomplishments toward Achievement of the Key Outcome:

Research and Promotion – AMS provides administrative oversight to 20 industry-funded commodity research and promotion programs with over \$677 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. AMS implemented a new Processed Raspberry Research and Promotion Program in 2012, which was requested by the industry to strengthen the position of processed raspberries in the marketplace, maintain and expand markets, and develop new uses within the U.S. The Cotton research and promotion program developed The Cotton University (<http://cottonuniversity.org/>) to provide production and manufacturing educational programs on-line, such as workshops and continuing education, to retailers and sourcing specialists.

Marketing Agreements and Orders – Each of the twenty-eight marketing orders currently active for fruits, vegetables, nuts and specialty crops are customized to meet the needs of each industry. In 2012, AMS established a minimum quality regulation for pistachios imported into the United States and worked with the Cherry Industry Administrative Board to amend the marketing order to help the domestic tart cherry industry address challenges it faced with handling fluctuating production levels. AMS also investigated 559 cases related to import compliance resulting in seven stipulations and three official warning letters to importers. To ensure the integrity of fruit and vegetable marketing programs, AMS conducted 17 compliance, program, and internal control reviews. After public hearings, AMS completed rulemaking to implement changes to the Mideast Milk Marketing Order that restored handler competitive equity and returned an estimated \$4.2 million annually to producers under that order.

Key Outcome 4: A fair agricultural marketplace that offers protections for buyers and other stakeholders at the national level.

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.

Long-term Performance Measure: One component of ensuring the financial sustainability of producers is to continue to identify and improve access to new domestic markets. AMS provides support in developing opportunities through market trend analysis and business and marketing tools. This assistance includes overseeing national standards for the production and handling of agricultural products labeled as organic. Goods that are certified as organic frequently bring higher prices at market, resulting in increased returns for farmers. This program protects consumer interests through improvement of the integrity of the USDA Organic label. The percentage of accredited certifying agents, both domestic and foreign, that are in full compliance with 90 percent of the National Organic Program accreditation criteria will be maintained at 90 percent or better.

Selected FY 2012 Accomplishments toward Achievement of the Key Outcome:

National Organic Program (NOP) – NOP published Amendments to the National List of Allowed and Prohibited Substances (Crops and Processing) Rule and a number of other changes to the National List, issued resource documents and policy guidance. The NOP completed investigation of 279 complaints in FY 2012 that resulted in 9 civil penalties through settlement agreements for willful violations of the NOP regulations. These penalties totaled more than \$120,000. The program implemented process improvements to reduce the backlog of complaint cases in 2012 and closed 97% of complaints received in FY 2010 and 87% of complaints received in FY 2011.

The NOP conducted audits of USDA-accredited certifying agents, including 45 accreditation renewal audits, three midterm audits, two initial audits, three surveillance audits, and a recognition assessment audit. As a result of accreditation activities and reviews, the NOP processed and issued: 51 reinstatement approvals and 18 reinstatement denials; 1 Notice of Accreditation; 12 Renewals of Accreditation; 8 Notices of Continued Accreditation; 3 Surrender of Accreditation; 51 Notices of Noncompliance; a Notice of Denial of Reduction of Certification Ineligibility; 13 temporary variances; and 4 Application of Export Authorization.

Organic Certification Cost-Share – Approximately \$7.2 million was allocated to States to partially reimburse producers and handlers for the cost of organic certification through the National and Agricultural Marketing Assistance (AMA) Organic Certification Cost Share Programs. *Authority for the National Organic Certification Cost-Share Program expired in FY 2013.*

Country of Origin Labeling Program (COOL) – The COOL program conducted 3,836 retail reviews and 521 follow-up retail reviews of the roughly 37,000 regulated retailers. In addition, 225 products were audited through the supply chain. An automated database system - COOL FACTS - went live June of 2012. The system helps the program capture and manage compliance information to target audits in facilities with the most violations, streamlining operations to reduce costs while maintaining a 96% compliance rate.

Federal Seed Act Program – AMS conducted field tests on 491 seed samples to determine trueness-to-variety of seed in interstate commerce; received 218 new complaints from 16 States, resulting in 242 cases; and tested 213 regulatory seed samples. The Program administratively settled 153 Federal Seed Act cases during the year, with penalty assessments totaling \$74,675 and individual assessments ranging from \$1,225 to \$16,900. To ensure uniform application of the regulations, AMS conducted one training workshops for seed analysts and inspectors from five States.

Pesticide Recordkeeping Program (PRP) – PRP distributed 6,925 program brochures, 5,225 fact sheets, 11,300 greenhouse/nursery recordkeeping manuals, 4,435 pocket-sized recordkeeping manuals, 26,882 full-sized recordkeeping manuals, 7,220 wallet reference cards, and other educational materials to total almost 80,000 outreach materials to private certified pesticide applicators, including small and minority farmers.

Shell Egg Surveillance Program (SES) – The SES program conducted a total of 2,406 inspections of shell egg handlers and 331 inspections of egg hatcheries, and found 94% of all egg operations in compliance with SES

requirements. Operations in compliance improved and follow-up visits resulting from violations decreased 20% from FY 2011.

Perishable Agricultural Commodities Act (PACA) Program – AMS was contacted by members of the fruit and vegetable industry for assistance in resolving 1,501 commercial disputes involving approximately \$17.6 million. AMS resolved 93% of these disputes informally within 4 months. Decisions and orders were issued in 491 formal reparation cases involving award amounts totaling approximately \$12 million. AMS initiated 38 disciplinary cases against firms for alleged violations of the PACA and issued 22 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.

Plant Variety Protection Program – AMS received 491 applications for certificates protecting intellectual property rights on new agricultural, floral, and seed plant varieties; a 7% decrease from FY 2011. AMS conducted searches on 570 applications to determine whether the plant constituted a new variety and issued 323 certificates of protection. At the end of FY 2012, 5,021 certificates were in force while protection had expired on 208 different varieties.

Selected Accomplishments Expected at the FY 2014 Proposed Resource Level:

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

Summary of Budget Performance
Key Performance Outcomes and Measures

Discussion of Key Performance Proposals:

Key Performance Targets

In support of USDA’s strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving – the budget estimates include the following discretionary proposals:

- +\$4.3 million for Transportation and Marketing to enhance community capacity to improve local food access.
- +\$2.0 million for the National Organic Program to strengthen organic labeling compliance and enforcement activities and to provide the resources needed for the development of international agreements.
- +\$0.4 million for Marketing Services pay costs.
- -\$4.3 million for the termination of the Microbiological Data Program (MDP).
- -\$1.8 million for termination of the Pesticide Recordkeeping Program.
- -\$0.5 million in funding authorized by the FY 2013 Continuing Appropriations Act.
- +\$0.1 million will increase the availability of matching grant funds awarded by the Federal-State Marketing Improvement Program (FSMIP).

These proposals will enable AMS to continue to support USDA efforts to enhance rural prosperity and support a sustainable and competitive agricultural system by increasing support for local food access and by maintaining fair trading and consumer confidence for organic agricultural products. By focusing on local marketing and agricultural communities, these proposals will help to create strong local and regional economies with an emphasis on food systems.

Key Performance Targets

Performance Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Target	FY 2014 Target
Transportation and Market Development: Number of educational publications, resource materials, site assessments, architectural designs, impact assessments, training of stakeholders, and case studies conducted and grants awarded to improve local food access	35	35	35	34	34	75
Transportation and Market Development Program Funding (\$ millions)	\$6	\$6	\$6	\$6	\$6	\$10

Performance Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Target	FY 2014 Target
Cumulative number of farmers markets established, increasing consumer access to local food	5,274	6,132	7,175	7,864	7,900	7,950
Farmers Market Promotion Program Funding (\$ millions) ^{1/}	\$5	\$5	\$10	\$10	0	0
National Organic Program: Percentage of accredited certifying agents, both domestic and foreign, that are in full conformance with 90% of the NOP accreditation criteria	--	90%	90%	96%	90%	90%
National Organic Program Funding (\$ millions)	\$4	\$7	\$7	\$7	\$7	\$9
Market News: Number of (annual) eViews for marketing and transportation information (millions)	56.8	56.0	55.2	55.7	55.7	55.7
Number of organic items covered (agricultural products reported by market news)	234	246	246	246	246	246
Market News Funding (\$ millions) ^{2/}	\$33	\$34	\$33	\$33	\$33	\$33
Pesticide Data Program: 5-year running total number of foods, based on top two dozen children's food commodities, included in the Pesticide Data Program	21	22	21	20	21	21
Comprehensive pesticide residue data available for dietary risk assessment (Priority 1 & 2 Compounds) - all commodities	91	91	89	89	89	89
PDP Funding (\$ millions)	\$15	\$15	\$15	\$15	\$15	\$15
Microbiological Data Program: Number of samples tested	15,172	18,600 ^{3/}	17,400	14,000	0	0
Number of commodities tested	6.35	8 ^{3/}	8	7	0	0
MDP Funding (\$ millions)	\$5	\$5	\$5	\$4	0	0

1/ 2008 Farm Bill provided funding for FY 2008-2012.

2/ Does not include one-time 2008 Farm Bill funds for organic market reporting.

3/ To focus on pathogen testing, MDP improved detection techniques, discontinued baseline tests (generic *E. coli*, Total Viable Counts, and coliforms), and increased the number of samples and commodities tested by approximately 23%.

Agricultural Marketing Service				
Full Cost by Department Strategic Goal				
(Dollars in Thousands)				
DISCRETIONARY PROGRAMS	FY 2011	FY 2012	FY 2013	FY 2014
USDA Goal 1: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving				
Market News	\$30,580	\$30,395	\$30,582	\$30,599
Indirect Costs	2,569	2,554	2,569	2,571
Total Costs	33,149	32,949	33,151	33,170
FTEs	256	237	243	243
<u>Related Performance Data</u>				
Organic Market Reporting: Number products reported	246	246	246	246
Number (in millions) of (annual) eViews for market information	55.2	55.7	55.7	55.7
National Organic Program	6,383	6,383	6,422	8,326
Indirect Costs	536	536	539	700
Total Costs	6,919	6,919	6,961	9,026
FTEs	35	33	34	43
<u>Related Performance Data</u>				
Percentage of accredited certifying agents, foreign and domestic, in conformance with 90 percent of the NOP accreditation criteria	90%	96%	90%	90%
Transportation and Market Development	5,290	5,290	5,322	9,290
Indirect Costs	444	444	447	781
Total Costs	5,734	5,734	5,769	10,071
FTEs	35	33	35	41
<u>Related Performance Data</u>				
Cumulative number of farmers markets established	7,175	7,864	7,900	7,950
Number of publications and activities to improve local food access	35	34	34	75
Standardization	4,561	4,561	4,589	4,590
Indirect Costs	383	383	385	386
Total Costs	4,944	4,944	4,974	4,976
FTEs	33	35	35	35
Federal Seed	2,203	2,238	2,252	2,254
Indirect Costs	236	201	202	201
Total Costs	2,439	2,439	2,454	2,455
FTEs	18	17	18	18
Country of Origin Labeling Program	7,326	4,613	4,641	4,626
Indirect Costs	616	388	390	389
Total Costs	7,942	5,000	5,031	5,015
FTEs	16	17	16	16
<u>Related Performance Data</u>				
Percentage of retail stores in compliance with Country of Origin Labeling regulations	96%	96%	96%	96%
Pesticide Recordkeeping	2,557	1,689	1,699	0
Indirect Costs	215	142	143	0
Total Costs	2,772	1,831	1,842	0
FTEs	7	6	6	0
Federal/State Marketing Improvement Program	1,331	1,198	1,205	1,363
Indirect Costs	0	0	0	0
Total Costs	1,331	1,198	1,205	1,363
FTEs	0	0	0	0
Total Discretionary Costs for USDA Strategic Goal 1	\$65,230	\$61,014	\$61,387	\$66,076
FTEs	400	378	387	396

USDA Goal 4: Ensure that all of America's children have access to safe, nutritious, and balanced meals					
Pesticide Data Program		14,142	14,142	14,229	14,158
Indirect Costs		1,188	1,188	1,195	1,189
Total Costs		15,330	15,330	15,424	15,347
FTEs		19	16	19	19
Related Performance Data					
Number of foods, based on top two dozen children's food commodities, in the Pesticide Data Program		21.0	20.0	21.0	21.0
Comprehensive pesticide residue data available for dietary risk assessment		89.0	89.0	89.0	89.0
Microbiological Data Program		4,236	4,011	4,375	0
Indirect Costs		356	337	0	0
Total Costs		4,592	4,348	4,375	0
FTEs		6	5	1	0
Related Performance Data					
Number of samples tested		17,400	14,000	0	0
Number of commodities tested		8.0	7.0	0.0	0.0
Shell Egg Surveillance		2,506	2,506	2,522	2,520
Indirect Costs		211	211	212	212
Total Costs		2,717	2,717	2,734	2,732
FTEs		16	17	17	17
Total Discretionary Costs for USDA Strategic Goal 4		\$22,639	\$22,395	\$22,533	\$18,079
FTEs		41	38	37	36
Total, Discretionary Appropriations		\$87,869	\$83,409	\$83,920	\$84,155
MANDATORY PROGRAMS					
USDA Goal 1: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving					
Commodity Purchase Services - Agri. Support & Emergency (AS&E)		15,790	10,468	9,598	15,178
Indirect Costs		1,327	879	806	1,275
Goal Total, Administrative Costs		17,116	11,347	10,404	16,453
FTEs		28	25	23	29
Commodity Purchases Program Funds - AS&E		485,790	332,365	279,213	421,197
Marketing Agreements & Orders		17,785	18,311	18,502	18,502
Indirect Costs		1,494	1,538	1,554	1,554
Total Administrative Costs		19,279	19,849	20,056	20,056
FTEs		106	111	111	111
Total Mandatory Program Costs for USDA Strategic Goal 1		\$522,186	\$363,561	\$309,673	\$457,706
FTEs		134	136	134	140
USDA Goal 4: Ensure that all of America's children have access to safe, nutritious, and balanced meals					
Commodity Purchase Services - Child Nutrition Purchases (CNP)		15,149	14,579	15,919	16,761
Indirect Costs		1,273	1,225	1,408	1,408
Goal Total, Administrative Costs		16,422	15,804	17,327	18,169
FTEs		26	35	37	33
Commodity Purchases Program Funds - CNP		466,067	462,913	465,000	465,125
Total Mandatory Program Costs for USDA Strategic Goal 4		\$482,489	\$478,716	\$482,327	\$483,294
FTEs		26	35	37	33
Total, Mandatory Appropriations (Section 32)		\$1,004,675	\$842,277	\$792,000	\$941,000