

2009 Explanatory Notes
Economic Research Service

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ECONOMIC RESEARCH SERVICE

Purpose Statement

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

Activities to support this mission and the following goals involve research and development of economic and statistical indicators on a broad range of topics including, but not limited to global agricultural market conditions, trade restrictions, agribusiness concentration, farm and retail food prices, foodborne illnesses, food labeling, nutrition, food assistance programs, agrichemical usage, livestock waste management, conservation, genetic diversity, technology transfer, and rural employment. Research results and economic indicators on such important agricultural, food, natural resource, and rural issues are fully disseminated to public and private decision-makers through published and electronic reports and articles; special staff analyses, briefings, presentations, and papers; databases; and individual contacts. Through such activities, ERS provides public and private decision-makers with economic and related social science information and analysis in support of the Department's goals of enhancing international competitiveness of American agriculture; enhancing the competitiveness and sustainability of rural and farm economies; supporting increased economic opportunities and improved quality of life in rural America; enhancing the protection and safety of the Nation's agriculture and food supply; improving the Nation's nutrition and health; and protecting and enhancing the Nation's natural resource base and environment. More information on ERS's program is contained on the ERS Web site (www.ers.usda.gov).

The ERS headquarters is in Washington, D.C. ERS does not have any field offices. As of September 29, 2007 there were 365 permanent full-time employees, and 27 other than permanent full-time employees.

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

ECONOMIC RESEARCH SERVICE

Available Funds and Staff Years
2007 Actual and Estimated 2008 and 2009

Item	Actual 2007		Estimated 2008		Estimated 2009	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Economic Research Service.....	\$74,615,545	376	\$77,943,000	407	\$82,106,000	409
Rescission under P.L. 110-161a/.....	-	-	\$546,000	-	-	-
Total, Salaries and Expenses.....	\$74,615,545	376	\$77,397,000	407	\$82,106,000	409
<u>Obligations under other USDA appropriations:</u>						
Agricultural Marketing Service.....	15,000	-	20,000	-	20,000	-
Agricultural Research Service.....	-	-	30,000	-	30,000	-
Cooperative State Research, Education and Extension Service.....	71,638	-	72,000	-	72,000	-
Foreign Agricultural Service.....	693,369	4	200,000	1	200,000	1
Forest Service.....	25,000	-	-	-	-	-
National Agricultural Statistics Service.....	6,938	-	7,000	-	7,000	-
Office of the Chief Economist.....	18,800	-	20,000	-	20,000	-
Office of the Inspector General.....	1,500	-	2,000	-	2,000	-
Risk Management Agency.....	169,000	-	170,000	-	170,000	-
World Agricultural Outlook Board.....	2,000	-	2,000	-	2,000	-
Total, Other USDA Appropriation...	1,003,245	4	523,000	1	523,000	1
Total, Agriculture Appropriations....	75,618,790	380	78,466,000	408	82,629,000	410
<u>Non-Federal Funds:</u>						
Washington State.....	12,500	-	-	-	-	-
Trust Funds.....	-	-	50,000	-	50,000	-
Total, Non-Federal Funds.....	12,500	-	50,000	-	50,000	-
Total, Economic Research Service...	75,631,290	380	78,516,000	408	82,679,000	410

ECONOMIC RESEARCH SERVICE

Permanent Positions by Grade and Staff Year Summary2007 Actual and Estimated 2008 and 2009

Grade	2007 Wash, DC	2008 Wash, DC	2009 Wash, DC
Senior Executive Service.....	7	7	7
GS-15.....	70	70	70
GS-14.....	92	92	92
GS-13.....	101	105	105
GS-12.....	44	47	49
GS-11.....	24	28	28
GS-10.....	2	2	2
GS-9.....	20	24	24
GS-8.....	14	14	14
GS-7.....	8	8	8
GS-6.....	4	4	4
GS-5.....	4	4	4
GS-4.....	0	1	1
GS-3.....	0	0	0
GS-2.....	2	2	2
Total Permanent Positions.....	392	408	410
Unfilled Positions, end-of-year.....	-27	-	-
Total Permanent, Full-Time Employment, end-of-year.....	365	408	410
Staff-Year Estimate.....	380	408	410

ECONOMIC RESEARCH SERVICE

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

Salaries and Expenses:

For necessary expenses of the Economic Research Service in conducting economic research and analysis, [\$77,943,000] \$82,106,000.

ECONOMIC RESEARCH SERVICE

SALARIES AND EXPENSES

Appropriations Act, 2008.....		\$77,943,000
Budget Estimate, 2009.....		<u>82,106,000</u>
Increase in Appropriation.....		<u>+4,163,000</u>
Adjustments in 2008:		
Appropriations Act, 2008.....	\$77,943,000	
Rescission under P.L. 110-161a/.....	-546,000	
Activities transferred to Departmental Administration		
Office of Ethics b/.....		<u>-73,000</u>
Adjusted base for 2008.....		
		77,324,000
Budget Estimate, Current Law, 2009.....		<u>82,106,000</u>
Increase over adjusted 2008.....		<u>+4,782,000</u>

a/ The amount is rescinded pursuant to Division A, Title VII, Section 752 of P.L. 110-161.

b/ Beginning with 2008, the Department will transfer and consolidate all Ethics activities under the Office of Ethics in Departmental Administration (DA). On a comparable basis the full annual cost of the activity is \$73,000 for 2009.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

<u>Item of Change</u>	2008		Program	2009
	<u>Estimated</u>	<u>Pay Costs</u>	<u>Changes</u>	<u>Estimated</u>
Market Analysis and Outlook Program.....	1,500,000	-	3,523,000	5,023,000
Bioenery.....	1,000,000	-	357,000	1,357,000
Broadband Access.....	250,000	-	-250,000	0
Homeland Security.....	983,000	-	17,000	1,000,000
All Other.....	73,591,000	\$1,135,000	-	74,726,000
Total Available.....	77,324,000	1,135,000	3,647,000	82,106,000

ECONOMIC RESEARCH SERVICE

PROJECT STATEMENT
(On basis of appropriation)

	2007 Actual		2008 Estimated		Increase or Decrease	2009 Estimated	
	Amount	Staff Years	Amount	Staff- Years		Amount	Staff- Years
Economic Analysis and Research	\$73,625,545	376	\$76,341,000	407	\$4,765,000	\$81,106,000	409
Homeland Security	990,000		983,000		17,000	1,000,000	
Unobligated Balance	577,455		-		-	-	
Total, Available or Estimate	75,193,000	376	77,324,000	407	4,782,000	82,106,000	409
Total, Appropriation	75,193,000	376	77,324,000				
Rescission			546,000	a/			
Activities transferred to Departmental Administration Office of Ethics			73,000	b/			
Total, Appropriation	75,193,000	376	77,943,000				

a/ The amount is rescinded pursuant to Division A, Title VII, Section 752 of P.L. 110-161.

b/ Beginning with 2008, the Department will transfer and consolidate all Ethics activities under the Office of Ethics in

Justification of Increases and Decreases

(1) **An increase of \$4,782,000 for economic analysis and research (\$77,324,000 available in 2008) consisting of:**

(a) **An increase of \$3,523,000 to strengthen and enhance the ERS market analysis and outlook program**

Overview: ERS proposes an initiative to strengthen and enhance the market analysis and outlook program to provide timely analysis of global agricultural product markets. Agricultural commodity markets are experiencing rapid changes driven by external forces, including globalization, increased product differentiation, and a growing ethanol industry. The uncertainty resulting from these developments, along with the potential for significant changes in both domestic farm programs and trade policy over the next few years, means that commodity market information and analysis is critical to policymakers and to the private sector. This initiative will strengthen the ERS market analysis and outlook program through succession planning, recruitment, and human capital development to ensure the continuity and quality of ERS market analysis and outlook. The initiative will enhance the existing ERS market analysis and outlook program by extending the coverage of global markets and markets for differentiated products, including organics.

Background: Economic analysis and forecasting for agricultural markets have been an important activity for ERS and its predecessor agencies since the 1920s. Outlook and forecasting activities were initiated in an effort to enhance farmers' well-being by providing them with prospective market information so that they could make better management decisions. However, with the advent of direct government intervention in agricultural markets during the 1930s the objectives of the Department's market analysis and outlook program expanded to include Federal policymakers.

The current ERS market analysis and outlook program includes vital participation in the USDA Interagency Commodity Estimates Committees and development of the Department's monthly World Agricultural Supply and Demand Estimates (WASDE) for grains, oilseeds, cotton, sugar, livestock, poultry and dairy. The WASDE report itself provides a very succinct presentation of forecasts and market developments, while periodic ERS commodity newsletters provide in-depth analysis and insight into the economic analysis underlying the forecasts. In addition to the WASDE, ERS also publishes newsletters for specialty crops, including fruits, tree nuts, vegetables, tobacco, and other horticultural products. ERS analysts and researchers also publish special reports that provide in-depth analysis of factors that shape agricultural commodity markets.

Agricultural markets today are in a period of rapid change driven by globalization and the increasing differentiation of agricultural products and markets. While export markets have been important to U.S. agriculture for decades, increased global economic integration has brought with it new and different markets as well as new competitors. Agricultural product markets in the United States and around the world are increasingly consumer driven as rising incomes have allowed consumers to look not only for a greater variety of food products but also for different product characteristics, like organic certification. In response to consumers' demands, the food marketing system, from farm to retail, has taken advantage of developments in biotechnology, food processing, and transportation to provide consumers with a growing array of increasingly differentiated products. Nonfood industries, such as ethanol production, are changing demand for such basic commodities as corn and oilseeds, creating new products (e.g., dry distillers grains) that require new and more sophisticated analysis of national and global markets, and affecting rural economies to a far greater degree than has agriculture over the last several decades.

Policy issues are also changing in an environment of global markets for differentiated products. Policies have changed as government intervention in markets (stock management, supply control

and price support) has been replaced by alternative forms of support (conservation programs, direct and countercyclical payments). But even more importantly, new policy issues are rising to the fore in today's market environment. For example, the economic effects of managing animal disease outbreaks are much more important in an environment of global markets than they were when trade in animal products was more limited.

ERS's market analysis and outlook program has historically addressed markets for bulk commodities. Making sound economic and policy decisions in an environment of global markets for differentiated products is a more difficult proposition than for bulk commodities. More data on global markets for a broader array of products are required and so are new analytical methods and techniques. Historically, market analysis and outlook has focused primarily on the supply side of markets because that was the greatest source of variability in bulk commodity markets. However, in today's consumer-driven markets, the demand side often becomes a greater source of variability. For example, consumer response to avian influenza outbreaks has disrupted poultry markets around the world, yet little data are available to monitor these consumer demand shocks or to predict their effects on poultry markets. We were faced with similar issues when trying to analyze the market effects of food-borne illnesses resulting from *e.coli* found in fresh spinach.

At the same time as public- and private-sector decision-makers are being confronted with new information needs, USDA's capacity to provide agricultural market information and analysis is at a tipping point. After a sustained period of downsizing, ERS staff levels have reached a point where the agency can no longer do more with less. For the past five years, the Agency has made case-by-case responses to vacancies by reallocating existing staff and by developing automated information systems to increase efficiency and transparency of outlook processes. However, today, human capital issues are clearly looming. ERS is only one deep in most critical outlook positions, a situation that leads to a narrowing of perspective, job dissatisfaction and "burn out." It also creates a major succession planning challenge since at least one-third of the core market analysis and outlook staff are likely to retire within the next two to three years. These developments jeopardize USDA's ability to ensure the quality and continuity of market analysis and outlook for both public- and private-sector decision makers.

This proposed initiative will strengthen the ERS market analysis and outlook program through succession planning, recruitment, and human capital development to ensure the continuity and quality of ERS market analysis and outlook.

Research Activities and Specific Issues: Beginning in FY 2008, ERS required an increase of \$5,023,000 in its annual funding to assure the continuity and quality of the market analysis and outlook program and to extend coverage of global and differentiated product markets. ERS received \$1,500,000 in FY 2008 to begin enhancing the existing ERS market analysis and outlook program by extending the coverage of global markets and markets for differentiated products, including organics.

An increase of \$2,236,000 to support a new staffing plan to ensure the continuity and quality of the ERS market analysis and outlook program, and to extend coverage of global and differentiated product markets. The initiative would support the hiring of junior commodity analysts (GS-9/12) to provide data development and individual commodity analysis. In addition, it supports selected hires at senior levels, including Senior Scientific Research Service (SSRS), to infuse cutting-edge research into the outlook program and to address key questions and issues arising from market analysis through more in-depth research questions and programs. The staffing plan also includes additional editorial and IT support staff.

An increase of \$150,000 will support data acquisition for analysis of global and differentiated product markets. Analysis of these markets increasingly requires retail and consumer data, especially for foreign markets, often available only from private vendors.

An Increase of \$928,000 will support extramural programs to leverage USDA analysis and its delivery to a broad base of users. These programs would include targeted relationships with land grant faculty for analytic support on specific issues or regionally important commodities and a competitive program to encourage research in support of commodity market analysis and forecasting.

An Increase of \$209,000 will support human-capital development to enhance the capacity of ERS staff to conduct analysis of global agricultural product markets. Human-capital development initiatives would include continued training and professional development in forecasting and economic analysis, foreign language training, and travel funds to provide exposure to agricultural production and processing in a global market context.

Relationship to USDA Goals and Objectives: The initiative contributes to USDA Strategic Goal 1 to enhance international competitiveness of American agriculture and Strategic Goal 2 to enhance the competitiveness and sustainability of rural and farm economies. The desired outcome of the market analysis and outlook program is informed decision making based on the forecasts and analyses that comprise the program's outputs. ERS analysis supports efforts to expand and maintain international export opportunities. Improved analysis of global markets for increasingly differentiated agricultural products will help policymakers to determine what changes in trade policy will be most beneficial and will provide private-sector decision makers with the information they need to develop markets for their products. Regular provision of rigorous market analysis and forecasts for a broad range of agricultural products by ERS increases the efficiency of domestic agricultural marketing systems and provides farmers and ranchers with tools for managing markets by providing public access to objective market information. ERS stakeholders who would benefit from the enhanced market analysis and outlook program include Congress; senior executive branch officials; the land grant extension community and the farmers and ranchers they serve; USDA agencies (Farm Service Agency; Foreign Agricultural Service; Cooperative State Research, Education, and Extension Service; Animal and Plant Health Inspection Service; and Agricultural Marketing Service); the U.S. Departments of Commerce and Energy; and the Office of the U.S. Trade Representative.

Relationship to ERS's Current Program: The budget request is fully consistent with ERS's mission to inform and enhance public and private decision making on economic and policy issues related to agricultural product markets. In particular, the initiative contributes directly to achieving ERS's Strategic Goal 1 to enhance the international competitiveness of American agriculture and ERS's Strategic Goal 2 to enhance the competitiveness and sustainability of rural and farm economies. The investments in staff, human capital development, data, and extramural partnerships will ensure the continuity and quality of the ERS market analysis and outlook program.

(b) An increase of \$357,000 to address infrastructure issues associated with the increased demand for Bioenergy.

Overview: ERS requests \$357,000 to extend its research to address implications of increased ethanol production on U.S. infrastructure. The proposed initiative will strengthen the ability of ERS to analyze the regional impacts of bioenergy production and evaluate issues related to transportation networks, feedstock storage, marketing channels, and shifts in commodity production. A spatial analysis of the shifts in rural resources and economic development opportunities will provide decision makers with information to direct policies to enhance efficiency and rural well-being. Research in these areas will require funding for data acquisition, additional staff years, and funding of extramural research.

Background: Demand for bioenergy is expected to grow rapidly in the next several years. Corn is currently the most important ethanol feedstock in the U.S., and soybeans are the primary source for biodiesel. The increase in biofuel production will put a strain on the current infrastructure for transporting and storing the feedstock, delivering the fuel, and handling the byproducts. As the conversion of cellulosic material to ethanol becomes more efficient, new feedstock sources will need to be produced and transported. Economic analysis is needed of the potential upstream logistical costs associated with supplying cellulosic material to the plant. A recent calculation for a 70-million-gallon-per-year plant estimates supplying corn stover would require 67,000 semi-trailer loads and storage over more than 100 acres stacked 25 feet high. Changes in production will change the rural landscape both physically and economically. More research is needed to capture the spatial impacts of bioenergy development on the agricultural sector and rural communities.

Research Activities and Specific Issues: In the short run, most of the infrastructure adjustments associated with increased bioenergy demand will be focused on corn and soybean production. With this initiative, spatial analyses will be conducted to assess potential logistical problems with shipping by rail, truck, or barge. Corn and soybeans will need to be stored to provide a continuous feedstock supply for ethanol and biodiesel production. Will the commodity be stored in existing grain elevators, cooperatives, on-farm, or at the biofuel plant? The choice of alternative will depend on the marketing channels and contracting arrangements that will be available to farmers. In addition, each alternative has a potential impact on current infrastructure resources. Ethanol byproducts also need to be shipped to livestock producers and other users, which may induce a structural change in the industry and a relocation of infrastructure. Will cattle and other livestock feedlots be relocated closer to ethanol plants? These questions will transform when cellulosic feedstocks are used more widely, and forward-looking analyses are essential to anticipate and monitor production locations and resource requirements. With detailed spatial analyses, policy makers can better understand the impact the rapidly changing biofuels industry has on infrastructure resources, and the affects that infrastructure constraints will have on agricultural production, agricultural markets, rural communities, and environmental quality.

Regional analyses are needed to determine the effect of bioenergy policies on rural employment and development opportunities. This budget initiative will allow ERS to support two new staff members needed to extend spatial analysis capabilities, and to focus on regional and rural analyses. These staff will also contribute to outreach efforts to communicate with stakeholders, and disseminate research results.

(c) A decrease of \$250,000 to research deployment of broadband service to households with no or limited broadband access.

Data and other purchases needed to support completion of the effects of the diffusion of broadband access on rural communities will be completed during FY 2008. While analytical and report writing efforts will be advanced during FY 2008, completion of the report writing, review and clearance will extend into FY2009.

(d) An increase of \$17,000 for Homeland Security.

The proposed funding increase will continue to provide support for program activities.

(e) An increase of \$1,135,000 to fund pay costs.

This increase is necessary to maintain the current ERS program and to avoid a reduction in the university cooperative agreements programs. Cooperative agreements are critical for building links between university and ERS research and for strengthening USDA land-grant partnerships.

ECONOMIC RESEARCH SERVICE

Geographic Breakdown of Obligations and Staff Years
2007 Actual and Estimated 2008 and 2009

	2007 Actual		2008 Estimated		2009 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama.....	\$20,767	-	-	-	-	-
Arizona.....	39,768	-	-	-	-	-
Arkansas.....	179,802	-	-	-	-	-
California.....	1,139,010	-	-	-	-	-
Colorado.....	11,832	-	-	-	-	-
Deleware.....	109,390	-	-	-	-	-
District of Columbia.....	65,389,980	376	\$77,324,000	407	\$82,106,000	409
Florida.....	75,000	-	-	-	-	-
Georgia.....	25,000	-	-	-	-	-
Illinois.....	1,223,063	-	-	-	-	-
Indiana.....	141,411	-	-	-	-	-
Iowa.....	448,245	-	-	-	-	-
Louisiana.....	40,000	-	-	-	-	-
Maryland.....	313,879	-	-	-	-	-
Michigan.....	82,700	-	-	-	-	-
Minnesota.....	42,960	-	-	-	-	-
Mississippi.....	374,772	-	-	-	-	-
Missouri.....	25,000	-	-	-	-	-
Montana.....	28,000	-	-	-	-	-
New Mexico.....	25,000	-	-	-	-	-
New Jersey.....	597,800	-	-	-	-	-
New York.....	264,698	-	-	-	-	-
North Carolina.....	277,000	-	-	-	-	-
North Dakota.....	50,000	-	-	-	-	-
Ohio.....	154,910	-	-	-	-	-
Oklahoma.....	25,000	-	-	-	-	-
Oregon.....	85,207	-	-	-	-	-
Pennsylvania.....	461,557	-	-	-	-	-
South Carolina.....	212,000	-	-	-	-	-
Tennessee.....	227,550	-	-	-	-	-
Texas.....	5,000	-	-	-	-	-
Utah.....	100,000	-	-	-	-	-
Virginia.....	124,998	-	-	-	-	-
Washington.....	50,000	-	-	-	-	-
Wisconsin.....	244,496	-	-	-	-	-
Wyoming.....	1,999,750	-	-	-	-	-
Subtotal, Available or Estimate.....	74,615,545	376	77,324,000	407	82,106,000	409
Unobligated balance....	577,455	-	-	-	-	-
Total, Available or Estimate.....	75,193,000	376	77,324,000	407	82,106,000	409

Note: The distribution of 2008 and 2009 funds by State has not been determined at this time.

ECONOMIC RESEARCH SERVICE

Classification by Objects
2007 Actual and Estimated 2008 and 2009

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Personnel Compensation:			
Washington, D.C.			
11	\$38,319,904	\$40,313,238	\$43,088,922
12	8,328,744	8,864,762	9,344,078
13	0	11,000	11,000
	<u>46,648,648</u>	<u>49,189,000</u>	<u>52,444,000</u>
Other Objects:			
21	711,464	715,000	715,000
22	9,539	10,000	10,000
23.3	567,892	570,000	570,000
24	187,560	190,000	190,000
25.2	3,506,449	4,080,000	4,437,000
25.3	11,814,442	11,527,000	11,527,000
25.5	7,905,702	7,634,000	8,804,000
25.7	168,039	170,000	170,000
25.8	89,723	39,000	39,000
26	982,245	1,000,000	1,000,000
31	804,918	1,000,000	1,000,000
41	1,218,232	1,200,000	1,200,000
43	692	0	0
	<u>27,966,897</u>	<u>28,135,000</u>	<u>29,662,000</u>
Total direct obligations.....	<u>74,615,545</u>	<u>77,324,000</u>	<u>82,106,000</u>
<u>Position Data:</u>			
Average Salary, ES positions.....	\$159,792	\$166,228	\$188,503
Average Salary, GS positions.....	\$96,627	\$97,630	\$103,915
Average Grade, GS positions.....	13.0	13.0	13.0

ECONOMIC RESEARCH SERVICE**STATUS OF PROGRAM****Economic Research and Analysis Program****Enhance International Competitiveness of American Agriculture****Current Activities:**

Competitiveness in the global economy means being able to create and sustain comparative advantages consistent with resource endowments and technical capabilities. The Economic Research Service (ERS) assesses policies and programs intended to understand barriers to trade including tariff and non-tariff measures and key domestic policies of foreign countries in order to capitalize on U.S. comparative advantage. Regular market analysis and outlook provide insight into major U.S. export markets opportunities and understanding of competitors' comparative advantage in global markets.

ERS continually develops and disseminates research and analysis on the U.S. food and agriculture sector's competitiveness. Key emphasis areas include analyzing trade liberalization proposals under the Doha Round, domestic policy reforms, and changes in foreign consumer demand, particularly demand related to emerging markets such as China, India, and other Southeast Asian countries. ERS activities provide a foundation of research, analysis, and data to support USDA goals. In-depth analysis of agricultural market conditions and research and analysis aimed at fostering economic growth and understanding foreign market structures round out the range of emphasis areas that enhance international competitiveness of American agriculture.

Selected Examples of Recent Progress:

Trade Negotiations and Policy Analysis. ERS research on trade policy is focused on providing analysis that evaluates the impacts of changes in U.S. and other countries' agricultural trade policies. ERS research in support of World Trade Organization negotiations has helped to inform and strengthen U.S. negotiating positions on agriculture. ERS has developed quantitative estimates of the impacts of market access and export subsidy liberalization proposals. Research on the impacts of the U.S.-Korea Free Trade Agreement provided insight into the expected changes in trade resulting from freer trade between the two countries. In recent work, ERS examined the economic gains from trade liberalization and found that lowering tariffs would produce the greatest share of benefits but was the most contentious area of trade negotiations.

Global Growth and U.S. Agricultural Trade. After a decade of uneven export growth and rapid import growth, U.S. agriculture has begun to reassert its position in global trade markets. Rising exports and signs of moderating import demand are in marked contrast to previous trends. ERS researchers examined the role of two specific factors that heavily guide U.S. agricultural trade patterns: global growth and shifts in foreign economic activities that affect U.S. exports; and macroeconomic factors underlying the growth of U.S. imports. Renewed export growth is being sustained by increased incomes and strong food import demand in emerging economies. In contrast, the rapid growth of U.S. agricultural imports appears less related to domestic income growth than to changing consumer preferences.

China in 21st Century Agricultural Markets. ERS continues to maintain an active research program that investigates how policy and economic developments in China affect global agricultural markets. Recent research, *China Currency Appreciation Could Boost U.S. Agricultural Exports*, points to the fact that U.S. exports of soybeans and cotton to China have boomed in recent years, but the undervalued exchange rate for the Chinese *yuan* keeps prices of most other U.S. food and agricultural products too expensive *vis à vis* Chinese products. With an undervalued exchange rate, China's prices are not high enough to attract imports of grains or most livestock products.

India's Emerging Global Presence. As is the case with China, India is experiencing rapid income growth and consumers are increasing their demand for the quantity and quality of food. Indian agricultural imports have been increasing, most notably in wheat, peas, and beans. In the ERS report, *Indian Wheat and Rice Sector Policies and Implications for Reform*, alternatives to current Indian agricultural policy are shown to maintain current market support but offer less market distortion and at lower cost. India's food and agricultural imports from the United States are approximately \$250 million but India does not import wheat because of phytosanitary concerns.

Enhance the Competitiveness and Sustainability of Rural and Farm Economies

Current Activities:

ERS research and analysis provides insight into market conditions facing U.S. agriculture, avenues for innovation, and market expansion. In addition, the ERS program identifies and analyzes market structure and technological developments that affect efficiency and profitability. The program also includes research and analysis to help farmers and ranchers manage risk. ERS monitors the structure and performance of the food marketing system (food manufacturing, wholesaling, retailing, and service), both as to how efficiently the system performs its role and, in the consumer-driven agricultural economy, how effectively it conveys market signals from consumers.

The research program emphasizes the economic and financial structure, performance, and viability of the farm sector and of different types of farms; the state of food security; technological innovation and productivity advance. ERS is researching the structure of agriculture by examining several elements, including the distribution of farm sizes, the diversification of farm operations, linkages between resource ownership and farm organization, and business relationships among farms and with agribusinesses.

ERS also examines agricultural research and development (R&D) and its implications for agricultural production. The impressive productivity gains of the agricultural sector rest on years of R&D efforts. Public sector research is a powerful tool to promote various missions of USDA, thus ERS examines the level and direction of public R&D and its implications for agriculture. Research identifies and measures the importance of factors promoting private sector contributions to agricultural R&D, including expanded technological opportunities, strengthened intellectual property, collaboration with the public sector, and globalization of markets.

Selected Examples of Recent Progress:

Market Analysis and Outlook. ERS continues to work closely with the World Agricultural Outlook Board (WAOB) and other USDA agencies to provide short- and long-term projections of U.S. and world agricultural production, consumption, and trade. Recent efforts to enhance the quality, transparency, and accessibility of data and analytical support in USDA and across agriculture include the Commodity and Food Elasticity Data Product. This new product provides market analysts and researchers with fundamental data for market analysis of fruits, vegetables, meats, grains, oilseeds, and some processed foods. ERS is also developing new delivery methods based on ERS publications. A narrated slideshow, featured on the ERS Web site, provided an overview of the rapid rise in ethanol production on crop and livestock markets, farm income, and retail food prices. Another effort led to the revision of the Livestock and Meat Trade Data product. Active collaboration with researchers from Pennsylvania State University and the International Life Sciences Institute and private industry, continues the ERS revision and validation of conversion factors for livestock and crops that are critical to the analysis of how agricultural commodities are used in the creation of a wide range of consumer goods.

Ethanol and Agricultural Markets. A large expansion in ethanol production is underway in the United States. Cellulosic sources of feedstocks for ethanol production hold some promise for the future, but the primary feedstock in the United States currently is corn. Market adjustments to this increased demand extend well beyond the corn sector to supply and demand for other crops, such as soybeans and cotton, as

well as to the livestock industries. In *Ethanol Expansion in the United States: How Will the Agricultural Sector Adjust?* USDA's longterm projections, augmented by farmers' planting intentions for 2007, are used to illustrate anticipated changes in the agricultural sector.

The Impact of Big-Box Stores on Retail Food Prices and the Consumer Price Index (CPI). The differences in prices across store formats are especially noteworthy when compared with standard measures of food price inflation over time. Over the past 20 years, annual food price changes, as measured by the CPI, have averaged just three percent per year, while food prices for similar products can vary by more than ten percent across store formats at any one point in time. Since the current CPI for food does not fully take into account the lower price option of nontraditional retailers, a gap exists between price changes as measured using scanner data versus the CPI estimate, even for the relatively low food inflation period of 1998-2003. This study estimates that the CPI for dairy products overstates food price change by 0.5 to 2.5 percentage points per year for dairy, eggs, and butter/margarine.

How Do Americans Spend their Food Dollars? Average yearly expenditures on food in U.S. urban households increased between 2003 and 2004. Over the period, annual per capita spending on food rose from \$2,035 to \$2,207. The 2004 average comprises \$1,347 spent on food consumed at home and \$860 spent on food consumed away from home. These amounts reflect a year-to-year increase of 7.9 percent in food-at-home expenditures and 9.3 percent in food-away-from-home expenditures. Wealthier urban households tended to spend more than other urban households for both food at home and food away from home, and they spent a larger share of their food budget than other households on food consumed away from home. The share of the food budget spent on food consumed away from home varied from 30 percent for the poorest group to 44 percent for the wealthiest.

Recent Developments in the U.S. Food Marketing System. Major recent developments in the U.S. food system include the increasing presence of nontraditional grocery retailers, such as supercenters and drugstores, and competitive responses by traditional grocers, such as supermarket chains. These developments have contributed to sharp increases in concentration in the grocery retail sector, changing conventional relationships among retailers, wholesalers, and manufacturers. In such a competitive domestic food market, food companies are attempting to differentiate themselves from the competition by reporting voluntary activities that demonstrate social responsibility and by more-tailored advertising campaigns and product offerings.

Productivity Growth Drives U.S. Agriculture. This brief introduced productivity measures, summarized trends in U.S. agricultural productivity between 1948 and 2004, and identified the sharp short fluctuations in measured productivity around its trends. It shows the importance of productivity growth to agricultural output growth, and compares trends in agricultural productivity to that in the private non-farm economy. Finally, it links productivity growth to agricultural input and output price trends.

Forecast of Farm Income, Assets and Debt. Estimates of farm income, assets and debt were developed and presented at the Agricultural Outlook Forum. An estimate of value-added to the U.S. economy by the production of farm goods and services was also estimated. Updated income and balance sheet forecasts were developed and reflect the most recent information available on production, prices and quantities of crops and livestock and products and other outputs and services generated from farms. The updates also reflect inputs consumed in production. Updates include disaggregated value-added/farm income account information to the Bureau of Economic Analysis' (BEA) National Income Staff for their use in developing their estimates of Gross Domestic Product and National Income Accounts and their estimates of Personal Income and Outlays, and Corporate profits.

Support Increased Economic Opportunities and Improved Quality of Life in Rural America

Current Activities:

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

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

Selected Examples of Recent Progress:

Indicators of Farm Household Well-Being. The project reflects enhancement in our measures of farm household economic well-being. The enhancements include more detailed information on income and wealth, including more comparisons to relevant populations such as U.S. households. It also includes information on the demographic and labor allocations of farm operator households and the implications of tax policy for their well-being. Finally, it included new indicators of well-being relating to poverty, health insurance, and farm safety issues.

The Effect of Off-Farm Income on The Labor-Allocation. Farm size is shown to have significant effects on production and investment decisions through the improved risk-return tradeoff coming from economies of scale. As a result, large farm operators are expected to pursue fewer off-farm income opportunities than small farm operators. This project evaluates the effect of off-farm income on the labor-allocation and cropping decisions of households across farm sizes in a hedging context. A simple portfolio model was developed that identifies the optimal hedging position for farm households. Then, the effects of off-farm income opportunities were evaluated across farm sizes using the theoretical model. Next, regression analysis was used to test hypotheses about the effects of farm size, a variable neglected in the literature. Finally, results are presented by region to enable comparisons between the West and other parts of the country.

Growing Farm Size and the Distribution of Farm Payments. ERS recently examined the disposition of farm subsidies. Crop production is shifting to much larger farms. Since government commodity payments reflect production volumes for program commodities, payments are also shifting to larger farms. In turn, the operators of very large farms have substantially higher household incomes than other farm households, and as a result government commodity payments are also shifting to much higher-income households. Since the changes in farm structure appear to be ongoing, commodity payments will likely, under current policies, continue to shift to higher income households. This brief uses 2003 Agricultural Resource Management Survey data to detail the shifts.

Enhance Protection and Safety of the Nation's Agriculture and Food Supply

Current Activities:

ERS research is designed to support food safety decisionmaking in the public sector and to enhance the efficiency and effectiveness of public food safety policies and programs. The program focuses on valuing societal benefits of reducing and preventing illnesses caused by microbial pathogens; assessing the costs of alternative food safety policies; studying industry's incentives, through private market forces and government regulation, to adopt food safety innovations; assessing the value of private and public food safety actions by examining health outcomes; and analyzing consumer demand for food safety.

The Geo-Spatial Economic Analysis (GSEA) team builds on earlier ERS homeland security programs and ERS's economic, data, and geographic information systems (GIS) capabilities to analyze the economic effects of enhanced security and the potential impacts of accidental or intentional problems in the Nation's agricultural and food sectors. GSEA uses current data and information about the U.S. agricultural and food systems, including resource use, production, processing, distribution, and consumption enhanced by GIS.

ERS is continuing its research program on invasive species that affect livestock and crop production and the programs that control them. This activity contributes to USDA's efforts to prevent or control invasive species. An important concern is reducing the economic risks of invasive species to U.S. agriculture while preserving economic gains from trade and travel. ERS and the Animal and Plant Health Inspection Service created an Invasive Species Working Group to make suggestions on how economic analyses can better contribute to pest risk assessments and control decisions by the public and private sectors. ERS is engaged in ongoing evaluation of the research being produced through its external grants program. ERS supports the Invasive Non-Native Species crosscut by improving economic estimates of the risks posed by non-native weeds.

Selected Examples of Recent Progress:

An Online Cost Calculator for Estimating the Economic Cost of Illness Due to Shiga Toxin-Producing *E. coli* (STEC) O157 Infections. Shiga toxin-producing *E. coli* (STEC) O157 is a significant cause of foodborne illness in the United States. ERS estimated the economic cost of illness due to this pathogen—\$405.2 million (in 2003 dollars)—using the most recent estimate (1997) of the annual number of STEC O157 cases by the Centers for Disease Control and Prevention (CDC) and medical and cost data from the Foodborne Diseases Active Surveillance Network. CDC is currently updating its estimate of annual cases. As new information becomes available, the ERS online Foodborne Illness Cost Calculator enables users to review and modify the assumptions underlying the STEC O157 cost estimate, such as the number of cases, and then recalculate the cost, adjusted for inflation for any year from 1997 to 2006.

Did BSE Announcements Reduce Beef Purchases? This study examined consumers' retail purchases of beef and beef products for evidence of a response to the 2003 U.S. government announcements of finding cows infected with Bovine Spongiform Encephalopathy (BSE). Weekly estimates of quantities of beef products consumers purchased from 1998 through 2004 were constructed using ACNielsen Homescan data. While the variance in purchases was large, most could be explained by trend and seasonality. Deviations from established purchase patterns following the BSE announcements varied across beef products, but were limited to no more than 2 weeks in all cases.

Program of Research on the Economics of Invasive Species Management (PREISM). Under PREISM, ERS supports and conducts research to improve the economic basis of decisionmaking concerning invasive species issues, policies, and programs. Program themes have included international dimensions of invasive species prevention and management; development and application of methods to analyze important invasive species issues, policies, and programs; and analysis of economic, institutional, and behavioral factors affecting decisions to prevent or manage invasive species. This activity report reviews PREISM funding and activities for the 2003-2006 fiscal years. ERS's PREISM Program funded 6 research projects

under its 2007 competitive awards program. The awards are the latest in the PREISM competitive research program, which funded 12 projects in 2003 and 7 projects per year in 2004, 2005, and 2006.

Linking Risk and Economic Assessments in the Analysis of Plant Pest Regulations: The Case of U.S. Imports of Mexican Avocados. In this analysis a complex static partial equilibrium model is developed to evaluate the effects of allowing fresh Hass avocados from approved orchards in Mexico to be imported into the United States under systems approach pest-risk mitigation measures. This analysis provides an example of the way in which risk assessment and economic analysis can be integrated to inform the choice and design of measures that reduce phytosanitary risks while allowing trade that benefits consumers.

Improve the Nation's Nutrition and Health

Current Activities:

ERS provides timely and in-depth analysis of the Nation's food consumption trends, dietary patterns, and the resulting nutritional and health outcomes. ERS's analysis and reporting are based on applied research that seeks to understand the linkages among preferences, economic incentives, and food choices. Food and dietary choices are influenced not only by prices, income, and Federal nutrition assistance programs such as the Food Stamp Program, but also from preferences shaped by family structure, time constraints, psychological factors, and nutrition information. To inform policymakers and the public about such determinants and drivers of consumption trends, ERS maintains and analyzes data sets that provide different "views" of the food consumption picture: food availability, household food spending, and which foods are eaten by whom, where, and how much. Obesity—including understanding its costs to individuals and society, how income and knowledge affect obesity status, and considering private versus public roles in reducing obesity—is an important focus of the current ERS program. Much of the debate over the reasons for the rise in overweight and obesity in the United States has focused on the cost of healthful food—with some arguing that low-income households cannot afford healthful food and others insisting that even for low-income households cost is not a barrier to a healthful diet. A current focus of the ERS research program is to investigate the role of food prices on healthful food choices.

USDA administers 15 domestic nutrition assistance programs that together form a nutritional safety net, providing children and low-income adults with either food, the means to purchase food, and/or nutrition education. These programs affect the lives of millions of people and receive substantial Federal funding. At some point during the year, about one in five Americans participates in at least one of USDA's nutrition assistance programs and Federal outlays for these programs account for over half of USDA's total budget. Through its Food Assistance and Nutrition Research Program (FANRP), ERS conducts studies and evaluations of the Nation's nutrition assistance programs. FANRP's mission is "economic research for a healthy, well-nourished America." FANRP research is designed to meet the critical information needs of USDA, Congress, program managers, policy officials, the research community, and the public at large.

FANRP integrates an intramural and extramural research program. The intramural program, conducted internally by ERS staff research, uses the agency's large research capacity, taking advantage of the agency's internal research capital and specialized knowledge base. At the same time, FANRP funds extramural research, often conducted jointly with ERS staff, that draws on the multidisciplinary expertise of nationally recognized social and nutrition science researchers and the resources of such noted institutions as the National Academy of Sciences, National Science Foundation, National Bureau of Economic Research, Urban Institute, the Brookings Institute, and numerous universities across the country. The three perennial research themes of FANRP are dietary and nutritional outcomes, food program targeting and delivery, and program dynamics and administration. Within these general themes, priority areas of research are selected annually. In developing the research priorities, FANRP works closely with USDA's Food and Nutrition Service.

The ERS program provides policymakers, regulators, program managers, and those shaping public debate with timely, high-quality analyses and data to enhance understanding of economic issues affecting the

nutrition and health of the U.S. population. These issues include factors related to food choices, consumption patterns, food prices, food security, nutrition assistance programs, nutrition education, and food industry structure. Such understanding underpins the capacity to understand and react to issues surrounding obesity, homeland security, and the responsiveness of the food system to consumer demands in a timely, effective manner. ERS enhances data on food markets, prices, consumption, and nutrition assistance by adding modules to national surveys, procurement of proprietary data, and linkages between survey and extent data.

Selected Examples of Recent Progress:

Can Food Stamps Do More To Improve Food Choices? Food stamp recipients, like other Americans, struggle with nutrition problems associated with choice of foods, as well as amounts. This series of Economic Information Bulletins compiles evidence to help answer the question of whether the Food Stamp Program can do more to improve the food choices of participants. It examines the role of affordability and price of healthful foods in influencing food choices and the likely success of any policy targeted at changing food choices through food stamp bonuses or restrictions. It also examines other approaches to changing food choices, including nutrition education and potential strategies drawn from behavioral economics literature. Meaningful improvements in the diets of food stamp recipients will likely depend on a combination of many tactics. Measuring the effect of any policy change on food choices and health outcomes remains a challenge.

Household Food Security in the United States. Food security for a household means that all household members have access, at all times, to enough food for an active, healthy life. To inform policymakers and the public about the extent to which U.S. households consistently have economic access to enough food, ERS publishes an annual statistical report on household food security in the United States. The report and its underlying data are widely used by government agencies, the media, and advocacy groups to monitor the extent of food insecurity in this country, progress toward national objectives, and performance of USDA's nutrition assistance programs. The latest report, *Household Food Security in the United States, 2006*, based on data from the December 2006 Food Security Survey, provided the most recent statistics, at the time of publishing, on the food security of U.S. households, as well as on how much they spent for food and the extent to which food-insecure households participated in Federal and community nutrition assistance programs. Results show that 89 percent of American households were food secure throughout the entire year in 2006. The remaining 11 percent of households were food insecure at least some time during that year.

Food and Nutrition Assistance Programs and Obesity. The most recent data from the National Health and Nutrition Examination Surveys (NHANES) show almost no relationship between food stamp participation and weight status. The most striking shift over time is observed among non-Hispanic White women. Data from 1976-1980 showed that food stamp participants had a greater body mass index (BMI) and were more likely to be overweight and obese than nonparticipants. However, data from 1999-2002 show no differences between food stamp participants and income-eligible nonparticipants. Further, BMI and the likelihood of overweight and obesity were similar for both moderate-income non-Hispanic White women and food stamp participants. For other age, sex, and race/ethnicity groups, an inconsistent relationship between food stamp participation and weight measures was found.

Could Behavioral Economics Help Improve Diet Quality for Nutrition Assistance Program Participants. As obesity has come to the forefront of public health concerns, there is growing interest in finding ways to guide consumers' food choices to be more beneficial for their long-term health. About one in five Americans participates in at least one nutrition assistance program sponsored by the U.S. Department of Agriculture. This study uses behavioral economics, food marketing, and psychology to identify possible options for improving the diets and health of participants in the Food Stamp Program; the Special Supplemental Nutrition Program for Women, Infants and Children (WIC); and the National School Lunch and School Breakfast Programs.

Tracking Trends in U.S. Food Consumption. ERS maintains the U.S. per capita food consumption data system. This system is an important statistical indicator that tracks food and nutrient availability from 1909. The data facilitate policymaking and regulatory decisions about farm assistance programs, nutrition education, public health programs, and regulation of vitamin and mineral fortification and food labeling. The system is regularly updated as new data becomes available. ERS researchers publish reports on U.S. food consumption patterns using the database on a regular basis.

Consumer Data and Information Program (CDIP). In 2007, ERS continued development of a comprehensive effort to improve the consumer and data infrastructure needed for analyses of food policy issues. CDIP efforts focused on improving ERS's Food Availability Data System, obtaining information on Americans' time use on eating and preparing food using the Bureau of Labor Statistics American Time Use Survey, gathering information on consumer knowledge about diets and health as well as economic content using NHANES, and understanding the characteristics of proprietary datasets. ERS initiated an effort to make the data collected through NHNAES more readily available to researchers, and launched a new effort to design the content of the 2009-10 module for NHANES. To support price analysis and consumer food choice behavior, ERS continued the acquisition and use of Nielsen's Homescan data on packaged and random weight food purchases.

Who Has Time To Cook? How Family Resources Influence Food Preparation. Households participating in the Food Stamp Program are increasingly headed by a single parent or two working parents. As this trend continues, more low-income households may find it difficult to allocate the time needed to prepare meals that fit within a limited budget and meet dietary requirements. Using data from the 2003-04 American Time Use Survey, this study finds that household time resources significantly affect how much time is allocated to preparing food. In fact, working full-time and being a single parent appear to have a larger impact on time allocated to food preparation than an individual's earnings or household income do. The results are relevant for the design of nutrition assistance programs as well as for improving our understanding of how different family time resources affect consumption behavior.

Protect and Enhance the Nation's Natural Resource Base and Environment

Current Activities:

ERS is exploring a range of agri-environmental program designs, including multi-objective, multi-instrument approaches. Policy objectives may include farm income support. Focus is on subsidy programs, land retirement, wetland restoration, market-based approaches and compliance mechanisms to address soil erosion, nutrient runoff, and wildlife habitat concerns. Alternate program designs will be analyzed in terms of government cost, overall cost-effectiveness, and distribution of costs and benefits (overall and within the farm sector). ERS continues to research the two primary working lands programs—the Environmental Quality Incentives Program (EQIP) and the new Conservation Security Program—individually and in combination. That project fills a large gap in the knowledge base relating to the implications of the myriad decisions necessary to design a working lands program

Understanding the economic, demographic, resource and climate issues that affect the adoption of conservation practices is important to the design of cost-effective conservation programs. Both economic incentives and producer and household characteristics are important. Because many producers' economic environment is heavily influenced by Federal programs and policies, this project seeks to simultaneously assess conservation program participation and conservation practice adoption while controlling for the effect of commodity policy and related compliance requirements.

Selected Examples of Recent Progress:

Working Land Conservation Program Design Implications. While it is common knowledge that the productive capacity of agricultural lands vary, it is increasingly recognized that the environmental impacts of agricultural production also differ. Conservation programs can best achieve goals by targeting—

selectively choosing—those farms and fields where conservation efforts are likely to generate the most environmental benefits. Targeting mechanisms that are now in place have improved the performance of conservation programs, but could do more. The strength and effectiveness of targeting mechanisms depends on the appropriate use of relevant data and models.

Effectiveness of Market Approaches to Water Quality Management. People have been grappling with water quality issues and management for millennia. Regulation of drinking water provisions by technology and quality standards has remained commonplace to this day. Much less common are policies that address the degradation of water resources. And those that do exist, such as the U.S. Clean Water Act, rely primarily on technology standards or discharge limits, which do little to address new sources of discharge or sources, such as agriculture, that are difficult to monitor. Many believe that water quality markets offer a solution to policymakers for managing water quality in the future.

Multiple Environmental Issues and Manure Management Policy. This project considers the economic and environmental implications of regulating water and air nitrogen emissions under single and multi-environmental media policies in the U.S. hog industry. We examined tradeoffs from policies designed to correct an externality in one medium, when there are multiple environmental externalities. We separately and jointly analyzed: 1) nitrogen land application restrictions consistent with the recently adopted Environmental Protection Agency requirements under the Clean Water Act, and 2) hypothetical air quality restrictions under the Clean Air Act, both with and without EQIP payments available to mitigate the costs of complying with nutrient application regulations.

Conservation-Compatible Practices and Programs: Who Participates? In recent years, USDA has put more emphasis on conservation programs that reward good stewardship on working farmland. And while USDA's farmland retirement programs continue to command most of the conservation budget, roughly 80 percent of current land retirement contracts are due to expire before the end of the decade. With the next Farm Bill debate already underway, policy makers will soon be making decisions about the future direction of farm conservation efforts. This report examines the business, operator, and household characteristics of farms that have adopted one or more conservation compatible farming practices, with and without financial assistance from conservation programs. It analyzes the relationship between conservation behavior and program participation, and how this relationship might be affected by farm business, operator, and household characteristics.

Environmental Effects of Agricultural Land-Use Change: The Role of Economics and Policy. This report examines evidence on the relationship between agricultural land-use changes, soil productivity, and indicators of environmental sensitivity. If cropland that shifts in and out of production is less productive and more environmentally sensitive than other cropland, policy-induced changes in land use could have production effects that are smaller — and environmental impacts that are greater — than anticipated. To illustrate this possibility, this report examines environmental outcomes stemming from land-use conversion caused by two agricultural programs that others have identified as potentially having important influences on land use and environmental quality: Federal crop insurance subsidies and the Conservation Reserve Program, the Nation's largest cropland retirement program.

Program Assessment Rating Tool Assessments:

ERS' entire economic research and analysis program was assessed with the Office of Management and Budget's PART for the FY 2007 budget. The overall program rating was "effective." PART findings concluded that ERS ensures its research quality through internal and external peer reviews, and customer satisfaction with ERS products has been at or above target levels. The PART assessment recommended that (1) ERS continue to track the measures that have only baseline or partial data to ensure that performance is improving or remaining on target, and (2) ERS determine the impact of research by surveying users on the extent to which they find ERS products useful in decisionmaking.

ERS is undertaking activities to track its performance measures and to continue surveying customers about the usefulness of ERS products in decision making. ERS has completed all follow-up actions associated with OMB's PART recommendation to survey customers about the usefulness of ERS products. ERS continues to assess customer use of and satisfaction with ERS products using the Policy Official Satisfaction Survey. Customer satisfaction ratings continue to run well above target levels (95 percent versus a target level of 82 percent).

ERS has also completed all follow-up actions associated with OMB's PART recommendation to continue to monitor ERS performance measures that have only baseline or partial data. This recommendation applies to the following performance measures: Policy Official Satisfaction Survey, Portfolio Review Score, and American Customer Satisfaction Index (ACSI) Customer Satisfaction Rating.

- *Policy Official Satisfaction Survey:* ERS continues to assess customer use of and satisfaction with ERS products using the Policy Official Satisfaction Survey. Data for this annual performance measure show that ERS customer satisfaction ratings continue to run well above target levels (95 percent actual versus a target of 82 percent).
- *Portfolio Review Score:* ERS continues detailed planning for the annual program review. The Resource and Rural Economics Program at ERS was reviewed by an external expert panel at the end of FY 2007. The panel review resulted in a performance rating of "excellent" for the program area reviewed which met the targeted level of "excellent." One result of the program review is that annual data will be generated for one of ERS's long-term performance measures "Portfolio Review Score -- Qualitative assessment by external experts of the relevance, quality, and performance of ERS research portfolios to enable better informed decisions on food and agricultural policy issues."
- *ACSI Customer Satisfaction Rating:* As part of a regular cycle of customer satisfaction surveys based on the ACSI, ERS surveyed its customers in 2005. Customer satisfaction levels were found to exceed government averages and were above the ERS target level. Future surveys of overall customer satisfaction are planned for 2008 and 2011.

ECONOMIC RESEARCH SERVICE

Summary of Budget and Performance
Statement of Agency Goals and Objectives

ERS has six strategic goals which correspond to each of the six USDA strategic goals. To achieve these goals, the mission of ERS is to inform and enhance public and private decisionmaking on economic and policy issues related to agriculture, food, the environment, and rural development.

USDA Strategic Goal/Objective	Agency Strategic Goal	Agency Strategic Objectives	Programs that contribute	Key Outcome
<p>USDA Strategic Goal 1: Enhance international competitiveness of American agriculture.</p> <p>USDA Strategic Objective 1.1: Expand and maintain international export opportunities.</p>	<p>Agency Strategic Goal 1: Enhance international competitiveness of American agriculture.</p>	<p>Objective 1.1: Provide economic research, information, and analysis to support public and private decision-making to help expand and maintain international export opportunities.</p>	<p>Economic Research and Analysis.</p>	<p>Enhanced understanding by policymakers, regulators, program managers, and those shaping public debate of economic issues affecting the U.S. food and agriculture sector's international competitiveness, including factors related to international trade agreements and negotiations, market and nonmarket trade barriers, and the effects of economic and technological developments on agricultural competitiveness.</p>
<p>USDA Strategic Goal 2: Enhance the competitiveness and sustainability of rural and farm economies.</p> <p>USDA Strategic Objective 2.1: Expand domestic market opportunities.</p> <p>USDA Strategic Objective 2.2: Increase the efficiency of domestic agricultural production and marketing systems.</p> <p>USDA Strategic Objective 2.3: Provide risk management and financial tools to farmers and ranchers.</p>	<p>Agency Strategic Goal 2: Enhance the competitiveness and sustainability of rural and farm economies.</p>	<p>Objective 2.1: Expand domestic market opportunities.</p> <p>Objective 2.2: Provide analysis to enhance the efficiency of domestic agricultural production and marketing systems.</p> <p>Objective 2.3: Provide economic analysis of risk and financial management to farmers and ranchers.</p>	<p>Economic Research and Analysis.</p>	<p>Enhanced understanding by policymakers, regulators, program managers, and those shaping public debate of economic issues affecting the U.S. food and agriculture sector's competitiveness, including factors related to performance, structure, risk and uncertainty, and marketing.</p>
<p>USDA Strategic Goal 3: Support increased economic opportunities and improved quality of life in rural America.</p> <p>USDA Strategic Objective 3.2: Improve the quality of life through USDA financing</p>	<p>Agency Strategic Goal 3: Support increased economic opportunities and improved quality of life in rural</p>	<p>Objective 3.2: Expand economic opportunities in rural America by bringing economic insights into public and private decision-making.</p>	<p>Economic Research and Analysis.</p>	<p>Enhanced understanding by policymakers, regulators, program managers, and organizations shaping public debate of economic issues affecting rural development, including factors related to farm finances and</p>

<p>of quality housing, modern utilities, and needed community facilities.</p>	<p>America.</p>			<p>investments in rural people, businesses and communities, and of economic issues relating to the performance of all sizes of American farms.</p>
<p>USDA Strategic Goal 4: Enhance protection and safety of the Nation's agriculture and food supply.</p> <p>USDA Strategic Objective 4.1: Reduce the incidence of foodborne illnesses related to meat, poultry, and egg products in the U.S.</p> <p>USDA Strategic Objective 4.2: Reduce the number and severity of agricultural pest and disease outbreaks.</p>	<p>Agency Strategic Goal 4: Enhance protection and safety of the Nation's agriculture and food supply.</p>	<p>Objective 4.1: Provide economic research and analysis of public and private efforts to reduce the incidence of foodborne illnesses related to meat, poultry, and fresh produce in the U.S.</p> <p>Objective 4.2: Support efforts to reduce the number and severity of agricultural pest and disease outbreaks through economic analysis of control strategies.</p>	<p>Economic Research and Analysis.</p>	<p>Enhanced understanding by policymakers, regulators, program managers, and those shaping public debate of economic issues related to improving the efficiency, efficacy, and equity of public policies and programs designed to protect consumers from unsafe food.</p>
<p>USDA Strategic Goal 5: Improve the Nation's nutrition and health.</p> <p>USDA Strategic Objective 5.1: Ensure access to nutritious food.</p> <p>USDA Strategic Objective 5.2: Promote healthier eating habits and lifestyles.</p> <p>USDA Strategic Objective 5.3: Improve nutrition assistance program management and customer service.</p>	<p>Agency Strategic Goal 5: Improve the Nation's nutrition and health.</p>	<p>Objective 5.1: Provide economic research and analysis of public and private efforts to ensure access to nutritious food.</p> <p>Objective 5.2: Provide economic research and analysis of options to promote healthier eating habits and lifestyles.</p> <p>Objective 5.3: Improve food program management and customer service through economic evaluations of USDA's nutrition assistance programs.</p>	<p>Economic Research and Analysis.</p>	<p>Enhanced understanding by policymakers, regulators, program managers, and organizations shaping public debate of economic issues relating to the nutrition and health of the U.S. population, including factors related to food choices, consumption patterns at and away from home, food prices, nutrition assistance programs, nutrition education, and food industry structure. Such understanding underpins the capacity to ensure equitable access to a wide variety of high-quality, affordable food.</p>
<p>USDA Strategic Goal 6: Protect and enhance the Nation's natural resource base and environment.</p> <p>USDA Strategic Objective 6.1: Protect watershed health to ensure clean and abundant water.</p> <p>USDA Strategic Objective 6.2: Enhance soil quality to maintain productive working cropland.</p>	<p>Agency Strategic Goal 6: Protect and enhance the Nation's natural resource base and environment.</p>	<p>Objective 6.1: Provide economic intelligence, research and analysis to inform agricultural resource and conservation policies.</p> <p>Objective 6.2: Provide economic research and analysis to support public and private efforts to improve management of private lands and ecosystems.</p>	<p>Economic Research and Analysis.</p>	<p>Enhanced understanding by policymakers, regulators, program managers, and those shaping public debate of economic issues related to development of Federal farm, natural resource, and rural policies and programs to protect and maintain the environment while improving agricultural competitiveness and economic growth.</p>

ECONOMIC RESEARCH SERVICE

- STRATEGIC OBJECTIVE 1.1:** Expand and maintain international export opportunities.
- STRATEGIC OBJECTIVE 2.1:** Expand domestic market opportunities.
- STRATEGIC OBJECTIVE 2.2:** Increase the efficiency of domestic agricultural production and marketing systems.
- STRATEGIC OBJECTIVE 2.3:** Provide risk management and financial tools to farmers and ranchers.
- STRATEGIC OBJECTIVE 3.2:** Improve the quality of life through USDA financing of quality housing, modern utilities and needed community facilities.
- STRATEGIC OBJECTIVE 4.1:** Reduce the incidence of foodborne illnesses related to meat, poultry and egg products in the U.S.
- STRATEGIC OBJECTIVE 4.2:** Reduce the number and severity of agricultural pest and disease outbreaks.
- STRATEGIC OBJECTIVE 5.1:** Ensure access to nutritious food.
- STRATEGIC OBJECTIVE 5.2:** Promote healthier eating habits and lifestyles.
- STRATEGIC OBJECTIVE 5.3:** Improve nutrition assistance program management and customer service.
- STRATEGIC OBJECTIVE 6.1:** Protect watershed health to ensure clean and abundant water.
- STRATEGIC OBJECTIVE 6.2:** Enhance soil quality to maintain productive working cropland.

Strategic Objective and Funding Matrix
(On basis of appropriation)

	2007 Actual		2008 Budget		Increase or Decrease	2009 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
<u>Strategic Objective 1.1:</u>							
Economic Research and Analysis Pay Cost Included	13,813,609	94	\$14,153,000	103	\$1,166,000	\$15,319,000	103
<u>Strategic Objective 2.1:</u>							
Economic Research and Analysis Pay Cost Included	7,338,689	44	8,328,000	46	485,000	8,813,000	46
<u>Strategic Objective 2.2:</u>							
Economic Research and Analysis Pay Cost Included	17,093,440	67	18,039,000	76	2,416,000	20,455,000	77
<u>Strategic Objective 2.3:</u>							
Economic Research and Analysis Pay Cost Included	2,257,750	10	2,440,000	12	474,000	2,914,000	12
<u>Strategic Objective 3.2:</u>							
Economic Research and Analysis Pay Cost Included	5,755,254	37	6,002,000	39	(141,000)	5,861,000	40
<u>Strategic Objective 4.1:</u>							
Economic Research and Analysis Pay Cost Included	1,582,699	9	1,584,000	10	28,000	1,612,000	10
<u>Strategic Objective 4.2:</u>							
Economic Research and Analysis Pay Cost Included	1,999,410	5	2,000,000	5	31,000	2,031,000	5
<u>Strategic Objective 5.1:</u>							
Economic Research and Analysis Pay Cost Included	3,021,794	20	3,022,000	21	58,000	3,080,000	21
<u>Strategic Objective 5.2:</u>							
Economic Research and Analysis Pay Cost Included	6,351,052	19	6,352,000	20	56,000	6,408,000	20
<u>Strategic Objective 5.3:</u>							
Economic Research and Analysis Pay Cost Included	7,199,486	19	7,200,000	20	56,000	7,256,000	20
<u>Strategic Objective 6.1:</u>							
Economic Research and Analysis Pay Cost Included	4,029,230	26	4,030,000	28	78,000	4,108,000	28
<u>Strategic Objective 6.2:</u>							
Economic Research and Analysis Pay Cost Included	4,173,132	26	4,174,000	27	75,000	4,249,000	27
Unobligated Balance	577,455						
Total, Available	75,193,000	376	77,324,000	407	4,782,000	82,106,000	409

Enhance International Competitiveness of American Agriculture

ERS will identify key economic issues relating to the competitiveness of U.S. agriculture, use sound analytical techniques to understand the immediate and broader economic and social consequences of alternative policies and programs and the effects of changing biofuel and macroeconomic market conditions on U.S. competitiveness, and effectively communicate research results to policy makers, program managers, and those shaping the public debate regarding U.S. agricultural competitiveness.

Future research and analysis will build on the successes of past performance to deepen understanding of issues explored, highlight new policy concerns revealed by prior analysis, and anticipate upcoming needs of policymakers and decision makers. These activities, based on the USDA objectives of this strategic goal, will include conducting research to fully comprehend and articulate the effects of trade agreements, political and economic structural changes, and technological developments on the international comparative and competitive advantage of U.S. agriculture.

ERS plans a range of activities to provide policymakers and other decision makers with assessments of current programs and alternative outcomes for pending or prospective policy decisions. Results will help shape the public debate on economic, trade, and biofuel policy issues affecting the food and agricultural sector. These activities will include the following:

Expand and Maintain International Export Opportunities

International Trade Agreements Negotiation and Trade Policy. A continued priority is to support analyses related to World Trade Organization (WTO) negotiations under the Doha Development Agenda, other WTO issues, and bilateral trade agreements. The project activities identified are to respond to critical questions of trade negotiators, policy analysts, and decision makers, to undertake and disseminate research on key trade policy issues, and to continue to build ERS analytic capacity – economic models, data, and expertise.

China, Brazil, and India. China, Brazil, and India represent three countries that will shape global agricultural markets of the 21st century and where large uncertainties exist about future demand, supply, and policy directions. In collaboration with the Foreign Agricultural Service and with the expectation of funding from the Emerging Markets Program, ERS is analyzing key markets and policy issues that will shape the size and pattern of the three countries' agricultural trade, with a focus on major U.S. agricultural exports and imports.

International Dimension of Biofuels. High oil prices have enhanced the motivation for governments around the globe to promote biofuels policies based on agricultural feedstocks to: 1) become less dependent on petroleum imports, 2) increase income to farmers, and 3) to improve the environment by burning biofuels in place of hydrocarbons. ERS is analyzing the interaction between domestic and global biofuel initiatives and their cross-commodity impacts on global agricultural markets.

Macroeconomic Linkages to Agriculture. Changes in the macroeconomy have major effects on agriculture. The main factors linking the macroeconomy to agriculture are exchange rates, consumer income, rural employment, and interest rates. Ongoing ERS research focuses on the relationship between changes in exchange rates and their impact on U.S. trade with developed and developing economies.

Enhance the Competitiveness and Sustainability of Rural and Farm Economies

ERS research and analytical activities are designed to enhance policymakers' and other decision makers' understanding of economic issues affecting the U.S. food and agriculture sector's competitiveness, expand domestic marketing opportunities, enhance agricultural production efficiency, and improve effective risk management. These activities support achievement of USDA Goal 2, "Enhance the Competitiveness and Sustainability of Rural and Farm Economies."

ERS will identify key economic issues related to the competitiveness and sustainability of rural and farm economies. ERS will use sound analytical techniques to understand the immediate and broader economic and social consequences of alternative policies and programs and the effects of changing biofuel and macroeconomic market conditions on rural and farm economies. ERS will effectively communicate research results to policymakers, program managers, and those shaping the public debate on the U.S. farm economy. These activities will include the following:

- Researching and disseminating economic intelligence about the structure of, performance in, information systems of, new technology in, and foreign direct investment in the U.S. food manufacturing, processing, wholesale, retail, and foodservice industries.
- Conducting economic research on and ascertaining the impacts on commodity markets of new food and nonfood uses, new agricultural and forest products, new food products, alternative fuels, and new processes and other technologies that add value.
- Providing timely, accurate agricultural economic analysis and data on the impacts of decisions in risky situations to help farmers and ranchers make more informed production and marketing decisions.

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

Expand Domestic Market Opportunities

Assessment of Agricultural Policy. Economic analysis of the 2007 Farm Act provisions will be a high priority project activity for ERS. The 2002 Farm Act side-by-side was the most used web product ever produced by ERS. The goal for the 2007 Farm Act is to produce a feature with improved functionality and with more in depth and descriptive content. The side-by-side will provide the basis for updating briefing room content to reflect new provisions. It will provide the basis for comprehensive analysis of the economic impacts of the commodity, conservation and trade provisions.

Economics of Biofuels. ERS research on biofuels is focusing on domestic and global agricultural market impacts, as well as economy-wide, regional, and household effects of increased bioenergy production. Continued growth of grain-based ethanol production, and the prospect of commercializing ethanol from other sources of biomass, underscores the need for both short-run and longer-term perspectives. With ethanol already accounting for approximately 20 percent of domestic corn utilization, corn use for ethanol is sustaining higher prices for both corn and competing crops, with implications for downstream users. Domestic livestock industries and foreign buyers, for example, will be pushed into more intense competition for available feed grains. Issues affecting U.S. competitiveness and other facets of the agricultural economy will be examined under this priority research area.

The Geography of Food Distribution in the United States. This research will examine the complex relationships that tie the economic activities of 24 million workers across the country to produce and market food products to over 280 million American consumers. A national system account of economic regions will provide a comprehensive description of the linkage between domestic and global food and commodity markets, and form the basis for analysis on alternative policies and programs to enhance competitiveness of our food distribution system.

Strategic Alliances in U.S. Branded Beef Programs. The study addresses organizational and institutional solutions to market failure caused by un-measurable beef quality attributes that may prevent consumers and producers from engaging in what would otherwise be a mutually beneficial transaction. Concepts from organizational economics will be applied to examine supply chain alliances formed to market branded beef products. The framework will then be applied in a case study to examine how alliances with different structures function. In addition, implications for the ability of smaller businesses to compete by targeting

consumer niche markets, in light of scale economies captured by their larger competitors will also be examined.

Increase the Efficiency of Domestic Agricultural Production and Marketing Systems

Changing Structure of U.S. Poultry Production. Research efforts will examine the significant changes occurring in the U.S. livestock production sector. Particular attention will be paid to poultry production. Research will involve using the Agricultural Resource Management Survey (ARMS) poultry version to measure changes in structure of poultry production and effects of productivity and manure management.

Forecast of Farm Income, Assets and Debt. Estimates of farm income, assets and debt are developed and presented at the Agricultural Outlook Forum. An estimate of value-added to the U.S. economy by the production of farm goods and services is also estimated. Updated income and balance sheet forecasts are developed and reflect the most recent information available on production, prices and quantities of crops and livestock and products and other outputs and services generated from farms. The updates will also reflect inputs consumed in production. Updates include disaggregated value-added/farm income account information to the Bureau of Economic Analysis' (BEA) National Income Staff for their use in developing their estimates of Gross Domestic Product and National Income Accounts and their estimates of Personal Income and Outlays, and Corporate profits.

Economic Implications of Expanded Organic Production. ERS plans to analyze the market implications of increased consumer demand for organic meat and dairy products, and address related issues associated with the economic and policy issues related to U.S. livestock production.

Profile of Farm Workers. ERS will update an earlier ERS report (2000) to profile the farm worker population and present a series of short chapters devoted to key topics that are considered future research questions of importance for farm labor.

Evaluation of Public Agricultural Research Benefits. ERS will conduct research which will describe options for evaluating public agricultural research benefits; examine trends in public agricultural research, and explore changes in the sources and composition of State Agricultural Experiment Stations, and factors influencing research topics addressed.

Provide Risk Management and Financial Tools to Farmers and Ranchers

Market Analysis and Outlook. Several initiatives will increase the quality, transparency, and accessibility of the data and analysis for the support of the USDA short- and long-term projections of U.S. and world agricultural production, consumption, and trade. An ongoing initiative seeks to provide users with more options in the delivery of timely data, such as a queryable format and a variety of output formats.

Management of Financial Assets in Farming. This project examines farm debt sources and uses, constraints on credit availability, and the liquidity management practices of farmers. The role of debt in farm financial structure will be measured, principal suppliers of debt capital identified, purpose of debt use examined, and claim on farm earnings measured.

Support Increased Economic Opportunities and Improved Quality of Life in Rural America

ERS research and analytical activities are designed to enhance understanding by policymakers, regulators, program managers, and organizations that shape public debate of economic issues affecting rural development. The issues include factors related to farm finances and investments in rural people, businesses, and communities. The activities are also designed to enhance understanding of economic issues related to the performance of all sizes of American farms. These activities support achievement of USDA Goal 3, "Support Increased Economic Opportunities and Improved Quality of Life in Rural America."

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

- Developing a comprehensive, integrated base of information on rural economic and social conditions that can be used by Federal policymakers for strategic planning, policy development, and program assessment.
- Analyzing how investment, technology, employment opportunities and job training, Federal policies, and demographic trends affect rural America's capacity to prosper in the global marketplace.
- Conducting research to identify social and economic issues facing rural communities as they adjust to broad forces affecting their futures, such as changing farm policy, welfare reform, increased foreign competition in low-wage industries, growing demand for highly skilled labor, an aging population, and rapid growth in communities near major cities.
- Conducting research to better understand the role and effectiveness of investments in infrastructure, housing, and business assistance for sustaining rural communities, particularly in areas with rapid population growth or long-term population decline.

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

Improve the Quality of Life through USDA Financing of Quality Housing, Modern Utilities, and Needed Community Facilities

Impact of Alternative Farm Policy Approaches on Farms and Farm Households. ARMS data will be used in conjunction with sector-wide models to examine the effects of changes in farm commodity programs on different types of farms and households that operate farms as a part of their economic portfolio.

Understanding Rural America. In order to improve the accessibility and usability of our major research findings, ERS will integrate analyses of migration and population change, economic restructuring, job skills and education, poverty, and natural amenities into a single publication.

Enhance Protection and Safety of the Nation's Agriculture and Food Supply

ERS research and analytical activities are designed to enhance understanding by policymakers and other decision makers of economic issues related to improving the efficiency, efficacy, and equity of public policies and programs aimed at protecting consumers from unsafe food. These activities support achievement of USDA Goal 4, "Enhance Protection and Safety of the Nation's Agriculture and Food Supply."

ERS will identify key economic issues related to protecting consumers from unsafe food and the food supply from contamination. ERS will also use sound analytical techniques to understand the immediate and long-term efficiency, efficacy, and equity consequences of alternative policies and programs aimed at ensuring a safe food supply. ERS will effectively communicate research results to policymakers, program managers, and those shaping efforts to protect consumers from unsafe food. Examples of these activities will include the following:

- Conducting food safety economics research, with the goal of providing a science-based approach to valuing food safety risk reduction, assessing industry costs of food safety practices, and understanding the interrelated roles of government policy and market incentives in enhancing food safety.

- Providing the public and decision makers with food safety and biosecurity information through publications, Web materials, and briefings that address several economic aspects of food safety, including consumer knowledge and behavior, industry practices, the relationship between international trade and food safety, and government policies and regulations.
- Working with Federal food safety agency partners to evaluate available foodborne illness data related to meat, poultry, and egg products and to develop more accurate measures of the effectiveness of regulatory strategies in reducing preventable foodborne illness.
- Conducting research on consumer awareness of and attitudes toward food safety risks in order to support education and outreach efforts and to improve understanding of the consumer benefits of various regulatory actions.
- Expanding research, modeling, and data sources that aid in analyzing emerging, potentially high-risk threats to public food safety and U.S. agriculture.
- Developing research to better understand the economics of trade and invasive species. In particular, how do policies that reduce risk of exposure to new pests through trade restrictions affect commodity prices and U.S. trade?
- Integrating information from biological, epidemiological, and other sciences into economic models to develop credible and concrete bioeconomic risk assessments that will help public agencies allocate resources among programs that exclude, monitor, and control invasive species.
- Assessing policies designed to exclude, monitor, and control invasive pests with regard to the economic efficiency of different prevention and control strategies for invasive species management.

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

Reduce the Incidence of Foodborne Illnesses Related to Meat, Poultry, and Egg Products in the U.S.

Reduction in Foodborne Illness and Health Outcomes. Campylobacter is the most common foodborne bacterial pathogen. Some Campylobacter infections result in Guillain-Barré syndrome (GBS), a severe form of temporary paralysis. Centers for Diseases Control and Prevention (CDC) data indicate that the incidence of Campylobacter has declined since the mid-1990s, possibly due to improvements in poultry processing procedures. This project will investigate whether serious illness due to GBS also declined, using the 1993-2004 annual Nationwide Inpatient Sample of community hospital discharges. Alternate explanations for the observed decline in GBS will be assessed, and the annual economic benefits due to the reduction in GBS cases will be estimated.

New Estimates of the Societal Costs of Foodborne Illness. Economists have made great strides in estimating values for risks and product attributes not readily observable in the marketplace. Valuation for food safety risks, however, has lagged and new results of well-designed consumer surveys are now available for the first time. ERS funded two consumer surveys to address this specific issue of valuating reduction in risk of foodborne illness for both morbidity and mortality risks. This project combines the results from both consumer surveys and presents the implications for ERS' estimates of the societal costs of foodborne illness. New CDC estimates of the incidence of foodborne illness in the United States will also be incorporated into the estimates.

The Impacts of Food Safety Information on Meat Demand. This research will investigate whether publicized food safety information on beef, pork, and poultry have impacted meat demand. Weekly and monthly household data on meat purchases collected by the A.C. Nielsen Company will be aggregated for beef, pork, and poultry commodity level analysis. By using this high-frequency data, short periods of decline and recovery in meat demand can be estimated. Consumer reactions to food safety information will be explored using indices of media attention to safety for each meat product.

Reduce the Number and Severity of Agricultural Pest and Disease Outbreaks

Animal Disease. Over the past few years, disease has repeatedly drawn attention to animal agriculture, both in the United States and globally. Outbreaks of foot-and mouth disease, avian influenza and Bovine Spongiform Encephalopathy (Mad Cow Disease) have impacted the livestock and poultry industry worldwide. To better understand the future of the industry, ERS researchers will examine the development of regulations to control animal disease, assess secondary impacts on feed industries, and estimate the market impact of potential for catastrophic events in all segments of animal agriculture. One effort will present a modeling framework in which epidemiological model results are integrated with an economic model of the U.S. agricultural sector to estimate the economic impacts of livestock disease outbreaks. Another project will examine the role of wildlife in propagating animal disease and efficient strategies to target control efforts.

Development of a Global Sanitary and Phytosanitary Regulation Database. ERS is developing a database of international invasive species regulations for selected products of interest to U.S. stakeholders.

Smuggling Contraband and Invasive Species. Smuggled contraband goods are a pathway for the entry of invasive species into the U.S for two reasons - first, the contraband good itself may be an invasive species (the brown tree snake) and second, the contraband may be a carrier for some other invasive organism (gamecocks carrying avian influenza). Depending on data availability, ERS will examine the responsiveness of smuggling to price signals and regulatory enforcement.

Improve the Nation's Nutrition and Health

ERS research and analytical activities are designed to enhance understanding by policymakers, regulators, program managers, and organizations shaping public debate of economic issues relating to the nutrition and health of the U.S. population, including factors related to food choices, consumption patterns at and away from home, food prices, nutrition assistance programs, nutrition education, and food industry structure. Such understanding underpins the capacity to understand and react to issues surrounding obesity, homeland security, and the responsiveness of the food system to consumer demands in a timely, effective manner. These activities support achievement of USDA's Goal 5, "Improve the Nation's Nutrition and Health."

ERS will identify key economic issues affecting food prices and food consumption patterns; use sound analytical techniques to understand the immediate and broader economic and social consequences of the changing structure of the food industry and of policies and programs aimed at ensuring consumers equitable access to affordable food and to promote healthful food consumption choices; and effectively communicate research results to policymakers, program managers, and those shaping the public debate regarding healthful and nutritious diets. Examples of these activities will include the following:

- Providing economic analysis of the food marketing system to understand factors affecting the availability and affordability of food for American consumers.
- Providing enhanced annual estimates of the quantity of food available for human consumption and measures of disappearance and loss in the food system.
- Providing economic analysis of how people make food choices, including demands for more healthful, nutritious, and safer food; and of the determinants of those choices, including prices, income, education, and socio-economic characteristics.
- Conducting analyses of the benefits and costs of policies to change behavior to improve diet and health, including nutrition education, labeling, advertising, and regulation.
- Conducting evaluations and economic analyses of the impacts of the Nation's domestic nutrition assistance programs, including the Food Stamp Program; the Special Supplemental Nutrition Program for Women, Infants, and Children; the School Lunch Program; and the Child Nutrition Programs.
- Evaluating the dietary and nutritional outcomes of USDA's food and nutrition assistance programs.

- Conducting research on food program targeting and delivery to gauge the success of programs aimed at needy and at-risk population groups, and to identify program gaps and overlaps.
- Conducting research on program dynamics and administration, focusing on how program needs change with local labor market conditions, economic growth and recession, and how changing State welfare programs interact with food and nutrition programs.

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

Ensure Access to Nutritious Food

The Effect of the Food Stamp Program (FSP) on Food Prices and Prices Received by Farmers. The main link between food assistance programs and farm prices is a set of market-level consumer demands for food and the associated derived demands for farm ingredients used in food. With regards to consumer demand the issue is how much additional food demand can be traced to the food stamp policy. This rests on the distribution of income, since an extra dollar of cash income given to the poor has an effect on food demand that differs from an extra dollar of cash income given to the rich. Cash-equivalent dollars of food stamps are allocated to the poor through the food stamp allotment. This study measures the extent and statistical significance of the shift in the derived demand for farm commodities arising from a 1% increase in the food stamp allotment.

Are Younger Americans Demanding Less Fruits and Vegetables. Economic and demographic trends in the population of the United States are thought to be increasing the demand for vegetables. For example, having a college education and being older have been shown to increase the demand for vegetables. If so, over time, as the Nation becomes better educated and older, on average, vegetable demand may grow. However, these expectations do not account for the possibility of a cohort effect. A cohort includes all people born in the same year, and is similar in concept to a generation. Using data collected in eight different years, we find that members of younger cohorts spend less money on fresh vegetables than their older counterparts. Changing cooking habits may explain this effect. Younger generations are less apt to cook meals from scratch, and many recipes call for fresh vegetables. Once cohort effects are factored in, we cannot expect the demand for fresh vegetables for at-home consumption to grow with time, but to decrease.

Assessing the Affordability of Healthful Food. Much of the debate over the reasons for the rise in overweight and obesity in the United States has focused on the cost of healthful food—with some arguing that low-income households cannot afford healthful food and others insisting that even for low-income households cost is not a barrier to a healthful diet. This project will investigate the role of cost/price on food choices. This investigation will seek to answer two questions: can Americans afford a healthful diet? and, are cheap “unhealthy” foods driving expensive “healthy” foods out of the American diet?

Commodity Supplemental Food Program: Participation and Administration. The Commodity Supplemental Food Program (CSFP) is available in 33 States, 14 of which have joined since the mid-1990s. Interstate and intrastate variability in geographic coverage, program design, and interactions with other food assistance programs make designing a useful evaluation difficult without better information on the kinds of programs. The goal of this research is to understand how CSFP fits into the array of Federal food assistance and nutrition programs and whether it fulfills needs that would otherwise go unmet or, instead, duplicates other programs that may be more effective.

The Food Distribution Program on Indian Reservations: Still “An Acceptable Alternative” to Food Stamps? The Food Distribution Program on Indian Reservations (FDPIR) has been an alternative to the FSP since 1977, providing participants in 22 States with a monthly package of commodities in place of FSP electronic benefits. This project will compare the two programs with regard to eligibility, participation, administration, and possible effects on health and nutrition. The goal of the project is to assess whether the

early characterization of FDPIR as "An Acceptable Alternative" to the Food Stamp Program remains the best way to view the roles of the two programs in food assistance on and near Indian reservations.

Food Stamp Program Certification Costs and Errors, 1989-2005. This study will examine the causes of recent declines in FSP error rates, including the possible role of recent options for program simplification and new emphasis on access. The project will also examine the role of State program policies, caseload characteristics, economic conditions, and expenditures on certification-related activities.

Promote Healthier Eating Habits and Lifestyles

U.S. Demand for Organic Produce. Health and food safety concerns have motivated U.S. consumers to purchase more organic produce in recent years. In this project, ERS researchers will analyze the 1999-2003 AC Nielsen Homescan consumer panel data to study demands for organic produce before and after the new standards. ERS plans to profile organic consumers and describe trends for organic produce markets before and after implementation of new standards. In addition to descriptive analyses, we will estimate the price premium for organic produce over conventional produce using the hedonic econometric approach. A demand system will also be estimated to obtain demand elasticities for organic produce.

Consumer Data Initiative. ERS is conducting several research activities using information gathered under the Consumer Data Initiative:

- ERS is collaborating with the Community Nutrition Research Group (CNRG) at the Agricultural Research Service to develop the Food-Commodity Economic Database (FCED), a food-commodity database for the 1999-2004 National Health and Nutrition Examination Survey (NHANES), followed by efforts to modify the database for earlier food intake data to support trend analyses of commodity use. Preliminary FCED data will be available late 2008, and Web-based access would widely be available in 2009.
- ERS is collaborating with the National Center for Health Statistics to field a Flexible Consumer Behavior Survey (FCBS) as a supplement to the NHANES. The FCBS will capture additional information from NHANES respondents to explain consumer dietary behavior and assess the impact of USDA's food assistance and nutrition education programs. ERS reviewed the 2007 data. Currently, work is under way to create a secure ERS data enclave to provide wide access to ERS researchers. Research proposals will be written in 2008 to decide which portion of the NHANES data should be housed along with the FCBS data.
- ERS continued conducting formative research for the development of a set of subjective questions that could ultimately form the basis of a behavioral module to be added to standard consumption and health surveys, such as NHANES. In 2008, a Chicago University research grant will work on crafting a set of questions to be utilized for sorting out the psychological factors that drive food choices. This behavioral module would support ERS research by filling the need for information on the behavioral and psychological causes of poor diets and obesity in the United States.
- The Food Consumption/Availability (Per Capita) Data System is one of the most popular databases on ERS's Web site (www.ers.usda.gov/data/foodconsumption/). In 2008, ERS will complete systematical revision and validation of the loss assumptions in the retail sector for fresh fruits and vegetables. In addition, other research will be initiated in 2008, and targeted for completion in 2009, on accessing food loss at restaurants and at home.
- The American Time Use Survey (ATUS) collects information on how Americans spend their time. In October 2005, the ATUS Food & Eating Module was added and is planned to run through December 2008. The module was developed by ERS and is funded by ERS and the National Institutes of Health, National Cancer Institute. It contains questions on eating while engaged in other activities, such as while watching TV or while driving; height and weight; participation in the Food Stamp Program and school meals program; grocery shopping and meal preparation; and household income. These data will allow research on whether certain patterns of eating and of time use are associated with obesity; whether food assistance recipients are more time pressured than other low-income individuals; and what are the travel times to grocery shopping for various demographic and geographic groups. In

2008, data and analysis will widely—and for the first time—make the 2006 data available through the Web. Further analysis and the 2007 data will be made available in 2009.

- ERS is funding the Panel Study of Income Dynamics (PSID) to enable a third wave of the Child Development Supplement (CDS) in 2007. The PSID is a unique data base for examining participation in food assistance programs, as well as the dynamic links between behavior, diet, health and important socioeconomic characteristics, including income and wealth. The first wave of the CDS started in 1997 by collecting detailed information on a PSID subset of 0-12 year-old children and their parents. The third wave, made possible by funding from ERS, will follow up on these children and provide researchers with a comprehensive, nationally representative, and longitudinal data base of these children and their families. The CDS & PSID data will allow us to understand the determinants of the increase in child overweight and obesity rates. In 2008, ERS will work with researchers to initiate research on the intergenerational dimension of food expenditure dynamics and childhood developments

U.S. Demand for Fruits and Vegetables. The 2005 *Dietary Guidelines for Americans* calls for increased intakes of fruits and vegetables because diets rich in fruits and vegetables are likely to reduce the risk of many chronic diseases. Some studies, however, indicate that the prices of fruits and vegetables are relatively higher than other foods causing less fruit and vegetable consumption, especially for the low-income households. This study will examine how price and income affect fruit and vegetable consumption. This study will also examine the patterns of U.S. fruit and vegetable imports and their effects on the American diets.

Improve Nutrition Assistance Program Management and Customer Service

Analyze the Costs of the School Lunch Program. This study will evaluate the impact that region; type of metropolitan area, e.g. urban; type of school meal plan; and other variables have on the costs of providing school lunches. Results will provide cost information to policy-makers about appropriate reimbursement rates that account for regional differences in costs. Methods used include econometric analysis and synthesis of previous research, using survey data collected under the Food Assistance and Nutrition Research Program and data from the National Education Center and the Census Bureau.

Structural Change in the Food Stamp Program Caseload Equation. Historically, FSP caseloads are positively correlated with aggregate economic activity as measured by the unemployment rate. This relationship is useful in explaining fluctuations in FSP caseloads and predicting future caseload levels and budget requirements. Over time, however, the quantitative relationship between FSP caseloads and the unemployment rate appears to have reversed itself qualitatively, with increasing FSP caseloads associated with declining unemployment rates. The changing nature of the relationship between FSP caseloads and the unemployment rate raises questions about the usefulness and reliability of this relationship in explaining period-by-period changes in FSP caseloads. The study will evaluate the ability of regressions of the FSP caseload equation that includes measures of economic activity (the unemployment rate and total non-farm employment) to explain year-to-year changes in FSP caseloads.

Women, Infants and Children (WIC) Vendor Cost-Containment: Markets, Competition, and Program Costs. Considerable controversy surrounds the impact of WIC-only vendors participating in the WIC supplemental foods program. WIC-only stores attract participants by restricting items carried to only authorized WIC foods. Most WIC-only stores redeem vouchers—item prices may not be indicated—and they may not accept cash. As a result, WIC-only stores are isolated from typical market forces which determine prices in the commercial retail food sector. This report will examine the economic issues surrounding the determination of competitive markets, prices, and peer groups, and, using empirical data, will assess the impact of alternative scenarios on State agency program costs.

Protect and Enhance the Nation's Natural Resource Base and Environment

ERS research and analytical activities are designed to enhance understanding by policymakers, regulators, program managers, and those shaping public debate of economic issues related to developing Federal farm, natural resource, and rural policies and programs that protect and maintain the environment while improving agricultural competitiveness and economic growth. These activities support achievement of USDA Goal 6, "Protect and Enhance the Nation's Natural Resource Base and Environment."

ERS will identify key economic issues related to interactions among natural resources, environmental quality, and the agriculture production system. ERS will use sound analytical techniques to understand the immediate and broader economic and social consequences of alternative policies and programs to protect and enhance environmental quality associated with agriculture. ERS will effectively communicate research results to policymakers, program managers, and those shaping public debate on agricultural resource use and environmental quality. ERS supports the USDA programs crosscut through its research on how economic issues affect farmers' choices among alternative pest management practices and technologies.

Examples of these activities will include the following:

- Characterizing changes in land management and shifts in agricultural land use—particularly the movement of land into and out of crop production—and the economic and environmental effects of these changes, including impacts on carbon sequestration, soil erosion, biodiversity, and nutrient management. Determining what economic and policy factors have prompted shifts between crop production and other land uses.
- Assessing the extent and spread of contracting and other structural change in production agriculture and outlining the basic economics underlying why farmers and processors have made these changes. Summarizing evidence on the environmental and economic effects of contracting and highlighting emerging policy issues created by expanded contract use and structural change, including impacts on animal waste management.

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

Protect Watershed Health to Ensure Clean and Abundant Water

Enhancing Economic and Natural Resource Data for Agri-Environmental Policy Analysis. ERS will aim to provide a better means of information and data sharing in an effort to enhance collaboration, learn from each other's experiences, and create synergies in data merging efforts in order to link environment and agriculture research. ERS will also examine the economic implications of the regional equity provision in the 2007 Farm Bill and identify which resource problem areas receive more attention and how farmers benefit from these funding allocations.

Enhance Soil Quality to Maintain Productive Working Cropland

Integrating Conservation & Commodity Program Green Payments. ERS research will focus on an analysis of the distribution of income support and environmental gains from various hypothetical green payment scenarios. To better understand the factors influencing conservation practice adoption decisions on working farmland, ERS will examine wheat farms participating in a survey integrating two of USDA's major data collection efforts--the Conservation Effects Assessment Project and the Agricultural Resource Management Survey.

Market Approaches to Natural Resource Conservation. How can demand for environmental goods farmers can produce be "focused" so that farmers can benefit financially for providing the goods to those willing to pay for them? This project would develop the idea of a *conservation exchange* for agriculture by:

identifying the environmental services farmers could provide; identifying impediments to market formation; identifying the roles government can play to help develop markets, including assignment of property rights, certification of ecosystem services, education, enforcement of contracts; and exploring potential impacts on agriculture from development of such markets.

Summary of Budget and Performance Key Performance Outcomes and Measures

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

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

Application of the Research and Development Investment Criteria at ERS

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

Principal practices to ensure research quality

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

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

ERS economic research and analysis includes two extramural research programs, the Food Assistance and Nutrition Research Program (FANRP) and the Program of Research on the Economics of Invasive Species Management (PREISM). FANRP's competitive grants and cooperative agreements fund research on strengthening economic incentives in food assistance programs; food assistance as a safety net; and obesity, diet quality, and health outcomes. PREISM examines the economic issues related to managing invasive pests in increasingly global agricultural markets. The ERS program focuses on national decisionmaking concerning invasive species of agricultural significance affecting, or affected by, USDA programs. Both programs are publicly announced and competitively awarded through the use of peer review panels.

Principal practices to ensure research relevance

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

In addition to efforts to ensure the relevance of long-term research, ERS also asks customers to assess the relevance of staff analysis provided to USDA and other government officials. ERS uses a short questionnaire to sample customers of staff analysis to gather feedback from them about relevance, usefulness, timeliness, and accessibility of the product delivered. The instrument provides valuable insight into the relevance of information from ERS in informing decisions by key policymakers.

Principal practices to assess performance: key performance measures

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

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

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

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

ERS strategic planning activities include reviews of progress in meeting program plans and implementing revisions, as necessary. Changes reflect activities to ensure continued relevance of ERS research and analysis activities and to continue to provide useful and appropriate products to customers. ERS strategic planning includes discussions with customers and stakeholders on prospective research projects to meet anticipated needs of policy officials. Stakeholder conferences are used to help set priorities for ERS extramural funding programs. In FY 2009, ERS budget initiatives are aimed at responding to interests of ERS customers for continued relevant research, analysis, and data.

Performance Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Target	FY 2009 Target
Portfolio Review Score: Qualitative assessment by external experts of the relevance, quality, and performance of ERS research portfolios to enable better informed decisions on food and agricultural policy issues.	n/a	Excellent	Excellent	Excellent	Excellent	Excellent
ACSI Customer Satisfaction Rating	n/a	75	n/a	n/a	74	n/a
Policy Official Satisfaction Survey	n/a	97	96	95	95	95
Percent of requested analysis delivered on time	94	95	97	95	100	100
Customer satisfaction with the ERS Web site	72	72	72	71	73	74

Portfolio Review Score

A series of independent expert review panels will conduct a cycle of reviews over five years to evaluate the effectiveness of the ERS program of economic research and analysis to enable better informed decisions on food and agricultural policy issues. The first three reviews are disciplinary, while the remaining two will be cross-cutting reviews across the entire program. The review cycle is: (a) food economics (2005), (b) market and trade economics (2006), (c) resource and rural economics (2007) (d) policy impacts of research (2008), and (e) agency communications and dissemination (2009). In each review, the external panel will assess the relevance, quality, and performance of program plans, activities, and accomplishments. This assessment will include an evaluation using a quantitative analysis tool to rate portfolio effectiveness on a multi-category scale (excellent, adequate, needs improvement). The panel recommendations will be used in agency strategic planning and priority setting.

ACSI Customer Satisfaction Rating

This measure is designed to assess the satisfaction of private and other external customers with the relevance, usefulness, and accessibility of ERS research, data, and analysis, as measured by the ACSI. This measure tracks relevance and usefulness of ERS research, analysis, data products, and services, as determined through a survey of agency customers using the ACSI. The survey is conducted on a three year cycle. In 2005, the most recent year, ERS customer satisfaction rated above targeted levels, and above average customer satisfaction with government programs. The customer satisfaction survey is planned for 2008 and 2011.

Policy Official Satisfaction Survey

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

Percent of Requested Analysis Delivered on Time

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

Customer satisfaction with the ERS Web site

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

**Summary of Budget and Performance
Full Cost by Department Strategic Objective**

Strategic Objective 1.1: Expand and Maintain International Export Opportunities.

PROGRAM	PROGRAM ITEMS	2007 Amount (\$000)	2008 Amount (\$000)	2009 Amount (\$000)
Economic Research and Analysis				
	Salaries and Expenses	9,604	9,823	10,383
	Pay Costs			289
	Data Acquisition		129	166
	Extramural Program			232
	Direct Costs (Training, Travel, Supplies)		5	53
	Indirect Costs	4,210	4,196	4,196
	Portfolio Review Score	Excellent	Excellent	Excellent
	Total for Strategic Objective 1.1			
	Total Costs (program, direct, and indirect)	13,814	14,153	15,319
	FTEs	94	103	103

Strategic Objective 2.1: Expand Domestic Market Opportunities

PROGRAM	PROGRAM ITEMS	2007 Amount (\$000)	2008 Amount (\$000)	2009 Amount (\$000)
Economic Research and Analysis				
	Salaries and Expenses	5,467	5,467	5,824
	Pay Costs			128
	Data Acquisition and Consulting Services		100	100
	Cooperative Agreement		900	900
	Indirect Costs	1,872	1,861	1,861
	Portfolio Review Score	Excellent	Excellent	Excellent
	Total for Strategic Objective 2.1			
	Total Costs (program, direct, and indirect)	7,339	8,328	8,813
	FTEs	44	46	46

Strategic Objective 2.2: Increase the Efficiency of Domestic Agricultural Production and Marketing Systems.

PROGRAM	PROGRAM ITEMS	2007 Amount (\$000)	2008 Amount (\$000)	2009 Amount (\$000)
Economic Research and Analysis				
	Salaries and Expenses	7,643	8,241	9,640
	Pay Costs			211
	Data Acquisition		321	415
	Extramural Program		30	610
	Direct Costs (Training, Travel, Supplies)	150	163	295
	Agricultural Resource Management Survey	6,450	6,450	6,450
	Indirect Costs	2,851	2,834	2,834
	Portfolio Review Score	Excellent	Excellent	Excellent
	Total for Strategic Objective 2.2			
	Total Costs (program, direct, and indirect)	17,094	18,039	20,455
	FTEs	67	76	77

Strategic Objective 2.3: Provide Risk Management and Financial Tools to Farmers and Ranchers.

PROGRAM	PROGRAM ITEMS	2007 Amount (\$000)	2008 Amount (\$000)	2009 Amount (\$000)
Economic Research and Analysis				
	Salaries and Expenses	1,204	1,387	1,666
	Pay Costs			33
	Extramural Program			116
	Data	500	500	519
	Direct Costs (Training, Travel, Supplies)		2	29
	Indirect Costs	553	551	551
	Portfolio Review Score	Excellent	Excellent	Excellent
	Total for Strategic Objective 2.3			
	Total Costs (program, direct, and indirect)	2,257	2,440	2,914
	FTEs	10	12	12

Strategic Objective 3.2: Improve the Quality of Life Through USDA Financing of Quality Housing, Modern Utilities and Needed Community Facilities.

PROGRAM	PROGRAM ITEMS	2007 Amount (\$000)	2008 Amount (\$000)	2009 Amount (\$000)
Economic Research and Analysis				
	Salaries and Expenses	4,181	4,184	4,184
	Pay Costs			109
	Data Dissemination, Publications, etc.		250	
	Indirect Costs	1,574	1,568	1,568
	Portfolio Review Score	Excellent	Excellent	Excellent
Total for Strategic Objective 3.2				
	Total Costs (program, direct, and indirect)	5,755	6,002	5,861
	FTEs	37	39	40

Strategic Objective 4.1: Reduce the Incidence of Foodborne Illnesses Related to Meat, Poultry and Egg Products in the U.S.

PROGRAM	PROGRAM ITEMS	2007 Amount (\$000)	2008 Amount (\$000)	2009 Amount (\$000)
Economic Research and Analysis				
	Salaries and Expenses	1,200	1,201	1,201
	Pay Costs			28
	Indirect Costs	383	383	383
	Portfolio Review Score	Excellent	Excellent	Excellent
Total for Strategic Objective 4.1				
	Total Costs (program, direct, and indirect)	1,583	1,584	1,612
	FTEs	9	10	10

Strategic Objective 4.2: Reduce the Number and Severity of Agricultural Pest and Disease Outbreaks.

PROGRAM	PROGRAM ITEMS	2007 Amount (\$000)	2008 Amount (\$000)	2009 Amount (\$000)
Economic Research and Analysis				
	Salaries and Expenses	786	788	788
	Pay Costs			14
	Administrative Costs (direct)	250	250	267
	Contracts and Agreements	750	750	750
	Indirect Costs	213	212	212
	Portfolio Review Score	Excellent	Excellent	Excellent
Total for Strategic Objective 4.2				
	Total Costs (program, direct, and indirect)	1,999	2,000	2,031
	FTEs	5	5	5

Strategic Objective 5.1: Ensure Access to Nutritious Food.

PROGRAM	PROGRAM ITEMS	2007 Amount (\$000)	2008 Amount (\$000)	2009 Amount (\$000)
Economic Research and Analysis				
	Salaries and Expenses	2,171	2,173	2,173
	Pay Costs			58
	Indirect Costs	851	849	849
	Portfolio Review Score	Excellent	Excellent	Excellent
Total for Strategic Objective 5.1				
	Total Costs (program, direct, and indirect)	3,022	3,022	3,080
	FTEs	20	21	21

Strategic Objective 5.2: Promote Healthier Eating Habits and Lifestyles.

PROGRAM	PROGRAM ITEMS	2007 Amount (\$000)	2008 Amount (\$000)	2009 Amount (\$000)
Economic Research and Analysis				
	Salaries and Expenses	2,043	2,049	2,049
	Pay Costs			56
	Data Acquisition	3,300	3,300	3,300
	Research Contracts and Agreements	200	200	200
	Indirect Costs	808	803	803
	Portfolio Review Score	Excellent	Excellent	Excellent
	Total for Strategic Objective 5.2			
	Total Costs (program, direct, and indirect)	6,351	6,352	6,408
	FTEs	19	20	20

Strategic Objective 5.3: Improve Nutrition Assistance Program Management and Customer Service.

PROGRAM	PROGRAM ITEMS	2007 Amount (\$000)	2008 Amount (\$000)	2009 Amount (\$000)
Economic Research and Analysis				
	Salaries and Expenses	2,022	2,024	2,024
	Pay Costs			56
	Administrative Costs (direct)	80	80	80
	Research Contracts and Agreements	4,290	4,290	4,290
	Indirect Costs	808	806	806
	Portfolio Review Score	Excellent	Excellent	Excellent
	Total for Strategic Objective 5.3			
	Total Costs (program, direct, and indirect)	7,200	7,200	7,256
	FTEs	19	20	20

Strategic Objective 6.1: Protect Watershed Health to Ensure Clean and Abundant Water.

PROGRAM	PROGRAM ITEMS	2007 Amount (\$000)	2008 Amount (\$000)	2009 Amount (\$000)
Economic Research and Analysis				
	Salaries and Expenses	2,923	2,925	2,925
	Pay Costs			78
	Indirect Costs	1,106	1,105	1,105
	Portfolio Review Score	Excellent	Excellent	Excellent
	Total for Strategic Objective 6.1			
	Total Costs (program, direct, and indirect)	4,029	4,030	4,108
	FTEs	26	28	28

Strategic Objective 6.2: Enhance Soil Quality to Maintain Productive Working Cropland.

PROGRAM	PROGRAM ITEMS	2007 Amount (\$000)	2008 Amount (\$000)	2009 Amount (\$000)
Economic Research and Analysis				
	Salaries and Expenses	3,067	3,069	3,069
	Pay Costs			75
	Indirect Costs	1,106	1,105	1,105
	Portfolio Review Score	Excellent	Excellent	Excellent
	Total for Strategic Objective 6.2			
	Total Costs (program, direct, and indirect)	4,173	4,174	4,249
	FTEs	26	27	27
	Total for Economic Research and Analysis			
	Unobligated Balance	577		
	Total Costs (program, direct, and indirect)	75,193	77,324	82,106
	FTEs	376	407	409