

2008 Explanatory Notes
Agricultural Marketing Service

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AGRICULTURAL MARKETING SERVICE

Purpose Statement

The mission of the Agricultural Marketing Service (AMS) is to facilitate the strategic marketing of agricultural products in domestic and international markets, while ensuring fair trade practices and promoting a competitive and efficient marketplace, to benefit producers, traders, and consumers of U.S. food and fiber products. This mission encompasses a wide range of programs that are classified under the Agency's two strategic goals: 1) facilitate strategic marketing of U.S. agricultural products, and 2) ensure fair and competitive agricultural marketing. AMS programs promote a strategic marketing perspective that adapts product and marketing decisions to consumer demands, changing domestic and international marketing practices and new technology.

AMS carries out a wide range of program activities that facilitate marketing for U.S. agricultural production under the authorization of the Agricultural Marketing Act of 1946 as well as over 50 other statutes. Over two-thirds of the funds needed to finance AMS activities are derived from voluntary user fees. AMS provides services for private industry, State and Federal agencies on a reimbursable basis, in connection with commodity and other grading programs.

1. Market News Service:

The Market News program is authorized by the following statutes:

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

The Market News service makes reports available to the public and is funded by appropriations. AMS collects, analyzes and disseminates market information and data for numerous agricultural commodities, including: 1) cotton and cottonseed; 2) dairy products; 3) fruits, vegetables and ornamentals; 4) livestock, meat, grains and wool; 5) poultry and eggs; and 6) tobacco. Market information covers local, regional, national and international markets and includes current data on supply, movement, contractual agreements, inventories, and prices for all agricultural commodities. This program contributes to AMS strategic goal one by providing producers and marketers of farm products and related industries timely, accurate and unbiased market information. Utilizing market news information assists in making critical decisions of where, when and at what price to sell on a daily basis.

AMS conducts global market reporting to help U.S. agriculture to open and expand export marketing opportunities in foreign markets by providing uniform access to a centralized, consistent, public source of timely information on international prices, trade volumes and other relevant data on production areas or shipping points in competitor countries.

Federal and State reporters obtain market information at trading points, by telephone or by electronic submission. AMS experts analyze and immediately disseminate compiled market information to the agricultural community, academia and other interested parties using data networks, automatic telephone devices, facsimile machines, printed reports, radio and television, e-mail and newspaper columns. National information is integrated with local information and released in a user friendly

format. AMS commodity standards are used as the basis for reporting commodity quality, packaging, etc. Fees are collected for postage/printing/handling costs associated with printed and faxed report subscriptions. However, advances in electronic dissemination of information have overtaken demand for printed reports. AMS provides free e-mail subscriptions for all internet-released market news reports.

2. Shell Egg Surveillance, Standardization, Grading, and Plant Variety Protection:

These programs are authorized by the following statutes:

Agricultural Marketing Act of 1946
 Cotton Statistics and Estimates Act of 1927
 Egg Products Inspection Act
 Farm Security and Rural Investment Act of 2002
 Naval Stores Act
 Plant Variety Protection Act
 Tobacco Inspection Act of 1935
 Tobacco Statistics Act
 U.S. Cotton Futures Act
 United States Cotton Standards Act
 Wool Standards Act

To ensure that cracked, leaking, or other types of loss eggs are diverted from table egg consumption, the Shell Egg Surveillance Program ensures that marketed eggs have a quality level of at least U.S. Consumer Grade B. The development of U.S. grade standards and grading activities facilitate the domestic and international marketing of agricultural commodities. The Plant Variety Protection Program encourages the development of novel varieties of sexually (seed) reproduced or tuber propagated plants by providing intellectual property rights protection to developers.

- a. Shell Egg Surveillance: In cooperation with the State departments of agriculture, shell egg handling operations are inspected at least four times yearly and hatcheries are inspected at least once yearly to control the disposition of certain types of under grade and restricted eggs. This program ensures accomplishment of AMS goal two by diverting to egg breaking plants; eggs that are not at least U.S. Consumer Grade B, and which cannot be sold in shell form. This program also ensures that all eggs marketed to consumers are held and shipped at appropriate temperatures to reduce the incidence of food borne illnesses. The Shell Egg Surveillance program is funded by appropriations.
- b. Standards Development: AMS develops, reviews, and maintains agricultural commodity standards that describe product quality attributes such as taste, color, texture, yield, weight, and physical condition for use in the trading of agricultural commodities. These standards provide a common language for buyers and sellers of commodities both here and abroad for use in marketing. AMS standards constitute the basis for market reporting and are used in grading cotton, milk and dairy products, eggs, fruits, livestock and meat, nuts, tobacco, poultry and vegetables. The standards development program is funded by appropriations.

AMS provides agricultural marketing expertise for international standards-setting and other marketing activities related to agricultural exports. Beginning in FY 2002, AMS increased its participation in the development of international standards to better assist in representing the interests of the agricultural industry. This program contributes to AMS goal one by helping to ensure that U.S. agriculture remains competitive in foreign markets, increases its market share and develops sustainable levels of exports.

- c. **Grading:** The grading process involves the application or verification of quality standards of agricultural commodities. AMS provides grading and certification services on agricultural commodities for which developed standards are available. In addition, AMS provides acceptance and condition inspection services for all agricultural commodities upon request. AMS certification services provide assurance to buyers that the products they receive are the quantity and quality specified in their contract with the seller. This contributes to AMS goal one because these services facilitate marketing by permitting purchasers to buy commodities without having to personally inspect them and by providing an impartial evaluation of the quality of products prior to their sale. AMS certificates can be used as evidence of quality and condition in a court of law to settle commercial disputes. Production and quality control system audits are offered by AMS that reduce costs and assist the industry in making various marketing claims about their products. Grading, certification, and auditing activities are performed by Federal employees and Federally-supervised State employees. Grading fees fund the cost of this program.
- d. **Plant Variety Protection Program:** This program is authorized by the Plant Variety Protection Act and is fully funded by user fees for certificates of protection. This program supports AMS goal one because the Act encourages the development of novel varieties of sexually reproduced or tuber propagated plants by providing intellectual property rights protection to the developer. The program assures developers exclusive rights to sell, reproduce, import, or export such varieties, or use them in the production of hybrids or different varieties, for a period of 20 years for most species and 25 years for woody plants.
3. **Market Protection and Promotion Programs:**

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

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

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

Soybean Promotion, Research and Consumer Information Act
 Specialty Crops Competitiveness Act of 2004
 Watermelon Research and Promotion Act

- a. **Pesticide Data Program:** The Pesticide Data Program (PDP), authorized the Agricultural Marketing Act of 1946 and the 1996 Food Quality Protection Act, develops and communicates comprehensive, statistically-reliable information on pesticide residues in food to improve Government dietary risk assessment procedures. This program supports AMS goal one by providing data on a continual basis to the EPA for use in the pesticide registration process come and to other Federal and State agencies for use in determining policies intended to safeguard public health. PDP's standard operating procedures parallel EPA's Good Laboratory Practice guidelines to ensure integrity and the high degree of quality required for dietary risk assessment procedures. Information on significant findings is reported to the FDA. This program is a cooperative effort with State agencies and is funded by appropriations.

- b. **Microbiological Data Program (MDP):** The Microbiological Data Program (MDP) was initiated in 2001 for the purpose of collecting data regarding the prevalence of food-borne pathogens on domestic and imported produce. A PART review of the MDP Program was revised during the 2007 budget process and indicated that it is difficult to determine to what extent the data is used to support risk assessments. Furthermore, consistent with a Congressional directive, sample origin data is not collected. This limits the use of the data in epidemiological investigations aimed at determining the source of outbreaks of food borne illness. In response to these findings and the need to limit Federal spending, the program is proposed for termination in 2008.

- c. **National Organic Standards Program:** This program is authorized by the Organic Foods Production Act of 1990. The Act requires AMS to develop and maintain national standards governing the production and handling of agricultural products labeled organic. The national organic standards are based on recommendations of the 15-member National Organic Standards Board (NOSB) who are appointed by the Secretary. AMS provides support to the Board, reviews materials for the national list of allowed materials, and coordinates the enforcement and appeals process. Program administration is funded by appropriations.

 The legislation also requires that agricultural products labeled as organic originate from farms or handling operations certified by a State or private accredited by USDA. AMS accredits State and private certifying programs to ensure their compliance with national organic standards. The nationwide program supports AMS goal one by certifying that the production of organically produced food products meets national standards. Organic accreditation services are funded by fees paid by the applicants.

- d. **Federal Seed Program:** The Federal Seed program is authorized by the Federal Seed Act and funded by appropriations. The Act regulates agricultural and vegetable seed moving in interstate commerce. The program supports AMS goal two by prohibiting false labeling and advertising of seed as well as the shipment of prohibited noxious-weed seed into a State. About 500 State seed inspectors are authorized to inspect seed subject to the Act. Seed samples are routinely drawn by State seed inspectors to monitor seed sold commercially. Should an inspection reveal infractions of the Act, a violation may be referred to AMS by the cooperating State agency. Based on the results of its tests and investigations, AMS attempts administratively to resolve each case. For cases that cannot be resolved, AMS initiates appropriate legal action. Intrastate infractions are subject to State laws. Under the Agricultural Marketing Act, AMS also tests voluntarily submitted seed upon request. These voluntary testing services are provided on a fee basis.

- e. **Pesticide Recordkeeping Program:** The pesticide recordkeeping program is authorized by the Food, Agriculture, Conservation and Trade Act of 1990. This program established Federal regulations requiring certified applicators to maintain records of Federally-restricted use pesticide applications. AMS provides private certified pesticide applicators with educational tools to assist them in maintaining the necessary restricted use pesticide records, and conducts compliance activities to ensure that these Federal pesticide recordkeeping regulations are being followed. AMS has agreements with Federal, State, tribal, and U.S. territory agencies to monitor certified private applicators' restricted use pesticide records through on-site inspections. States are given the option to administer the program and AMS monitors compliance in those States that choose not to conduct inspections. The pesticide recordkeeping program is funded by appropriations.

The Act also requires that USDA--the National Agricultural Statistics Service (NASS)--and the Environmental Protection Agency (EPA) survey the records annually to determine agricultural and non-agricultural pesticide usage, and to provide a database on the use of restricted pesticides. A Memorandum of Understanding signed by the AMS, NASS, and EPA identifies the responsibilities and roles of each agency pertaining to record surveys and reporting on restricted pesticide usage. This program supports AMS goal two because the accuracy of restricted use pesticide data is enhanced by good recordkeeping practices by certified applicators. AMS uses information obtained during NASS pesticide-usage surveys as one indicator of the degree of compliance with recordkeeping requirements.

- f. **Country of Origin Labeling:** Country of Origin Labeling (COOL) requirements for fish and shell fish became mandatory during FY 2005. The FY 2006 Appropriations Act delayed implementation of mandatory COOL for all other covered commodities (which include ground and muscle cuts of beef, pork, and lamb; fresh and frozen fruits and vegetables; and peanuts) until FY 2008.

This program ensures that the public receives credible and accurate information on the country of origin of the covered commodities they purchase. Under the COOL Act, retailers are required to notify their customers of the country of origin of covered commodities. In addition to providing country of origin information, retailers of fish and shellfish must also provide their customers with the method of production (wild or farm-raised). In FY 2006, AMS established an audit-based retail compliance program for fish and shellfish. The compliance program will incorporate the remaining covered commodities when mandatory requirements begin on September 30, 2008. A primary component of the Federal enforcement program will be surveillance activities by State governments. AMS entered into cooperative agreements with 14 States and provided sufficient funds to cooperating State agencies to conduct surveillance activities. The program trained and educated Federal and State employees on their enforcement responsibilities; how to analyze and respond to formal complaints; conduct routine surveillance audits; and conduct educational and outreach activities with interested parties. To ensure that consumers are provided credible information while not overburdening State agencies, random audits of five percent of designated retailers, or an estimated total of 1,860 audits, will be conducted each year.

- g. **The Commodity Research and Promotion Acts:** AMS provides oversight and direction to many industry-funded and managed commodity research and promotion programs. The various research and promotion acts authorize the collection of an assessment from various segments of the marketing chain. The program supports AMS goal one because the assessment funds are used to broaden and enhance national and international markets for various commodities. Producer assessments are most common; however, some programs assess processors, feeders, packers, handlers, importers, exporters, or other entities. These assessments are used to carry out research and promotional activities for avocados, beef, blueberries, cotton, milk and dairy products, fluid milk, eggs and egg products, honey, lamb, mangos, mushrooms, peanuts,

popcorn, pork, potatoes, soybeans, and watermelons. AMS reviews and approves the budgets and projects proposed by the research and promotion boards to ensure that proposals comply with the Order and the Act. Each research and promotion activity reimburses AMS for the cost of implementing and overseeing its program.

4. Wholesale, Farmers and Alternative Market Development:

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

5. Transportation Services:

Transportation services activities are authorized under the following statutes:

Agricultural Marketing Act of 1946
 Agricultural Adjustment Act of 1938
 Agricultural Trade and Assistance Act of 1954
 Rural Development Act of 1972
 International Carriage of Perishable Foodstuffs Act of 1982

AMS monitors the agricultural transportation system (inland waterways, rail, truck, ocean bulk, and ocean containerized) and conducts market analyses that help support decisions regarding the transportation of agricultural products domestically and internationally. AMS also provides information and technical assistance to shippers and carriers, and participates in transportation regulatory actions before various Federal agencies. In addition, AMS provides economic analyses and recommends improvements to domestic and international agricultural transportation. Transportation services activities are funded through appropriations.

6. Payments to States and Possessions:

The Payment to States Program is more commonly known as the Federal-State Marketing Improvement Program (FSMIP). It is authorized by the Agricultural Marketing Act of 1946 and is funded by appropriations. This program supports AMS goal one by providing funds to State marketing agencies to: identify and test-market farm commodities; determine methods of providing more reliable market information; and develop better post-harvest and packaging methods. This program has made possible many types of projects, such as electronic marketing and agricultural product diversification. Current projects are focused on the improvement of marketing efficiency and effectiveness, and seeking new outlets for food and agricultural commodities and processed products. The law grants USDA the authority to establish cooperative agreements with State departments of agriculture or similar State agencies to improve the efficiency of the agricultural marketing chain. The States perform the work or contract with others, and must contribute at least one-half of the cost of the projects.

7. Perishable Agricultural Commodities Act:

This program is authorized by the Perishable Agricultural Commodities Act (PACA) and the Produce Agency Act (PAA), and is fully funded by license fees. This program supports AMS goal two since

these Acts are designed to: (1) protect producers, shippers, distributors and retailers from loss due to unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products. Commission merchants, dealers, and brokers handling fresh and frozen fruits and vegetables in interstate and foreign commerce must obtain a PACA license and must abide by the fair trading practices established by the PACA.

Traders found to have committed unfair trade practices face license suspension or revocation and may be required to post surety bonds before resuming operations. To increase protection and avert financial losses to growers and licensed firms, the PACA was amended in 1984 to create a statutory trust. Sellers of fruits and vegetables who have not been paid are secured under this legislation until full payment is made.

Complaints of violations are investigated and resolved through: (1) informal agreement between the two parties; (2) formal decisions involving payments to injured parties; (3) suspension or revocation of license; and (4) publication of the facts. Any interested party or group may request AMS assistance in settling disputes under the PACA.

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

Under Section 32 of the Act of August 24, 1935, (7 U.S.C. 612c) an appropriation equal to 30 percent of gross customs receipts collected during each preceding calendar year and unused balances up to \$500 million are available for encouraging the domestic consumption or exportation of agricultural commodities. An amount equal to 30 percent of receipts collected on fishery products is transferred to the Department of Commerce's National Marine Fisheries Service.

- a. Commodity Purchases and Diversions: Pursuant to Section 32, AMS purchases domestic non-price supported commodities such as meats and fish, fruits and vegetables, and poultry and egg products, in order to stabilize market conditions, supports AMS goal one; and to supply commodities as part of the entitlement under the National School Lunch Program. The commodities purchased by AMS are distributed by the Food and Nutrition Service (FNS) through its nutrition assistance programs to schools and other outlets. AMS also provides purchasing services to FNS to supply food to recipients in nutrition assistance programs authorized by Congress. AMS is reimbursed by FNS for the administrative costs associated with purchases made for FNS Federal nutrition assistance. Diversion payments are authorized by clause 2 of Section 32 of the Act of August 24, 1935. This legislation authorizes the Secretary of Agriculture to encourage the domestic consumption of agricultural commodities or products by diverting them, by payment of benefits or indemnities or by other means, from the normal channels of trade and commerce. The diversion program under Section 32 also supports AMS goal one by providing support to markets that are experiencing adverse economic conditions.
- b. Federal Food Specifications: AMS develops, coordinates, and approves Federal food product descriptions and establishes quality assurance policies and procedures for the procurement of food by USDA, the Department of Defense, the Indian Health Service, the National Institutes of Health, the Bureau of Prisons, and the Department of Veterans Affairs. This program supports AMS goal one by updating and streamlining Federal food specifications to improve the cost efficiency of Federal food purchasing by using commercial item descriptions whenever possible. For purchases of meat items, the Department of Defense and other agencies use Institutional Meat Purchase Standards (IMPS).
- c. Marketing Agreements and Orders: The Marketing Agreements and Orders Program is authorized by the Agricultural Marketing Agreement Act of 1937. Marketing orders support AMS goal two because they are designed to stabilize market conditions and to improve the returns for fluid milk and fruit and vegetable producers. Stabilized market conditions are

accomplished by: (1) establishing minimum prices which handlers pay to dairy producers; (2) regulating the quality and quantity of fruits and vegetables sold in commercial channels; and (3) providing for market development and promotion including paid advertising.

The orders are requested by producers and handlers. Evaluations and hearings on proposed marketing orders are conducted by AMS. Proposed orders are subject to approval by producers of the regulated commodity. Once approved, the Secretary issues the marketing order and sets the effective date of the marketing order. An order can be terminated when a majority of producers favor its termination or when the Secretary determines that the order no longer serves its intended purpose.

Section 32 funds authorized under 7 U.S.C. 612c are used by AMS for administering the Marketing Agreements and Orders Program at the national level, public hearings, and referenda to determine producer sentiment concerning new programs and proposed revisions of marketing orders already in effect. Administration at the local level is financed through handler assessments.

AMS headquarters is located in Washington, D.C. The agency has 149 consolidated year-round and seasonal field offices. AMS' peak employment period occurs during four months from September through December, due to the seasonal nature of cotton, tobacco, and a variety of fruit and vegetable grading programs. Employment during the peak period averaged 4,604 during fiscal year 2006. As of September 30, 2006, AMS had 4,091 employees, of whom 2,512 were permanent full-time and 1,579 were other than permanent full-time employees. Of the 3,521 employees assigned to field office locations, 1,959 were permanent full-time and 1,562 were other-than permanent full-time employees.

GAO Evaluations:

Livestock Market Reporting: USDA Has Taken Some Steps To Ensure Quality, But Additional Efforts Are Needed (GAO-06-202). This study examines the Livestock Mandatory Reporting Act and USDA's efforts to ensure the quality of its livestock market news reports. In addition, it examines the coordination between AMS and GIPSA to encourage competition in livestock markets. AMS and GIPSA are implementing the recommendations made in this report.

OIG Reviews:

National Organic Program Review (01001-02-Hy). This audit was undertaken to identify and evaluate AMS' controls over the National Organic Program (NOP). In the audit report, OIG identified opportunities for improving controls over the NOP. AMS has taken the steps to implement the necessary recommendations.

AMS Management Controls to Ensure Compliance with Purchase Specification Requirements for Ground Beef (01099-31-Hy). This audit evaluated whether or not AMS had adequate management controls to ensure that ground beef products purchased by AMS were in accordance with the Technical Requirements Schedule-Ground Beef-2003. AMS implemented all actions necessary to address the recommendations and the actions implemented were approved as documented on a transmittal dated November 15, 2006.

AGRICULTURAL MARKETING SERVICE

Statement of Available Funds and Staff-Years
2006 Actual and Estimated 2007 and 2008

Item	2006		2007		2008	
	Actual	Staff	Estimated	Staff	Estimated	Staff
	Amount	Years	Amount	Years	Amount	Years
Agricultural Marketing Service						
Marketing Services	\$73,661,740	450	\$74,622,000	450	\$74,988,000	454
Payments to States and Possessions	3,808,530	--	1,334,000	--	1,334,000	--
Specialty Crop Grants ^{a/}	1,793	--	6,928,207	--	--	--
Total	77,472,063	450	82,884,207	450	76,322,000	454
Obligations under other USDA appropriations:						
Food & Nutrition Service for commodity procurement services	860,000	8	881,000	8	881,000	8
Total, Agriculture Appropriations	78,332,063	458	83,765,207	458	77,203,000	462
Permanent Appropriations:						
Funds for Strengthening Markets, Income, and Supply (Sec. 32)	6,481,777,400	111	7,029,269,059	111	7,572,010,000	111
Transfer from CCC	--	--	--	--	--	--
Deduct Rescission	-37,601,000	--	--	--	-65,452,000	--
Unobligated balance available, start of year	286,159,865	--	146,760,123	--	300,000,000	--
Deduct transfers out	-5,266,905,400	--	-5,813,890,059	--	-6,387,475,000	--
Unobligated balance available, end of year	-146,760,123	--	-300,000,000	--	-300,000,000	--
Net AMS	1,316,670,742	111	1,062,139,123	111	1,119,083,000	111
Perishable Agricultural Commodities Act Fund:	9,998,842	82	9,795,000	80	10,052,000	80
Total, Permanent Appropriations	1,326,669,584	193	1,071,934,123	191	1,129,135,000	191
Non-Federal Funds:						
Oversight work for the following:						
American Egg Board	261,442	2	262,000	2	262,000	2
Avocado (Hass) Board	68,431	1	76,000	1	76,000	1
Avocado (California) Board	19,791	0	22,000	0	22,000	0
Avocado (Chilean) Board	26,491	0	29,000	0	29,000	0
Avocado (Mexican) Board	18,508	0	21,000	0	21,000	0
Beef Board	505,959	2	392,000	2	392,000	2
Blueberry Board	74,235	1	82,000	1	82,000	1
Cotton Board	183,075	1	220,000	1	220,000	1
Dairy Board	459,064	4	491,000	4	491,000	4
Fluid Milk Board	454,927	3	404,000	3	404,000	3
Honey Board	83,031	1	92,000	1	92,000	1
Honey (Importer) Board	84,892	0	94,000	0	94,000	0
Lamb Board	73,532	0	57,000	0	57,000	0
Mango Board	114,913	0	129,000	0	129,000	0
Mushroom Board	49,176	0	128,000	0	128,000	0
Peanut Board	115,564	1	128,000	1	128,000	1
Popcorn Board	27,376	0	30,000	0	30,000	0
Pork Board	171,141	1	133,000	1	133,000	1
Potato Board	105,563	1	117,000	1	117,000	1
Soybean Board	146,437	1	114,000	1	114,000	1
Watermelon Board	97,322	1	108,000	1	108,000	1
Fees for grading of cotton and tobacco	54,366,115	577	67,211,000	575	61,233,000	566
Grading of farm products for producers, processors, and municipal, State and Federal Agencies	137,906,971	1,527	123,418,000	1,602	126,752,000	1,602
Wool research, development, and promotion	2,250,000	--	2,250,000	--	2,250,000	--
States for collection & dissemination of market news information	28,975	--	45,000	--	45,000	--
Total, Non-Federal Funds	197,692,931	2,124	196,053,000	2,197	193,409,000	2,188
Total, Agricultural Marketing Service	1,602,694,578	2,775	1,351,752,330	2,846	1,399,747,000	2,841
Schedule A Employees	--	423	--	423	--	423

Note:

^{a/} No-year funding was provided in FY 2006 for a specialty crop grant program. Announcement and solicitation of grant applications was released on September 26, 2006, with applications being awarded through October 11, 2007.

AGRICULTURAL MARKETING SERVICE

Permanent Positions by Grade and Staff Year Summary
2006 Actual and Estimated 2007 and 2008

Grade	2006			2007			2008		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
Senior Executive Service	10	--	10	10	--	10	10	--	10
GS-15	31	6	37	36	4	40	36	4	40
GS-14	80	29	109	89	26	115	89	26	115
GS-13	113	109	222	153	94	247	153	94	247
GS-12	121	178	299	133	164	297	137	164	301
GS-11	34	223	257	42	216	258	42	216	258
GS-10	2	14	16	2	15	17	2	15	17
GS-9	26	562	588	38	573	611	38	573	611
GS-8	12	228	240	12	238	250	12	238	250
GS-7	25	302	327	31	309	340	31	309	340
GS-6	12	77	89	14	83	97	14	83	97
GS-5	12	80	92	13	137	150	13	137	150
GS-4	1	32	33	5	73	78	5	73	78
GS-3	3	9	12	4	36	40	4	36	40
GS-2	--	--	--	--	--	--	--	--	--
GS-1	--	--	--	--	--	--	--	--	--
Schedule A Employees	14	395	409	--	--	--	--	--	--
Ungraded Positions	--	8	8	--	10	10	--	10	10
Total Permanent Positions ...	496	2,252	2,748	582	1,978	2,560	586	1,978	2,564
Unfilled Positions end-of-year	57	-293	-236	--	--	--	--	--	--
Total Permanent Full Time Employment, end-of-year ..	553	1,959	2,512	582	1,978	2,560	586	1,978	2,564
Staff Year Estimate	500	2,275	2,775	655	2,191	2,846	653	2,188	2,841
Schedule A Staff Years.....	14	409	423	14	409	423	14	409	423

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

The 2008 Budget proposes the purchase of six replacement and five additional passenger motor vehicles.

The estimated number of passenger motor vehicles available for fiscal year 2008 is the minimum necessary to maintain essential services in AMS programs. These vehicles are used to provide necessary services such as: 1) traveling to places which in most cases are not accessible by common carriers, such as farms, market terminals, offices of product dealers and truckers, processing plants, canneries, stockyards, cotton gins, and compress operators; 2) carrying special grading and testing equipment used for inspecting and grading commodities and for performing other work required under the Agricultural Marketing Act of 1946; U.S. Cotton Standards Act; Cotton Statistics and Estimates Act; Tobacco Inspection Act; and Dairy and Tobacco Adjustment Act; and 3) carrying boxes of cotton standards types to use in classing work and demonstration at farmers' meetings. AMS only replaces passenger vehicles that have mileage of at least 60,000 or are six or more years of age, in accordance with standards prescribed by the GSA. Additional passenger vehicles are requested when the forecasted workload is of such a nature and volume that the number of existing passenger vehicles will not be adequate for program needs.

Changes to the motor vehicle fleet. AMS projects to increase the fleet of passenger motor vehicles by five for fiscal year 2008, having determined that it would be more cost-effective to lease vehicles rather than pay mileage to inspectors traveling to various warehouses.

Replacement of passenger motor vehicles. AMS plans to replace in FY 2008 six of the 282 passenger motor vehicles in operation in FY 2007. All vehicles proposed for replacement will have a mileage of more than 60,000 or will be more than six years old, in accordance with GSA vehicle replacement standards.

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

Size, composition and cost of agency motor vehicle fleet as of September 30, 2006, are as follows:

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

Number of Vehicles by Type*									
Fiscal Year	Sedans & Station Wagons	Light Trucks		Medium Trucks	Heavy Trucks	Ambu- lances	Buses	Total Vehicles	Annual Operating Costs (\$ in thou.)
		4X2	4X4						
2005 Actual	150	54	19	0	0	0	0	223	\$705
Change	49	3	-2	1	0	0	0	51	
2006 Actual	199	57	17	1	0	0	0	274	\$761
Change	6	2	0	0	0	0	0	8	
2007 Est.	205	59	17	1	0	0	0	282	\$804
Change	3	1	1	0	0	0	0	5	
2008 Est.	208	60	18	1	0	0	0	287	\$840

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

AGRICULTURAL MARKETING SERVICE

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

Marketing Services

Salaries and Expenses:

For necessary expenses to carry out services related to consumer protection, agricultural marketing and distribution, transportation, and regulatory programs, as authorized by law, and for administration and coordination of payments to States; \$74,988,000, including funds for the wholesale market development program for the design and development of wholesale and farmer market facilities for the major metropolitan areas of the country: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building.

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

SALARIES AND EXPENSES

Estimate, 2007.....	\$74,622,000
Budget Estimate, 2008	<u>74,988,000</u>
Increase in Appropriation.....	+ <u>366,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>2007 Estimated</u>	+	<u>2008 Pay Costs</u>	<u>2008 Program Changes</u>	<u>2008 Estimated</u>
Market News	\$30,879,000	+	\$1,364,000	\$2,811,000	\$35,054,000
Surveillance and Standardization	7,461,000	+	297,000	-	7,758,000
Market Protection and Promotion	29,791,000	+	316,000	-4,657,000	25,450,000
Transportation Services	2,740,000	+	124,000	-	2,864,000
Wholesale, Farmers, and Alternative Market Development	3,751,000	+	111,000	-	3,862,000
Total Available	<u>74,622,000</u>	+	<u>2,212,000</u>	<u>-1,846,000</u>	<u>74,988,000</u>

AGRICULTURAL MARKETING SERVICE
Marketing Services

Project Statement
(On basis of appropriation)

	<u>2006 Actual</u>		<u>2007 Estimated</u>		Increase or Decrease		<u>2008 Estimated</u>		
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>			<u>Amount</u>	<u>Staff Years</u>	
Market News Service.....	\$30,758,840	252	\$30,879,000	252	+	\$4,175,000	(1)	\$35,054,000	256
Egg Surveillance and Standardization									
Shell Egg Surveillance.....	2,613,979	15	2,628,000	15	+	100,000	(2)	2,728,000	15
Standardization.....	4,551,608	59	4,833,000	59	+	197,000	(3)	5,030,000	59
Total, Egg Surveillance and Standardization.....	7,165,587	74	7,461,000	74	+	297,000		7,758,000	74
Market Protection and Promotion:									
Federal Seed Act.....	2,455,946	22	2,391,000	22	+	496,000	(4)	2,887,000	29
Country of Origin Labeling.....	942,712	5	1,047,000	5	+	23,000	(5)	1,070,000	5
Pesticide Data.....	15,161,210	19	15,245,000	19	+	104,000	(6)	15,349,000	19
Microbiological Data.....	5,911,182	13	6,200,000	13	-	6,200,000	(7)	-	-
Organic Standards.....	2,041,915	13	1,993,000	13	+	1,187,000	(8)	3,180,000	19
Pesticide Recordkeeping.....	2,895,862	12	2,915,000	12	+	49,000	(9)	2,964,000	12
Total Market Protection and Promotion.....	29,408,827	84	29,791,000	84	-	4,341,000		25,450,000	84
Transportation Services.....	2,649,088	19	2,740,000	19	+	124,000	(10)	2,864,000	19
Wholesale, Farmers, and Alternative Market Development.....	3,679,398	21	3,751,000	21	+	111,000	(11)	3,862,000	21
Unobligated Balance.....	960,500	-	-	-		-		-	-
Total, Available or Estimate.....	74,622,240	450	74,622,000	450	+	366,000		74,988,000	454
Rescission.....	753,760	-							
Total, Appropriation.....	75,376,000	-							

Marketing Services

Justifications for Increases and Decreases

(1) An increase of \$4,175,000 for Market News (\$30,879,000 available in 2007) consisting of:

(a) An increase of \$2,811,000 and 4 staff years to enhance the delivery of critical market information to the agricultural industry and the public via the Market News Web Portal.

AMS' Market News program has developed a Web Portal to improve the delivery of market information via the Internet. A prototype version of the Portal was built with limited funds and currently includes only market information for fruit, vegetables, specialty crops, and livestock and seed commodities. AMS has received very positive feedback from users of the portal. In order to continue to support the existing service and to fully meet the information needs of the public, AMS proposes to expand the Portal's design to incorporate other commodities reported by AMS Market News that exploit the system's potential.

The Portal is designed to allow Internet users to customize delivery of Market News information based on their specific interests. The Portal also provides direct access to AMS' database of historical Market News information. Full development and deployment will enable users to query the database for market information on all of the commodities reported by AMS; tailor their reports by commodity, variety, date, shipping point, or destination market; and download the information in various formats for further review and analysis. Additional features will consist of specialized weather information, and currency and metric conversion, including graphing capability. The Market News Portal is a major E-Gov initiative for the Agency, created with direct customer involvement in the design and testing of the prototype.

Further developments will provide tools that will enable the users to build graphic interfaces and align the data in ways that create clear interactions between supply, demand, and price. Additionally, it will be possible for users to generate large data sets that include current and historical market information. Such access will make the information available for analysis and decision-making by a wide range of users -- from large to small, from producers to traders. Secondary disseminators, like colleges and universities, will be able to directly load market information into their systems for teaching and to support related activities such as extension work at the Land Grant universities.

Long term support for the new Market News Portal requires AMS to manage and continuously refine the Website so that it continues to meet the needs of its users. The requested funds will be used to complete further development, and to enable Market News specialists to maintain and update the information on the Portal.

(b) An increase of \$1,364,000 for pay costs which includes \$689,000 for the fiscal year 2007 pay increase and \$675,000 for the anticipated fiscal year 2008 pay increase.

This increase is requested to enable the Agency to maintain the current services level and to collect, analyze, and disseminate broad-based, accurate, and timely information at the local, regional, national, and international levels in order to support the efficient and orderly marketing of agricultural products. Without an increase for pay costs, AMS will have to reduce the number of market reports, delay the reporting of market data, cover fewer markets, and terminate selected reports.

- (2) An increase of \$197,000 for Standardization (\$4,833,000 available in 2007) for pay costs which includes \$97,000 for the fiscal year 2007 pay increase and \$100,000 for the anticipated fiscal year 2008 pay cost.

This increase is necessary to maintain AMS' current services level in facilitating trade of U.S. agricultural products in domestic and export markets through the use of marketing standards. Without this funding, AMS will not be able to develop and modify its quality standards to keep pace with changes in agricultural products and marketing methods.

- (3) An increase of \$100,000 for Shell Egg Surveillance (\$2,628,000 available in 2007) for pay cost which includes \$51,000 for the fiscal year 2007 pay increase and \$49,000 for the anticipated fiscal year 2008 pay increase.

The increase is necessary to enable the Agency to maintain the current level of Shell Egg Surveillance inspections that ensure the appropriate disposition of restricted eggs. Without additional funding, AMS will have to schedule shell egg handling inspections below the legally required quarterly minimum.

- (4) An increase of \$496,000 for Federal Seed (\$2,391,000 available in 2007) consisting of:

- (a) An increase of \$432,000 and 6 staff years to reduce seed mislabeling and develop pure trait samples.

AMS is requesting additional funds to reduce occurrences of seed mislabeling by implementing seed sampling in States without inspection programs, and by providing additional training in seed sampling techniques.

The Federal Seed Act (FSA) program depends on the State to detect and refer seed mislabeling violations in interstate transport. Budget reductions in many states, primarily in the Northeast, have virtually eliminated their seed inspection programs. An estimated 15 percent of the seed sold in these States is mislabeled. This is at least double the rate of mislabeled seed found in States with active seed control programs. The higher rate of mislabeled seed results in significantly higher crop losses. An active seed control program in these States can decrease the mislabeling rate by a significant five percent.

FSA investigations have shown that the results of tests conducted on samples selected by seed companies are qualitatively different from those conducted on official samples drawn by trained State seed inspectors. If a sample is improperly drawn and does not adequately represent the seed lot, the test results will not be valid. This budget increase will provide training in sampling techniques and procedures to seed company personnel to provide valid test results and decrease mislabeled seed. This would benefit farmers, growers, and homeowners who purchase seed. The program prevents financial losses to farmers by detecting mislabeled, low quality seed before it is planted. Knowing that seed is subject to inspection encourages interstate shippers to label seed correctly and creates a level playing field for all seed companies.

This funding will also enable the program to develop seed samples that are uniform for the presence or absence of specific traits for use as reference standards. These seed reference samples will be used to verify varieties' purity for FSA enforcement. They would also be made available to State seed laboratories that test seed for FSA and to other laboratories engaged in testing seed for labeling purposes.

- (b) An increase of \$64,000 for pay costs which includes \$26,000 for the fiscal year 2007 pay increase and \$38,000 for the anticipated fiscal year 2008 pay increase.

This increase will allow the Agency to continue to provide Federal Seed services at the level discussed above.

- (5) An increase of \$23,000 for Country of Origin Labeling (\$1,047,000 available in 2007) for pay cost which includes \$11,000 for the fiscal year 2007 pay increase and \$12,000 for the anticipated fiscal year 2008 pay increase.

This increase will allow the Agency to verify compliance with Country of Origin Labeling provisions at the current level. Without this pay cost increase, AMS will have to reduce its Country of Origin labeling enforcement activities for fish and shellfish.

- (6) An increase of \$104,000 for Pesticide Data Program (\$15,245,000 available in 2007) for pay cost which includes \$51,000 for the fiscal year 2007 pay increase and \$53,000 for the anticipated fiscal year 2008 pay increase.

This increase will allow the Agency to provide Pesticide Data program services at the current level. Without this pay cost increase, AMS will have to reduce the volume of commodities sampled and tested by State cooperators, with a corresponding drop in the data and in State reimbursements generated by the program.

- (7) A decrease of \$6,200,000 and 13 staff years for termination of the Microbiological Data Program (\$6,200,000 available in 2007).

The Microbiological Data Program (MDP) was initiated in 2001 for the purpose of collecting data regarding the prevalence of food-borne pathogens on domestic and imported produce. A PART review of the MDP was revised during the 2007 budget process and indicated that it is difficult to determine to what extent the data is used to support risk assessments. Furthermore, consistent with a Congressional directive, sample origin data is not collected. This limits the use of the data in epidemiological investigations aimed at determining the source of outbreaks of foodborne illness. In response to these findings and the need to limit Federal spending, the program is proposed for termination in 2008.

- (8) An increase of \$1,187,000 for National Organic Program (\$1,993,000 available in 2007) consisting of:

- (a) An increase of \$1,111,000 and 6 staff years for the National Organic Program to meet upcoming program requirements and strengthen customer service.

To improve operations, meet industry demands, and comply with statutory requirements, the National Organic Program (NOP) must: develop new standards requested by the organic industry; bolster compliance, enforcement, and audit efforts to keep up with a rapidly growing market and maintain labeling credibility; obtain scientific reviews for an unusual number of materials in conjunction with the impending sunset of the National List of Allowed and Prohibited Substances; manage and update website content to keep certifying agents and consumers informed of program changes; and fulfill voluminous and complex public requests for information in a timely manner. The proposed program improvements will require additional NOP staff, equipment, and professional scientific/technical expertise.

Organic standards development is technically complex. While there is intense desire by numerous economic interests to expand the number of products that can bear the organic label, the standards by which those products are eligible can be inherently controversial and the subject of intense debate. The development of organic standards requires significant public input from each node on the supply chain--from seed to plate--including listening sessions, focus groups, public meetings, and lengthy notice and comment rulemaking, to ensure labeling schemes that will be informative and acceptable to consumers. The requested funds will allow the program to remain in compliance with a court order issued on June 9, 2005 by the United States District Court in Portland, Maine. The Court stated that it was critical that the program immediately address the development and implementation of technical standards for products not covered by the current program regulations and revise the current standards.

It is also critical and time-sensitive that AMS develop standardized operating procedures for compliance and enforcement actions, and provide increased compliance oversight of certifying agents, particularly foreign-based agents. These increased funds will allow the program to devote more resources to ensure uniform regulatory decisions, to investigate complaints, and to enforce organic standards violations. If growth in the industry continues at the double-digit levels exhibited in the past five years, so will the potential for fraud. The resources needed for investigating, ensuring uniform regulatory decisions, and investigating complaints extend far beyond the program's current two staff years.

AMS is statutorily responsible for ensuring, through actions of its certifying agents, that organically produced products meet a consistent standard. Proper training is essential for certifying agents so that regulatory decisions are uniform regarding the correct application of the standards. When certifying agents fail to correctly apply the National Organic program regulations, their clients bear the ultimate economic consequence of losing certification for as much as 3-5 years for violations, based on the severity of the noncompliance. AMS is also responsible for ensuring reliably uniform regulatory decisions by 95 organic certifying agents under the program's authorizing statute, the Organic Foods Production Act (OFPA). Nearly half of these certifying agents are foreign based. To import organic products to the United States, products must be certified to the U.S. standards. The U.S. organic market is increasingly attractive to European organic producers and manufacturers. AMS training sessions for domestic and foreign-based certifying agents will ensure that they receive consistent information about NOP regulations, including guidance and interpretation about the standards, compliance and enforcement. To accomplish this goal, AMS must increase the staff currently dedicated to training certifying agents.

This request will also provide funding for regular peer audits. The OFPA provides authority for the program to institutionalize an external or peer audit of its accreditation program and regular audits are strongly advocated by the organic community. A peer audit will consist of an external audit by a credible, independent organization engaged in accreditation of agencies similar to NOP, to be conducted on a two-year cycle. The audit will evaluate all aspects of the NOP accreditation program, and the audit report will be made available to the National Organic Standards Board (NOSB).

The OFPA established a mechanism for developing a list of exempted and prohibited substances for use in organic production and handling. These are identified in a "National List." Many substances submitted for consideration on the National List must undergo an independent scientific review costing \$4,000 - \$5,000 each. The determination of whether a substance that sunsets after the five-year period requires another scientific review depends on factors such as: controversy over the material; new technology that may have made the substance obsolete or unnecessary; or alternative substances that might be more suitable. The NOSB evaluates the substance against a set of criteria and makes a recommendation to the

Secretary. In FY 2008 the NOP expects a minimum of 60 requests for additional substances to be considered for the National List, many of which will require an independent scientific review.

With the controversial nature of the organic industry, the growth in operations, and the dramatic increase in program inquiries, the NOP staff needs to devote considerably more time updating its website information. At the same time, the Program deals with an unusual number of Freedom of Information (FOIA) requests from public interest and industry media groups, as well as frequent letter-writing (usually electronic) campaigns, due to the philosophic and emotional concerns of consumer groups over the organic label and other aspects of the organic program regulations. A portion of the requested funds will cover salaries and related costs for staff to manage the NOP Website and handle information requests and letter campaigns.

- (b) An increase of \$76,000 for pay costs which includes \$26,000 for the fiscal year 2007 pay increase and \$50,000 for the anticipated fiscal year 2008 pay increase.

This will allow the Agency to provide services to the Organic industry at the current level as discussed above.

- (9) An increase of \$49,000 for the Pesticide Recordkeeping (\$2,915,000 available in 2007) for pay cost which includes \$24,000 for the fiscal year 2007 pay increase and \$25,000 for the anticipated fiscal year 2008 pay increase.

This increase will allow the Agency to provide Pesticide Recordkeeping services at the current level. Without this funding, the Pesticide Recordkeeping program will have to decrease the number of inspections and will not be able to support the agricultural industry in complying with recordkeeping regulations.

- (10) An increase of \$124,000 for Transportation Services (\$2,740,000 available in 2007) for pay costs which includes \$63,000 for the fiscal year 2007 pay increase and \$61,000 for the anticipated fiscal year 2008 pay increase

This increase will allow the Agency to continue current services that promote and assist in the development of efficient agricultural transportation systems. Without this funding, AMS will be unable to provide all of the technical assistance on domestic and export shipping that is required by agricultural producers to ensure that food and fiber products reach consumers.

- (11) An increase of \$111,000 for the Wholesale, Farmers, and Alternative Market Development (\$3,751,000 available in 2007) for pay cost which includes \$56,000 for the fiscal year 2007 pay increase and \$55,000 for the anticipated fiscal year 2008 pay increase.

This increase will allow the Agency to maintain its current level of service in developing and improving the marketing of agricultural products at wholesale and direct markets. Without the additional funding, AMS will be forced to reduce its technical assistance to States and municipalities in assisting farmers and producers by establishing or upgrading market outlets.

AGRICULTURAL MARKETING SERVICE

Marketing Services

2006 Actual and Estimated 2007 and 2008Geographic Breakdown of Obligations and Staff Years

	2006		2007		2008	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama.....	\$259,293	2	\$262,673	2	\$263,962	2
Arizona.....	573,599	4	581,076	4	583,926	4
Arkansas.....	396,245	2	401,410	2	403,379	2
California.....	1,835,423	11	1,859,350	11	1,868,469	11
Colorado.....	405,585	2	410,872	2	412,887	2
District of Columbia.....	55,293,461	338	56,014,275	338	56,289,008	341
Florida.....	822,975	5	833,703	5	837,792	5
Georgia.....	1,056,695	6	1,070,470	6	1,075,721	7
Idaho.....	403,816	2	409,080	2	411,087	2
Illinois.....	598,658	4	606,462	4	609,437	4
Iowa.....	2,092,513	13	2,119,791	13	2,130,188	13
Kansas.....	277,128	2	280,741	2	282,118	2
Kentucky.....	177,866	1	180,185	1	181,068	1
Louisiana.....	170,868	1	173,095	1	173,944	1
Massachusetts.....	386,685	2	391,726	2	393,647	2
Michigan.....	105,102	1	106,472	1	106,994	1
Minnesota.....	646,406	4	654,833	4	658,044	4
Mississippi.....	67,619	0	68,500	0	68,836	0
Missouri.....	440,699	3	446,444	3	448,634	3
Montana.....	153,674	1	155,677	1	156,441	1
Nebraska.....	149,585	1	151,535	1	152,278	1
New York.....	474,005	3	480,184	3	482,539	3
North Carolina.....	183,552	1	185,945	1	186,857	1
Ohio.....	170,098	1	172,315	1	173,161	1
Oklahoma.....	282,096	2	285,773	2	287,175	2
Oregon.....	278,793	2	282,427	2	283,813	2
Pennsylvania.....	718,725	4	728,094	4	731,665	4
South Carolina.....	64,063	0	64,898	0	65,216	0
South Dakota.....	378,962	2	383,902	2	385,785	2
Tennessee.....	2,396,381	15	2,427,620	15	2,439,527	15
Texas.....	1,079,312	7	1,093,382	7	1,098,745	7
Washington.....	716,446	4	725,786	4	729,345	4
Wisconsin.....	457,448	3	463,411	3	465,684	3
Wyoming.....	147,964	1	149,893	1	150,628	1
Subtotal, Available	73,661,740	450	74,622,000	450	74,988,000	454
Unobligated Balance	960,500	--	--	--	--	--
Total, Available	74,622,240	450	74,622,000	450	74,988,000	454

AGRICULTURAL MARKETING SERVICE
Marketing Services and Payments to States and Possessions
Classification by Objects
2006 Actual and Estimated 2007 and 2008

	<u>2006</u>	<u>2007 Est.</u>	<u>2008 Est.</u>
Personnel Compensation:			
Washington, D.C.	\$7,306,347	\$10,974,817	\$11,601,610
Field	33,284,471	36,711,182	38,873,390
11.1 Full-time permanent	29,159,913	35,001,000	37,048,000
11.3 Other than full-time permanent	465,637	741,000	750,000
11.5 Other personnel compensation	2,463,049	2,115,000	2,162,000
Total personnel compensation	32,088,599	37,857,000	39,960,000
12 Personnel benefits	8,457,653	9,798,000	10,483,000
13 Benefits for former personnel	44,566	31,000	32,000
Total personnel compensation and benefits	40,590,818	47,686,000	50,475,000
Other Objects:			
21 Travel	1,945,552	952,000	1,021,000
22 Transportation of things	99,367	141,000	142,000
23.1 Rental payments to GSA	0	0	0
23.2 Rental payments to others	1,312,709	843,000	768,000
23.3 Communications, utilities and miscellaneous charges	2,286,413	696,000	653,000
24 Printing and reproduction	440,576	142,000	138,000
25.1 Advisory and assistance services	0	0	0
25.2 Other services	17,944,974	15,514,000	16,482,000
25.3 Purchases of goods and services from Government accounts	5,796,566	5,923,000	2,737,000
25.5 Research and development contracts	356	0	0
25.6 Medical care	4,958	4,000	4,000
25.7 Operation and maintenance of equipment	158,613	302,000	295,000
26 Supplies and materials	1,283,332	845,000	761,000
31 Equipment	1,797,506	1,574,000	1,512,000
Total other objects	33,070,922	26,936,000	24,513,000
Total Marketing Services	73,661,740	74,622,000	74,988,000
Payments to States and Possessions:			
41 Grants, subsidies and contributions	3,808,530	1,334,000	1,334,000
Total Obligations	77,470,270	75,956,000	76,322,000
Position Data:			
Average Salary, ES positions	\$200,079	\$195,702	\$199,616
Average Salary, GS positions	\$57,902	\$53,836	\$54,967
Average Grade, GS positions	9.6	9.3	9.3

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAM

MARKETING SERVICES

MARKET NEWS

Current Activities: The Market News Service provides current, unbiased information on supply, demand, prices, movement, location, quality, condition, and other market data on farm products in specific markets and marketing areas. This information is supplied to producers, merchants, and others to assist them in the orderly marketing and distribution of farm commodities. All market information is reported to AMS on a voluntary basis with the exception of Livestock Mandatory Price Reporting.

Selected Examples of Recent Progress:

Livestock Mandatory Price Reporting (LMPR): The Agricultural Marketing Service's LMPR program (as authorized by P.L. 106-8, Title 9) was initiated on April 2, 2001 and requires the reporting of market information by packers who annually slaughter an average of 125,000 cattle, 100,000 swine, or slaughter or process an average of 75,000 lambs. Importers who annually import an average of 2,500 metric tons of lamb meat products are also required to report. Mandatory reporting provides information on 96 percent of the volume of all cattle, boxed beef, slaughter hogs, sheep, lamb meat, and imported lamb meat traded. Mandatory market news reports cover negotiated, forward contract, and formula marketing arrangement purchases of cattle, hogs, and sheep; and sales of boxed beef and domestic and imported boxed lamb cuts.

On October 5, 2006, the LMPR program was reauthorized by P.L. 109-296 through September 30, 2010, with some modifications to swine reporting. As the statutory authority for this program had lapsed, the regulatory authority must be re-established through rulemaking. AMS has initiated this process. After the statutory authority for the program expired in September 2005, most packers continued to provide information on a voluntary basis in anticipation that the program would be reauthorized. Publishing for all reports continued except for slaughter cow reports and imported boxed lamb reports.

New and Enhanced Market Reports: AMS adds, modifies, or eliminates market reports as its consumers' needs or the industry environment changes.

Cotton:

- Daily Quality Summary Reports: In response to Cotton industry requests, Cotton Market News has begun publishing a daily summary report that provides the industry with daily, weekly, and season-to-date classing data for Upland and American Pima cotton. The summary includes the predominate color and leaf grade, average staple, mike, strength, uniformity, and trash, along with the percentage of bark and grass.
- Daily Spot Cotton Quotations: On August 1, 2006, Cotton Market News implemented three changes to the American Pima Spot Quotations. The changes were a result of shifts in production and changes in how American Pima Cotton is marketed. The changes were 1) consolidation of the two exiting markets into one American Pima market; 2) change in the terms of the quotations; and 3) the addition of quotations for strength.

Dairy:

- Cash-Settled Butter Futures Report: Dairy Market News has added a weekly summary of Chicago Mercantile Exchange milk and dairy products futures market transactions.
- Developed three additional graphs of information on the component tests of dairy farmer raw milk marketing under the Federal milk order program to better serve the dairy industry.
- Revised the layout of the Internet weekly summary report to provide for several additional pages of milk and dairy product information in graph format.
- Added information from NASS monthly reports on "Agricultural Prices" and "Dairy Products" to the secondary dairy information carried in the Internet weekly summary report.

Fruit & Vegetables and Specialty Products:

- Daily Movement Report: This daily report provides the fruit and vegetable industry with a movement chart showing domestic and import shipments for the current and comparable periods.
- Shipping Point High/Low Highlights Report: This report was developed with the introduction of the Market News Portal. The report provides the fruit and vegetable industry with changes, either higher or lower, on the free on board (FOB) shipping point markets.
- Fruit and Vegetable Market News began publishing 13 new FOB reports in 2006 for: 1) Beets - Mexico Crossings through Calexico and San Luis, AZ; 2) Celery - Imperial and Coachella Valley, CA; 3) Cucumbers - New Jersey Eggplant and Michigan, NJ; 4) Nectarines (Preconditioned) - California; 5) Peaches (Preconditioned) - California; 6) Plums - (Preconditioned) - California; 7) Peppers - New Jersey; 8) Quince - California; 9) Squash - New Jersey; 10) Sweet Potatoes - Mississippi; 11) Strawberries (Organic) - California; 12) Tomatoes - New Jersey; and 13) Tomatoes, Grape type - New Jersey.

Livestock and Grain:

- A new weekly retail pork report is available on the Livestock and Grain Market News Internet website. The report is released every Friday by 3:00 PM Central Time. The web address is: <http://www.ams.usda.gov/lsmnmpubs/mpork.htm>
- A Distillers Dried Grain Report is available for Iowa on a regional basis that includes corn bids for ethanol in addition to dry, wet, and modified wet distillers dried grain prices. Expansion of reporting to include additional States is being considered.
- New Livestock Auction Reports: Stratford WI Dairy Auction, Belen NM Livestock Auction, Portales NM Dairy Sale, Mansura LA Livestock Auction, Greencastle PA Livestock Auction, Centennial CO Goat Auction, Clay County AL Livestock Auction, Macon MO Livestock Auction, and Maryville MO Livestock Auction.

Poultry and Eggs:

- Retail Feature Activity Reports: In 2006, upon the completion of a full year of reporting its new series of weekly reports covering grocery retailers for the most common consumer cuts of chicken and turkey and grades of shell eggs, Poultry Market News and Analysis updated the retail chicken report to include "year ago" data. In September, the report was expanded to include supermarket promotions of USDA Organic and specialty chicken items. This is the first USDA report to regularly provide cover activity for these types of chicken products. This new information enables users to measure, analyze, anticipate, and react to retail marketing trends in the organic and specialty product arena. This report compliments the existing Weekly Certified Organic Poultry and Eggs report that provides information on organic chicken products delivered to first receivers.
- Special Retail Features Report: To support industry needs during the weeks leading up to the 2006 Super Bowl when supermarket chains conducted extensive promotions of chicken products, Poultry Market News and Analysis, in conjunction with the National Chicken Council, developed a special one-time report covering retail promotions of chicken items. This unique report provided information on potential chicken movement during this major marketing period and was well-received by the broiler industry.
- Weekly Young Chickens Slaughtered Under Federal Inspection: In FY 2006, in response to continuing increases in live weights of young meat chickens and at the request of the broiler industry, Poultry Market News and Analysis worked with the National Chicken Council and other industry representatives to improve the reporting of young chicken slaughter information. The report's previous three weight break categories were expanded to four, the report timeframe was moved up one week to reflect the prior week's data instead of data from two week's prior and the slaughter information provided in the report was changed to reflect 100% of the Federally Inspected slaughter instead of the 66% previously reported.

Market News Web Portal: The Market News web Portal was opened to the public in October 2005 with Livestock and Grain and Fruit and Vegetable News. The Portal allows users to customize the site to their specific needs, to query directly from the Market News Information System (MNIS) database and to select the format view. The system allows customers to build and save their own data searches and allows for currency conversion, metric conversion, and graphing. In its first year, 10.3 million pages were viewed on the Market News Portal. Customer feedback has been very positive, but there have been a number of specific requests for enhancements and greater capability. AMS will implement the requested enhancements as soon as resources allow.

International Cooperation and Market Reporting: AMS Market News provides technical expertise to other countries and for programs conducted by other U.S. agencies. These activities help to strengthen international Market News reporting by supporting the development of foreign agricultural market information systems. In coordination with the Foreign Agricultural Service (FAS), AMS supported the USDA/U.S. Agency for International Development (USAID) technical assistance project in India. Teams of market information specialists and agricultural commodity graders traveled to India in 2006 to assist the Government of India in enhancing their capability to collect and distribute market information as well as in establishing grades and standards for domestic use. During 2007, AMS will work with the National Institute of Agricultural Marketing and the Government of India to develop a market reporting training program.

During 2006, AMS hosted teams of market information specialists from its Market News counterparts in Colombia and El Salvador. The Colombian team was hosted in coordination with the Cochran Fellowship Program of the Foreign Agricultural Service. The visits oriented the specialists on how AMS collects, analyzes, and disseminates market information, with further exchanges of specialists planned for the future. AMS is also working with FAS and the Inter-American Institute for Cooperation in Agriculture (IICA) on a technical assistance project in El Salvador. The focus of this project is to improve and enhance their market information system. In November 2006, AMS participated in a U.S. study tour for a team of twelve market analysts and reporters from Serbia. AMS specialists have been assisting Serbian agricultural officials to develop a market information system for livestock and grain. Participants learned firsthand how USDA collects, reports, and disseminates market information on agricultural products. An AMS specialist traveled to the Netherlands, Germany, France, and Belgium to meet with dairy industry representatives and U.S. embassy personnel to further the development of an effective international dairy market news reporting service.

AMS continues in its leadership role of the Market Information Organization of the Americas (MIOA), to develop a network of the market information organizations from approximately twenty countries from North, Central, and South America. AMS attended the MIOA annual meeting held in Cartagena, Colombia as well as two Executive Committee meetings in the U.S. The final phase of an independent assessment of the characteristics of the market information programs in each of the member countries was completed. The final phase, which covered the remaining member countries not assessed in the first phase, was delivered to the membership in Cartagena. Future activities tied to the assessment, such as regional projects and requests for funding for technical assistance will be forthcoming. The next MIOA annual meeting will be held in Quito, Ecuador in September 2007.

PART Assessments

The Marketing Services Program (excluding Standardization and Pesticide/Microbiological Data activities, which were reviewed separately) underwent a PART assessment for the FY 2008 budget and the overall program rating was "Adequate." The program's purpose is to provide timely and unbiased price, market and transportation information that increases transparency in the marketplace and to conduct monitoring and verification activities that support fair trade. The program contributes to an effective food marketing system, improves market access for small to medium-sized farms, and promotes regional economic development.

The assessment concluded that the Marketing Services Program (MSP) responds to the needs of the agricultural marketplace by gathering, analyzing, and making available market information. Increased information in the marketplace provides all market participants with resources to inform their business transactions. Market News, the largest single activity in MSP, provides current information on certain agricultural commodities directly to the public and market participants via the internet and electronic information transfer. The program has recently made price data more accessible through improved electronic access but the collection of data is done manually.

As a result, AMS is: 1) assessing the feasibility, including potential benefits and costs, of utilizing an automated system to collect as well as post Market News data; 2) completing action to correct management deficiencies identified through audit reviews; and 3) developing a proposed survey and clarifying long-term and annual measures to better demonstrate progress toward long-term performance goals.

SHELL EGG SURVEILLANCE

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

Selected Examples of Recent Progress: The number of shell egg handlers inspected at least quarterly increased from 523 in FY 2005 to 531 in FY 2006. The number of hatcheries inspected annually remained steady at 345 in FY 2005 and in FY 2006.

STANDARDIZATION

Current Activities: AMS develops and modifies quality grade standards for commodities when needed by industry and consumers. The Agricultural Marketing Act of 1946 directs USDA to provide such quality grade standards "to encourage uniformity and consistency in commercial practices." There are 494 quality grade standards in place for poultry, eggs, rabbits, meat, dairy products, fresh and processed fruits and vegetables, cotton, tobacco, and livestock. These food and fiber standards are widely used by private industry in domestic and international trading, futures market contracts and as a benchmark for purchase specifications in most private contracts. They enable AMS to conduct market news, grading and commodity procurement programs.

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

Selected Examples of Recent Progress:

Standards Reviews: In FY 2006, AMS specialists reviewed 99 commodity standards, including 21 for cotton products, two for dairy products, 28 for fresh fruit and vegetable products, 10 for processed fruits and vegetable products, 20 for livestock and meat, five for poultry, and 13 for tobacco. These reviews resulted in the revision of 15 standards: one each for dairy and poultry, 10 for fresh fruits and vegetables, and three for processed fruits and vegetables.

The Livestock and Seed Program implemented performance standards for digital imaging instrument assessment of quality and yield factors to augment official USDA grader evaluations. Testing of two system providers resulted in three systems being approved to augment yield grading and two systems to augment quality factors through automated vision-based systems. In May 2006, a proposed grass (forage) fed marketing claim standard was published for comment in the Federal Register. The program received over 19,000 comments that were categorized into four main issues: 1) confinement; 2) access to pasture; 3) grain supplementation; and 4) use of antibiotics and hormones. Many of the comments received are being evaluated for each category discussed.

International Activities: AMS remains active in global marketing standards initiatives and represents the U.S. in meetings of the Codex Alimentarius, the International Dairy Federation (IDF), the United Nations Economic Commission for Europe (UNECE), the Organization for Economic Cooperation and Development (OECD), the International Organization for Standardization (ISO), the International Seed Testing Association (ISTA), the International Meat Secretariat (IMS), and several bilateral consultative committees on Agriculture, for example. AMS has also participated in the Moroccan Cold Chain Initiative to help establish an adequate infrastructure for the importation of high quality U.S. beef. This initiative also included training for Moroccan government officials on the regulatory requirements for safety and labeling of red meat commodities.

UNECE/CODEX: AMS fruit and vegetable experts served as U.S. Delegates to four meetings (three UNECE and one Codex) of these international standards bodies during FY 2006. At the UNECE meetings, two standards were completed, ten were approved for at least one-year market trials, and six are in the plenary phases of development. One standard was completed at the Twelfth Session of the Codex Committee on Fresh Fruits and Vegetables and four are in the plenary stages of development. AMS meat and poultry experts participated in three meetings of the UNECE Specialized Section on the Standardization of Meat. In 2006, AMS continued to serve as Chair of the Specialized Section and directed the initiation of a major revision to the international porcine standard. In addition, in 2006 the Working Party ratified the work of the Specialized Section by accepting the proposed turkey, ovine, porcine, llama, and alpaca meat standards.

GRADING AND CERTIFICATION SERVICES

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

Selected Examples of Recent Progress:

- a. Cotton Grading: AMS classified 23.6 million samples of cotton under the grower classing program in FY 2006, with all cotton classed by the high volume instrument (HVI) method. In addition, the Cotton Program classified over 929 thousand samples under the Cotton Futures Act. Cotton inspection, classing, and grading information for sample bales are stored and maintained in a central database. This information is provided electronically to growers and agents who request it at a charge of five cents per record. In FY 2006, the Cotton Program received requests for information on 24.2 million sample bales.

Fees and Charges Effective FY 2006:

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

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

- b. **Dairy Products Grading:** Dairy products grading, laboratory analysis, and plant inspections assure purity and quality of dairy products. Upon request, AMS grades dairy products sold in commercial channels. An AMS grade is also required on all products sold to the Commodity Credit Corporation (CCC) under the dairy price support program. In FY 2006, AMS graded approximately 1.2 billion pounds of dairy products and conducted 1,000 dairy plant inspections and audits to assure sanitation of processing facilities.

Fees and Charges in Effect:

<u>Services Performed</u>	<u>Hourly Fees</u>	
	<u>FY 2006</u>	<u>FY 2007*</u>
Continuous resident service	\$57.00	\$62.00
Nonresident service	62.00	68.00

*New fees effective October 18, 2006.

International markets are increasing for U.S. dairy and related products. The Dairy Grading and Standardization Branches work together to offer assistance with inspection and certification of dairy and related products for export. Federal inspections are routinely required by importing countries. Certifications attest that dairy products are: 1) fit for human consumption; 2) produced under sanitary and wholesome conditions; and 3) free from animal diseases. In 2006, the Dairy Grading program issued 5,600 export certificates.

- c. **Processed Fruit and Vegetable Grading:** This program offers both grading and audit-based verification services. In FY 2006, AMS graded approximately 14.3 billion pounds of processed fruits and vegetables at 264 processing plants, 14 field offices, and 14 inspection points. In addition, AMS conducted third-party quality, systems, and sanitation audits for food service organizations, processors, retailers, and state and Federal government entities. AMS provides verification audits under the Qualified Through Verification (QTV) program to meet the needs of the fresh-cut produce industry. AMS performed 70 QTV audits in FY 2006. AMS' Plant Systems Audit (PSA) program provides an unbiased, third-party audit of a processor's quality assurance system. AMS performed 64 PSA audits for fruit and vegetable processors nationwide. AMS also developed and implemented a Food Protection Audit System in support of USDA food purchases. In FY 2006, AMS performed more than 300 Food Protection Audits.

During FY 2006, AMS continued to meet the demand for in-plant inspection of Department of Defense operational rations in support of military activities in the Middle East and elsewhere, as well as feeding efforts for hurricane disaster relief. The AMS Food Team also participated in 24 worldwide subsistence audits under the Defense Logistics Agency's (DLA) "Prime Vendor" food procurement program. These audits are conducted at various vendor/warehouse locations throughout the U.S. and other countries worldwide. The AMS Food Team is used by DLA to ensure the quality of the food products procured by DLA under Prime Vendor contracts which are valued at over \$2.9 billion.

To maintain uniformity in the application of inspection and grading rules, procedures and standards for processed fruits and vegetables, AMS provided orientation and hands-on training courses for new employees as well as refresher courses for current personnel. New courses are added as new and different skill-sets are required to provide value-added services that display flexibility in a changing market place. AMS also strengthened its administrative processes in FY 2006 by training administrative personnel from processed fruit and vegetable grading offices nationwide.

Fees and Charges Effective FY 2006:

<u>Service Performed</u>	<u>Base</u>	<u>Hourly Fees</u>	
		<u>Overtime</u>	<u>Holiday</u>
Lot inspection	\$52.00	\$78.00	\$104.00
Yearly contract (in-plant)	39.00	58.50	78.00
Additional Graders (in-plant)	52.00	78.00	104.00
Seasonal contract (in-plant)	52.00	78.00	104.00

- d. Fresh Fruit and Vegetable Grading: AMS grading services for fresh fruits and vegetables are available at shipping points and in receiving markets throughout the U.S. and Puerto Rico. In FY 2006, AMS graded or supervised the grading of approximately 62.5 billion pounds of fresh fruits, vegetables, and specialty crops. Grading services were provided by approximately 3,500 Federally-licensed State employees at shipping points and cooperative market locations and by approximately 155 federal employees at 36 federal receiving markets.

In FY 2006, AMS provided an eight-week New Inspector Training Class for Federal and Federally-licensed State graders that included intensive classroom and laboratory training on inspection procedures. The students also received training on ethics and conduct, safety and health, digital imaging, and pertinent administrative matters. AMS also provided six refresher training classes, three Good Agricultural Practices/Good Handling Practices (GAP/GHP) auditor training classes, one Partner's in Quality (PIQ) auditor training class, one Train-the-Trainer class, three international training classes, and seven specialized industry training classes. These classes help to ensure service quality and uniform application of procedures.

Fees and Charges Effective FY 2006:

<u>Service Performed</u>	<u>Fees*</u>
Quality and condition inspections of products each in quantities of 51 or more packages and unloaded from the same land or air conveyance:	
Over a half carlot equivalent product	\$114.00
Half carlot equivalent or less of each product	95.00
For each additional lot of the same product	52.00

*Lots in excess of carlot equivalents are charged proportionally by the quarter carlot. Current fees were effective January 15, 2006.

	<u>Hourly Rates:</u>
Hourly rate for inspections performed for other purposes during graders' regularly scheduled work week:	\$56.00
Hourly rate for inspections performed under 40 hour contracts during the grader's regularly scheduled work week:	56.00
Premium rate (overtime and holiday), in addition to hourly or carlot rates:	29.00

- e. Meat Grading and Certification: During FY 2006, meat grading and certification services were provided to approximately 300 meat packing and processing plants and other establishments world wide. A total of 21.1 billion pounds of red meat (beef, lamb, veal and calf) were graded during the year. This figure represents 96.8 percent of steers and heifers, 79.6 percent of lamb, and 43.2 percent of veal and calf commercially slaughtered in the U.S. In addition, 23.3 billion pounds of meat and meat products were certified for specification, contractual or marketing program requirements. Twenty-two Worldwide Food Audits were performed for Department of Defense contracts valued at over \$30 million.

Fees and Charges in Effect:

<u>Service Performed</u>	<u>Hourly Fees</u>	
	<u>FY 2006</u>	<u>FY 2007*</u>
Commitment grading	\$55.00	\$61.00
Non-commitment grading	64.00	71.00
Premium (overtime) grading	70.00	78.00
Holiday grading	110.00	122.00

*New fees effective October 1, 2006.

- f. Audit, Review and Compliance Branch Audit and Verification Activities: During FY 2006, audit and verification services were provided to approximately 420 clients, including meat packing and processing plants, livestock producers and livestock service providers, beef export verification programs, organic certifying agencies, and other establishments worldwide. Accreditation audits conducted for the National Organic Program represent an approval to label product as USDA Organic. Services provided to meat packers and processors facilitated the opening of beef export markets valued at over \$3.1 billion in annual revenue.

Fees and Charges Effective FY 2006:

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

- g. Poultry and Egg Grading: Approximately 89.9 percent of poultry grading services are provided on a resident basis, where in most of these instances, a full-time grader is stationed at the plant requesting service. The remaining 10.1 percent of poultry grading services are provided on a non-resident (lot grading) basis. During FY 2006, AMS provided resident service in 107 poultry plants, grading 6.3 billion pounds of poultry and 158 shell egg plants where 1.8 billion dozen shell eggs were graded. Poultry grading services cover about 30 percent of the turkeys slaughtered, 14 percent of the broilers slaughtered, and 41 percent of the shell eggs produced in the U.S., excluding eggs used for breaking and hatching.

Fees and Charges Effective FY 2006:

<u>Service Performed</u>	<u>Hourly Rate</u>
Non-Resident Plant--Regular Time	\$65.00
Resident Plant*	37.86 - 52.89

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

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

In FY 2006, AMS' Tobacco Program inspected approximately 78 million pounds of imported tobacco and tested 97 million pounds of imported tobacco for pesticide residues. In addition, AMS provided pesticide testing on 16 million pounds of domestic flue-cured and burley tobacco.

Fees and Charges Effective FY 2006:

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

PLANT VARIETY PROTECTION ACT

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

Selected Examples of Recent Progress: More than 140 species of plants are currently protected under the PVPA. In FY 2006, AMS received 304 applications for protecting new agricultural, floral, and seed plant varieties. A total of 685 applications, including some from previous years, were pending action at the end of FY 2006. During the fiscal year, AMS conducted searches on 239 applications to determine whether the plant constituted a new variety and issued 233 certificates of protection. At the end of the fiscal year, 4,404 certificates were in force while protection had expired on 215 different varieties.

FEDERAL SEED ACT

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

Selected Examples of Recent Progress: In cooperation with state agencies, AMS conducted field tests on 1,642 samples at five different locations to determine trueness-to-variety of seed in interstate commerce. In FY 2006, AMS received 311 new complaints from 32 states, resulting in 327 cases. AMS tested 269 regulatory seed samples from 32 states and 318 mail order seed samples from 16 seed companies for trueness-to-variety. Fifty-five Federal Seed Act cases were administratively settled with penalty assessments totaling \$65,500 and ranging from \$875 to \$28,835. To help ensure uniform application of the regulations, AMS conducted nine inspector training workshops.

Voluntary Seed Testing: AMS also offers seed inspection and certification services to users for a fee. Most of the users of this service are seed exporters. During FY 2006, AMS issued 2,134 Seed Analysis Certificates.

COUNTRY OF ORIGIN LABELING

Current Activities: The 2002 Farm Bill and the 2002 Supplemental Appropriations Act amended the Agricultural Marketing Act of 1946 to require retailers to notify their customers of the country of origin of covered commodities. The FY 2004 Consolidated Appropriations Act delayed the applicability of mandatory country of origin labeling (COOL) for all covered commodities except wild and farm-raised fish and shellfish until September 30, 2006, and Public Law 109-97 further delayed the implementation the remaining covered commodities until September 30, 2008. The Interim Final Rule (IFR) for fish and shellfish was reopened for comments on November 27th.

Selected Examples of Recent Progress:

AMS entered into cooperative agreements with and provided audit training to 14 states for the purpose of conducting audits of retail establishments to determine compliance with the COOL regulations for fish and shellfish. The training was held in July of 2006 and audits by those states began in August. USDA personnel conducted audits in States without cooperative agreement arrangements.

The program conducted 1,215 audits in 19 States from August through September, 2006. Approximately 40% of the audits revealed violations of the COOL law and regulations for fish and shellfish. Where violations were discovered, the retail stores received warning letters giving 30 days to submit a written statement detailing the corrective and preventative actions taken to comply with the law.

PESTICIDE DATA PROGRAM

Current Activities: Through a Memorandum of Understanding, AMS, EPA, and FDA coordinate and prioritize residue testing activities. The Pesticide Data Program (PDP) is a critical component in meeting the requirements of the 1996 Food Quality Protection Act (FQPA), which directs the Secretary of Agriculture to provide improved data collection of pesticide residues, standardized analytical and data reporting methods, and increased sampling of foods most likely to be consumed by infants and children.

Selected Examples of Recent Progress:

Commodities: Over the past 15 years, 75 commodities have been included in PDP's sampling and testing. Commodities are selected based on EPA's requests for data to monitor registration-driven changes mandated by the FQPA. Consequently, crops previously tested are reintroduced to determine if there are measurable changes in the residue profile. The commodities tested in FY 2006 were: apples, applesauce, bananas, carrots, cauliflower, eggplant, grapes, grapefruit, frozen green beans, lettuce, milk and heavy cream, oranges and orange juice, peanut butter, plums, frozen potatoes, poultry (breast and thigh meat), raisins, soybeans, spinach, strawberries, frozen sweet peas, watermelon, wheat, winter squash, and bottled and drinking water (raw and finished). In addition, PDP extended its soybean survey to focus on fungicides used to combat soybean rust (as determined in consultation with EPA, soybean crop groups and the chemical industry).

Results: AMS publishes annual data summaries, with reports currently available for 1991-2005. Over 2,000 copies of the 2004 summary were distributed. The 2005 summary of data was released via the Internet, with 2,000 printed copies of the summary distributed in December 2006. Public-domain databases containing sample identity and analytical results data for each sample tested are posted on the Program's website: <http://www/ams.usda.gov/science/pdp/>.

State and Federal laboratories perform analyses for more than 200 pesticides and metabolites using multi- and specific-residue methods. The calendar year 2005 summary covers 14,749 samples: 10,154 were fruit and vegetable commodities, 974 were soybeans (306 of these for the soybean rust survey), 674 wheat, 746 milk, 369 heavy cream, 704 pork, 378 bottled water, and 750 drinking water. Of the samples tested (excluding drinking water), approximately 84 percent were domestic production, 14 percent were imported, one percent was of mixed origin, and about one percent was of unknown origin. Overall 73 percent of fresh fruits and vegetables and 61 percent of processed fruits and vegetables showed detectable residues. Residues were detected in 8 percent of pork samples, 16 percent of bottled water samples, 22 percent of soybean samples, 75 percent of the wheat samples, 99 percent of the milk samples, and 99 percent of the heavy cream samples. However, for samples with residue detections, the vast majority were well within established tolerances. In FY 2006, more than 13,600 samples were tested, resulting in approximately 151,633 analyses.

Planning, Quality Assurance and Outreach:

- Held planning meetings with EPA/OPP/Health Effects Division and EPA/Office of Water to select commodities and water sites.
- Held planning meetings with EPA's and USDA's Office of Pest Management Policy to coordinate sampling for the Perchlorate Project.
- Coordinated with the U.S. Geological Survey to select target analytes and sampling sites to avoid duplication efforts.
- Held a Federal/State Meeting in September, 2005 to address administrative, sampling, and technical issues with speakers from EPA, FDA and CropLife America.
- Held a combined PDP and MDP Federal/State Meeting in September, 2006 to address administrative, sampling, and technical issues.
- Held a Federal/State Quality Assurance (QA)-Technical Meeting in March 2006 to address QA and technical issues with speakers from EPA, FDA, private industry, academia, and FERN.
- Participated in the California Minor Crops Council tours to expand outreach programs to include more stakeholders in the PDP planning process.
- Met with FSIS to develop sampling protocols for PDP poultry project and to coordinate efforts to provide quick results to satisfy FSIS regulatory requirements.

- Expanded the water program to include testing of paired raw/finished samples in 13 States: Alabama, Arizona, California, Georgia, Iowa, Louisiana, Minnesota, Missouri, Montana, New Jersey, North Dakota, Pennsylvania, South Carolina, and the District of Columbia.
- Conducted three sampling reviews and four laboratory reviews.
- Conducted administrative/financial review of Florida MDP and PDP operations.
- Conducted nine internal proficiency testing sets covering laboratories testing fresh and processed fruits and vegetables, grain, and water. Participated in three international proficiency testing rounds for the AOAC program.
- Met with U.S. Triazoles Task Force to discuss cooperation and alignment of program priorities with current pesticide registration activities.
- Met with the National Water Monitoring Council to discuss the water project and with the International Bottled Water Association to discuss results of bottled water samples.
- Arranged training for visiting scientist from Peru at the Michigan PDP laboratory; provided information on pesticides to Costa Rica, Chile, and Peru in Spanish; facilitated communications between USDA/Foreign Agricultural Service and Peruvian officials to fund a pesticide monitoring program on foods.

Publications and Presentations: The program prepared a poster on the PDP drinking water survey for the 8th European Pesticide Residue Workshop; made presentations on PDP method validation at the AOAC Pacific Southwest Regional conference and the Florida Pesticide Residue Workshop; presented plaques to sampling site vendors in appreciation for their voluntary participation in the program; and made presentations to Korean and Chinese agricultural delegations, the United Soybean Board, and the American Soybean Association.

MICROBIOLOGICAL DATA PROGRAM

The Microbiological Data Program (MDP) was initiated in 2001 for the purpose of collecting data regarding the prevalence of food-borne pathogens on domestic and imported produce. A PART review of the MDP Program indicates that although AMS shares MDP data with other Federal agencies, such as the Food and Drug Administration and the Center for Disease Control and Prevention, it is difficult to determine to what extent the data is used to support risk assessments. Furthermore, consistent with a Congressional directive, sample origin data is not collected. This limits the use of the data in epidemiological investigations aimed at determining the source of outbreaks of food-borne illness. In response to these findings, the program is proposed for termination in 2008.

During FY 2006, the program:

- Sampled five high-risk commodities – alfalfa sprouts, cantaloupe, lettuce (leaf or romaine), tomatoes, and green onions.
- Conducted sampling in eleven cooperating States: California, Colorado, Florida, Michigan, Minnesota, New York, Ohio, Maryland, Texas, Washington, and Wisconsin. In March 2006, California discontinued participation due to funding uncertainty for FY 2007.
- Tested the collected samples for *E. coli* and the presence or absence of *Salmonella* spp. and *E. coli* O157:H7 at microbiology laboratories in nine States and the AMS National Science Laboratory (NSL).
- Tested *E. coli*-positive samples by multiplex polymerase chain reaction (mPCR) for shigatoxin-producing *E. coli* (STECs), enterohemorrhagic *E. coli* (EHECs) and enterotoxigenic *E. coli* (ETECs).
- Served as a centralized location for archival isolates as well as a distribution center for MDP isolates for testing by secondary laboratories.

- Provided samples to the FDA/Center for Veterinary Medicine (CVM), which performed specialty testing on isolates from positive MDP samples, including antimicrobial resistance testing for all isolates, for inclusion in the NARMS database. CVM also performed genomic fingerprinting on all MDP isolates for inclusion in the PulseNet system and performed serotyping of *Salmonella* and *E. coli* O157:H7 isolates. The data from antimicrobial resistance, genomic fingerprinting and serotyping are used to identify and track the pathogens involved in various foodborne disease outbreaks as well as to understand the changes they may have acquired over a period of time.
- Contracted with Pennsylvania State University for serotyping of *E. coli* isolates.
- Worked with the Virginia Department of Consolidated Laboratory Services (DCLS) to complete a preliminary method for *Shigella* testing.
- The 2005 summary released in March 2006 reports:
 - 11,513 samples were analyzed. Sixty-three percent of the samples were from domestic sources, 32 percent were imported and approximately five percent were of unspecified origin.
 - MDP identified 48 samples carrying pathogenic *E. coli*.
 - MDP screening resulted in six *Salmonella* isolates—one each from cantaloupe and tomato and four from parsley.
- In calendar year 2006, 7,646 samples were collected and analyzed. This number represents 8 months of sampling and testing due to discontinuation of program operations as of August 31, 2006.
- Program data were transferred to Centers for Disease Control and Prevention (CDC) and FDA in December 2004 and January 2006. Data sets for 2005 and 2006 (January-August) will be provided to FDA and CDC.
- Sampled five commodities: 1) alfalfa sprouts; 2) cantaloupe; 3) lettuce (leaf or romaine); 4) tomatoes; and 5) green onions.
- Microbiology laboratories in nine States and the AMS National Science Laboratory (NSL) tested the samples for *E. coli* and the presence or absence of *Salmonella spp.* and *E. coli* O157:H7.

Publications:

- January 2006--posted the 2004 Progress Update and 2004 Data Summary on the AMS website and distributed printed copies.
- March 2006--posted the 2005 Progress Update and 2005 Data Summary on the AMS website. Printed copies of the 2005 summaries were subsequently distributed to participants and other stakeholders.

NATIONAL ORGANIC PROGRAM

Current Activities: The National Organic Program (NOP), authorized by the Organic Foods Production Act of 1990 (Act), maintains national standards governing the production and handling of agricultural products labeled organic. The NOP examines and accredits State and private certification programs so that they may certify compliance of producers and processors with the National Organic Standards. The NOP also provides support to the National Organic Standards Board (NOSB), reviews materials for the National List of Allowed and Prohibited Substances, and coordinates the enforcement and appeals processes.

The NOSB was established in 1992 and consists of 15 private-sector appointees. The Board provides recommendations to the Secretary to carry out the program in accordance with the rules and provisions governing national advisory committees.

Selected Examples of Recent Progress:

During FY 2006, AMS' National Organic Program:

- Hosted meetings of the NOSB to receive the Board's recommendations for developing additional proposed national standards governing the production and handling of agricultural products labeled as "organic" that were not addressed in the final rule, to review materials for possible addition to the National List of Allowed and Prohibited Substances and to work on reviews of materials set to expire from the National List in 2007 based on sunset provisions in the Act.

- Published final rule in the Federal Register to amend the NOP regulations to comply with the final judgment in the case of *Harvey v. Johanns (Harvey)* issued on June 9, 2005, by the U.S. District Court, District of Maine and to address the November 10, 2005, amendment made to the Organic Foods Production Act of 1990 (7 U.S.C. 6501 *et seq.*, the OFPA), concerning the transition of dairy livestock into organic production.
- Published an advance notice of public rulemaking in the Federal Register to facilitate rulemaking for pasture requirements for ruminant animals.
- Published two proposed rules in the Federal Register to facilitate the addition of materials to the National List of Allowed and Prohibited Substances.
- Published two final rules to add materials to the National List of Allowed and Prohibited Substances.
- Reviewed and recognized the conformity assessment systems of Israel and India as sufficient to ensure conformity to the technical standards of the USDA's National Organic Program. USDA now has recognition agreements with seven foreign governments which are: Canada, Denmark, Israel, India, New Zealand, Spain, and United Kingdom.

PESTICIDE RECORDKEEPING PROGRAM

Current Activities: The Federal Pesticide Recordkeeping Program (PRP) is a National program which assures that certified private pesticide applicators (farmers) maintain records of their restricted use pesticide applications. This is accomplished through educational outreach programs, materials provided to the pesticide applicators and mandatory inspections of restricted use pesticide application records. In addition, PRP works with licensed health care professionals to inform them of the availability of pesticide application records when needed for medical treatment.

Selected Examples of Recent Progress: During FY 2006, the PRP administered 34 cooperative agreements with State/Territory pesticide regulatory agencies to conduct compliance inspections of private pesticide applicators' restricted use pesticide records. PRP also partnered with two USDA agencies, APHIS and GIPSA to conduct compliance activities in five states: Alabama, Colorado, Georgia, Missouri, and Wyoming.

Approximately 4,500 initial inspections and 162 follow up inspections were conducted nationally. Follow-up inspections were performed when pesticide applicators were found to be non-compliant during the initial inspection of restricted use pesticide application records.

The program continued to improve its inspector training efficiency with the improvement of the web-based training system for State and Federal inspectors. The use of a web-based training program promotes the standardization of the compliance inspections nationally and saves on training costs. The training was launched in FY 2006 with positive responses from inspectors and State managers. The system has been updated with additional practice exercises and examples. The web-based system allows inspectors from all across the country to log-on using a special username and password to complete updated training for FY 2006 and future years. These efficiencies resulted in improved training and provide additional educational materials to cooperating States.

PRP uses education and compliance assistance to improve compliance with the regulations. In FY 2006 over 25,000 Federal pesticide recordkeeping manuals were distributed. The program also entered into an agreement with Tennessee State University to develop educational programs which are specifically needed for small minority farmers. Additional agreements were put in place with Cornell University and Prairie View A&M University to provide educational outreach to private applicators in New York and Texas.

RESEARCH AND PROMOTION PROGRAMS

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

Research and Promotion Program Industry Assessments
(Dollars in Millions)

<u>Commodity</u>	<u>FY 2006 1/ Assessments Collected</u>
Cotton	\$ 81.5 (estimated)
Dairy	90.1 (estimated)
Fluid Milk	106.6 (estimated)
Beef	52.0
Lamb	2.7
Pork	48.8 (estimated)
Soybeans	38.2
Eggs	18.0 (estimated)
Avocados	20.6
Blueberries	1.8 (estimated)
Honey	3.6 (estimated)
Mangos	3.9 (estimated)
Mushrooms	1.7 (estimated)
Peanuts	6.7
Popcorn	0.5 (estimated)
Potatoes	8.7
<u>Watermelon</u>	<u>1.5</u>
Total	\$486.9 (estimated)

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

PART Evaluation

The Research and Promotion (R&P) program was re-evaluated for the FY 2008 Budget and the overall program rating was "Adequate." The program's goals are to: 1) strengthen the position of an agricultural commodity in the marketplace; 2) maintain and expand existing domestic and foreign markets; 3) develop new markets and uses for agricultural commodities; and 4) assist producers in meeting their conservation objectives through funding of research projects and developing best management practices.

The PART evaluation concluded that the program has developed appropriate outcome-based performance measures, but needs to strengthen its baselines and targets. The program is funded by industry assessments, including the cost of AMS' oversight of promotion board activities and the efficient use of funds benefits the assessed industry. The boards are required to exercise prudent management of assessment funds and to remain accountable to the producers they represent. As a result of this review, AMS is working on: 1) clarifying long-term and annual measures to better demonstrate progress toward performance goals; 2) demonstrating how program budgets clearly link to performance goals and resources; and 3) developing a new cost efficiency measure.

TRANSPORTATION SERVICES

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

Selected Examples of Recent Progress:

- Responded to industry concern regarding the retirement of LASH (Lighter (lifted) Aboard Ship) barges for shipping U.S. rice to the European Union.
- Initiated talks with the American Trucking Association, Department of Transportation, and the Transportation Research Board to host an Agricultural Trucking Conference in FY 2007.
- Filed comments and provided testimony before the Surface Transportation Board (STB) on STB Ex Parte No. 665 – Rail Transportation of Grain. Filed comments on STB Ex Parte No. 575 – Review of Rail Access and Competition Issues. Filed comments on STB Ex Parte No. 661 – Rail Fuel Surcharges, April 27, 2006. Filed comments on STB Ex Parte No. 646 – Simplified Standards for Rail Rate Cases.
- Expanded the funding for and participated in a series of seven Agricultural Shipper Workshops regarding the transportation challenges faced by shippers. These workshops are designed to gather and impart information to and from agricultural shippers.

Periodic Transportation Reports:

- Grain Transportation Report (GTR): A weekly report covering developments affecting the transport of grain, both in the domestic and international marketplace.
- Wheat Quarterly Transportation Cost Indicator Report: AMS developed a new quarterly report on the landed cost of shipping wheat from a farm in the U.S. to Japan through the Pacific Northwest and the U.S. Gulf. AMS also produced four issues of its Corn and Soybean Quarterly Transportation Cost Indicators Report.
- Ocean Rate Bulletin (ORB): A quarterly publication that tracks the ocean freight rates of 19 containerized high-value agricultural commodities in more than 45 different trade lanes, mostly Asian, but some to European and Latin American destinations. The ORB provides a side-by-side comparison of the rates and services provided for each commodity exported during the preceding quarter. The commodities tracked in the report include: apples, cotton, grapes, grapefruit, lemons, pears, potatoes, oranges, almonds, raisins, pistachios, frozen beef, frozen poultry, lettuce, animal feed, wine, lentils, onions, and soybeans.

WHOLESALE, FARMERS and ALTERNATIVE MARKETS PROGRAM

Current Activities – AMS facilitates improved distribution of U.S. agricultural products for producers by identifying marketing opportunities, providing analysis to help take advantage of those opportunities, developing and evaluating solutions including improved farmers markets and other direct-to-consumer marketing activities, researching and developing marketing channels, providing information and education, encouraging adoption of improved post harvest technology, and designing market facilities.

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

- Farmers Market Consortium (FMC): The program provided leadership in organizing a public/private sector partnership dedicated to helping farmers markets by sharing information about funding and available resources. Accomplishments include:

- Developed two publications - a *Farmers Market Resource Guide* and the *Farmers Market Consortium Brochure*
- Created a new FMC website: www.nafdma.com/fmc.
- Linked the AMS and FMC websites
- Farmers Market Promotion Program (FMPP) grants: Administered the inaugural Farmers Market Promotion Program that provided approximately \$1 million in competitive grants to non-profit corporations, regional farmers market authorities, Tribal governments, local governments, agricultural cooperatives, economic development corporations, and public benefit corporations to expand direct farmer-to-consumer sales. Projects from 13 states were selected for funding out of the 369 proposals received from 48 states throughout the U.S.
- National Farmers Market Week: Developed an information package for National Farmers Market Week and prepared a 2006 Farmers Market Proclamation signed by Secretary Johanns for distribution to Commissioners of Agriculture and other farmers market organizations.
- National Farmers Market Coalition: Provided financial and technical support to plan and coordinate five regional training and informational workshops; cosponsored a October 2005 Farmers Market Policy Summit; and provided support for the FMC annual skills building meeting in Austin, TX, during the North American Farmers' Direct Marketing Association (NAFDMA) Conference, January 2006. Initiated a new cooperative agreement with FMC to establish and stabilize this newly reorganized independent national organization following its separation from the North American Farmers Direct Marketing Association.
- Farm Vendors Affected by Hurricane Katrina: Worked closely with the Loyola University Economic Institute and the Crescent City Farmers Market, both in New Orleans, LA, to implement a cooperative research agreement initiated in FY 2005 to provide technical and marketing assistance to farmers, farmers market managers, and other market sponsors to restart farmers markets and other direct marketing enterprises affected by Hurricane Katrina. AMS surveyed farmers for post-Katrina needs and conducted an outreach program to food stamp users at local farmers markets to assist recipients in finding food. AMS anticipates issuing a full "Final Report" by January 2007.
- Farmers Market Transportation Study: Provided assistance to the cooperative research project with the Southeastern Pennsylvania Resource Conservation and Development Council (SEPA RC&D), Perkasio, PA, to study the feasibility of providing transportation services to participants in the Farmers Market Nutrition Program (FMNP); Seniors Farmers Market Nutrition Program; Women, Infants and Children (WIC) programs and for other senior citizens, ethnic minorities, and low income residents to farmers markets in Southeastern Pennsylvania.
- National Association of Farmers Market Nutrition Programs (NAFMNP): Hosted the 14th Annual Conference of the National Association of Farmers Market Nutrition Programs held in Sparks, NV, in October 2006. The conference provided training and information to farmers market managers and other interested participants in expanding opportunities for farmers to sell their fresh produce directly to the public through local farmers markets.
- Oregon Public Market Study: Completed a collaborative project in December 2005 with the city of Portland, OR, to assess the feasibility of developing a year-round public/farmers market in downtown Portland.
- New York City Food Market Facility Study: Continued to provide technical research support to explore the feasibility of creating a "wholesale farmers market" marketing facility in New York City featuring locally grown/raised food, which would be tailored to the business needs of restaurant buyers, institutional buyers, and food distributors. Participated regularly in meetings with the project's advisory council.
- USDA Farmers Market: Operated the weekly farmers market on USDA headquarters property for the 11th consecutive year during the summer and fall seasons, coordinating schedules and logistics with 13 participating farm vendors, and recruited a certified organic vendor to participate.

Wholesale Markets and Facilities Design Projects/Studies:

- Syracuse, NY Farmers Market: Developed and designed master plans for land usage for the 50-acre site which included: a new market shed that will house 65 vendors/spaces; a community kitchen and community meeting room; the design and layout for the community kitchen; and three design options for a 1,144-car parking garage.

- **Alabama Farmers Market:** Held planning meetings and developed a site plan for market officials and stakeholders based on input provided during a series of “charrette” meetings attended by city officials and market vendors.
- **Jackson, MS, Farmers Market Grand Opening:** Completed a review of existing conditions, established conceptual design criteria, and assisted in providing facility requirements to establish a new Mississippi Farmers Market in Jackson, MS. The grand opening of the market was held in May 2006.
- **Florida Farmers Market Assistance:** Provided ongoing technical assistance and architectural consultation for restoration of markets damaged by recent hurricanes in Florida City, Pompano, and Fort Pierce, FL.
- **Farmers Market Planning Guide:** Branch personnel are developing a Planning Guide for Farmers Markets without Permanent Facilities, once completed, the manual will support the program’s direct market initiatives by providing information for market managers and other interested parties on such operational topics as site selection criteria, promotion and marketing, parking requirements, handicap accessibility, restrooms, utilities, and solid waste removal. This publication is planned to work in consort with a new “How to Create a Farmers Market” publication, already in the planning phases.
- **Connecticut Farmers Market Assessment:** Continued collaboration with CitySeed, Inc. of New Haven, CT, to prepare a feasibility study for the development of a year-round farmers market in New Haven, CT. The program will assist in the selection of sites for analysis, conducting a market training presentation for the project working group/advisory committee, developing a conceptual plan for three preferred sites, and preparing a report with preliminary physical and economic analyses of the preferred sites and recommendations for next steps in the feasibility process.
- **Value-added Processing Facility:** Conducted a site visit in Chimayo, NM, for the preservation and rejuvenation of the Hispanic cultural cultivation of the 400-year native Chimayo chili plants. Selection site for development of conceptual design plans and production cost estimates for processing and packing equipment for a chili processing plant and commercial kitchen were completed in March 2006.

Marketing Channel Research and Development Projects/Studies:

- **National Farmers Market Survey:** Initiated a cooperative research agreement with Michigan State University (MSU) to create a web portal survey, disseminate the survey to more than 3,700 markets, collect data and provide a summary statistical analysis. The existence of the survey was publicized in the Federal Register (April 2006) and a press release which contained links to the survey site was issued to hundreds of constituent groups by e-mail. The survey response rate from farmers market managers was 35 percent, with nearly 30 percent of the surveyed population answering all of the 40 survey questions. The data collection portion of the project ended in June 2006 with an overview of summary statistics for each of the 40 survey questions provided to AMS in July. MSU personnel are currently conducting additional research to analyze data trends in relation to scale of market operation, customer base, and geographic location in order to identify characteristics associated with successful markets.
- **Eat Smart—Farm Fresh! A Guide to Buying and Serving Locally-Grown Produce in School Meals:** Collaborated in the development of a draft manual that identifies impediments to schools’ purchase of local produce and recommends actions to facilitate and encourage the purchase of local produce by schools in a manner than conforms to Federal requirements. A draft version of the 39-page manual was released by USDA/FNS in December 2005 at the following website:
<http://www.ams.usda.gov/tmd/msb/publications.htm>.
- **Organic Seal Research Project:** Completed a collaborative report with the California Institute for Rural Studies that examined consumer attitudes about the USDA organic seal using focus group sessions in three metropolitan areas. The final research report, completed and posted on the AMS website in December 2005, showed varying perceptions of food with the USDA organic seal: 64.8% believe it is healthier, 70.2% feel it is safer, 45.9% feel it is more nutritious, and 74.3% believe it is better for the environment.

- Delivering the Goods: Lessons Learned From Direct Delivery of Kentucky Catfish: The program completed a draft version of a research report which analyzes transaction data from a 50-member catfish cooperative and examines the costs, advantages and challenges for smaller-scale producers in conducting direct deliveries of fish products to retail, restaurant, and institutional clients. Publication is scheduled for January 2007.

Postharvest and Marketing Technology:

- Supply Chain Management Informational Modules: Neared completion of a series of informational modules designed to help the small and medium-sized food producer and processor better understand the implications of supply chain management. The themes that are being addressed in the series of informational modules were chosen for their particular relevance to the small and medium-sized food producer and processor, including: changes in the retail/foodservice environment that have promoted recent adoption of supply chain management practices; food safety/security issues, practices and models; technological innovations that support the implementation of supply chain management practices; instruction on how to maintain product differentiation and product integrity in the food supply chain; and industry case studies that provide specific insights about how the above issues are being addressed in the marketplace.

Marketing Information and Education:

- National Small Farm Conference Sponsorship and Presentations: Supported a cooperative agreement with the Cooperative Extension Program, NC Agricultural and Technical State University, to host the 4th National Small Farms Conference in Greensboro, NC, in October 2005.
- The Oklahoma Black Historical Research Project, Inc.: Provided organizational support and co-sponsored the 6th Annual Small Farm Conference, held in Oklahoma City, OK, on November 18-19, 2005. It offered training for small and minority farmers, farm managers and other interested participants on production, family farming and other marketing issues affecting small and minority farmers.
- Website Improvements: Enhanced the "Farmers Market" and "Direct Marketing" web sites to include new links, publications and conference information. The National Farmers Market Directory was also updated to include approximately 4,000 markets.
- Sponsored and presented information about USDA/AMS marketing and technical assistance to various producer and industry constituencies, including small-scale, limited-resource, and minority farmers:
 - Farmers Market Coalition Food Policy Conference, Washington, D.C. October/November 2005;
 - Community Outreach Conference, Alabama A&M University, Normal, AL, November 2005
 - Northern Regional Successful Strategies for Farmers and Ranchers conference, Billings, MT, November 2005;
 - Ohio River Valley Farm Marketing Conference, Madison, IN, February 2006;
 - Reclaiming Our Local Food and Farms conference, Boise, ID, February 2006;
 - Forum for Rural Innovation: New Approaches for Agricultural and Rural Prosperity, Winchester, VA, March 2006;
 - Small Farm/Women in Business conference, Vicksburg, MS, March 2006, (farm to school marketing issues);
 - Southwest Marketing Network conference, Grand Junction, CO, March 2006;
 - USDA First Annual Civil Rights Conference, "Working Together Works," College Park, MD, June 2006; and
 - Value Added Agriculture Conference, Nashville, TN, June 2006.

PAYMENTS TO STATES AND POSSESSIONS

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

SALARIES AND EXPENSES

Estimate, 2007	\$ 1,334,000
Budget Estimate, 2008	1,334,000
Change in Appropriation	<u>-</u>

Project Statement
(On basis of appropriation)

	2006 <u>Actual</u>	2007 <u>Estimated</u>	Increase or <u>Decrease</u>	2008 <u>Estimated</u>
Payments for marketing services work under section 204(b) of the Agricultural Marketing Service Act of 1946	\$3,808,530	\$1,334,000	\$0	\$1,334,000
Specialty crop grants a/	1,793	6,928,207	-	-
Total obligations	<u>3,810,323</u>	<u>8,262,207</u>	<u>-</u>	<u>1,334,000</u>
Unobligated balance available, start of year	-	6,928,207		
Unobligated balance available, end of year	<u>6,928,207</u>	-		
Total available or estimate	10,738,530	1,334,000		
Rescission	108,470	-		
Total appropriation	<u>10,847,000</u>	<u>1,334,000</u>		

a/ No-year funding (\$7,000,000 less \$70,000 rescission) was provided in FY 2006 for a specialty crop grant program. Announcement and solicitation of grant applications was released on September 26, 2006, with applications being awarded through October 11, 2007.

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Geographic Breakdown of Obligations2006 Actual and Estimated 2007 and 2008

Distribution of obligations by State are not available until projects have been selected. Funds in 2006 total \$3,808,530 and a funding level of \$1,334,000 is proposed for 2007 and 2008.

	<u>2006</u>
Arkansas	\$51,455
California	138,920
Colorado	36,170
Florida	49,955
Georgia	99,270
Hawaii	28,500
Idaho	45,000
Kentucky	52,610
Maryland	42,500
Massachusetts	36,670
Michigan	41,245
Minnesota	85,600
Mississippi	50,425
Missouri	27,325
New Mexico	12,300
New York	50,365
North Dakota	45,000
Pennsylvania	50,000
South Dakota	92,680
Texas	65,740
Vermont	44,000
Virginia	45,710
Washington	53,600
West Virginia	43,000
Wisconsin	2,475,000
Wyoming	45,490
	<hr/>
Total, Available or Estimate	<u>\$3,808,530</u>

Note: No-year funding was provided in FY 2006 for a specialty crop grant program. Announcement and solicitation of grant applications was released on September 26, 2006, with applications being awarded through October 11, 2007. The funding above does not include administrative costs for the development of this program.

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAM

PAYMENTS TO STATES AND POSSESSIONS

Current Activities: The Federal-State Marketing Improvement Program (FSMIP) provides matching funds to State departments of agriculture and other State agencies for 25-30 projects per year. These funds have been used by States to conduct marketing studies or assist in addressing barriers, challenges and opportunities in the marketing, transportation, and distribution of U.S. food and agricultural products domestically and internationally.

On December 21, 2004, the Specialty Crops Competitiveness Act of 2004 authorized the USDA to provide State assistance for specialty crops. The USDA is directed to make grants to States for each of the FYs 2005 through 2009 to be used by State departments of agriculture to enhance the competitiveness of specialty crops. In FY 2006, \$7 million was appropriated to the USDA to support the Specialty Crop Block Grant Program (SCBGP). All 50 States, DC, and Puerto Rico are eligible to receive at least \$100,000 upon review and approval of their application. On September 26, 2006, AMS published a notice of funds availability in the Federal Register, inviting applications from the States for the SCBGP. Applications will be accepted from October 11, 2006 through October 11, 2007. AMS has provided a website address to assist the States at: <http://www.ams.usda.gov/fv/scbgp.html>.

Selected Examples of Recent Progress: For FY 2006, State agencies were encouraged again to submit FSMIP proposals that reflect a collaborative approach between the States, academia and the farm sector, and which have regional or National significance. Grant applications were received for 75 projects from 40 States and territories representing a total request for Federal funds of over \$4.2 million. The program was appropriated \$1.3 million for these projects. These funds were allocated among 27 projects from 25 States.

FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM
FISCAL YEAR 2006 GRANTS

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
Arkansas	To identify direct marketing opportunities for sheep and goat producers in western Arkansas and surrounding states and assist them to implement innovative marketing strategies to sell their livestock and livestock products.	\$51,455
California	To explore opportunities to increase air cargo shipments of high-value fresh U.S. produce in backhaul flights to Asia.	\$48,920
California	To develop the infrastructure to distribute good quality cull produce to food banks State-wide in order to improve the nutritional status of low income consumers and provide a new source of income for produce growers.	\$90,000
Colorado	To conduct research on consumer preferences, tourism infrastructure and promotional strategies needed to strengthen the region's agritourism sector.	\$36,170
Florida	To conduct consumer research and develop a marketing strategy to establish sub-tropical peaches as an alternative tree fruit crop in Florida.	\$49,955
Georgia	To explore possible changes to the current peanut grading system that will improve quality determination, lower costs, and increase efficiency.	\$99,270

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
Hawaii	To develop protocols for the production and marketing of certified organic seed from native Hawaiian fruit and vegetable varieties.	\$28,500
Idaho	To create a marketing program and develop educational materials for health professionals, food manufacturers, consumers and create a marketing program for barley foods based on health benefits officially recognized by the Food and Drug Administration in December 2005.	\$45,000
Kentucky	To explore the market for high-value farm-raised catfish, hybrid striped bass, and paddlefish smoked products.	\$52,610
Maryland	To conduct a feasibility study for an animal quarantine facility at Baltimore-Washington Airport to facilitate international shipments of livestock to and from the Mid-Atlantic region.	\$42,500
Massachusetts	To identify barriers to expanding local production and marketing of forest products and develop a strategic plan to address them.	\$36,670
Michigan	To increase the number and diversity of customers at farmers markets in the State, focusing on consumer groups that currently do not shop at farmers markets.	\$41,245
Minnesota	To examine the feasibility of establishing intermodal terminals on regional and short line railroads and quantify the potential costs and benefits to producers in Minnesota and surrounding States.	\$85,600
Mississippi	To identify the key quality characteristics of freshwater prawn to use in marketing the product to consumers and high-end restaurants in the central south region of the U.S.	\$50,425
Missouri	To assess the market for identity-preserved soybeans and soy ingredients in India, including potential volume and product form preferences, infrastructure and import requirements, and transportation costs.	\$27,325
New Mexico	To identify new opportunities for farmers in central and northern New Mexico to sell their products to institutions in the Santa Fe and Albuquerque metro areas.	\$12,300
New York	To survey suppliers of perishable products to the Mid-Atlantic and Northeast markets regarding logistical and economic opportunities and challenges and prepare case studies of successful local food marketing programs that distribute locally-grown fruits, vegetables, floriculture, dairy, and meat products.	\$50,365
North Dakota	To assess quality assurance programs for the North Dakota grain elevator supply chain and to develop and implement a quality control program.	\$45,000
Pennsylvania	To assess the feasibility of using the State's emergency assistance food program as an alternative outlet for fresh produce that is not sold through retail channels.	\$50,000

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
South Dakota	To conduct a comprehensive study of corn, wheat, and soybean production; marketing and transportation trends; and patterns in the State.	\$92,680
Texas	To survey producers to identify barriers faced in adopting organic production methods and organic certification and develop strategies to address these challenges.	\$19,740
Texas	To study and address issues of quality, marketing and handling to improve the efficiency and profitability of the specialty hides market.	\$46,000
Vermont	To assist Northeast farmers in developing fresh-cut fruit and vegetable snacks and conduct pilot projects to assess consumer and institutional acceptance of these new products.	\$44,000
Virginia	To analyze the market for organic dairy products, focusing on consumer demand and the organic milk marketing chain.	\$45,710
Washington	To prepare a technical guide for snack food manufacturers and conduct on-site technical seminars in selected Central American markets to inform processors and importers about the qualities of Northwest chipping and fresh tablestock potatoes.	\$53,600
West Virginia	To disseminate agritourism resources and training tools to new and existing agritourism operators, develop a State-wide agritourism network and prepare a unified, long-term marketing strategy to develop the State's agritourism sector.	\$43,000
Wyoming	To evaluate new and existing markets for mechanically extracted oilseed meal and crude glycerin derived from biodiesel production and formulate a strategy for seed crushing mills and biodiesel producers in Colorado and Wyoming to gain access to these markets.	\$45,490
Subtotal, Competitive Grants		\$1,333,530
Wisconsin	Expand markets for specialty products. <u>a/</u>	\$2,475,000
Total		\$3,808,530

a/ These funds were identified for a non-competitive matching fund grant to the Wisconsin Department of Agriculture, Trade and Consumer Protection.

AGRICULTURAL MARKETING SERVICE
PERISHABLE AGRICULTURAL COMMODITIES ACT FUND

Lead-Off Tabular Statement

Estimate, 2007	\$7,349,000
Budget Estimate, 2008	<u>7,349,000</u>
Change in Appropriation	<u> --</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>2007</u> <u>Estimated</u>	<u>Pay Costs</u>	<u>Program</u> <u>Changes</u>	<u>2008</u> <u>Estimated</u>
Total available	\$7,349,000	--	--	\$7,349,000

PERISHABLE AGRICULTURAL COMMODITIES ACT

Project Statement
(On basis of appropriation)

	<u>2006 Actual</u>		<u>2007 Estimated</u>		Increase or Decrease	<u>2008 Estimated</u>	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Licensing dealers and handling complaints	\$9,998,842	82	\$9,795,000	80	+ \$257,000	\$10,052,000	80
Unobligated balance available start of period	-20,984,774	--	-17,913,424	--	+ 2,446,000	-15,467,424	--
Unobligated balance available end of period	17,913,424	--	15,467,424	--	- 2,703,000	12,764,424	--
Total, available or estimate	<u>6,927,492</u>	<u>82</u>	<u>7,349,000</u>	<u>80</u>	<u> --</u>	<u>7,349,000</u>	<u>80</u>

PERISHABLE AGRICULTURAL COMMODITIES ACT

OBLIGATION LEVELS
(On basis of available funds)

Item	2006 Actual	2007 Estimated	2008 Estimated
Appropriation (from receipts)	\$6,927,492	\$7,349,000	\$7,349,000
Unobligated Balance available, start of period	20,984,774	17,913,424	15,467,424
Total available	27,912,266	25,262,424	22,816,424
Total obligations	-9,998,842	-9,795,000	-10,052,000
Unobligated balance available, end of period	17,913,424	15,467,424	12,764,424

AGRICULTURAL MARKETING SERVICE
Perishable Agricultural Commodities Act

Geographic Breakdown of Obligations and Staff Years
2006 Actual and Estimated 2007 and 2008

	<u>2006</u>		<u>2007</u>		<u>2008</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
Arizona.....	\$1,281,002	11	\$1,254,887	10	\$1,287,812	10
District of Columbia	6,150,794	50	6,025,401	49	6,183,496	49
Illinois.....	257,364	2	252,117	2	258,732	2
New Jersey.....	186,695	2	182,889	2	187,687	2
Texas.....	1,244,838	10	1,219,460	10	1,251,456	10
Virginia.....	878,149	7	860,246	7	882,817	7
Total, Available or Estimate.....	<u>\$9,998,842</u>	<u>82</u>	<u>\$9,795,000</u>	<u>80</u>	<u>\$10,052,000</u>	<u>80</u>

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAM

PERISHABLE AGRICULTURAL COMMODITIES ACT FUND

Current Activities: The Perishable Agricultural Commodities Act (PACA) and the Produce Agency Act are designed to: 1) protect producers, shippers, distributors, and retailers from loss due to unfair and fraudulent practices in the marketing of perishable agricultural commodities; and 2) prevent the unwarranted destruction or dumping of farm products.

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

Selected Examples of Recent Progress: In FY 2006, AMS was contacted by members of the trade for assistance in resolving 1,483 commercial disputes. Of these disputes, more than 92 percent were resolved informally involving approximately \$18.7 million. AMS resolved 92 percent of these disputes within four months. Decisions and orders were issued in 362 formal reparation cases involving award amounts totaling approximately \$6 million. During the same period, AMS initiated 21 disciplinary cases against firms for alleged violations of the PACA. AMS issued 26 disciplinary orders – either suspending or revoking the firms' PACA licenses or levying civil penalties in lieu of license suspension – against produce firms for violations of the PACA.

AGRICULTURAL MARKETING SERVICE

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

Limitation on Administrative Expenses

Not to exceed \$61,233,000 (from fees collected) shall be obligated during the current fiscal year for administrative expenses: *Provided*, That if crop size is understated and/or other uncontrollable events occur, the agency may exceed this limitation by up to 10 percent with notification to the Committees on Appropriations of both Houses of Congress.

Estimate, 2007.....	\$67,211,000
Budget Estimate, 2008	<u>61,233,000</u>
Decrease in Limitation	<u>- 5,978,000</u>

The decrease of \$5,978,000 in the limitation on administrative expenses reflects the net of the elimination of domestic tobacco grading requirements and increased operating costs for the remaining programs.

AGRICULTURAL MARKETING SERVICE

FUNDS FOR STRENGTHENING MARKETS, INCOME AND SUPPLY

SECTION 32

Funds available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), shall be used only for commodity program expenses as authorized therein, and other related operating expenses, including not less than \$20,000,000 for replacement of a system to support commodity purchases, except for: (1) transfers to the Department of Commerce as authorized by the Fish and Wildlife Act of August 8, 1956; (2) transfers otherwise provided in this Act; and (3) not more than \$16,798,000 for formulation and administration of marketing agreements and orders pursuant to the Agricultural Marketing Agreement Act of 1937 and the Agricultural Act of 1961.

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

Permanent Appropriation, 2007		\$7,029,269,059
Less transfers to:		
Department of Commerce to promote and develop fishery products and research pertaining to American fisheries		-82,817,059
Food and Nutrition Service, Child Nutrition Programs		-5,731,073,000
Total Transfers		-5,813,890,059
Adjusted Base for 2007		1,215,379,000
Budget Estimate, 2008:		
Annual permanent appropriation	\$7,572,010,000	
Rescission	-65,452,000	
Less transfers to:		
Department of Commerce	-83,000,000	
Food and Nutrition Service	-6,304,475,000	
Total transfers	-6,387,475,000	
Budget Estimate, Current Law 2008		1,119,083,000
Decrease from adjusted 2007		-96,296,000

SUMMARY OF INCREASES AND DECREASES OF OBLIGATION LEVELS

(On basis of appropriation)

Item of Change	2007 Estimated	Pay Costs	Program Changes	2008 Estimated
Child Nutrition Program Purchases	\$665,000,000	--	--	\$665,000,000
State Option Contract	5,000,000	--	--	5,000,000
Removal of Defective Commodities	1,000,000	--	--	1,000,000
Direct Payments	100,000,000	--	-\$100,000,000	--
Emergency Surplus Removal	38,214,820	--	-38,214,820	--
Estimated Future Needs a/	214,970,303	--	+184,458,697	399,429,000
Commodity Purchase Service	21,529,000	+\$227,000	+10,100,000	31,856,000
Marketing Agreements and Orders	16,425,000	+373,000	--	16,798,000
Total Available	1,062,139,123	+600,000	-56,343,877	1,119,083,000

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

AGRICULTURAL MARKETING SERVICE

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

Project Statement
(On basis of appropriation)

	<u>2006 Actual</u>		<u>2007 Estimated</u>		Increase or Decrease	<u>2008 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
1. Commodity Purchases							
a. Child Nutrition Program Purchases	\$549,792,156	--	\$665,000,000	--	--	\$665,000,000	--
b. Emergency Surplus Removal	81,010,295	--	38,214,820	--	-\$38,214,820	--	--
c. Estimated Future Needs	--	--	214,970,303	--	+184,458,697	399,429,000	--
Subtotal	<u>630,802,451</u>	--	<u>918,185,123</u>	--	<u>+146,243,877</u>	<u>1,064,429,000</u>	--
2. State Option Contract	--	--	5,000,000	--	--	5,000,000	--
3. Removal of Defective Commodities	--	--	1,000,000	--	--	1,000,000	--
4. Disaster Relief	1,900,880	--	--	--	--	--	--
5. Direct Payments	700,000,000	--	100,000,000	--	-100,000,000	--	--
6. Reductions in Prior Year Obligations	-60,039,191	--	--	--	--	--	--
7. Administrative Funds							
a. Commodity Purchase Services	28,865,511	26	21,529,000	26	+10,327,000	31,856,000	26
b. Marketing Agreements and Orders	15,141,091	85	16,425,000	85	+373,000	16,798,000	85
Subtotal	<u>44,006,602</u>	<u>111</u>	<u>37,954,000</u>	<u>111</u>	<u>+10,700,000 (1)</u>	<u>48,654,000</u>	<u>111</u>
Total obligations	1,316,670,742	111	1,062,139,123	111	+56,943,877	1,119,083,000	111
Unobligated balance available, start of year	-286,159,865	--	-146,760,123	--	-153,239,877	-300,000,000	--
Unobligated balance available, end of year	<u>146,760,123</u>	--	<u>300,000,000</u>	--	--	<u>300,000,000</u>	--
Total, Available or Estimate	<u>1,177,271,000</u>	<u>111</u>	<u>1,215,379,000</u>	<u>111</u>	<u>-96,296,000</u>	<u>1,119,083,000</u>	<u>111</u>
Transfer from Commodity Credit Corporation	--	--					
Rescission	<u>37,601,000</u>	--					
Total, Appropriation	<u>1,214,872,000</u>	--					

OBLIGATION LEVELS
(On basis of appropriation)

	2006 Actual	2007 Estimated	2008 Estimated
Permanent Appropriation	\$6,481,777,400	\$7,029,269,059	\$7,572,010,000
Rescission	-37,601,000	--	-65,452,000
Unobligated balance available, start of year	286,159,865	146,760,123	300,000,000
Total available	6,730,336,265	7,176,029,182	7,806,558,000
Less transfers to:			
Food and Nutrition Service, Child Nutrition Programs ...	-5,187,621,000	-5,731,073,000	-6,304,475,000
Department of Commerce	-79,284,400	-82,817,059	-83,000,000
Total Transfers	-5,266,905,400	-5,813,890,059	-6,387,475,000
Total available after transfers	1,463,430,865	1,362,139,123	1,419,083,000
Less total obligations	-1,316,670,742	-1,062,139,123	-1,119,083,000
Unobligated balance available, end of year	146,760,123	300,000,000	300,000,000

Justifications for Increases and Decreases

- (1) An increase of \$10,700,000 in Section 32 Administrative funding for Commodity Purchase Services (\$37,954,000 available in 2007) consisting of:

The requested funding increase is required to maintain current levels of services needed to stabilize market conditions through the purchase of surplus non-price supported commodities and through Federal oversight of industry-run marketing order programs.

- (a) An increase of \$10,100,000 Section 32 Administrative funding for Commodity Purchase Services to continue implementation of a modern Web-Based Supply Chain Management (WBSCM) system (\$9,900,000 available in 2007).

AMS, representing the combined interests of USDA food purchasing and distribution agencies, requested in FY 2006 \$100 million for a multi-year effort to implement an enhanced replacement of the Processed Commodity Inventory Management System (PCIMS). Funding has been provided from Commodity Purchase resources in FY 2006 at \$20 million and is included in the FY 2007 House and Senate report language at approximately \$10 million.

The PCIMS is a mission critical system that supports USDA's tri-agency commodity purchase operations as well as Foreign Agricultural Service, U.S. Agency for International Development, and the Maritime Administration. PCIMS was developed in the 1980's and its architecture is antiquated making maintenance and modifications difficult, time consuming, and expensive. PCIMS is to be replaced by the Web-Based Supply Chain Management System (WBSCM) which was approved by OMB and chosen as one of the Department's 12 Smart Choice initiatives.

For FY 2008, AMS request an additional \$10 million of funding for the continued development of the WBSCM System from Commodity Purchase funds. It will align funding with the approved business plan, and ensure timely and efficient implementation as well as administrative support for project management.

The WBSCM system supports the President's PMA initiative for the expansion of e-Gov initiatives, and upon implementation, will improve program delivery, strengthen controls and reporting, and enhance customer service. The new system will reduce processing time and provide more information for users and customers. USDA is working in conjunction with GSA on this procurement and is in the process of conducting individual requirements meetings with prospective vendors. Contract award was made in October 2006.

- (b) An increase of \$600,000 for FY 2007 and FY 2008 pay costs.

AGRICULTURAL MARKETING SERVICE
Section 32 Administrative Funds

Geographic Breakdown of Obligations and Staff Years
2006 Actual and Estimated 2007 and 2008

	2006		2007		2008	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
California.....	\$800,406	2	\$690,319	2	\$884,934	2
District of Columbia.....	41,919,546	105	36,153,994	105	46,346,536	105
Florida.....	434,688	1	374,902	1	480,594	1
Oregon.....	667,064	2	575,317	2	737,511	2
Texas.....	184,898	1	159,468	1	204,425	1
Total, Available or Estimate.....	\$44,006,602	111	\$37,954,000	111	\$48,654,000	111

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAM

SECTION 32

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

AMS was authorized funding for FY 2006 to begin development of a new Web-Based Supply Chain Management (WBSCM) System that will replace USDA's aging Processed Commodity Inventory Management System (PCIMS) procurement system. On October 30, 2006, AMS awarded a contract to SRA International, Inc., for development and implementation of the WBSCM. AMS, FSA, and FNS will work collaboratively over the next several years on system development and conversion.

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

Selected Examples of Recent Progress:Commodity Purchases:

In FY 2006, AMS purchased \$580.8 million worth of non-price supported commodities with Section 32 funds. As authorized by the Farm Bill, another \$50 million was made available to Department of Defense from Section 32 funds for fresh fruit and vegetable purchases for the National School Lunch Program. Purchased commodities were used to fulfill the National School Lunch Program's commodity subsidy entitlement of 17.5 cents per meal and for emergency surplus removal. Under agreement, AMS also used funds appropriated to FNS for entitlement programs to purchase an additional \$315.7 million of commodities. In total, AMS purchased about 1.1 billion pounds of commodities distributed by FNS through its nutrition programs.

Surplus removal (or bonus buy) commodities are donated to schools and other institutions in addition to entitlements. The following chart shows that producers of several commodity products received assistance through bonus purchases in FY 2006:

Contingency Fund Expenditures FY 2006 (Thousands of Dollars)	
<u>Product</u>	<u>Funds</u>
Asparagus	\$ 1,565
Cherries	15,360
Chicken Leg Quarters	16,296
Cranberries	7,243
Dry Beans	8,998
Dried Figs	6,876
Grape Juice	8,587
Lamb	195
Pineapple	1,894
Salmon	2,232
Sweet Potatoes	11,764
Total	\$81,010

PART Assessments

The Commodity Purchase Services (CPS) Program was reassessed for the FY 2008 budget and the overall program rating was "Results Not Demonstrated." AMS administers this program, which is funded from a percentage of customs duties collected. It was created to stabilize the market for agricultural commodities by encouraging domestic consumption of commodities and to reestablish purchasing power through payments to farmers. The reassessment concluded that the Section 32 statute authorizes three types of activities, but the Department lacks a rationale in support of its use of these authorities. Evidence is lacking of a design or methodology for determining diversion, normal channels of trade or commerce, or normal production for domestic consumption as required by the statute. With respect to commodity purchases to address overproduction, there is an economic analysis for each surplus commodity purchase, but the analysis does not do so in the context of long-term planning that would reduce the need for consistently high levels of purchases.

As a result of this review, AMS is: 1) developing additional long-term and annual measures, including baselines and targets that will demonstrate progress towards performance goals; 2) correcting management deficiencies identified through audit reviews; and 3) developing basic uniform criteria for commodity diversion and surplus commodity purchase decisions.

Food Quality Assurance Program:

During FY 2006, AMS further developed the USDA Food & Commodity Connection Web site by revising, coordinating, and approving 28 Commercial Item Descriptions (CIDs) and 18 military unique food specifications. The site is tailored for food manufacturers, schools, and other institutional food purchasers as a convenient source of information on a variety of USDA purchased commodities and commercial food products. These documents are principally used by school foodservice, military, and other institutional food purchasers.

Marketing Agreements and Orders Program:

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

Dairy:

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

During FY 2006:

- Approximately 121 billion pounds of milk valued at \$16.2 billion were delivered to handlers regulated under 10 orders. Production represented an estimated 68 percent of Grade A milk produced in the U.S.
- AMS amended the Pacific Northwest and Arizona-Las Vegas Federal MMOs to regulate producer-handlers with more than 3 million pounds of Class I route sales per month.
- AMS recommended the establishment of re-pooling provisions in the Central, Upper Midwest, and Mideast Federal MMOs to address the "de-pooling" of milk.
- AMS held a hearing on the Appalachian and Southeast Federal MMOs to amend the current inter-market transportation credit provisions and establish an intra-market transportation credit.
- AMS recommended changes to the inter-market transportation credit provisions of the Appalachian and Southeast Federal MMOs.
- AMS recommended changes to the Class I Fluid Milk Product definition in all 10 Federal MMOs.
- AMS implemented the provisions of the Milk Regulatory Equity Act of 2005 in all 10 Federal MMOs.
- AMS held a national hearing to amend the Class III and Class IV product price formula manufacturing allowances applicable in all 10 Federal MMOs.

Fruits and Vegetables:

Enforcement: USDA is responsible for marketing order enforcement. Industry administrative committees are charged with initial investigations and report complaints of possible violations to AMS. In FY 2006, the committees referred 13 cases to AMS for enforcement action. AMS forwarded 14 cases to the Office of General Counsel, closed 32 cases, and collected \$27,504 under stipulation agreements. AMS approved 32 marketing order compliance plans and conducted four compliance program and 10 internal control reviews.

Under the Avocado Variety Enforcement Program, USDA issued six warnings in FY 2006 to importers whose avocados were found to be mislabeled based on test results. The program was developed in FY 2004 in response to continuing complaints from Florida avocado producers that imported avocados are often mislabeled as to variety in order to meet quality requirements imposed under Section 8e of the Agricultural Marketing Agreement Act of 1937. Avocados are scrutinized at inspection and lots suspected of being mislabeled for variety undergo DNA testing.

In April 2004, the USDA filed a civil complaint against Marvin Horne, Raisin Valley Farms, et al. for allegedly failing to: pay assessments under the California raisin marketing order, hold reserves, obtain incoming inspections and allow access to records, despite being subpoenaed. A subsequent hearing was held on May 23, 2006. The issues to be determined were: 1) whether respondents qualify as "handlers" under the marketing order; 2) whether growers who delivered raisins to respondents and/or utilized respondents' facilities qualify as individual "handlers" under the marketing order; and 3) if respondents are found to be "handlers", then the extent of their liability. On December 8, 2006, a USDA Administrative Law Judge (ALJ) ordered Horne to pay \$731,500 in civil penalties, \$9,390 in past assessments, and \$523,037 for the dollar equivalent of the raisins that were not held in reserve. In the decision, the ALJ concluded that Horne and other defendants were "handlers" under the marketing order and subject to its requirements. The decision becomes effective in 35 days, unless Horne appeals the decision to USDA's Judicial Officer.

Special Peach Program: USDA has completed the payment process for all 166 growers who participated in a voluntary program that offered a \$100-per ton payment to growers who removed a portion of their clingstone peach trees from production. USDA and the California Canning Peach Association (CCPA) administered the program. Of the total \$7 million in USDA and industry funds available for the program, payments to the growers totaled \$5.3 million (AMS - \$3.8 million and CCPA - \$1.6 million). In total, growers removed 3,874 acres by the June 1, 2006 deadline. The program is expected to bring the domestic canned peach supply more in line with the market and provide relief to growers faced with excess acreage and supply, and low prices.

Promulgations and New Program Requests: In September 2006, USDA received a request to promulgate a new marketing order for California clementines that would authorize minimum quality and maturity requirements, inspection and certification, production and marketing research, and marketing promotion including paid advertising.

Amendments:

- **California Nectarines and Peaches:** In July 2006, AMS amended marketing orders for California peaches and nectarines to update definitions and districts in both orders, increase the size of the Nectarine Administrative Committee and make other changes to the committees, and authorize interest and late payment charges.
- **California Walnuts:** In May 2006, USDA held a public hearing on proposed amendments to the California walnut marketing order. The amendments would make a number of administrative changes with respect to the Board's operation. Among these changes is a proposal to rename the Board, add authority for marketing promotion and paid advertising, and broaden the scope of the quality control provisions. USDA also proposed additional amendments that would limit Board tenure and require periodic continuance referenda. USDA is reviewing the hearing record.
- **Florida Avocados:** In August 2006, USDA held a public hearing on proposed amendments to the Florida avocado marketing order that would authorize the Florida Avocado Administrative Committee to borrow funds, revise administrative procedures, and accept voluntary contributions. USDA is reviewing the hearing record.

- Texas Onions: In June 2006, USDA held a public hearing on proposals to amend the marketing order for onions grown in South Texas that would add authority to establish supplemental assessment rates on specified containers of onions, authorize interest and late payment charges on assessments not paid within a prescribed time period, authorize marketing promotion and paid advertising, and authorize container marking requirements of onions prior to shipment. In addition, USDA proposed to establish term limits for South Texas Onion Committee membership and periodic continuance referenda. USDA is reviewing the hearing record.

Marketing Order Terminations: In January 2006, USDA terminated the marketing order for fresh Bartlett pears grown in Oregon and Washington because it determined that continuation of that order was no longer necessary. Marketing Order Number 927 for winter pears was amended in May 2005 by combining the two fresh pear marketing orders under a single program. In June 2006, USDA terminated the Federal marketing order for melons grown in South Texas due to the declining condition of the industry.

Administrative Adjudication: In August 2001, Gerawan Farming, Inc., a handler under the Federal marketing orders for California nectarines and peaches, filed a 15(A) petition with USDA. The petition seeks the termination of the marketing orders' advertising, promotion "and other speech related" activities, maintaining that they are unconstitutional in light of the Supreme Court's *United States v. United Foods, Inc.* decision on June 25, 2001. Gerawan also seeks to be excluded from all future marketing assessments for such activities. Hearings on the petition were held in February and September 2003, the petitioner and USDA filed a series of briefs. This proceeding has been consolidated with a September 2002 administrative complaint filed by USDA against Gerawan Farming, Inc., alleging that Gerawan violated the Federal marketing orders for California nectarines and peaches when it failed to pay more than \$240,000 in assessments under the two programs for the 2001 crop year. A hearing on the complaint was held in September 2003 and in June 2006; the Administrative Law Judge issued a decision and ruled in Gerawan's favor. In September 2006, USDA appealed the decision with USDA's Judicial Officer who is now reviewing the hearing record.

AGRICULTURAL MARKETING SERVICE

Summary of Budget and Performance
Statement of Goals and Objectives

The mission of the agency is to facilitate the strategic marketing of agricultural products in domestic and international markets, while ensuring fair trading practices and promoting a competitive and efficient marketplace, to the benefit of producers, traders, and consumers of U.S. food and fiber products. This mission is carried out through a wide range of programs. AMS programs promote a strategic marketing perspective that adapts product and marketing decisions to consumer demands, changing domestic and international marketing practices, and new technology.

AMS has two strategic goals and sixteen strategic objectives that all contribute to one of the Department's Strategic Goals and one of the Department's Strategic Objectives.

USDA Strategic Goal/Objective	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<p>USDA Goal 2: Enhance the competitiveness and sustainability of rural and farm economies.</p> <p>USDA Strategic Objective 2.2: Increase the efficiency of domestic agricultural production and marketing systems.</p>	<p>Agency Goal 1: Facilitate the strategic marketing of U.S. agricultural products in domestic and international markets.</p>	<p><u>Objective 1.1:</u> Collect, analyze, and disseminate time-sensitive agricultural market information to sellers and buyers at the local, regional, national, and international levels.</p> <p><u>Objective 1.2:</u> Develop and maintain a common language of trade to describe economically important attributes of agricultural products.</p> <p><u>Objective 1.3:</u> Provide Government agencies with pesticide residue occurrence data for tested commodities that represent national consumption.</p> <p><u>Objective 1.4:</u> a/</p> <p><u>Objective 1.5:</u> b/</p> <p><u>Objective 1.6:</u> Develop and maintain national organic standards and conduct a certification program for organically produced products to assure buyers of uniform quality.</p>	<p>Market News</p> <p>Standardization</p> <p>Pesticide Data Program</p> <p>Organic Standards Program</p>	<p><u>Key Outcome 1:</u> Efficient and competitive markets in which producers are able to respond to consumers' preferences for agricultural and food products.</p>

a/ NOTE: Microbiological Data Program termination proposed FY08.

b/ NOTE: Biotechnology Program terminated FY06.

USDA Strategic Goal/Objective	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
		<p><u>Objective 1.7:</u> Enhance intelligence on the status of the food supply transportation system; analyze and address problems in the distribution and transportation of agricultural products in commerce, for rural producers, ancillary agribusinesses, and exporters.</p> <p><u>Objective 1.8:</u> Conduct analyses and provide technical market facility assistance for the benefit of farmers and consumers.</p> <p><u>Objective 1.9:</u> Improve the domestic and international marketing of commodities through cooperatively funded projects proposed by the States.</p> <p><u>Objective 1.10:</u> Provide on-demand user fee-funded grading services to segregate commodities based on its economically important attributes, to increase returns to producers of quality products, and to evaluate and confirm process conformance to established system requirements recognized by USDA.</p> <p><u>Objective 1.11:</u> Purchase perishable non-price supported commodities to remove marketplace surpluses to stabilize prices, and to meet domestic nutrition assistance program needs.</p>	<p>Transportation Services</p> <p>Wholesale, Farmers, & Alternative Market Develop.</p> <p>Payments to States and Possessions</p> <p>Agricultural Commodity Grading Services</p> <p>Commodity Purchase Services</p>	

USDA Strategic Goal/Objective	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<p>USDA Goal 2: Enhance the competitiveness and sustainability of rural and farm economies.</p> <p>USDA Strategic Objective 2.2: Increase the efficiency of domestic agricultural production and marketing systems.</p>	<p>Agency Goal 2: Ensure fair and competitive agricultural marketing through marketing tools and regulations.</p>	<p><u>Objective 2.1:</u> Facilitate the marketing of consumer grade eggs by ensuring that restricted eggs are not sold in retail commerce.</p> <p><u>Objective 2.2:</u> Ensure that all seed shipped in interstate commerce, and US seed shipped in international commerce is accurately labeled as to purity, germination, and variety to avoid producer crop losses.</p> <p><u>Objective 2.3:</u> Administer a recordkeeping program to ensure that records are maintained by private certified applicators (farmers) of federally restricted use pesticides.</p> <p><u>Objective 2.4:</u> Ensure fair trading practices in the marketing of perishable agricultural commodities.</p> <p><u>Objective 2.5:</u> Provide Federal oversight of industry initiated programs to ensure orderly, efficient, and effective marketing conditions for milk, fruits and vegetables, and nuts.</p> <p><u>Objective 2.6:</u> Provide Federal oversight of industry-initiated programs that provide an orderly means for collectively developing, financing, and carrying out generic promotion, research, and education activities to increase demand for agricultural commodities in the marketplace.</p> <p><u>Objective 2.7:</u> Conduct an audit-based surveillance program to verify retailer compliance with the Act so that the public receives credible and accurate information on the country of origin of the covered commodities they purchase.</p>	<p>Shell Egg Surveillance</p> <p>Federal Seed</p> <p>Pesticide Recordkeeping</p> <p>Perishable Agricultural Commodities Act/ PACA Marketing Agreements and Orders</p> <p>Research and Promotion Programs</p> <p>Country of Origin Labeling</p>	<p><u>Key Outcome 2:</u> Fair and competitive marketing of agricultural products.</p>

AGRICULTURAL MARKETING SERVICE
Summary of Budget and Performance

USDA Strategic Objective 2.2 - Increase the efficiency of domestic agricultural production and marketing systems.

Strategic Objective and Funding Matrix
(On basis of available funds)

	2006 PY		2007 CY		Increase/Decrease	2008 BY	
	Actual	Staff Years	Budget	Staff Years		Estimated	Staff Years
	Amount		Amount			Amount	
Marketing Services:							
Market News	\$30,758,840	252	\$30,879,000	252	\$4,175,000	\$35,054,000	256
Shell Egg Surveillance	2,613,979	15	2,628,000	15	100,000	2,728,000	15
Standardization	4,551,608	59	4,833,000	59	197,000	5,030,000	59
Federal Seed Act	2,455,946	22	2,391,000	22	496,000	2,887,000	29
Country of Origin Labeling	942,712	5	1,047,000	5	23,000	1,070,000	5
Pesticide Data	15,161,210	19	15,245,000	19	104,000	15,349,000	19
Microbiological Data	5,911,182	13	6,200,000	13	-6,200,000	0	0
Organic Standards	2,041,915	13	1,993,000	13	1,187,000	3,180,000	19
Pesticide Recordkeeping	2,895,862	12	2,915,000	12	49,000	2,964,000	12
Transportation	2,649,088	19	2,740,000	19	124,000	2,864,000	19
Wholesale, Farmers & Alternative Market Development	3,679,398	21	3,751,000	21	111,000	3,862,000	21
Total, Marketing Services	\$73,661,740	450	\$74,622,000	450	\$366,000	\$74,988,000	454
Payments to States and Possessions:							
Federal-State Marketing Improvement Program (FSMIP)	3,808,530	0	1,334,000	0	0	1,334,000	0
Specialty Crop Grants a/	1,793	0	6,928,207	0	0	0	0
a/ No-year funding was provided in FY 2006 for a specialty crop grant program. Announcement and solicitation of grant applications was released on September 26, 2006, with applications being awarded through October 11, 2007.							
Total, Marketing Services and Payments to States & Possessions, Current Legislation	\$77,472,063	450	\$82,884,207	450	-\$6,562,207	\$76,322,000	454
Section 32 (Permanent Appropriations):							
Administrative Funds:							
Commodity Purchase Services	\$9,017,229	26	\$11,629,000	26	\$227,000	\$11,856,000	26
Web-based Supply Chain Management System	19,848,282	0	9,900,000	0	10,100,000	20,000,000	0
Marketing Agreements & Orders	15,141,091	85	16,425,000	85	373,000	16,798,000	85
Subtotal, Section 32 Administrative Funds	44,006,602	111	37,954,000	111	10,700,000	48,654,000	111
Section 32 Program Funds	1,272,664,140	0	1,024,185,123	0	46,243,877	1,070,429,000	0
Total, Section 32, Current Legislation	\$1,316,670,742	111	\$1,062,139,123	111	\$6,943,877	\$1,119,083,000	111

	<u>2006 PY</u> <u>Actual</u>		<u>2007 CY</u> <u>Budget</u>		<u>Increase/Decrease</u>	<u>2008 BY</u> <u>Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
<u>Perishable Agricultural Commodities Act (Special Trust Fund):</u>							
PACA	\$9,998,842	82	\$9,795,000	80	\$257,000	\$10,052,000	80
<u>User Funded and Reimbursed:</u>							
Commodity Grading & Other Trust Fund (Fee) Programs	140,156,971	1,527	125,668,000	1,602	3,334,000	129,002,000	1,602
Reimbursements and User Fee Programs	58,395,960	605	71,266,000	603	-5,978,000	65,288,000	594
Total, Trust, User Fee & Reimbursed Programs	208,551,773	2,214	206,729,000	2,285	-2,387,000	204,342,000	2,276
TOTAL Available, AMS	\$1,602,694,578	2,775	\$1,351,752,330	2,846	\$47,994,670	\$1,399,747,000	2,841

Note: Staff year totals do not include Milk Market Administrator (Schedule A) employees.

Selected Accomplishments Expected at the FY 2008 Proposed Resource Level:

During FY 2006, AMS reviewed its Marketing Services and Commodity Purchase programs and is proposing program improvements for FY 2008 that build on AMS' program strengths and experience in providing cooperative, marketing-based services to U.S. agriculture in support of USDA's objective of increasing the efficiency of domestic agricultural marketing systems. AMS proposes to improve program performance and strengthen agency services to agricultural producers, sellers, and consumers by:

- Improving access to Market News data for the agricultural community via the program's web portal by including additional commodities. The portal will be expanded to incorporate the other commodities reported by AMS and to fully exploit the system's potential for customer-designed queries of the database, tailoring reports according to the user's specific interests, and providing additional special features that will assist the agricultural industry to make production, sales, and purchase decisions.
- Continuing to develop the new tri-agency (AMS, FNS, FSA) Web-Based Supply Chain Management System to more efficiently manage the purchasing and tracking of food commodities. Continued investment will allow progress toward implementation of the WBSCM computer system to manage purchased commodities. The new system will replace and enhance the services provided by PCIMS to reduce processing time (business cycle), and provide more information for users and customers.
- Increasing enforcement of the Federal Seed Act on interstate seed shipments, developing pure reference samples, and providing training to State seed inspectors to reduce potential financial losses that result from mislabeled seed. The proposed level will enable the program to reach its goal to reduce seed mislabeling in states without active programs by 5% each year until reaching a minimum 95% compliance rate.
- Improving customer service and meeting upcoming National Organic Program requirements for this rapidly expanding agricultural segment--including compliance efforts, developing new standards, enforcement and auditing activities. At the proposed level, the program expects to:
 - Complete 100 percent of accredited certifier reviews
 - Act on NOSB recommendations within one year, including National List materials
 - Close 150 non-compliance investigations within one year
 - Complete of 20 scientific reviews within one year

Means and Strategies:

- AMS requests \$2.811 million and 4 staff years to greatly increase the usefulness of the Market News data reported by expanding the newly established Market News web portal to full service capability. The requested funds will be used for technical support, to complete expansion and further developments, and for Market News specialists to maintain and update the information contained on the portal. Currently, the Market News Portal provides electronic access to reports and data for fruit, vegetable, livestock, and grain market data, and has been very well received by the public. AMS plans to add cotton, dairy, and poultry products information. This proposal will provide the resources needed to allow access to all current and historical Market News data so that users can directly query the database to develop downloadable, customized reports, and for ongoing technical support and management so that the system continues to meet the needs of the public.
- To improve commodity purchase activities, AMS, representing the combined interests of USDA food purchasing and distribution agencies, requests \$20 million to continue development of the USDA Web-Based Supply Chain Management System (WBSCM). This is a multi-year effort to implement an enhanced replacement system for managing commodity purchases. Funding was provided from Section 32 resources in FY 2006 at \$20 million. For FY 2007, \$9.9 million is budgeted for ongoing development of the system. For FY 2008, AMS requests funding at the increased level of \$20 million to implement the system as quickly and efficiently as possible and to provide administrative support for project management. The resources requested by AMS are used to develop and implement WBSCM on behalf of AMS, the Food and Nutrition Service and the Farm Service Agency through contracted expertise under the guidance of representatives from AMS and the other USDA food purchasing agencies. The WBSCM system supports e-Gov initiatives, and on implementation, will strengthen controls and reporting, and improve customer service.
- The proposed improvements to the Federal Seed Program require additional funding of \$432 thousand and seven staff years to develop a training program that will facilitate a reduction in seed mislabeling and strengthen Federal Seed Act enforcement by providing instruction on sampling techniques and procedures. Additional resources are also needed to increase Federal monitoring and enforcement of the Act in States where the most seed is shipped under the Act.
- AMS is requesting \$1.1 million in additional funding and six associated staff years for the National Organic Program to develop and implement technical standards for producers who are not covered by the current National Organic Program (NOP) regulations and to revise current standards in compliance with court orders. To ensure reliably uniform regulatory decisions by all of its organic certifying agents, program resources are also required to address a critical, time-sensitive need to develop standardized procedures for compliance and enforcement actions, provide increased compliance oversight of certifying agents, particularly foreign-based agents, to conduct certifying agent training, and to establish a statutorily required external audit process. This request will also enable the program to fund independent scientific reviews of approximately one-third of the 174 substances on the National List on which the authority for use is due to expire (sunset) on October 21, 2007. Materials identified on the program's "National List" are exempted and prohibited substances that may or may not be used in organic production and handling in accordance with the Organic Foods Production Act (OFPA).
- To maintain performance in all ongoing programs at the FY 2007 level, AMS requests funding increases for pay costs.

In addition, the Microbiological Data Program (MDP) is proposed for termination. The program was initiated in 2001 to collect data regarding the prevalence of food-borne pathogens on domestic and imported fruits and vegetables. The PART review of the MDP program was revised during the 2007 budget process and indicated it is difficult to determine to what extent the data is used to support risk assessments. Furthermore, consistent with a Congressional directive, sample origin data is not collected. This limits the use of the data in epidemiological investigations aimed at determining the source of outbreaks of foodborne illness. In response to these findings, the program is proposed for termination in FY 2008. To terminate the program, AMS will reduce Federal program staff; halt sample collection, testing, and data analysis; and end agreements with cooperating state agencies. Termination of MDP activities will result in a savings of \$6.2 million in FY 2008.

AGRICULTURAL MARKETING SERVICE

Summary of Budget and Performance
Key Performance Outcomes and Measures

Goal 1: Facilitate the strategic marketing of U.S. agricultural products in domestic and international markets.

Key Outcome 1: Efficient and competitive markets in which producers are able to respond to consumers' preferences for agricultural and food products.

AMS enhances market efficiency by providing current market information on U.S. and international agricultural markets and by developing and maintaining a common, nationally and internationally-recognized language of trade. These activities reduce costs passed on to consumers and level the playing field between buyers and sellers, allowing farmers to improve their profitability. AMS' collection of scientifically-based data on pesticide levels in foods and drinking water benefits consumers, food processors, and crop protection needs of farmers by helping to maintain product quality and an affordable food supply, as required by the Food Quality Protection Act. AMS helps producers to receive payment commensurate with product quality and provides buyers with independent verification on purchases by offering the grading and certification services needed for sales negotiations and contract verification. AMS monitors and reports the availability and cost of transportation and helps to improve market outlets and marketing practices to facilitate products reaching the market; to improve the availability of foods to the consumer; and to increase the returns to producers. To stabilize prices during times of market surpluses, AMS removes perishable non-price supported surplus commodities from the marketplace.

Goal 2: Ensure fair and competitive agricultural marketing through marketing tools and regulations.

Key Outcome 2: Fair and competitive marketing of agricultural products.

AMS ensures fair and competitive marketing through marketing tools and regulations governing fruits and vegetables, seed, shell eggs, and pesticide records. AMS protects the health of consumers and the financial well-being of egg producers by monitoring the handling of restricted eggs to keep them out of retail commerce. AMS reduces the potential for financial loss to growers resulting from planting mislabeled seed. The agency educates farmers who are privately certified applicators of Federally-restricted pesticides on recordkeeping requirements to protect their health, as well as the health of their employees, neighbors, and customers. AMS protects the financial interests of buyers and sellers of perishable commodities. The agency ensures that industry self-help programs are meeting their regulatory requirements while pursuing marketing benefits.

Key Performance Targets

PERFORMANCE MEASURES	2003 ACTUAL	2004 ACTUAL	2005 ACTUAL	2006 ACTUAL	2007 TARGET	2008 TARGET
Farmer's Market Annual Sales (\$billions)	n/a	\$0.9	\$1.0	\$1.06	\$1.14	\$1.22
Wholesale, Farmers, and Alternative Market Development Program (\$000)	\$2,654	\$2,724	\$2,726	\$3,679	\$3,751	\$3,862

PERFORMANCE MEASURES	2003 ACTUAL	2004 ACTUAL	2005 ACTUAL	2006 ACTUAL	2007 TARGET	2008 TARGET
Percentage of regulated entities found to be in compliance with applicable Federal statutes or program regulations with no enforcement action required	91%	90%	80%	90%	90%	91%
Shell Egg Surveillance (000)	\$2,567	\$2,610	\$2,534	\$2,614	\$2,628	\$2,728
Federal Seed (000)	\$2,286	\$2,249	\$2,311	\$2,456	\$2,391	\$2,887
National Organic Program (000)	\$1,524	\$2,139	\$2,112	\$2,042	\$1,993	\$3,180
Pesticide Recordkeeping (000)	\$2,776	\$2,522	\$2,544	\$2,896	\$2,915	\$2,964
Percentage of commodities purchased under surplus removal authority for three out of five successive years.	36%	39%	25%	18%	38%	37%
Surplus Removal Funds (and Estimated Future Needs (000))	\$222,090	\$226,475	\$149,496	\$81,010	\$303,185	\$399,429
Total Section 32 Funds (000)	\$1,285,528	\$874,281	\$870,425	\$1,316,671	\$1,062,139	\$1,119,083
Number of months to resolve formal complaints in commercial disputes.	8.5	7	6.1	8	6.5	6
PACA (000)	\$10,005	\$9,678	\$9,736	\$9,999	\$9,795	\$10,052
Number of EPA tolerances covered by Pesticide Data Program data	1,010	1,100	1,100	1,200	1,100	1,100
Pesticide Data Program (000)	\$15,707	\$14,735	\$14,562	\$15,161	\$15,245	\$15,349

NOTE: There is not a requirement to account for all agency dollars on this table. Only the dollars that relate to key performance measures will be displayed.

AGRICULTURAL MARKETING SERVICE				
Summary of Budget and Performance Full Cost by Strategic Goal				
USDA Strategic Objective 2.2: Increase the efficiency of domestic agricultural production and marketing systems.				
PROGRAM	PROGRAM ITEMS	2006 AMOUNT (\$000)	2007 AMOUNT (\$000)	2008 AMOUNT (\$000)
Marketing Services Program				
	Collecting, analyzing, and disseminating time sensitive agricultural Market News information.	\$28,413,075	\$28,633,000	\$32,504,000
	Indirect Costs	<u>2,345,765</u>	<u>2,246,000</u>	<u>2,550,000</u>
	Total Costs	\$30,758,840	\$30,879,000	\$35,054,000
	FTEs	252	252	256
	<u>Performance Measure:</u> Number of e-views for marketing and transportation information.	40,900,000	40,900,000	41,200,000
Commodity Purchase Services Program				
	Purchase perishable non-price supported commodities to remove marketplace surpluses, and to meet domestic nutrition assistance program needs (program administration).	\$8,201,864	\$10,782,000	\$10,992,000
	Indirect Costs	<u>815,365</u>	<u>847,000</u>	<u>864,000</u>
	Total Costs	\$9,017,229	\$11,629,000	11,856,000
	FTEs	26	26	26
	<u>Performance Measure:</u> Percentage of commodities that were purchased under surplus removal in the current year plus one or two of the preceding years.	16%	40%	39%
Perishable Agricultural Commodities Act (PACA) Program				
	Ensure fair trading practices in the marketing of more than \$80 billion in annual sales of perishable agricultural commodities.	\$9,454,533	\$9,186,000	\$9,427,000
	Indirect Costs	<u>544,289</u>	<u>609,000</u>	<u>625,000</u>
	Total Costs	\$9,998,842	\$9,795,000	\$10,052,000
	FTEs	82	80	80

AGRICULTURAL MARKETING SERVICE				
Summary of Budget and Performance Full Cost by Strategic Goal				
USDA Strategic Objective 2.2: Increase the efficiency of domestic agricultural production and marketing systems.				
PROGRAM	PROGRAM ITEMS	2006 AMOUNT (\$000)	2007 AMOUNT (\$000)	2008 AMOUNT (\$000)
Perishable Agricultural Commodities Act (PACA) Program (continued)				
	Performance Measure: Average processing time for license applications from time of receipt for 90 percent of applications.			
	Average processing time (days)	4	4	4
	Number of licenses issued	1,223	1,200	1,200
Pesticide Data Program				
	Provide statistically valid pesticide residue occurrence data that represents national consumption.	\$14,008,904	\$14,140,000	\$14,236,000
	Indirect Costs	<u>1,152,306</u>	<u>1,105,000</u>	<u>1,113,000</u>
	Total Costs	\$15,161,210	\$15,245,000	\$15,349,000
	FTEs	19	19	19
	Performance Measure: Percentage of PDP samples analyzed compared to annual target.	190%	100%	100%
	Number of analyses per year	151,633	131,500	131,500
	Cost per sample	\$113	\$127	\$127
AMS Total for USDA Strategic Objective 2.2				
	Marketing Services and Payments to States	\$77,472,063	\$82,884,207	\$76,322,000
	Section 32 Administrative ^{a/}	44,006,602	37,954,000	48,654,000
	Trust	140,156,971	125,668,000	129,002,000
	PACA	9,998,842	9,795,000	10,052,000
	User Fee and Reimbursed	<u>58,395,960</u>	<u>71,266,000</u>	<u>65,288,000</u>
	Total Costs (program, direct, indirect) ^{b/}	\$330,030,438	\$327,567,207	\$329,318,000
	FTE ^{c/}	2,775	2,846	2,841

a/ Section 32 Administrative Costs include Web-based Supply Chain Management (WBSCM) at \$20 million in FY 2006 and 2008 and at \$9.9 million in FY 2007.

b/ Total Costs include all agency salary and expense costs but do not include Section 32 Program Expenditures.

c/ FTE numbers do not include staff years for Milk Market Administrator (Schedule A) employees.