

2009 Explanatory Notes
Agricultural Marketing Service

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AGRICULTURAL MARKETING SERVICE

Purpose Statement

The mission of the Agricultural Marketing Service (AMS) is to facilitate the competitive and efficient marketing of agricultural products. AMS programs support a strategic marketing perspective that adopts product and marketing decisions to consumer demands, changing domestic and international marketing practices, and new technology. AMS' marketing programs support USDA Strategic Goal 2: to enhance the competitiveness and sustainability of rural and farm economies.

AMS carries out a wide range of programs under the authorization of the Agricultural Marketing Act of 1946 as well as over 50 other statutes. AMS conducts many appropriated program activities through cooperative arrangements with State Departments of Agriculture and other agencies. About two-thirds 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 AMS market news service collects, analyzes, and disseminates market information to the public for numerous agricultural commodities, including cotton, cottonseed, and tobacco; dairy products; fruits, vegetables and ornamentals; livestock, meat, grains and wool; and poultry and eggs. Market information covers local, regional, national, and international markets and includes current data on supply, movement, contractual agreements, inventories, and prices for agricultural commodities. Federal and State reporters obtain market information, which AMS experts analyze, compile, and immediately disseminate to the agricultural community, academia, and other interested parties. National information is integrated with local information and released in a form easily understood by the industry and locality served. AMS expanded global market reporting beginning in FY 2003 to assist exporters and provide information on imported products competing for domestic markets. AMS provides electronic access and e-mail subscriptions through internet-released market news reports. This program contributes to USDA's Goal 2 by providing producers and marketers of farm products and those in related industries with timely, accurate, and unbiased market information that assists them making the critical daily decisions of where and when to sell, and at what price; thereby enhancing competitiveness and helping to increase the efficiency of agricultural marketing systems.

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 verifies that marketed eggs have a quality level of at least U.S. Consumer Grade B. The development of U.S. grade standards and grading activities facilitate the domestic and international marketing of agricultural commodities. 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: AMS conducts this program, in cooperation with the State departments of agriculture, to ensure that shell egg handling operations are inspected at least four times yearly and hatcheries are inspected at least once yearly to control the disposition of certain types of undergrade and restricted eggs. This program ensures accomplishment of USDA Goal 2 by diverting eggs that are not at least U.S. Consumer Grade B--and which cannot be sold in shell form--to egg breaking plants, which reassures buyers to support efficient markets.
- b. Standards Development: AMS develops, reviews, and maintains agricultural commodity standards that describe product quality attributes such as taste, color, texture, yield, weight, and physical condition for use in the trading of agricultural commodities. These standards provide a common language for buyers and sellers of commodities both here and abroad for use in marketing, which contributes to USDA Goal 2. AMS standards constitute the basis for market reporting, and are used in grading cotton, milk and dairy products, eggs, fruits, livestock and meat, nuts, tobacco, poultry, and vegetables. AMS participates in international standards-setting and other marketing activities related to agricultural exports to lend technical expertise and represent the interests of the agricultural industry.
- c. Grading, Certification, and Audit Verification: The grading process involves the application or verification of quality standards for agricultural commodities. AMS provides grading and certification services on agricultural commodities for which developed standards are available. In addition, AMS provides acceptance and condition inspection services for all agricultural commodities upon request. AMS certification services provide assurance to buyers that the products they receive are the quantity and quality specified in their contract with the seller. These activities contribute to USDA Goal 2 because the services facilitate efficient marketing by permitting purchasers to buy commodities without having to personally inspect them and by providing an impartial evaluation of the quality of products prior to their sale. AMS certificates can be used as evidence of quality and condition in a court of law to settle commercial disputes. AMS also offers production and quality control system audits (audit verification services) that reduce costs and assist the industry in making various marketing claims about their products. Grading, certification, and audit verification activities are performed by Federal employees and Federally-supervised State employees on a fee-for-service basis. Also under the Agricultural Marketing Act, AMS tests voluntarily submitted seed upon request and for a fee.
- d. Plant Variety Protection Program: This program is authorized by the Plant Variety Protection Act, which encourages the development of novel varieties of sexually reproduced or tuber propagated plants by providing intellectual property rights protection to the developer. The program, funded by user fees, supports USDA goal 2 by verifying the uniqueness of variety and issuing certificates that assure developers exclusive rights to sell, reproduce, import, or export such varieties, or to use

them in the production of hybrids or different varieties, for a period of 20 years for most species and 25 years for woody plants.

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), established under authority of 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 assessments. This program supports USDA Goal 2 by providing data on a continual basis to the Environmental Protection Agency (EPA) for use in the pesticide registration process and to other Federal and State agencies for use in determining policies intended to safeguard public health. In addition to reporting comprehensive pesticide residue data for general dietary risk assessment, the program established and maintains a database of pesticide residues on the foods most likely consumed by children. The pesticide residue data collected by the program enhances the competitiveness and sustainability of farm economies by supporting the use of safer crop protection methods and supports marketing by providing information that can be used to assure consumers. To ensure integrity and the high degree of quality required for dietary risk assessment procedures, PDP's standard operating procedures parallel EPA's Good Laboratory Practice guidelines. Information on significant findings is reported to the Food and Drug Administration (FDA). This program is a cooperative effort between Federal agencies and is

conducted by AMS through agreements with State agencies that provide sampling and testing services.

- b. Microbiological Data Program (MDP): The FY 2009 budget proposes to discontinue funding and terminate the Microbiological Data Program (MDP) because it is difficult to determine to what extent the data is used to support risk assessments. The Microbiological Data Program, implemented in 2001, has been collecting information regarding the prevalence of food-borne pathogens and indicator organisms on domestic and imported fresh fruits and vegetables to establish a national foodborne pathogen baseline. However, the use of MDP data by other Federal agencies, including the FDA and the Centers for Disease Control and Prevention, in epidemiological investigations aimed at determining the source of outbreaks of foodborne illness, is limited because the origin of sample data is not collected.
- c. National Organic Standards Program: This program is authorized by the Organic Foods Production Act of 1990. The Act requires AMS to develop and maintain national standards governing the production and handling of agricultural products labeled as organic. AMS provides support to the National Organic Standards Board, reviews materials for the national list of allowed synthetic materials, and coordinates the enforcement and appeals process. The legislation also requires AMS to examine and accredit State and private certifying agents to ensure their compliance with national organic standards. AMS accredits foreign agents who certify products labeled organic for export to the U.S. and a foreign government that operates an organic accreditation program for organic exports to the U.S. must be approved under a recognition agreement granted by USDA. The nationwide program supports USDA Goal 2 by increasing the efficiency and enhancing the competitiveness of domestic agricultural marketing for organic products. Program administration is funded from appropriations.
- d. Federal Seed Program: The Federal Seed program is authorized by the Federal Seed Act, which regulates agricultural and vegetable seed moving in interstate commerce. The program supports USDA Goal 2 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 and intrastate infractions are subject to State laws. Should an inspection reveal infractions of the Federal Act, the violation is referred to AMS by the cooperating State agency. Based on the results of its tests and investigations, AMS attempts administratively to resolve each case. For cases that cannot be resolved, AMS can initiate appropriate legal action.
- e. Pesticide Recordkeeping Program: The pesticide recordkeeping program is authorized by the Food, Agriculture, Conservation and Trade Act of 1990. This program established Federal regulations requiring certified applicators to maintain records on applications of Federally-restricted use pesticides as required by the Act. The Act also requires that records be surveyed to provide a database on the use of restricted pesticides. A Memorandum of Understanding signed by the AMS, the National Agricultural Statistics Service (NASS), and the Environmental Protection Agency (EPA) identifies the responsibilities and roles of each agency pertaining to record surveys and reporting on restricted pesticide usage. AMS delegates authority to State pesticide regulatory agencies to monitor compliance with the recordkeeping requirements through cooperative agreements, but utilizes Federal inspectors in those States that choose not to enter into cooperative agreements. This program supports USDA Goal 2 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: The Country of Origin Labeling (COOL) Act requires retailers to notify their customers of the country of origin of covered commodities. Labeling requirements for

fish and shellfish became mandatory during fiscal year 2005. During FY 2008, AMS will issue a mandatory labeling rule for the remaining commodities, since the 2006 Appropriations Act established September 30, 2008 for 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). AMS established an audit-based compliance program in FY 2006 for fish and shellfish to ensure that the public receives credible and accurate information on the country of origin of the covered commodities they purchase, thereby supporting USDA Goal 2. A primary component of the Federal enforcement program is surveillance activities performed by State governments under cooperative agreements. AMS is responsible for training Federal and State employees on enforcement responsibilities; analyzing and responding to formal complaints; conducting routine surveillance audits; and conducting educational and outreach activities with interested parties. Program administration is funded through annual appropriations. For FY 2009, USDA is requesting legislative authority to implement and retain user fees to fund the cost of compliance verification activities for all commodities covered under the Country of Origin Labeling (COOL) Act.

- g. The Commodity Research and Promotion Acts: AMS provides oversight and direction to industry-funded and managed commodity research and promotion programs. The various research and promotion acts authorize the collection of an assessment from identified segments of the marketing chain. The program supports USDA Goal 2 because the assessment funds are used to broaden and enhance national and international markets for various commodities. Assessments to producers are most common; however, some programs assess processors, feeders, packers, handlers, importers, exporters, or other entities. These assessments are used to carry out research and promotional activities for avocados, beef, blueberries, cotton, milk and dairy products, fluid milk, eggs and egg products, honey, lamb, mangos, mushrooms, peanuts, popcorn, pork, potatoes, soybeans, sorghum, 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 board reimburses AMS for the cost of implementing and overseeing its program.

4. Wholesale, Farmers and Alternative Market Development:

This program is authorized under the Agricultural Marketing Act of 1946 and the Farmer to Consumer Direct Marketing Act of 1976, as amended. The program supports USDA Goal 2 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 efficient ways to handle and market agricultural commodities. AMS studies changes in the marketplace to assist States, localities, market managers/operators, and growers in making strategic decisions for future business development.

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. This program supports

USDA Goal 2 by determining whether the Nation's transportation system will adequately serve the agricultural and rural areas of the United States by providing necessary rail, barge, truck, and shipping services. AMS provides technical assistance to shippers and carriers and participates in transportation regulatory actions before various Federal agencies. In addition, AMS provides economic analyses and recommends improvements to domestic and international agricultural transportation for policy decisions.

6. Payments to States and Possessions:

The Federal-State Marketing Improvement Program (FSMIP) is authorized by the Agricultural Marketing Act of 1946. The Act gives USDA the authority to establish cooperative agreements with State departments of agriculture or similar State agencies to improve the efficiency of the agricultural marketing chain, which supports USDA Goal 2. Project funds are provided to State marketing agencies to: identify and test-market farm commodities, determine methods of providing more reliable market information, and develop better post-harvest and packaging methods. This program has made possible many types of projects, such as electronic marketing and agricultural product diversification. Current projects are focused on the improvement of marketing efficiency and effectiveness, and seeking new outlets for existing farm-produced commodities. The States perform the work or contract with others, and must contribute at least one-half of the cost of the projects.

7. Perishable Agricultural Commodities Act Program:

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

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: AMS purchases non-price supported commodities such as meats and fish, fruits and vegetables, and poultry and egg products in order to stabilize market conditions pursuant to Section 32, and in support of entitlement program needs within USDA. AMS Section 32 purchases enhance the competitiveness and sustainability of farm economies in support of USDA Goal 2. All purchased commodities are distributed by the Food and Nutrition Service (FNS) to schools as part of the entitlement for the National School Lunch Program or to other nutrition assistance programs. AMS also provides purchasing services to FNS to supply

food to recipients in nutrition assistance programs authorized by Congress. Reimbursements for the administrative costs associated with purchases requested for nutrition assistance programs are included in the User Funded and Reimbursable Programs table.

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

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

b. Marketing Agreements and Orders:

Marketing agreements and orders assist farmers, milk producers, and handlers by allowing them to collectively work to solve marketing problems. The Marketing Agreements and Orders Program is authorized by the Agricultural Marketing Agreement Act of 1937. These instruments are designed to stabilize market conditions and improve the returns for fluid milk and fruit and vegetable producers, which supports USDA Goal 2. AMS oversees these various activities to ensure that they operate in the public interest and within legal bounds.

Marketing agreements and orders: (1) establish minimum prices that handlers pay to dairy producers; (2) regulate the quality and quantity of fruits and vegetables sold in commercial channels; and (3) provide for market development and promotion (including paid advertising). A majority of the currently active Federal marketing order programs for fruits and vegetables include minimum grade requirements. The standards used by our programs include characteristic qualities as well as criteria related to food safety (e.g., lack of mold, insects, foreign material, etc.). Presently, there are 30 active marketing agreement and order programs covering 25 specialty crop commodities and 10 milk marketing orders. Proposed orders are subject to approval by producers of the regulated commodity. Section 32 funds authorized by 7 U.S.C. 612c, are used by AMS for administering the Marketing Agreements and Orders Program at the national level, and to conduct public hearings and referenda to determine producer sentiment concerning new programs and proposed revisions of marketing orders already in effect. Administration at the local level is financed through handler assessments.

Geographic Dispersion of Offices and Employees:

AMS headquarters is located in Washington, D.C. The agency has 135 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 4,417 during fiscal year 2006. As of September 30, 2007, AMS had 3,774 employees, of whom 2,442 were permanent full-time and 1,332 were other than permanent full-time employees. Eighty five percent of AMS employees are assigned to field offices. Of the 3,201 employees assigned to field office locations, 1,882 were permanent full-time and 1,319 were other-than permanent full-time employees.

GAO Evaluations:

“Spot Cheese Market: Market Oversight Has Increased But Concerns Remain About Potential Manipulation” (GAO-07-707). This study presented GAO’s review of issues relating to the spot cheese market at the Chicago Mercantile Exchange (CME) and ways to improve spot cheese price accuracy and transparency. GAO made recommendations for USDA’s consideration to improve the timeliness and reliability of reported cheese prices. AMS was already in the process of addressing this issue at the time of the GAO engagement and has published an interim final rule for Dairy Product Mandatory Reporting.

AGRICULTURAL MARKETING SERVICE

Statement of Available Funds and Staff-Years
2007 Actual and Estimated 2008 and 2009

Item	2007		2008		2009	
	Actual		Enacted		Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Agricultural Marketing Service						
Marketing Services	\$73,788,472	428	\$76,862,000	438	\$76,015,000	440
Payments to States and Possessions	1,334,000	--	3,209,000	--	1,334,000	--
Specialty Crop Grants	5,469,084	--	8,500,000	--	--	--
Rescission.....	--	--	-619,997	--	--	--
Total	80,591,556	428	87,951,003	438	77,349,000	440
Obligations under other USDA appropriations:						
Food & Nutrition Service for commodity procurement services ...	881,000	8	895,000	8	913,000	8
Total, Agriculture Appropriations	81,472,556	436	88,846,003	446	78,262,000	448
Permanent Appropriations:						
Funds for Strengthening Markets, Income, and Supply (Sec. 32) .	7,029,269,059	117	7,563,683,777	117	7,979,334,788	117
Rescission	-37,601,000	--	-684,000,000	--	-293,000,000	--
Recoveries of Prior Year Obligations.....	119,915	--	--	--	--	--
Offsetting Collections.....	139,276,862	--	--	--	--	--
Unobligated balance available, start of year	146,760,123	--	500,000,000	--	--	--
Deduct transfers out	-5,813,937,404	--	-6,338,142,777	--	-6,614,483,788	--
Unobligated balance available, end of year	-500,000,000	--	--	--	--	--
Unobligated balance reverting to Treasury.....	-80,658,513	--	--	--	--	--
Net AMS	883,229,042	117	1,041,541,000	117	1,071,851,000	117
Perishable Agricultural Commodities Act Fund:	10,556,591	81	10,052,000	85	10,325,000	85
Total, Permanent Appropriations	893,785,633	198	1,051,593,000	202	1,082,176,000	202
Non-Federal Funds:						
Oversight work for the following:						
American Egg Board	260,062	2	262,000	2	262,000	2
Avocado (Hass) Board	56,417	1	60,000	1	60,000	1
Avocado (California) Board	35,541	0	57,000	0	57,000	0
Avocado (Chilean) Board	28,666	0	56,000	0	56,000	0
Avocado (Mexican) Board	18,801	0	23,000	0	23,000	0
Beef Board	239,673	2	209,000	2	209,000	2
Blueberry Board	71,939	1	81,000	1	81,000	1
Cotton Board	232,099	1	228,000	1	228,000	1
Dairy Board	501,920	4	505,000	4	505,000	4
Fluid Milk Board	394,073	3	380,000	3	380,000	3
Honey Board	85,109	1	60,000	1	60,000	1
Honey (Importer) Board	55,996	0	93,000	0	93,000	0
Honey (Producers) Board.....	0	0	57,000	0	57,000	0
Lamb Board	100,813	0	106,000	0	106,000	0
Mango Board	110,569	0	109,000	0	109,000	0
Mushroom Board	83,345	0	103,000	0	103,000	0
Peanut Board	117,997	1	130,000	1	130,000	1
Popcorn Board	27,351	0	35,000	0	35,000	0
Pork Board	185,108	1	194,000	1	194,000	1
Potato Board	113,150	1	130,000	1	130,000	1
Red Raspberry Council.....	0	1	72,000	1	72,000	1
Sorghum Board.....	2,656	1	125,000	1	125,000	1
Soybean Board	190,814	1	188,000	1	188,000	1
Watermelon Board	104,641	1	105,000	1	105,000	1
Fees for grading of cotton and tobacco	52,064,994	544	61,233,000	530	62,888,000	530
Grading of farm products for producers, processors, and municipal, State and Federal Agencies	135,464,208	1,464	132,000,000	1,491	135,700,000	1,491
Wool research, development, and promotion	2,250,000	--	2,250,000	--	2,250,000	--
States for collection & dissemination of market news information	44,346	--	45,000	--	45,000	--
Total, Non-Federal Funds	192,840,287	2,030	198,896,000	2,043	204,251,000	2,043
Total, Agricultural Marketing Service	1,168,098,476	2,664	1,339,335,003	2,691	1,364,689,000	2,693
Schedule A Employees	--	384	--	384	--	384

AGRICULTURAL MARKETING SERVICE

Permanent Positions by Grade and Staff Year Summary
2007 Actual and Estimated 2008 and 2009

Grade	2007			2008			2009		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
Senior Executive Service	10	--	10	10	--	10	10	--	10
GS-15	34	6	40	36	5	41	36	5	41
GS-14	85	30	115	95	24	119	95	24	119
GS-13	123	110	233	160	87	247	161	86	247
GS-12	109	177	286	129	169	298	130	170	300
GS-11	39	206	245	49	210	259	50	209	259
GS-10	2	14	16	2	14	16	2	14	16
GS-9	30	554	584	51	565	616	51	565	616
GS-8	9	239	248	12	251	263	12	250	262
GS-7	23	247	270	40	261	301	40	261	301
GS-6	10	79	89	17	72	89	17	72	89
GS-5	9	81	90	15	71	86	15	71	86
GS-4	7	29	36	9	16	25	9	17	26
GS-3	2	8	10	3	5	8	3	5	8
GS-2	1	--	1	--	--	--	--	--	--
GS-1	--	--	--	--	--	--	--	--	--
Ungraded Positions	--	9	9	--	10	10	--	10	10
Total Permanent Positions without Schedule A.....	493	1,789	2,282	628	1,760	2,388	631	1,759	2,390
Schedule A Employees	12	368	380	--	--	--	--	--	--
Total Permanent Positions including Schedule A	505	2,157	2,662	628	1,760	2,388	631	1,759	2,390
Unfilled Positions end-of-year.....	43	40	83	--	--	--	--	--	--
Total Permanent Full Time Employment, end-of-year ..	560	1,882	2,442	628	1,760	2,388	631	1,759	2,390
Staff Year Estimate	506	2,158	2,664	708	1,983	2,691	711	1,982	2,693
Schedule A Staff Years.....	13	371	384	13	371	384	13	371	384

AGRICULTURAL MARKETING SERVICE
MOTOR VEHICLE FLEET
SIZE, COMPOSITION AND COST

The estimated number of passenger motor vehicles available for fiscal year 2009 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 one for fiscal year 2009 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 2009 five of the 300 passenger motor vehicles in operation in FY 2008. 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, 2007, are as follows:

AMS MOTOR VEHICLES FLEET DATA

Number of Vehicles by Type*									
Fiscal Year	Sedans & Station Wagons	Light Trucks		Medium Trucks	Heavy Trucks	Vans	SUVs	Total Vehicles	Annual Operating Costs (\$ in thou.)
		4X2	4X4						
2006 Actual	194	26	9	0	0	36	4	269	\$769
Change	7	0	0	0	0	0	0	7	
2007 Actual	201	26	9	0	0	36	4	276	\$897
Change	26	-4	0	0	0	2	0	24	
2008 Est.	227	22	9	0	0	38	4	300	\$918
Change	-1	12	-9	0	0	2	-3	1	
2009 Est.	226	34	0	0	0	40	1	301	\$719

Note: These numbers include vehicles that are owned by the Agency and leased from commercial sources or GSA. FY 2009 operating costs were reduced by purchasing rather than leasing vehicles.

AGRICULTURAL MARKETING SERVICE

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

Marketing Services:

For necessary expenses 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, [~~\$76,862,000~~] \$76,015,000, 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).

MARKETING SERVICES

Appropriations Act, 2008.....	\$76,862,000
Budget Estimate, 2009.....	<u>76,015,000</u>
Decrease in Appropriation.....	<u>-847,000</u>
Adjustments in 2008:	
Appropriations Act, 2008.....	76,862,000
Rescission under P.L. 110-161 a/.....	<u>-538,034</u>
Adjusted Base for 2008.....	76,323,966
Budget Estimate, 2009.....	<u>76,015,000</u>
Decrease from adjusted 2008.....	<u>-308,966</u>

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

SUMMARY OF INCREASES AND DECREASES

(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>2008 Enacted</u>	<u>Pay Costs</u>	<u>Program Changes</u>	<u>2009 Estimated</u>
Market News	\$32,744,966	\$666,000	\$1,027,034	\$34,438,000
Surveillance and Standardization	7,559,000	147,000	54,000	7,760,000
Market Protection and Promotion	29,456,000	167,000	-2,834,000	26,789,000
Transportation Services	2,783,000	62,000	20,000	2,865,000
Wholesale, Farmers, and Alternative Market Development	<u>3,781,000</u>	<u>55,000</u>	<u>327,000</u>	<u>4,163,000</u>
Total Available	76,323,966	1,097,000	-1,405,966	<u>76,015,000</u>
Rescission.....	<u>538,034</u>			
Total Appropriation	<u>76,862,000</u>			

AGRICULTURAL MARKETING SERVICE
Marketing Services

Project Statement
(On basis of adjusted appropriation)

	<u>2007 Actual</u>		<u>2008 Enacted</u>		Increase or Decrease		<u>2009 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.....	\$32,181,573	239	\$32,744,966	243 +	\$1,693,034	(1)	\$34,438,000	244
Egg Surveillance and Standardization								
Shell Egg Surveillance.....	2,513,271	15	2,660,000	15 +	69,000	(2)	2,729,000	15
Standardization.....	4,600,120	61	4,899,000	61 +	132,000	(3)	5,031,000	59
Total, Egg Surveillance and Standardization....	7,113,391	76	7,559,000	76 +	201,000		7,760,000	74
Market Protection and Promotion:								
Federal Seed Act.....	2,294,370	22	2,405,000	22 +	480,000	(4)	2,885,000	28
Country of Origin Labeling.....	983,814	5	1,051,000	5 +	20,000	(5)	1,071,000	5
Pesticide Data.....	15,132,660	14	15,188,000	14 +	800,000	(6)	15,988,000	14
Microbiological Data.....	4,759,246	7	4,766,000	7 -	4,766,000	(7)	-	-
National Organic Standards.....	2,056,859	13	3,127,000	19 +	754,000	(8)	3,881,000	22
Pesticide Recordkeeping.....	2,825,788	12	2,919,000	12 +	45,000	(9)	2,964,000	12
Total Market Protection and Promotion.....	28,052,737	73	29,456,000	79 -	2,667,000		26,789,000	81
Transportation Services.....	2,719,375	20	2,783,000	20 +	82,000	(10)	2,865,000	19
Wholesale, Farmers, and Alternative Market Development.....	3,721,396	20	3,781,000	20 +	382,000	(11)	4,163,000	22
Unobligated Balance.....	1,148,768	--	--	--	--	--	--	--
Total Available or Estimate.....	74,937,240	428	76,323,966	438 -	308,966		76,015,000	440
Rescission.....	-	--	538,034	--				
Total Appropriation.....	74,937,240	--	76,862,000	--				

Justifications for Increases and Decreases

- (1) An increase of \$1,693,034 for Market News (\$32,744,966 available in 2008) consisting of:
- (a) An increase of \$794,000 and 1 staff year to expand Market News coverage for specialty crops.

AMS proposes to expand market news reporting on specialty crops in nationally significant geographic regions and for types of production that are currently underreported or not reported.

AMS currently provides specialty crop market coverage of fifteen of the most significant wholesale fruit and vegetable markets and many of the major shipping point or point of production/import markets, plus some limited market coverage of cut flowers, honey and tree nuts. With additional funding, AMS will provide market coverage for a number of other large, significant shipping point markets. These will include greenhouse vegetables nationwide and conventional production currently not reported in the Ohio Valley, Indiana and part of the Eastern seaboard.

This funding will also allow AMS to expand its coverage of the rapidly growing organic fruit and vegetable production and distribution markets. This includes increasing the number of organic products reported at production or shipping points, at points of entry for imported fruits and vegetables, as well as at wholesale level markets. The program will make a special effort to

underserved group of producers. Much of the organic data will be reported through the expanded Market News portal and these funds will provide for ongoing maintenance of the portal.

AMS proposes to increase market coverage to include a higher percentage of total production. The improved market transparency will benefit all participants in the marketing chain and help prevent international trade disputes. To accomplish this, the program will release daily market reports on the new areas and include the data in the National Shipping Point Trends, a closely watched weekly report published by AMS' Market News program. The increased reporting of specialty crops information through expanded market coverage and production varieties would be captured through enhancements made to the Market News Information System and Portal for ease in dissemination and accessibility.

Product and price information reported through this program facilitates market transparency within the industry, contributing significantly to the efficiency of marketing food and agricultural products. Consumers are the end beneficiaries of a consistent supply of high-quality products at reasonable prices.

(b) An increase of \$666,000 to fund increased pay costs.

This increase is requested to ensure that AMS can carry out its full Market News reporting responsibilities and Agency goals for the efficient and orderly marketing of agricultural products by collecting, analyzing, and disseminating broad-based, accurate, and timely market information. Without this increase, AMS will have to reduce the number of market reports provided to the public, delay the reporting of market sales data, and/or cover fewer commodities or locations.

(c) An increase of \$233,034 to restore the funding necessary to maintain production of Market News information used for agricultural marketing decisions to the pre-rescission FY 2008 level.

(2) An increase of \$69,000 for Shell Egg Surveillance (\$2,660,000 available in 2008) consisting of:

(a) An increase of \$50,000 to fund increased pay costs.

This increase is requested to ensure that AMS can carry out its full Shell Egg Surveillance responsibilities and Agency goals as supported by the Administration and Congress to ensure the appropriate disposition of restricted eggs. Without this increase, AMS will have to schedule shell egg handling inspections below the legally required quarterly minimum.

(b) An increase of \$19,000 to restore the funding necessary to conduct adequate monitoring of shell egg handling to the pre-rescission FY 2008 level.

(3) An increase of \$132,000 for Standardization (\$4,899,000 available in 2008) consisting of:

(a) An increase of \$97,000 to fund increased pay costs.

This increase is requested to ensure that AMS can carry out its full Standardization responsibilities and Agency goals to facilitate trade of U.S. agricultural products in domestic and export markets as supported by the Administration and Congress. Without this increase, AMS will not be able to develop and modify its quality standards to keep pace with changes in agricultural products and marketing methods.

- (b) An increase of \$35,000 to restore the funding necessary to generate the domestic and international agricultural standards needed for trading of agricultural products to the pre-recision FY 2008 level.
- (4) An increase of \$480,000 for Federal Seed (\$2,405,000 available in 2008) consisting of:
- (a) An increase of \$432,000 and 7 staff years to reduce seed mislabeling.

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. Reduced occurrences of mislabeled seed will result in increased buyer confidence and a more stable marketing environment.

The Federal Seed program depends on the State to detect and refer seed mislabeling violations in interstate transport. Budget reductions in many Northeastern States 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 from 15 percent to 10 percent. The impact of mislabeled seed shipped in interstate commerce comes through loss of revenue, business reputation, and legal liability faced by the in-state seed company that resells the mislabeled seed that was shipped in interstate commerce. There are expenses involved with eradication of noxious weeds resulting from planting mislabeled seed containing noxious weed seeds. This could include additional expenses to individual states for establishment of state noxious weed eradication programs. Expenses are also incurred by farmers that have to replant fields due to mislabeled low germinating seed; loss of revenue by farmers that plant seed mislabeled to varietal content and have no market for the resulting crop. Most farmers that plant mislabeled seed and businesses that purchase mislabeled seed for resale are small businesses. States with limited or no seed control programs become "dumping grounds" for low quality mislabeled seed because seed companies know that no one is checking on the labeling accuracy of the seed they are selling.

Federal Seed program 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 Federal Seed Act enforcement. They would also be made available to State seed laboratories that test seed for the Federal Seed program and to other laboratories engaged in testing seed for labeling purposes.

- (b) An increase of \$31,000 to fund increased pay costs.

This increase is requested to ensure that AMS can carry out its full Federal Seed program responsibilities and Agency goals as supported by the Administration and Congress. Without this increase, the Federal Seed program will be able to investigate and resolve fewer potential

labeling violations, reducing the protection for seed buyers against financial losses resulting from mislabeled seed.

- (c) An increase of \$17,000 to restore the funding necessary to protect growers through adequate monitoring of seed labeling to the pre-rescission FY 2008 level.
- (5) An increase of \$20,000 for Country of Origin Labeling (\$1,051,000 available in 2008) consisting of:
- (a) An increase of \$12,000 to fund increased pay costs.

This increase is requested to ensure that AMS can carry out its fundamental Country of Origin Labeling program responsibilities and Agency goals as supported by the Administration and Congress. Without this increase, AMS will have to reduce retailer outreach and educational activities needed to implement mandatory program requirements for all the remaining covered commodities.

- (b) An increase of \$8,000 to restore funding to the pre-rescission FY 2008 level so that the program can conduct mandatory Country of Origin Labeling activities other than monitoring and enforcement for all covered commodities.
- (6) An increase of \$800,000 for the Pesticide Data program (\$15,188,000 available in 2008) consisting of:
- (a) An increase of \$640,000 to offset State cooperator cost increases and meet performance goals.

The proposed increase is needed to offset cost increases for State participants, providing the resources necessary to deliver the pesticide residue data needed for dietary risk assessment as well as support the program's performance targets. The program must generate an additional 1,000 samples to meet the Environmental Protection Agency's (EPA) data requirements for purposes of pesticide registration and review, as identified in PDP's performance targets. The program is also anticipating an increase in data requests from EPA for recently registered pesticides so that the impact on the environment can be assessed. These chemicals replaced acutely toxic pesticides and are critical for minor crop production, but have been recently associated with deleterious impact on beneficial insects. Data provided by the program will allow EPA to make regulatory decisions for these chemicals that are based on sound science.

The Pesticide Data Program depends on its cooperating State partners for sampling and laboratory testing. Approximately 87 percent of the funding increase will be applied to cover State's operational costs to help defray costs for salaries and benefits of State employees and cost increases for sampling and testing operations. Salaries and benefits for State personnel have been increasing to maintain parity with the private sector. Sampling costs have also risen due to sharp increases in fuel/transportation costs. The program continues to introduce cost saving measures such as automation of laboratory procedures, contracting for ancillary services, and increasing its reliance on computer technology. However, these efficiency improvements do not fully offset the rapid rise of operational costs.

- (b) An increase of \$50,000 to fund increased pay costs.

This increase is requested to ensure that AMS can carry out its full Pesticide Data program responsibilities and Agency goals as supported by the Administration and Congress. Without this increase, AMS will have to reduce the volume of commodities sampled and tested by State cooperators, with a corresponding drop in State reimbursements generated by the program and in pesticide data that supports agricultural and environmental decisions.

- (c) An increase of \$110,000 to restore the funding necessary to generate the pesticide residue data needed for agricultural and environmental decisions to the pre-rescission FY 2008 level.
- (7) A net decrease of \$4,766,000 and 7 staff years for termination of the Microbiological Data Program (\$4,766,000 available in 2008).

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 indicated that although AMS shared 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 foodborne illness. In response to these findings, the program is proposed for termination in 2009.

- (8) An increase of \$754,000 and 3 staff years for National Organic Standards (\$3,127,000 available in 2008) consisting of:
- (a) An increase of \$690,000 and 3 staff years to protect the integrity of organic labeling by increasing program oversight of imported organic products.

AMS requests additional funding to enable the National Organic Program (NOP) to meet increasingly complex accreditation and oversight requirements for foreign organic certification agencies (agents) and organic producers and handlers certified under the authority of the Organic Foods Production Act (OFPA), as amended (7 U.S.C. 6501 et seq.), and the NOP regulations (7 CFR Part 205). The program will be conducting more in-depth accreditation on-site follow-up and investigative audits of organic certifiers and certified operations.

Since the NOP regulations were published in 2000, the U.S. organic industry has grown 133 percent, from approximately \$6 billion in 2000 to over \$14 billion in 2006. In that time, U.S. demand for organic products has spurred development of global organic production and handling operations. Foreign operations exporting to the U.S. are certified by 41 individual NOP-accredited agents based abroad, or by certification agents accredited by foreign government entities authorized by NOP under recognition agreements. To date, NOP has negotiated 8 recognition agreements in 6 countries: New Zealand, Canada (3), United Kingdom, Denmark, Israel, and India. At least 12,000 foreign operations are certified to NOP regulations, but that number might be much larger in fact, since many of the listed operations are grower groups that may include hundreds of small-farmer members. The extensive use of grower groups overseas drives much of the need to conduct oversight reviews in foreign countries. With the additional resources, NOP will be able to conduct 8 additional reviews of foreign production/handling operations each year and 8 additional onsite reviews of recognition agreements annually.

NOP regulations require all individual applicants for accreditation to be inspected at the time of accreditation and that they receive at least one additional onsite audit before renewal of their 5-year term. An increased number of agents and applicants for certification – especially those operating in Europe, Asia, Africa, and South America – has expanded NOP's auditing burden in terms of numbers, time, and complexity. As a result, NOP faces increased difficulty conducting timely updates and onsite audits of its agents placing program compliance at risk. To establish recognition agreements with foreign government agencies, NOP conducts a program review and provides training on U.S. accreditation and certification requirements. To maintain the integrity of the organic label and better ensure that domestic and foreign producers are treated equally, NOP proposes to review foreign organic accreditation programs operating under recognition agreements annually. These funds will provide for 6 additional program auditors and travel

costs to conduct on-site operations reviews of foreign accrediting bodies and reviews on a sampling of certifiers and certified producers.

Rapid industry growth has strained AMS' ability to effectively monitor program compliance, conduct enforcement activities, and ensure the integrity of the USDA organic seal with current resources. The USDA organic label was rated the most reliable "green" food market label in 2007 by Consumers Union, but the publication had reservations about compliance with labeling requirements. These additional resources will help to alleviate concerns about foreign products labeled as organic.

- (b) An increase of \$50,000 to fund increased pay costs.

This increase is requested to ensure that AMS can carry out its full National Organic Program responsibilities and Agency goals as supported by the Administration and Congress. Without this increase, AMS will not be able to respond as quickly to service requests from the organic industry.

- (c) An increase of \$14,000 to restore the funding necessary to protect the integrity of organic food labeling to the pre-rescission FY 2008 level.

- (9) An increase of \$45,000 for Pesticide Recordkeeping (\$2,919,000 available in 2008) consisting of:

- (a) An increase of \$24,000 to fund increased pay costs.

This increase is requested to ensure that AMS can carry out its full Pesticide Recordkeeping program responsibilities and Agency goals to educate and monitor compliance by private applicators with pesticide record requirements, as supported by the Administration and Congress. 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.

- (b) An increase of \$21,000 to restore the funding necessary to adequately monitor the agricultural pesticide records of private applicators to the pre-rescission FY 2008 level.

- (10) An increase of \$82,000 for Transportation Services (\$2,783,000 available in 2008) consisting of:

- (a) An increase of \$62,000 to fund increased pay costs.

This increase is requested to ensure that AMS can carry out its full Transportation Services program responsibilities and Agency goals as supported by the Administration and Congress. Without this funding, AMS will be unable to provide needed technical assistance to agricultural producers to ensure that food and fiber products reach consumers effectively and efficiently.

- (b) An increase of \$20,000 to restore the funding necessary to provide technical information and assistance on agricultural transportation to the pre-rescission FY 2008 level.

- (11) An increase of \$382,000 for the Wholesale, Farmers, and Alternative Market Development (\$3,781,000 available in 2008) consisting of:

- (a) An increase of \$300,000 and 2 staff years to administer Farmers Market Promotion Program grants.

This request will allow AMS to accomplish the administrative requirements and personnel time needed to effectively manage the Farmers Market Promotion Program (FMPP) without reducing

the funding available for grants or the resources needed to support other farmers market and direct marketing initiatives.

The unprecedented response from applicants interested in obtaining FMPP grant funds poses a real challenge to Wholesale, Farmers, and Alternative Market Development program resources. Efforts to integrate the additional administrative requirements and personnel resources needed to effectively implement FMPP have drawn down the availability of resources directed to other core farmers market and direct marketing program initiatives. Currently, the FMPP relies on existing personnel to conduct the program and review and rank proposals. While shared personnel may be a cost-effective method for managing scarce resources, truly effective administration of FMPP requires experienced and dedicated staffing throughout the year-long planning, implementation, and post-award process. The lack of such experience undermines overall Program credibility in the direct marketing industry. Utilizing dedicated staff will provide the greater benefits of detailed program knowledge, with respect to eligibility criteria, grant program goals, recipient/entity characteristics and their objectives, and the ability to follow up with grantees.

Beginning in FY 2006, Congress appropriated \$1 million in grants funds for FMPP. The primary objective of the program is to assist eligible entities with the improvement and expansion of their domestic farmers markets, roadside stands, community-supported agriculture programs, and other direct producer-to-consumer market opportunities. Eligible entities under this program include agricultural cooperatives, local governments, nonprofit corporations, public benefit corporations, economic development corporations, regional farmers' market authorities, and Tribal governments. The maximum award per recipient is \$75,000.

To reach the wide range of potential applicants, AMS conducted an exhaustive distribution of the Notice of Funds Availability to all known eligible entities. A special effort was made to reach out to Tribal governments, including over 500 application packages that were mailed to representatives of the National Congress of American Indians. The overall result was an overwhelming response from industry participants. In 2006, AMS received and reviewed 369 applications requesting a total of \$19.9 million and in 2007 AMS received another 326 applications for FMPP grants requesting a total of \$15.6 million, which included proposals from all but two U.S. States.

The FMPP grant program has the potential to make a very strong impact on direct marketing. The 23 grant proposals funded in 2007 span a wide range of infrastructure, educational, market promotion, and technical assistance projects. These initiatives reflect the diverse needs of farmers markets and other direct-to consumer food marketing channels in the United States and the scope of FMPP funded activities ranges from starting farmers markets and marketing cooperatives to market research, outreach, education and training for vendors and consumers. Also, installing electronic benefit transfer (EBT) equipment and training remain a large part of FMPP, as does installing signage and developing advertising campaigns to improve the performance of single markets as well as large scale regional markets.

Dedicated resources to manage FMPP and to direct grants to eligible recipients will strengthen the effectiveness of the program. These funds will allow AMS to conduct evaluations of awarded grants so that the collective knowledge developed through FMPP-sponsored projects can be properly assessed, and the primary lessons learned from these case studies can be widely distributed to interested parties. Building upon promising direct marketing projects and feasibility studies that have been funded by FMPP will allow these projects to move forward into full implementation, and will develop successful marketing models that can be replicated in other locations.

- (b) An increase of \$55,000 to fund increased pay costs.

This increase is requested to ensure that AMS can carry out its full Wholesale, Farmers, and Alternative Market Development program responsibilities and Agency goals as supported by the Administration and Congress. 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.

- (c) An increase of \$27,000 to restore the funding necessary to assist in the development of new or improved agricultural marketing methods and facilities to the pre-rescission FY 2008 level.

AGRICULTURAL MARKETING SERVICE
MARKETING SERVICES
 2007 Actual and Estimated 2008 and 2009
 Geographic Breakdown of Obligations and Staff Years

	2007 Actual		2008 Enacted		2009 Est.	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama.....	\$284,443	2	\$294,217	2	\$293,026	2
Arizona.....	495,389	3	512,411	3	510,337	3
Arkansas.....	493,193	3	510,140	3	508,075	3
California.....	1,597,163	9	1,652,044	9	1,645,357	10
Colorado.....	476,228	3	492,592	3	490,598	3
District of Columbia.....	55,554,851	321	57,463,808	328	57,231,189	329
Florida.....	713,708	4	738,232	4	735,244	4
Georgia.....	994,394	6	1,028,563	6	1,024,399	6
Idaho.....	426,003	2	440,641	3	438,857	3
Illinois.....	612,867	4	633,926	4	631,360	4
Iowa.....	1,943,058	11	2,009,825	12	2,001,689	12
Kansas.....	286,748	2	296,601	2	295,400	2
Kentucky.....	179,735	1	185,911	1	185,158	1
Louisiana.....	192,801	1	199,426	1	198,619	1
Massachusetts.....	393,894	2	407,429	2	405,780	2
Michigan.....	105,208	1	108,823	1	108,383	1
Minnesota.....	681,602	4	705,023	4	702,169	4
Mississippi.....	109,972	1	113,751	1	113,290	1
Missouri.....	443,614	3	458,857	3	457,000	3
Montana.....	166,309	1	172,024	1	171,327	1
Nebraska.....	145,344	1	150,338	1	149,730	1
New York.....	510,652	3	528,199	3	526,061	3
North Carolina.....	155,163	1	160,495	1	159,845	1
Ohio.....	161,168	1	166,706	1	166,031	1
Oklahoma.....	316,573	2	327,451	2	326,125	2
Oregon.....	302,792	2	313,196	2	311,929	2
Pennsylvania.....	691,211	4	714,962	4	712,068	4
South Carolina.....	74,202	0	76,752	0	76,441	0
South Dakota.....	344,841	2	356,690	2	355,246	2
Tennessee.....	2,466,745	14	2,551,506	15	2,541,178	15
Texas.....	1,075,218	6	1,112,164	6	1,107,662	6
Washington.....	821,494	5	849,722	5	846,282	5
West Virginia.....	0	0	0	0	0	0
Wyoming.....	154,492	1	159,801	1	159,154	1
Subtotal, Available	73,788,472	428	76,323,966	438	76,015,000	440
Unobligated Balance	1,148,768	--	--	--	--	--
Total, Available	74,937,240	428	76,323,966	438	76,015,000	440

AGRICULTURAL MARKETING SERVICE
Marketing Services and Payments to States and Possessions
Classification by Objects
2007 Actual and Estimated 2008 and 2009

	<u>2007 Actual</u>	<u>2008 Enacted</u>	<u>2009 Est.</u>
Personnel Compensation:			
Washington, D.C.	\$8,516,193	\$10,986,641	\$11,326,470
Field	30,903,588	39,868,359	41,101,530
11.1 Full-time permanent	28,276,205	37,358,000	38,467,000
11.3 Other than full-time permanent	518,705	774,000	783,000
11.5 Other personnel compensation	2,336,725	2,208,000	2,253,000
	<hr/>	<hr/>	<hr/>
Total personnel compensation	31,131,635	40,340,000	41,503,000
12 Personnel benefits	8,199,950	10,483,000	10,891,000
13 Benefits for former personnel	88,196	32,000	34,000
	<hr/>	<hr/>	<hr/>
Total personnel compensation and benefits	39,419,781	50,855,000	52,428,000
Other Objects:			
21 Travel	2,048,261	1,019,000	1,127,000
22 Transportation of things	131,000	145,000	145,000
23.1 Rental payments to GSA	15,411	0	0
23.2 Rental payments to others	1,196,837	859,000	783,000
23.3 Communications, utilities and miscellaneous charges	2,183,411	707,000	642,000
24 Printing and reproduction	273,921	143,000	138,000
25.1 Advisory and assistance services	6,257	0	0
25.2 Other services	19,403,381	15,454,966	15,359,000
25.3 Purchases of goods and services from Government accounts	6,618,762	4,503,000	2,716,000
25.4 Operation and maintenance.....	6,718	22,000	22,000
25.5 Research and development contracts	1,633	0	0
25.6 Medical care.....	3,152	4,000	4,000
25.7 Operation and maintenance of equipment	166,076	314,000	305,000
26 Supplies and materials	1,053,406	862,000	805,000
31 Equipment	1,259,779	1,419,000	1,528,000
42 Insurance Claims and Indemnities.....	0	17,000	13,000
43 Interest and Dividends.....	720	0	0
91 Unvouchered.....	(34)	0	0
	<hr/>	<hr/>	<hr/>
Total other objects	34,368,691	25,468,966	23,587,000
Total Marketing Services.....	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	73,788,472	76,323,966	76,015,000
Payments to States and Possessions:			
41 Grants, subsidies and contributions a/	6,803,084	11,575,660	9,834,000
	<hr/>	<hr/>	<hr/>
Total Obligations	80,591,556	87,899,626	85,849,000
Position Data:			
Average Salary, ES positions	\$124,671	\$128,411	\$132,263
Average Salary, GS positions	\$72,132	\$73,101	\$75,221
Average Grade, GS positions	12	12	12

a/ Due to the timing of the announcement for the Specialty Crop Block Grant Program, these numbers are updated from the MAX budget system data.

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

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAM

MARKETING SERVICES

MARKET NEWS

Current Activities: The Market News Service provides current, unbiased information on supply, demand, prices, movement, location, quality, condition, and other market data on farm products in specific markets and marketing areas. This information is supplied to producers, merchants, and others to assist them in the orderly marketing and distribution of farm commodities. All market information is reported to 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. 106-78, 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 as well as domestic and imported boxed lamb cuts.

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. 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 and published a proposed rule in the Federal Register on August 8, 2007. Publishing for all reports has continued with the exception of reports for slaughter cows, and imported boxed lamb.

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

Cotton:

- Monthly Cotton Price Statistics: Beginning with the August 2007 report, Cotton Market News added a table to the Monthly Cotton Price Statistics. The new table shows the weighted US average spot quotations for the season to date. This weighted average is based on the percentage of the crop that was grown the previous year in each market.

Dairy:

- The international reporting component of Dairy Market News was well positioned to keep the industry informed as exports of U.S dairy products significantly increased beginning in the summer of 2006.
- In August 2007, the Dairy Product Mandatory Reporting program was implemented. Through this program, dairy product price information collected by the National Agricultural Statistics Service is verified to ensure that USDA announced dairy product prices are accurate. These announced product prices are then utilized in the Federal milk order program to calculate fluid milk prices. Since implementation in August, more than 70 plants representing over 60 percent of the reporting entities have been audited. This program is resulting in timely, accurate, and reliable market information; facilitation of more informed marketing decisions; and promotion of competition in the manufactured dairy product industry that impacts the overall dairy industry by more than \$20 billion.

Fruits, Vegetables, and Specialty Products:

- National Fruit and Vegetable Retail Report: This weekly report features advertised retail activity and prices on the most commonly consumed fruits and vegetables, including several organic items. The report enhances the already extensive information being provided by Market News, adding retail coverage to existing wholesale and shipping point market data.
- Fruit and Vegetable Market News began publishing 12 new Free On Board reports in 2007 for: (1) Apples (organic) – Washington; (2) Cantaloupes – Caribbean Imports; (3) Carrots (organic) – California; (4) Clementines – California; (5) Honeydews – Caribbean Imports; (6) Lettuce, romaine and green leaf – New Jersey; (7) Mangoes – Caribbean Imports; (8) Onions (organic) – Georgia; (9) Oranges, Cara – California; (10) Pineapples – Caribbean Imports; (11) Raspberries – Mexico; (12) Tangelos – South Africa.

Livestock and Grain:

- During FY 2007 AMS Market News began issuing additional ethanol plant reports which include the Eastern Cornbelt Ethanol Plant Report, Nebraska Ethanol Corn and Co-Products Processing Values, and South Dakota Ethanol Plant Report.
- Organic reporting was expanded with the Eastern Cornbelt Organic Grain & Feedstuffs Report.
- New Livestock and Grain Reports include the Regular Sale from Jackson County Livestock Market in Ripley, WV; Carolina Stockyards, Siler City Monday, NC Weighted Average Report; Iowa Weekly Weighted Average Slaughter Cattle Report; Danville, VA Sheep and Goat Auction; United Producers Inc Weekly Hay Auction-Shelbyville, IL; Arthur Sale Barn Weekly Hay Report-Arthur, IL; Kilby's Livestock Market, North Wilkesboro, NC Weighted Average Report; Shelby Livestock Yard, Shelby, NC Weighted Average Report; Stanford, KY - Blue Grass South Livestock Market Cattle Auction Report; Tennessee Bred & Pairs Replacement; Nebraska/Iowa Hay Summary; New Holland, PA Sheep and Goat Weighted Average Report; Southeast Livestock Exchange, Waynesville, NC Monthly Video Auction; Kentucky Bluegrass of Campbellsville Livestock Market; Cattlemen's Livestock Auction, Bowling Green, KY; Iowa Soybean Processor Report; New Mexico Direct Feeder Cattle Report; Stanford, KY - Blue Grass South Livestock Market Cattle Auction Report; Miles City Livestock Commission Co. Miles City, MT Weighted Average; Nebraska Livestock Market of Norfolk; Ohio Goat Auction, Hillsboro Ohio Graded Goat Sale; Summary of Wisconsin Livestock Auction at Sparta; Summary of Wisconsin Feeder Cattle Auction at Altoona; Mexico, MO Sheep & Goat Auction; Hamilton's IL, Madison County Ag Hay Auction; Weighted Average Auction Report of Siler City, North Wilkesboro, Turnersburg, Mount Airy, Shelby, Norwood and Smithfield, NC; and Columbus, NE – Columbus Sales Pavilion Feeder Cattle Weighted Average and Slaughter Cattle Report.

Poultry and Eggs:

- In 2007, Poultry Market News and Analysis combined the current Central and Eastern regional mechanically separated chicken (MSC) market reports into a national report, expanding coverage to include the entire U.S. The report was developed with the help of industry cooperators and presents the information in a more user-friendly format allowing users to more quickly and easily comprehend the marketplace. The new report is being released concurrently with the Eastern and the Central Region MSC reports until January 4, 2008, when it will become the single MSC market report covering the national trading of MSC.
- In March 2007, Market News added an individually quick frozen (IQF) section to the Retail Feature Activity Reports which comprise the three most commonly featured uncooked IQF chicken items (these are boneless/skinless breasts, breast tenders, and wings). The level of retail advertising featuring IQF products provides valuable insight into consumer trends as well as the relative health of the marketplace. As these items are packed in various sized bags, all advertised prices are reported on a price per pound basis.
- In 2007, the Shell Egg Demand Indicator (SEDI) measurement tool was developed to estimate the demand for shell eggs. The Weekly SEDI estimates shell egg demand through calculations modeled

after known industry production and marketing practices. After discussions with several industry trade associations, the report was released publicly in October 2007.

Market News Web Portal:

AMS is modifying and enhancing the Market News Web Portal, which opened to the public in October 2005 with Livestock and Grain and Fruit and Vegetable information. The Portal allows users to customize the site to their specific needs, to query directly from the Market News Information System database, and to select the format view. The system permits customers to build and save their own data searches and allows for currency conversion, metric conversion, and graphing. Customer feedback, while very positive, included a number of specific requests for enhancements and greater capability. The most significant of the enhancements is the ability to store separately and easily retrieve market information on organic products. The enhancements are scheduled to be completed and made available to the public by Spring 2008. AMS plans to add cotton, dairy, and poultry data to the Portal as soon as resources allow.

During Fiscal Year 2007, the deliverables for each commodity's portal included initial analysis to gauge an estimate for each commodity's portal needs for Cotton, Dairy and Poultry; Functional Requirements Document for Fruits and Vegetables and Livestock and Seeds, Design Specifications Documents for FV and LS as well as specific software enhancements that include refinement of data reporting, statistics for portal activity, and environmental/organic data management. Discovery to develop the detail portal requirements will begin in the second quarter of FY 2008.

International Cooperation and Market Reporting:

AMS Market News provides technical expertise to other countries and for a variety of programs conducted by other U.S. agencies. These activities strengthen international Market News reporting by supporting the development of foreign agricultural market information systems. AMS, in coordination with the Foreign Agricultural Service, supported the USDA/U.S. Agency for International Development technical assistance project in India. Teams of market information specialists and agricultural commodity graders traveled to India in 2006 and 2007 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. In 2007, AMS worked with the National Institute of Agricultural Marketing and the Government of India to further develop and expand a market reporting training program.

AMS continues in its leadership role of the Market Information Organization of the Americas (MIOA), to develop a network of market information organizations from approximately twenty countries from North, Central, and South America. AMS attended the MIOA annual meeting held in Quito, Ecuador as well as two Executive Committee meetings in the U.S and in Panama. Future planned activities include regional projects and technical workshops for the participating member countries. The next MIOA annual meeting will be held in Panama City, Panama in September 2008.

PART Assessment:

The majority of the Agency's Marketing Services (MS) activities underwent a PART assessment for the FY 2008 budget and the overall program rating was "Adequate." The assessment found that the Program gathers, analyzes, and makes available market data for use among participants throughout the agricultural marketing chain. Increased information in the marketplace provides all market participants with resources to informed business transactions. To improve the performance of the program, we are developing additional methods to automate the collection and posting of Market News price data, clarifying long-term and annual measures to better demonstrate progress toward outcome-based performance goals, and improving reporting and documentation of relevant program action.

SHELL EGG SURVEILLANCE

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

Selected Examples of Recent Progress: The number of civil penalty cases against shell egg handlers decreased from five in FY 2005 to one in FY 2006 and to zero in FY 2007. The percentage of shell egg handlers in compliance with the SES program during initial visits increased from 83% in FY 2006 to 85% in FY 2007; the percentage of compliance during follow-up visits increased from 45% to 60% in FY 2007.

Inspections Conducted:

	Shell Egg Handlers	Hatcheries
Fiscal Year 2006	531	345
Fiscal Year 2007	487	332

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 508 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 2007, AMS specialists reviewed 83 commodity standards, including 21 for cotton products, 1 for dairy products, 18 for fresh fruit and vegetable products, 6 for processed fruits and vegetable products, 20 for livestock and meat, 4 for poultry, and 13 for tobacco. These reviews resulted in the revision of 8 standards: 1 for poultry and 7 for fresh fruits and vegetables.

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

- UNECE/CODEX: AMS fully reviewed and edited the UNECE's revised final standard for chicken prior to the official poultry standard publication by the UNECE, and made final revisions

to the turkey standard in preparation for its official publication in calendar year 2008. In addition, poultry specialists developed the first draft to revise the shell egg and egg products standards of the UNECE and reviewed the first draft of their revised standard for ducks.

- During 2007, AMS fruit and vegetable experts served as U.S. Delegates to meetings for the international standards bodies of the UNECE and Codex, and AMS continued to chair the Codex Committee on Processed Fruits and Vegetables which finalized four standards during its meeting.
- Dairy Programs expanded the export certificate program for dairy products and led the U.S. delegation of the Codex Committee on Milk and Milk Products to ensure adoption of international standards that position the U.S. dairy industry competitively in the global market. Through Dairy Programs' efforts, USDA dairy export certificates are now requested by approximately 90 countries and 7,800 certificates were issued in FY 07—nearly a 50% increase from 2006. In addition, 16 revised Codex Cheese Standards were officially adopted by Codex Commission in July 2007. As a result of these efforts, trade barriers for U.S. companies have been reduced and a basis for resolving international trade disputes has been provided thus facilitating the international trade of dairy products that have an export value of more than \$1.89 billion for the U.S. dairy industry.
- International Organization for Standardization (ISO): An S&T scientist took a leadership role when participating in International Organization for Standardization (ISO) Technical Committee (TC) 34 analytical methodology drafting meetings for two subcommittees (SC 2 and SC 11) for food products in Buenos Aires, Argentina in April 2007. Representatives from Germany, Spain, France, United Kingdom, Malaysia, Korea, Australia, Argentina, the Netherlands, Poland, Peoples Republic of China, Canada, and Switzerland were in attendance. There was agreement that the International Olive Council (IOC) can be a participating member of TC 34 and pursue the harmonization of IOC methods with the methods in ISO Standards for 52 foreign countries. S&T gained insight as a result into the essentials needed to meet forthcoming U.S. Olive Oil Grade 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 19.95 million samples of cotton under the grower classing program in 2007, with all cotton classed by the high volume instrument (HVI) method. In addition, the Cotton Program classified over 833 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 2007, the Cotton Program received requests for information on 20.9 million sample bales.

Fees and Charges Effective FY 2007:

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

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

- b. Dairy Products Grading: Product grading, laboratory analysis, and plant inspections assure purity and quality of dairy products. Upon request, AMS grades dairy products sold in commercial channels. An

AMS grade is also required on all products sold to the Commodity Credit Corporation under the dairy price support program. In 2007, 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 2007</u>	<u>FY 2008</u>
Continuous resident service	\$57.00	\$62.00
Nonresident service	62.00	68.00

International markets are increasing for U.S. dairy and related products. The Dairy Grading and Standardization Branches work together to offer assistance with inspection and certification of dairy and related products for export. Federal inspections are routinely required by importing countries. Certifications attest that dairy products are: 1) fit for human consumption; 2) produced under sanitary and wholesome conditions; and 3) free from animal diseases. In FY 2007, the Dairy Grading program issued 7,800 export certificates.

- c. Processed Fruit and Vegetable Grading: This program offers both grading and audit-based verification services. During 2007, AMS graded approximately 13.8 billion pounds of processed fruits and vegetables at 390 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 48 QTV audits in FY 2007. AMS' Plant Systems Audit (PSA) program provides an unbiased, third-party audit of a processor's quality assurance system. AMS performed 68 PSA audits for fruit and vegetable processors nationwide. AMS implemented a Food Protection Audit System in support of USDA food purchases. In FY 2007, AMS performed more than 225 Food Protection Audits.

During 2007, 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. The AMS Food Team also participated in 29 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 continued to strengthen its administrative processes in 2007 by training administrative personnel from processed fruit and vegetable grading offices nationwide.

Fees and Charges Effective FY 2007:

<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 2007, AMS graded or supervised the grading of approximately 60 billion pounds of fresh fruits, vegetables, and specialty crops. Grading services were provided by approximately 3,000 Federally-licensed State employees at shipping points and cooperative market locations and by approximately 150 federal employees at 34 federal receiving markets.

AMS 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 eight refresher training classes, three Good Agricultural Practices/Good Handling Practices (GAP/GHP) auditor training classes, one Train-the-Trainer class, one international training classes, and five specialized industry training classes. These classes help to ensure service quality and uniform application of procedures.

Fees and Charges Effective FY 2007:

<u>Service Performed</u>	<u>Fees*</u>
Quality and condition inspections of products each in quantities of 51 or more packages and unloaded from the same land or air conveyance:	
Over a half car lot equivalent product	\$131.00
Half car lot equivalent or less of each product	109.00
For each additional lot of the same product	60.00

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

	<u>Hourly Rates:</u>
Hourly rate for inspections performed for other purposes during graders' regularly scheduled work week:	\$64.00
Hourly rate for inspections performed under 40 hour contracts during the grader's regularly scheduled work week:	64.00
Premium rate, in addition to hourly or car lot rates:	33.00
Holiday hourly rate, in addition to hourly or car lot rates:	66.00

- e. Meat Grading and Certification: During 2007, meat grading and certification services were provided to approximately 200 meat packing and processing plants and other establishments world wide. A total of 20.9 billion pounds of red meat (beef, lamb, veal and calf) were graded during the year. This figure represents 95.1 percent of steers and heifers, 79.2 percent of lamb, and 37.0 percent of veal and calf commercially slaughtered in the U.S. In addition, 24.4 billion pounds of meat and meat products were certified for specification, contractual or marketing program requirements. Twenty-three Worldwide Food Audits were performed for Department of Defense prime vendor contracts.

Fees and Charges in Effect:

<u>Service Performed</u>	<u>Hourly Fees</u>	
	<u>FY 2007</u>	<u>FY 2008</u>
Commitment grading	\$61.00	\$61.00
Non-commitment grading	71.00	71.00
Premium (overtime) grading	78.00	78.00
Holiday grading	122.00	122.00

- f. Audit, Review and Compliance Branch Audit and Verification Activities: During 2007, 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 2007:

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

- g. Poultry and Egg Grading: Approximately 90 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 9 percent of poultry grading services are provided on a non-resident (lot grading) basis. During 2007, AMS provided resident service in 111 poultry plants, grading 8.8 billion pounds of poultry and 156 shell egg plants where 1.9 billion dozen shell eggs were graded. Poultry grading services cover about 29 percent of the turkeys slaughtered, 13 percent of the broilers slaughtered, and 42 percent of the shell eggs produced in the U.S., excluding eggs used for breaking and hatching.

Fees and Charges Effective FY 2007:

<u>Service Performed</u>	<u>Hourly Rate</u>
Non-Resident Plant--Regular Time	\$69.68
Resident Plant*	\$40.62 – 56.72*

*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.

During 2007, AMS' Tobacco Program inspected approximately 72 million pounds of imported tobacco and tested 85 million pounds of imported tobacco for pesticide residues. In addition, AMS provided pesticide testing on 5 million pounds of domestic flue-cured and burley tobacco.

Fees and Charges Effective FY 2007:

<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 2007, AMS received 455 applications for protecting new agricultural, floral, and seed plant varieties. A total of 795 applications, including some from previous years, were pending action at the end of 2007. During the fiscal year, AMS conducted searches on 355 applications to determine whether the plant constituted a new variety and issued 309 certificates of protection. At the end of the fiscal year, 4,583 certificates were in force while protection had expired on 137 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 1,150 samples at eight different locations to determine trueness-to-variety of seed in interstate commerce. During 2007, AMS received 338 new complaints from 29 States, resulting in 353 cases. AMS tested 299 regulatory seed samples from 29 states and 353 mail order seed samples from 17 seed companies for trueness-to-variety. Thirty-four Federal Seed Act cases were administratively settled with penalty assessments totaling \$39,150 and ranging from \$875 to \$17,200. To help ensure uniform application of the regulations, AMS conducted four inspector training workshops for seed inspectors and seed analysts from sixteen states.

Voluntary Seed Testing: AMS also offers seed inspection and certification services to users for a fee. Most of the users of this service are seed exporters. During 2007, AMS issued 2,585 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 Section 792 of 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 27, 2007.

Selected Examples of Recent Progress: AMS entered into cooperative agreements with and provided audit training to 17 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 2007 and audits by those States began in August. USDA personnel conducted audits in those States without cooperative arrangements.

The program conducted 1,657 audits in 23 States from August, 2006 through September, 2007. Approximately 33% 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. AMS maintains ongoing communications with EPA and FDA to plan program activities. In addition, AMS holds annual planning meetings with all program participants, including the States and agricultural industry stakeholders, to select commodities and water sites for inclusion in the program.

Selected Examples of Recent Progress:

Commodities: In 2007, PDP added 5 new commodities – almonds, blueberries, cranberries, corn, and heavy cream. These commodities were selected based on EPA's requests for data to monitor registration-driven changes mandated by the Food Quality Protection Act. In addition, PDP reintroduced previously tested commodities to determine if there were measurable changes in the residue profile. To date, PDP has surveyed a total of 85 commodities including fresh and processed fruit and vegetables, dairy, grains, meat and drinking water.

Water Survey: Water monitoring was expanded during 2007 to include sites in 13 States and the District of Columbia. The PDP water project is a voluntary program that began in 2001 and to date has surveyed 66 sites in 27 States.

Sampling: PDP developed a sample tracking database and a secured Extranet Website for file sharing and collaboration by administrative, sampling, and laboratory personnel which has produced a significant reduction in sample loss through more timely communications concerning trends and problems.

Testing: Methods were enhanced to include 13 new pesticides bringing the total number of pesticides and metabolites tested to 300. Laboratories consolidated analytical screening methods and expanded the use of automation to reduce costs for equipment maintenance, human resources, and the management of hazardous waste. PDP analytical method information was submitted to Codex Alimentarius for consideration for international adoption. PDP laboratories participated in national and international proficiency testing rounds and performed better or as well as other participating laboratories in the U.S. and around the world.

Outreach: PDP increased its involvement in international activities through participation in the 9th Fresenius AGRI Conference in Germany, dissemination of program information to delegations from Malaysia and Korea, and training on pesticide analytical methods to Saudi Arabian scientists.

Improved communications with U.S. growers through participation in crop tours and industry workshops.

Reporting: During 2007, more than 12,900 samples were tested, resulting in approximately 142,526 analyses. The program has the largest database on pesticide residues in children's foods in the U.S.

AMS publishes an annual data summary, with reports currently available for 1991-2006. 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/pdp>.

PART Assessment:

The Pesticide Data Program (PDP) underwent a PART assessment for the FY 2009 budget and the overall program rating was "Adequate." The purpose of the program is to collect data on pesticide and food borne pathogen levels in the food supply. The assessment concluded that AMS' PDP program supplies data to the Environmental Protection Agency (EPA) to reflect pesticide residues on fruits and vegetables in the U.S. food supply and that this data is used by EPA to assist in regulatory decisions that affect agricultural production and in pesticide registration and re-registration process. AMS utilizes cooperative agreements with State departments of agriculture to collect pesticide data samples for the program. To improve the performance of the program, AMS has begun evaluating the methodology used to establish program

performance targets for long-term and annual measures. The program is also developing additional annual and long-term performance measures that demonstrate progress toward a long-term programmatic outcome.

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. MDP also collects microbiological baseline data to develop risk assessment models for fresh produce. AMS shares MDP data with the Food and Drug Administration (FDA), the Centers for Disease Control and Prevention (CDC), and the Department of Homeland Security. MDP does not, however, collect sample origin information which limits the usefulness of the data for epidemiological investigations aimed at determining the source of outbreaks of food borne illness. In FY 2007, MDP received reduced funding for sampling and testing activities. The program is proposed for termination in FY 2009.

Selected Examples of Recent Progress:

Commodities: MDP added fresh cut bagged lettuce to the program. This high consumption commodity was introduced in consultation with FDA based on an increase in outbreaks associated with this product. The data collected provides information on the effectiveness of critical control point monitoring for processing this product. Bagged lettuce data will be provided to FDA. Other commodities tested include alfalfa sprouts, cantaloupes, green onions and tomatoes.

Testing: MDP introduced an automated testing system to enumerate generic *E. coli* by most probable number (MPN) to reduce costs expended on personnel, time, and materials. This system enhances sensitivity and removes interpretation errors. Expanded the testing of shiga toxin producing *E. coli* (STECs) and enterotoxin producing *E. coli* (ETECs) in all samples, using multiplex polymerase chain reaction (mPCR) to increase the likelihood of finding the pathogenic *E. coli*. Introduced a soak method developed by FDA to enhance the capture of target pathogens from lettuce, cantaloupes, and tomatoes. Improved cultural methods to enhance isolation of target pathogen from PCR positive samples.

Outreach: MDP strengthened collaboration of MDP laboratories with the Food Emergency Network (FERN) to develop and validate a real-time PCR method for *Shigella* testing and through participation in a proficiency testing round sponsored by FERN for *Shigella* and *E. coli* O157:H7. MDP laboratories also participated in an AOAC collaborative study on enumerating total viable counts of bacteria in foods using an automated system. Participated in a "Panel of Experts on Produce Safety" sponsored by the International Association of Food Protection.

Reporting: MDP provided data to FDA, California Department of Health and DHS on *Salmonella* detections in alfalfa sprouts to help initiate a voluntary recall in Southern California.

Provided data to FSIS on non-O157 STECs and *Salmonella* in produce for discussion at a public meeting. These pathogenic strains have been recently associated with new outbreaks. Provided data on MDP isolates to the Agricultural Research Service (ARS).

Provided antimicrobial resistance, serotype, and fingerprinting data on 2007 MDP *Salmonella* isolates to CDC for inclusion in the National Antimicrobial Resistance Monitoring System database. The data are used for epidemiological investigations.

The 2006 data was released online in January 2007 and the 2007 data was released earlier in FY 2008.

NATIONAL ORGANIC PROGRAM

Current Activities: The National Organic Program (NOP), authorized by the Organic Foods Production Act of 1990, 7 USC 6501 et seq. (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:

- 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. Materials were also reviewed for possible addition to the National List of Allowed and Prohibited Substances as well as reviews of materials set to expire from the National List in 2008 based on sunset provisions in the Act.
- Published two proposed rules and 1 interim final rule in the Federal Register to add materials to the National List of Allowed and Prohibited Substances.
- Published final rule in the Federal Register that renews the continued exemption (use) and prohibition of substances in organic production and handling based on recommendations from the NOSB that were scheduled to sunset from the National List on October 21, 2007.
- Published notices in the Federal Register to announce the filling of one vacant position on the NOSB, the meeting of the NOSB, and changes in the procedures for submitting National List petitions.
- USDA now has recognition agreements with six foreign governments: Canada, Denmark, Israel, India, New Zealand, 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 (approximately 614,000 farmers) maintain records of restricted use pesticide applications. This is accomplished by mandatory inspections of restricted use pesticide (RUP) application records. In addition, PRP provides educational outreach programs and materials to the regulated community to assist with compliance, and 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:

The PRP assures that certified private pesticide applicators which are required to maintain RUP records are randomly selected for compliance inspections. Inspectors conducted one-on-one inspections with the certified applicator and provide compliance assistance when possible. PRP administered 33 cooperative agreements with State pesticide regulatory agencies to conduct compliance inspections and educational outreach activities. Federal personnel were utilized in 5 additional States to conduct inspections during 2007. The PRP administered over 4,200 inspections nationally.

The PRP puts high priority on educational programs and compliance assistance in order to minimize the number of non-compliant private certified applicators. A 96% compliance rate of applicators inspected in

2007 demonstrates the effectiveness of this approach.

The PRP established two cooperative agreements with 1890 Institutions and one Land Grant University to develop and deliver educational programs to small/minority farmers who are not reached through traditional educational channels. PRP also developed a new Federal recordkeeping manual specifically for applicators that do greenhouse and nursery RUP applications and distributed to over 8,000 copies. Sample recordkeeping forms, manuals, and educational materials are available through the Program's website for downloading and use. The website provides instructions on how to maintain accurate and complete RUP application records to assist in compliance with the regulations.

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 2007 1/ Assessments Collected</u>
Cotton	\$ 81.8 (estimated)
Dairy	92.0 (estimated)
Fluid Milk	107.0 (estimated)
Beef	53.1
Lamb	2.3
Pork	53.7 (estimated)
Soybeans	44.7
Eggs	20.0 (estimated)
Avocados	17.8
Blueberries	2.0 (estimated)
Honey	3.8 (estimated)
Mangos	3.3 (estimated)
Mushrooms	3.2 (estimated)
Peanuts	5.9
Popcorn	0.5 (estimated)
Potatoes	10.7
Watermelon	1.5
Total	\$503.3 (estimated)

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

TRANSPORTATION SERVICES

Current Activities: 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 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:

- Published an *Ethanol Transportation Backgrounder, Expansion of U.S. Corn-based Ethanol from the Agricultural Transportation Perspective*, an overview of transportation issues facing a rapidly expanding U.S. ethanol industry in the context of the U.S. corn market—currently the main source of ethanol production in the United States.
- Provided extensive staff support to the CMTS on the harbor maintenance trust fund, Great Lakes harbor maintenance tax exemption, invasive species in ballast water, maritime data, system assessment, and national strategy.
- Provided testimony on Rail Competition and Service to the House Committee on Transportation and Infrastructure.
- Filed comments before the Surface Transportation Board on the following subjects:
 - Methodology to be Employed in Determining the Railroad Industry's Cost of Capital
 - Rail Transportation of Resources Critical to the Nation's Energy Supply
 - Methodology to be Employed in Determining the Railroad Industry's Cost of Capital
 - Simplified Standards for Rail Rate Cases (2 separate filings)
 - Rail Transportation of Grain (filing and testimony)
- Co-sponsored 7 regional agricultural shipper workshops in California, Idaho, Texas, Minnesota, and Oregon, and participated in the annual Agriculture Transportation Coalition meeting on the challenges faced by shippers with regard to trucking, rail, ocean, and port services, including consolidations, shortages, surcharges, fees, congestion, regulations, and overall costs.

Periodic Transportation Reports:

- *Grain Transportation Report:* AMS continued to improve and expand weekly reporting of the latest volume and price movement data for barges, railroads, trucks, containers, and ocean vessels involved in the transport of grain. The weekly report includes highlights, feature articles, quarterly updates on corn, wheat, soybean, and Mexico transportation costs, glossary, and the fall harvest transportation outlook. This publication received over 25,000 website visits 2007.
- *Brazil Soybean Transportation:* This quarterly report shows the total cost of shipping soybeans from Brazil to major export markets that are of interest to the United States.
- *Soybean Transportation Guide- Brazil:* This reference notes Brazil's ascendancy in the world soybean market. AMS updated this visual reference to provide U.S. exporters with current information on one of their most important competitors in the world grain markets.
- *Agricultural Refrigerated Truck Quarterly:* AMS improved the presentation of data and usability of the volume and rate data for fresh fruit and vegetable shipments from major producing regions (California, Pacific Northwest, Texas, Arizona, Florida, Great Lakes, and Mexico) to key consuming markets (Atlanta, Baltimore, Boston, Chicago, Miami, New York, Philadelphia, and Seattle). This publication received over 5,000 website visits in 2007.
- *Ocean Rate Bulletin:* A quarterly publication which tracks the ocean freight rates of 17 containerized high-value agricultural commodities in more than 45 different trade lanes, mostly Asian, but a few to European and Latin American destinations. The commodities tracked in the report include: almonds, animal feed, apples, frozen beef, cotton, grapefruit, grapes, hay, lettuce, onions, oranges, pistachios,

frozen potatoes, frozen poultry, raisins, soybeans, and wine. This publication received over 28,000 website visits in 2007.

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: 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:
 - Convened a “National Farmers Market Summit” – assembled key stakeholders in the U.S. farmers market community for a national conversation to discuss key issues and challenges faced by the farmers market industry; and
 - Published updated version of “Farmers Market Resource Guide”.
- Farmers Market Promotion Program 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. Twenty-three projects from 17 states, including the District of Columbia, were selected for funding out of the 326 proposals received from 48 states throughout the U.S.
- National Farmers Market Coalition: Provided financial and technical support to conduct a series of research projects, including:
 - Identify educational opportunities and programs that help to build capacity and strengthen farmers markets;
 - Collect and synthesize “best practices” for market operations, farmer recruitment and retention, and farmer and community support;
 - Identify potential members and partners to help communicate the goals and objectives for continued farmers market growth; and
 - Assist farmers market community in identifying financial and technical sources of support.
- USDA Farmers Market Directory Updated: Initiated and completed the conversion of the USDA National Farmers Market Directory from a text file to a Microsoft Access database. This new format has been updated to allow members of the public to search the content of the directory by market name, city, county, or by zip code. This user-friendly search mechanism will allow the public to locate markets more efficiently, and expedite updates of newly received market information.
- USDA Farmers Market: Operated the weekly farmers market on USDA headquarters property for the 12th consecutive year during the summer and fall seasons, coordinating schedules and logistics with 14 participating farm vendors, and recruited a certified organic vendor to participate. Provided technical assistance to the Veterans Administrations (VA) Hospital and the Department of Housing and Urban Development to host 1-day farmers markets on their respective sites. Each of these special market events were designed to promote and celebrate good health, fitness, and overall wellness among employees and patrons.

Wholesale Markets and Facilities Design Projects/Studies:

- Alabama Farmers Market: AMS continues to provide technical guidance to municipal and State officials and market tenants throughout the market planning/expansion process, to include architectural consultation and analysis of local consumer demographics and purchasing patterns.

- New York: Central New York Regional Market Authority, Syracuse, NY: AMS staff continue to work with market representatives and subcontractors to support the planned expansion and renovation of the Central New York Regional Market Authority in Syracuse, which include expanding the current portion of the facility devoted to farmers market activities and investigating the feasibility of using the market as a collection/distribution platform for NY State-origin produce headed for New York City markets.
- Educational Exchange on Wholesale Market Design Considerations with Indian Representatives: In August 2007, at the invitation of project organizers, a Marketing Service staff architect participated in a short-term overseas assignment as part of a USAID funded technical assistance project entitled Strengthening Agricultural Marketing Systems. MSB was accompanied by project collaborators from USDA's Foreign Agricultural Service, USDA's Cooperative State Research, Economics and Extension Service, and private industry. The AMS representative visited several wholesale food market locations in India, where he will provide architectural and design recommendations to market planners.

Marketing Channel Research and Development Projects/Studies:

- National Farmers Market Survey: AMS economists are in the midst of developing a final research report summarizing the results of the latest USDA National Farmers Market Survey, conducted in 2006 in cooperation with Michigan State University. A draft version of the research report is expected to be completed by January 2008. The report will contain the results of more than 1,300 survey questionnaires submitted by farmers market managers around the country, who answered questions related to market and vendor sales, recent marketing trends, operational and management challenges, and promotional activities.
- Alternative Energy and "Green" Construction Options for Food Market Facilities: An AMS staff architect and industrial engineer are developing a technical guide for market managers and planners to help them conserve energy costs and reduce their environmental footprint when designing or renovating permanent food market facilities.
- Assessment of Direct Distribution Systems to Improve Direct Marketing Effectiveness for Small-Scale Producers: In partnership with the Washington, DC-based Institute for Social and Economic Development (ISED), and the U.S. Department for Health and Human Services' Office of Refugee Resettlement, AMS is in the process of investigating the relative merits of several (approximately 8) direct distribution models currently used by various small-scale farm enterprises across the nation. The primary objective of this project is to identify specific distribution/marketing practices, challenges faced, and strategies that appear most effective for overcoming challenges and improving chances for long-term viability.
- Analysis of Consumer Demographics to Support Farmers Market Promotional Activities: AMS staff have initiated a pilot project to explore the potential of market research software in helping farmers/public market managers to improve the effectiveness of their advertising and promotional activities.

Postharvest and Marketing Technology:

- Supply Chain Management Informational Tools for Small-Scale Farm Producers and Processors: AMS has developed four informational modules in order to help the small and medium-sized food producer and processor better understand the implications of supply chain management for their business operations. 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,
- Collaborative Study of Maine Tablestock Potato Sector with USDA/ARS: In partnership with USDA/ARS and the Maine Potato Board, AMS is helping to develop a comprehensive marketing plan for Maine tablestock potato growers. The primary objectives of this project are to consider potential solutions to the current problems affecting the tablestock sector related to handling/product quality, transportation access, Canadian competition, and market development, in order to enhance the economic viability of the sector and better satisfy the needs and preferences of commercial buyers. The development of the marketing plan is expected to rely upon a wide range of available resources from AMS as well as resources from ARS and land-grant university extension services.

Marketing Information and Education:

- Training Curriculum on Starting Farmers Markets: An AMS staff architect and marketing specialist are currently preparing a guide that will provide recommendations for interested community stakeholders on how to begin the process of establishing a new farmers market. By looking at a variety of case study examples, the guide will cover physical considerations related to identifying an appropriate market site, such as traffic flow, vendor location, parking, shade, and access to utilities, as well as operational issues such as management structure, development and enforcement of market by-laws, vendor recruitment and selection techniques, and budgetary issues.
- Research Report on Catfish Marketing in Kentucky: AMS published 500 copies of its new research report on aquaculture marketing, entitled "*Delivering the Goods: Lessons Learned from Direct Delivery of Kentucky Catfish,*" in July 2007, and will begin publicizing and distributing these reports to relevant audiences through ongoing outreach activities.
- Financial and Organizational Support of National and Regional Workshops: The Marketing Services Branch (MSB) provided financial and organizational support to several workshops on farmers markets and direct marketing issues, such as the National Association of Farmers Market Nutrition Programs annual meeting, Sparks, NV, October 2006. In addition, MSB participated as presenters at workshops/conferences designed to build farm marketing capacity and/or improve food marketing practices at several events, such as the Food Distribution Research Society annual meeting, Quebec City, Quebec, Canada, October 2006, National Association of Produce Market Managers conference, San Francisco, CA, April 2007, and the National Farmers Market Working Group meeting, hosted by Winrock International, Arlington, VA, April 2007.

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] \$62,888,000 (from fees collected) shall be obligated during the current fiscal year for administrative expenses: *Provided*, That if crop size is understated and/or other uncontrollable events occur, the agency may exceed this limitation by up to 10 percent with notification to the Committees on Appropriations of both Houses of Congress.

Appropriations Act, 2008.....	\$61,233,000
Budget Estimate, 2009	<u>62,888,000</u>
Increase in Limitation.....	<u>+ 1,655,000</u>

The increase of \$1,655,000 in the limitation on administrative expenses is needed to fund increased operating costs. The increased limitation will allow for uninterrupted grading services in FY 2009.

AGRICULTURAL MARKETING SERVICE

PAYMENTS TO STATES AND POSSESSIONS

For payments to departments of agriculture, bureaus and departments of markets, and similar agencies for marketing activities under section 204(b) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623(b)), [\$11,709,000, of which not less than \$1,875,000 shall be used to make a grant under this heading: Provided, That of the amount provided under this heading, \$8,500,000, to remain available until expended, is for specialty crop block grants authorized under section 101 of the Specialty Crops Competitiveness Act of 2004 (Public Law 108-465; 7 U.S.C. 1621 note), of which not to exceed five percent may be available for administrative expenses.] \$1,334,000.

Salaries and Expenses

Appropriations Act, 2008	\$11,709,000
Budget Estimate, 2009	1,334,000
Decrease in Appropriation	<u>-10,375,000</u>

Adjustments in 2008:

Appropriations Act, 2008	11,709,000
Rescission under P.L. 110-161 a/	<u>-81,963</u>

Adjusted Base for 2008	11,627,037
Budget Estimate, Current Law, 2009	1,334,000
Decrease from adjusted 2008	<u>-10,293,037</u>

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

Project Statement

(On basis of adjusted appropriation)

	2007 <u>Actual</u>	2008 <u>Enacted</u>	Increase or Decrease	2009 <u>Estimated</u>
Payments for marketing services work under section 204(b) of the Agricultural Marketing Service Act of 1946 (FSMIP)	\$1,334,000	\$3,186,537	-\$1,852,537 (1)	\$1,334,000
Specialty Crop Block Grant Obligations a/	5,469,084	8,389,123	51,377	8,440,500
Unobligated balance available, start of period	-6,928,207	-8,389,123	-51,377	-8,440,500
Unobligated balance available, end of period	8,389,123	8,440,500	-8,440,500 (2)	0
Subtotal Appropriation	<u>6,930,000</u>	<u>8,440,500</u>	<u>-8,440,500</u>	<u>0</u>
Total Available	8,264,000	11,627,037	<u>-10,293,037</u>	<u>1,334,000</u>
Rescission	0	81,963		
Total Appropriation	<u>8,264,000</u>	<u>11,709,000</u>		

a/ FY 2006 specialty crop no-year grants were awarded on October 11, 2007. FY 2007 grants will be awarded after April 2008.

AGRICULTURAL MARKETING SERVICE
PAYMENTS TO STATES AND POSSESSIONS

Obligation Levels - Specialty Crops Grants Only
 (On basis of available funds)

Item	2007 Actual	2008 Enacted	2009 Estimated
Appropriation.....	\$6,930,000	\$8,440,500	\$0
Unobligated Balance Available, start of period.....	6,928,207	8,389,123	8,440,500
Total Available.....	13,858,207	16,829,623	8,440,500
Total Obligations.....	-5,469,084	-8,389,123	-8,440,500
Unobligated Balance Available, end of period.....	8,389,123	8,440,500	0

Note: Only the Specialty Crop Block Grant Program is displayed in the Obligation Level table due to this activity's no-year nature. The FSMIP Grants are annual in nature and are obligated in total each year. Due to the timing of the announcement for this Program, these numbers will differ from the MAX budget system data.

Justifications for Increases and Decreases

- (1) A decrease of \$1,852,537 for Payments to States and Possessions (\$3,186,537 available in 2008).

This budget request includes funding only for the Programs competitive grants and does not include funds specified for Wisconsin.

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 agriculture domestically and internationally.

- (2) A decrease of \$8,440,500 for Specialty Crop Grants (\$8,440,500 available in 2008).

On December 21, 2004, the Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621 note) authorized the Department of Agriculture (USDA) to provide state assistance for specialty crops. Under Section 101 of the statute, the Secretary of Agriculture is directed to "make grants to States for each of the fiscal years 2005 through 2009 to be used by State departments of Agriculture solely to enhance the competitiveness of specialty crops."

The program was first funded in fiscal year 2006 and additional funding was added in fiscal years 2007, and 2008. Due to the timing of the grants application process and because these funds were made available until expended, AMS expects to carry an unobligated balance equal to a full year of grants funding into fiscal year 2009 and therefore AMS is not requesting additional funding.

AGRICULTURAL MARKETING SERVICE
PAYMENTS TO STATES AND POSSESSIONS

Federal State Marketing Improvement Program
 Geographic Breakdown of Obligations

Distribution of obligations by State are not available until projects have been selected. Funds in 2007 for the Federal-State Marketing Improvement Program total \$1,334,000; funds in 2008 total \$3,187,000. A funding level of \$1,334,000 is proposed for 2008 and 2009.

	<u>FY 2007</u>
Alabama.....	\$14,995
Alaska.....	59,845
Arizona.....	49,275
Arkansas.....	30,000
Colorado.....	58,000
Florida.....	72,000
Hawaii.....	50,000
Idaho.....	54,500
Kentucky.....	33,375
Maryland.....	50,000
Massachusetts.....	95,425
Michigan.....	47,410
Mississippi.....	55,875
New Jersey.....	85,000
New Mexico.....	105,095
North Carolina.....	61,400
Ohio.....	105,940
Oklahoma.....	56,365
Oregon.....	43,000
Washington.....	183,500
Wyoming.....	23,000
Total, Available or Estimate	<u>1,334,000</u>

AGRICULTURAL MARKETING SERVICE
PAYMENTS TO STATES AND POSSESSIONS

Specialty Crop Block Grants
 Geographic Breakdown of Obligations

No-year funding was provided in FY 2006 for the specialty crop grant program. Announcement and solicitation of grant applications was released on September 26, 2006. An additional \$6,930,000 was provided in FY 2007, with applications being awarded through April 11, 2008. Obligations not awarded in grants were expended for administrative costs.

	Grants Awarded <u>FY 2007</u>
Alaska.....	\$100,521
Arkansas.....	102,675
California.....	1,304,956
Colorado.....	116,139
Delaware.....	204,808
District of Columbia.....	284,944
Florida.....	253,750
Idaho.....	121,388
Illinois.....	222,900
Iowa.....	103,249
Louisiana.....	104,950
Maryland.....	111,602
Michigan.....	136,342
Minnesota.....	113,275
Mississippi.....	103,627
Nebraska.....	104,134
Nevada.....	101,478
New Hampshire.....	102,245
New Jersey.....	117,037
New Mexico.....	217,015
New York.....	129,212
North Carolina.....	136,156
North Dakota.....	109,136
Oklahoma.....	107,188
Rhode Island.....	101,418
South Carolina.....	110,425
South Dakota.....	100,850
Texas.....	156,489
Utah.....	103,135
Vermont.....	101,398
Washington.....	182,443
West Virginia.....	100,287
Total, Available or Estimate.....	<u>5,465,172</u>

PAYMENTS TO STATES AND POSSESSIONS

Current Activities: The Federal-State Marketing Improvement Program (FSMIP) provides matching funds to State departments of agriculture and other State agencies for 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.

Selected Examples of Recent Progress: During 2007, 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 71 projects from 35 States and territories representing a total request for Federal funds of \$3.4 million. The program was appropriated \$1.3 million for these projects. These funds were allocated among 26 projects from 21 States.

FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM
FISCAL YEAR 2007 GRANTS

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
Alabama	To identify opportunities for Deep South wildflower seed growers to access a new market supplying native eco-type seed to state departments of transportation for use in landscape projects along public roads and highways.	\$14,995
Alaska	To explore niche regional, national and international markets for Alaska peonies and other cut flowers and develop a marketing strategy to take advantage of an annual seasonal deficit in world supply.	\$59,845
Arizona	To conduct a national survey to identify attributes of an effective, private-sector funded state branding program.	\$49,275
Arkansas	To introduce the new Arkansas Certified Baitfish program to national fish and wildlife administrators, national baitfish distributors, live-baitfish retailers and youth and adult fishing programs.	\$30,000
Colorado	To develop an effective prototype marketing and promotion campaign for bison meat that can be replicated in other similar demographically favorable markets.	\$58,000
Florida	To survey consumers, age 55 and older, to identify their attitudes about and preferences for seafood and aquaculture products, and to develop a marketing campaign based on the findings.	\$72,000
Hawaii	To conduct a pilot project for a statewide food traceability system.	\$50,000
Idaho	To field test U.S.-grown dry bean seed varieties in Mexico, and to conduct educational seminars for Mexican growers and cooperatives to review the results and explain how to import the seed from the United States.	\$54,500
Kentucky	To improve the accuracy and usefulness of U.S. market goat grades to provide graders and buyers with a more accurate tool for evaluating live goats and give producers an economic incentive to improve the quality of their goats.	\$33,375

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
Maryland	To facilitate increased use of locally produced foods in Maryland hospitals.	\$50,000
Massachusetts	To determine the regional demand for HACCP certified bagged salad greens and to assess the capability of local growers to supply this market.	\$33,825
Massachusetts	To develop a marketing strategy that will enable nursery operators to address shifts in demand due to changing consumer preferences, and environmental regulations regarding water use and invasive plants.	\$61,600
Michigan	To support the growth of the region's urban wood industry that supplies locally produced "green" building materials from waste wood such as those from trees damaged by the emerald ash borer.	\$47,410
Mississippi	To conduct consumer and chef focus groups in three target cities to gather data on their acceptance and willingness to pay for U.S. farm raised freshwater prawn that will serve in developing future marketing efforts.	\$55,875
New Jersey	To prepare produce growers to meet emerging food safety trends and access commercial markets through training on the State's food safety certification program.	\$85,000
New Mexico	To develop a comprehensive regional marketing program for red chilies.	\$58,550
New Mexico	To assess the national market for New Mexico-grown natural dye plants and natural dye plant products.	\$46,545
North Carolina	To determine key factors that influence current and anticipated consumer purchases of nursery products and landscape services to help the state's nursery sector update its marketing strategies and better plan future product and service offerings.	\$61,400
Ohio	To explore opportunities for sales of locally grown and processed products in school vending machines, and to conduct a pilot project in a university setting.	\$49,225
Ohio	To evaluate the current marketing strategies and practices of Ohio food producers, and to determine if and how a web-based marketing system can improve the effectiveness of their marketing efforts.	\$56,715
Oklahoma	To develop food distribution models for small, medium and large producers, and to create safe handling guidelines to foster use of locally grown and produced food products in school systems throughout the State.	\$56,365
Oregon	To explore opportunities for Oregon producers to supply ingredients or produce processed products for sale to public schools and to conduct a pilot project involving several products tailored to meet the needs and requirements of participating schools.	\$43,000

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
Washington	To use health-based research in support of a program to expand use of red raspberries in the production of new and existing processed products.	\$55,000
Washington	To conduct national surveys of consumers and health professionals to gain insight into their knowledge, preferences, and demand for cranberries and cranberry products, and to use the results to improve the industry's marketing strategies and educational programs.	\$65,000
Washington	To educate food product research and development professionals about the technical aspects and uses of various forms of dry peas, lentils, and chickpeas to enhance the nutritional value of existing products and create new products using these ingredients.	\$63,500
Wyoming	To foster development of the specialty food sector in Wyoming and to train producers and processors on food safety principles.	\$23,000
Total		<hr/> \$1,334,000

AGRICULTURAL MARKETING SERVICE

PERISHABLE AGRICULTURAL COMMODITIES ACT FUND

Lead-Off Tabular Statement

Appropriations Act, 2008	\$7,349,000
Budget Estimate, 2009	<u>7,349,000</u>
Change in Appropriation	<u><u>--</u></u>

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

<u>Item of Change</u>	<u>2008 Enacted</u>	<u>Pay Costs</u>	<u>Program Changes</u>	<u>2009 Estimated</u>
Total Available	\$7,349,000	--	--	\$7,349,000

Project Statement by Program
(On basis of appropriation)

	<u>2007 Actual</u>		<u>2008 Estimated</u>		Increase or Decrease	<u>2009 Estimated</u>	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Licensing dealers and handling complaints	\$10,556,591	81	\$10,052,000	85	+	\$273,000	\$10,325,000 85
Unobligated balance available start of period	-17,913,424	--	-14,585,778	--	+	2,703,000	-11,882,778 --
Unobligated balance available end of period	14,585,778	--	11,882,778	--	-	2,976,000	8,906,778 --
Total, available or estimate	<u>7,228,945</u>	<u>81</u>	<u>7,349,000</u>	<u>85</u>	--		<u>7,349,000 85</u>

AGRICULTURAL MARKETING SERVICE

PERISHABLE AGRICULTURAL COMMODITIES ACTObligation Levels
(On basis of available funds)

Item	2007 Actual	2008 Enacted	2009 Estimated
Appropriation (from receipts)	\$7,228,945	\$7,349,000	\$7,349,000
Unobligated Balance available, start of period	17,913,424	14,585,778	11,882,778
Total available	25,142,369	21,934,778	19,231,778
Total obligations	-10,556,591	-10,052,000	-10,325,000
Unobligated balance available, end of period	14,585,778	11,882,778	8,906,778

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

	2007 Actual		2008 Enacted		2009 Est.	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Arizona.....	\$1,356,160	10	\$1,291,337	11	\$1,326,408	11
District of Columbia	6,601,596	51	6,286,048	53	6,456,770	53
Illinois.....	0	0	0	0	0	0
New Jersey/New York.....	5,490	0	5,228	0	5,370	0
Texas.....	1,339,561	10	1,275,532	11	1,310,174	11
Virginia.....	1,253,784	10	1,193,855	10	1,226,278	10
Total, Available or Estimate.....	10,556,591	81	10,052,000	85	10,325,000	85

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 2007, AMS was contacted by members of the trade for assistance in resolving 1,575 commercial disputes. Of these disputes, more than 91 percent were resolved informally involving approximately \$18.5 million. AMS resolved 92 percent of these disputes within four months. Decisions and orders were issued in 347 formal reparation cases involving award amounts totaling approximately \$5.8 million. During the same period, AMS initiated 17 disciplinary cases against firms for alleged violations of the PACA. AMS issued 24 disciplinary orders – either suspending or revoking the firms' PACA licenses or levying civil penalties in lieu of license suspension – against produce firms for violations of the PACA.

AGRICULTURAL MARKETING SERVICE

FUNDS FOR STRENGTHENING MARKETS, INCOME AND SUPPLY

SECTION 32

Funds available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), shall be used only for commodity program expenses as authorized therein, and other related operating expenses, including not less than [\$10,000,000] \$20,000,000 for replacement of a system to support commodity purchases, except for: (1) transfers to the Department of Commerce as authorized by the Fish and Wildlife Act of August 8, 1956; (2) transfers otherwise provided in this Act; and (3) not more than [\$16,798,000] \$17,270,000 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, 2008		\$7,563,683,777
Unobligated balance available, start of year		500,000,000
Rescission		-684,000,000
Less transfers to:		
Department of Commerce		-84,594,777
Food and Nutrition Service, Child Nutrition Programs		-6,253,548,000
Total Transfers		<u>-6,338,142,777</u>
Adjusted Base for 2008		1,041,541,000
Budget Estimate, 2009:		
Annual permanent appropriation	7,979,334,788	
Rescission	-293,000,000	
Less transfers to:		
Department of Commerce	-84,500,788	
Food and Nutrition Service	<u>-6,529,983,000</u>	
Total transfers	-6,614,483,788	
Budget Estimate, 2009		<u>1,071,851,000</u>
Increase from adjusted 2008		<u><u>30,310,000</u></u>

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

Item of Change	2008		Program Changes	2009
	Enacted	Pay Costs		Estimated
Child Nutrition Program Purchases	\$615,000,000	--	--	\$615,000,000
State Option Contract	5,000,000	--	--	5,000,000
Removal of Defective Commodities	2,500,000	--	--	2,500,000
Disaster Relief	5,000,000	--	--	5,000,000
Emergency Surplus Removal	17,200,000	--	-\$17,200,000	--
Estimated Future Needs ^{a/}	358,257,000	--	+36,743,000	395,000,000
Commodity Purchase Service	21,786,000	+\$225,000	+10,070,000	32,081,000
Marketing Agreements and Orders	16,798,000	+472,000	--	17,270,000
Total Available	<u>1,041,541,000</u>	<u>+697,000</u>	<u>+29,613,000</u>	<u>1,071,851,000</u>

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

AGRICULTURAL MARKETING SERVICE

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

	2007 Actual		2008 Enacted		Increase or Decrease	2009 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Commodity Purchases							
a. Child Nutrition Program Purchases	\$664,860,396	--	\$615,000,000	--	--	\$615,000,000	--
b. Emergency Surplus Removal	56,891,473	--	17,200,000	--	-\$17,200,000	--	--
c. Estimated Future Needs	--	--	358,257,000	--	+\$36,743,000	395,000,000	--
Subtotal	721,751,869	--	990,457,000	--	+\$19,543,000	1,010,000,000	--
2. State Option Contract	--	--	5,000,000	--	--	5,000,000	--
3. Removal of Defective Commodities	1,871,239	--	2,500,000	--	--	2,500,000	--
4. Disaster Relief	11,316,600	--	5,000,000	--	--	5,000,000	--
5. Direct Payments	101,650,000	--	--	--	--	--	--
7. Administrative Funds							
a. Commodity Purchase Services	31,146,383	28	21,786,000	28	+10,295,000 (1)	32,081,000	28
b. Marketing Agreements and Orders	15,492,951	89	16,798,000	89	+472,000 (2)	17,270,000	89
Subtotal	46,639,334	117	38,584,000	117	+10,767,000	49,351,000	117
Total Obligations	883,229,042	117	1,041,541,000	117	+30,310,000	1,071,851,000	117
Offsetting Collections	-139,276,862	--	--	--	--	--	--
Recovery of Prior Year Obligations	-119,915	--	--	--	--	--	--
Unobligated balance available, start of year	-146,760,123	--	-500,000,000	--	+500,000,000	--	--
Unobligated balance available, end of year	500,000,000	--	--	--	--	--	--
Unobligated balance returned to Treasury	80,658,513	--	--	--	--	--	--
Total, Budget Authority	1,177,730,655	117	541,541,000	117	+530,310,000	1,071,851,000	117
Rescission	37,601,000	--	684,000,000	--	-391,000,000	293,000,000	--
Total, Appropriation	1,215,331,655	--	1,225,541,000	--	+139,310,000	1,364,851,000	--

AGRICULTURAL MARKETING SERVICE

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

	2007 Actual	2008 Enacted	2009 Estimated
Permanent Appropriation	\$7,029,269,059	\$7,563,683,777	\$7,979,334,788
Rescission	-37,601,000	-684,000,000	-293,000,000
Unobligated balance available, start of year	146,760,123	500,000,000	--
Offsetting Collections	139,276,862	--	--
Recoveries of Prior Year Obligations	119,915	--	--
Total Available	7,277,824,959	7,379,683,777	7,686,334,788
Less transfers to:			
Food and Nutrition Service, Child Nutrition Programs	-5,731,073,000	-6,253,548,000	-6,529,983,000
GSA Board of Contract Appeals	-47,345	--	--
Department of Commerce	-82,817,059	-84,594,777	-84,500,788
Total Transfers	-5,813,937,404	-6,338,142,777	-6,614,483,788
Total available after transfers	1,463,887,555	1,041,541,000	1,071,851,000
Less total obligations	-883,229,042	-1,041,541,000	-1,071,851,000
Unobligated balance returned to Treasury	-80,658,513	--	--
Unobligated balance available, end of year	500,000,000	--	--

Justifications for Increases and Decreases

- (1) An increase of \$10,295,000 in Section 32 Administrative funding for Commodity Purchase Services (\$21,786,000 available in 2008) consisting of:
- (a) An increase of \$10,070,000 Section 32 Administrative funding for Commodity Purchase Services to continue implementation of a modern Web-based Supply Chain Management (WBSCM) system (\$9,930,000 available in 2008).

AMS, representing the combined interests of USDA food purchasing and distribution agencies, requests additional \$10 million funding for the continued development of the WBSCM System from Commodity Purchase funds. This increase will align funding with the approved business plan, and ensure timely and efficient implementation as well as administrative support for project management. In FY 2006, AMS received funding to begin a \$100 million multi-year effort to implement an enhanced replacement of the Processed Commodity Inventory Management System (PCIMS). In both FY 2006 and FY 2007, \$20 million was provided for this project. The FY 2008 omnibus appropriations bill reduced the funding level for this activity to \$9.9 million. Remaining at this reduced level will delay system implementation.

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. The current PCIMS system was developed in the 1980's and its architecture is antiquated making maintenance and modifications difficult, time consuming, and expensive. PCIMS is being replaced by WBSCM which was approved by OMB, supported by congress, and chosen as one of the Department's 12 Smart Choice initiatives.

The WBSCM system supports the President's Management Agenda 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.

- (b) An increase of \$225,000 for increased pay costs.

The requested funding increase is required to maintain the current levels of service needed to stabilize market conditions through the purchase of surplus non-price supported commodities.

- (2) An increase of \$472,000 in Section 32 Administrative funding for Marketing Agreements and Orders (\$16,798,000 available in 2008) for pay costs.

The requested funding increase is required to maintain the current levels of service in stabilizing market conditions through Federal oversight of industry-run marketing order programs.

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

	2007 Actual		2008 Enacted		2009 Est.	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
California.....	\$794,074	2	\$657,000	2	\$840,000	2
District of Columbia.....	44,542,012	112	36,849,000	112	47,132,000	112
Florida.....	451,364	1	373,000	1	478,000	1
Oregon.....	677,193	2	560,000	2	716,000	2
Texas.....	174,691	0	145,000	0	185,000	0
Total, Available or Estimate.....	46,639,334	117	38,584,000	117	49,351,000	117

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 2007, AMS purchased \$671.8 million worth of non-price supported commodities with Section 32 funds. As authorized by the 2002 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 16.75 cents per meal and for emergency surplus removal. Under agreement, AMS also used funds appropriated to FNS for entitlement programs to purchase an additional \$302.1 million of commodities. In total, AMS purchased approximately 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 2007:

Contingency Fund Expenditures FY 2007
(Thousands of Dollars)

<u>Product</u>	<u>Funds</u>
Asparagus	\$1,708
Canned Apricots	1,594
Geese	810
Grape Juice	7,936
Grapefruit Juice	9,089
Lamb	988
Processed Apple Products	17,339

Red Tart Cherries	15,298
Tomatoes	<u>2,129</u>
Total	\$56,891

Business Development and Quality Assurance Staff:

During FY 2007, AMS further developed the USDA Food & Commodity Connection Web site by revising, coordinating, and approving 15 Commercial Item Descriptions and reviewed 22 and they approved 36 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.

Significant events in 2007:

- Approximately 115 billion pounds of milk valued at \$19.8 billion were delivered to handlers regulated under 10 orders. Production represented an estimated 63 percent of Grade A milk produced in the U.S.
- AMS implemented changes to the Class III and Class IV product price formula manufacturing allowances applicable in all 10 Federal MMOs.
- AMS held a national hearing to amend the Class I and Class II milk price formulas applicable in all 10 Federal MMOs.
- AMS held a hearing in the Appalachia, Florida, and Southeast Federal MMOs to consider temporarily adjusting the Class I pricing surface for each county within each of the three milk marketing orders.
- AMS pursued the collection of monies owed to dairy farmers by dairy processors. By providing relevant facts, data, and milk marketing expertise to the Department of Justice, a successful defense of the administration of the Federal milk order program was achieved and resulted in \$1 million collected for approximately 750 producers.

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 2007, the committees referred 3 cases to AMS for enforcement action. AMS forwarded 13 cases to the Office of General Counsel, closed 11 cases, and collected \$50,350 under stipulation agreements. AMS approved 32 marketing order compliance plans and conducted four compliance program and 16 internal control reviews.

Avocados: Under the Avocado Variety Enforcement Program, USDA issued six warnings 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 avocado varieties are often mislabeled 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.

Raisins: A U.S. District Court magistrate judge for the Eastern District of California granted a U.S. petition for enforcement of AMS subpoenas to Marvin D. Horne and Laura R. Horne et al, to obtain evidence concerning their handling of raisins during the period December 1, 2003, through July 31, 2006. Handlers

are subject to regulations under the California raisin marketing order. The Raisin Administrative Committee, which locally administers the order, uses these records to determine whether these producers engaged in handling activities. The judge ruled that AMS is entitled to obtain necessary evidence to make a factual determination as to any handling of raisins, even though a 15(A) petition filed by Horne et al seeking exemption from marketing order requirements has not yet been adjudicated. The ruling follows a July 27 hearing in District Court on the U.S. petition.

Marketing Order Online System (MOLS):

AMS staff developed MOLS to assist the Government in overseeing importer compliance with Section 8e of the Agricultural Marketing Act of 1937, which provides that when certain domestically produced commodities are regulated under a marketing order, imports of the commodity must meet the same or comparable grade, size, quality, and maturity requirements. MOLS is comprised of three web-based modules: 1) MOLS-Import - an on-line service for the import community to assure user identification and prevent fraud; 2) MOLS-Compliance - which provides in-house administration of compliance activities. This component has three distinct functions based on the type of users: marketing specialists to track their compliance work load and productivity, program assistants to load electronic data from the various sources, and supervisor reporting; and 3) MOLS-Administrative - a module which allows the system administrator to review and manage various business rules for each component.

New Program Requests:

On December 3, the comment period closed on AMS' advanced notice of proposed rulemaking on a possible national Federal marketing program for leafy green vegetables that would be established under the Agricultural Marketing Agreement Act of 1937. The document, published in the Federal Register on October 4, requested public comments to determine the need and support for national regulations that would provide Best Practices standards to maintain the quality of leafy green vegetables throughout the United States. The proposed program is being considered by AMS in response to public and industry concerns about reducing the risk of pathogenic contamination during the production and handling of leafy green vegetables.

Amendments:

- California Almonds: In August 2007, AMS held a public hearing on proposed amendments to the California almond marketing order. The amendments would add authority for labeling to require handlers to label shipments of unpasteurized or untreated almonds and add authority for different regulations at different market destinations. AMS is reviewing the hearing record.
- California Walnuts: In March 2007, AMS published a recommended decision based on the 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. AMS also proposed additional amendments that would limit Board tenure and require periodic continuance referenda. In July 2007, USDA published a Secretary's decision and a referendum order to determine the industry's support of the proposed amendments. All amendments passed except for the proposed amendment to establish tenure requirements for Board members. AMS is preparing a final rule establishing the proposed amendments that passed the producer referendum.
- Florida Avocados: In March 2007, USDA published a recommended decision based on the 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. In July 2007, USDA published a Secretary's decision and a referendum order to determine the industry's support of the proposed amendments. All amendments passed. AMS is preparing a final rule establishing the proposed amendments that passed the producer referendum.
- Florida Citrus: In August 2007, AMS received a hearing request from the Citrus Administrative Committee to hold a public hearing on proposed amendments to the Florida citrus marketing order. The amendments would modify committee representation by cooperative entities, allow alternates to

represent additional absent members of the committee to better meet quorum requirements, add authority to conduct committee meetings on non-controversial matters by telephone or other means of modern communication, and add authority for marketing promotions, including paid advertising and production research for fresh Florida citrus. AMS is preparing a notice of hearing for the public hearing on proposals to amend the Florida citrus marketing order.

- Texas Onions: In April 2007, USDA published a recommended decision based on the 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 onions container marking requirements prior to shipment. In addition, USDA proposed to establish term limits for South Texas Onion Committee membership and periodic continuance referenda. In August 2007, USDA published a Secretary's decision and a referendum order to determine the industry's support of the proposed amendments. Two out of the five proposed amendments passed. USDA is preparing a final rule establishing the proposed amendments that passed the producer referendum.
- Tart Cherries: In February and March 2007, USDA held public hearings on proposed amendments to the tart cherry marketing order. The amendments would, authorize changing the primary reserve capacity associated with the volume control provisions of the order, authorize establishment of a minimum inventory level at which all remaining product held in reserves would be released to handlers for use as free tonnage, establish an age limitation on product placed into reserves, revise the voting requirements necessary to approve a Board action, revise the nomination and election process for handler members on the Board, revise Board membership affiliation requirements; and update order language to more accurately reflect grower and handler participation in the nomination and election process in Districts with only one Board representative. USDA is currently preparing a recommended decision based on the public hearings on proposals to amend the marketing order.

Marketing Order Terminations:

In July 2007, USDA terminated the Federal marketing order for papayas grown in Hawaii due to the lack of industry support for the continuance of the marketing order.

Continuance Referenda:

During 2007, three programs voted to continue their respective marketing orders.

- Cranberries
- Walla Walla Onions
- Vidalia Onions

Oversight of Marketing Communication Materials for Marketing Order Committees/Boards:

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

In September 2007, MOAB, in partnership with the Research and Promotion Branch, conducted a one-day Marketing Communication Guidelines Training for all agency employees providing research and promotion program oversight. The training provided participants with information and helpful tools to maintain and improve oversight of marketing order committees and research and promotion boards.

AGRICULTURAL MARKETING SERVICE

Summary of Increases and Decreases - Proposed Legislation

<u>Item of Change</u>	2009		
	<u>Current Law</u>	<u>Program Changes</u>	<u>President's Request</u>
Expenses and Refunds, Inspection and Grading of Farm Products	\$137,950	+\$9,600	\$147,550

Explanation of Proposed Legislation:

The addition of the COOL enforcement activity within the Trust program consisting of \$9,600,000 and 10 staff years to implement labeling requirements for all covered commodities and expand Country of Origin Labeling (COOL) surveillance and enforcement activities. AMS is proposing that the enforcement of this activity be funded through the collection of fees.

Country of Origin Labeling (COOL) for all covered commodities becomes mandatory on September 30, 2008. AMS currently operates a COOL program for fish and shellfish to monitor and verify compliance with labeling requirements, AMS will propose a fee to conduct a COOL surveillance and enforcement activities for all covered commodities beginning FY 2009. This level of enforcement, in conjunction with educational and outreach activities, will ensure that consumers are provided credible information without overburdening cooperating State agencies.

Covered commodities include muscle cuts of beef (including veal), lamb, and pork; ground beef, ground lamb, and ground pork; farm-raised fish and shellfish; wild fish and shellfish; perishable agricultural commodities; and peanuts. With the proposed funding, AMS will deploy a more expansive enforcement program where surveillance activities performed in partnership with State governments will be the primary component. The program will conduct enforcement activities by establishing or revising cooperative agreements with States and other U.S. territories and will train Federal and State employees on their enforcement responsibilities.

AGRICULTURAL MARKETING SERVICE

Summary of Budget and Performance
Statement of Goals and Objectives

The mission of the Agricultural Marketing Service (AMS) is to facilitate the competitive and efficient marketing of agricultural products. AMS has four strategic goals and eight strategic objectives that all directly contribute to one of the Department's Strategic Goals and one Strategic Objective.

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: Support our customers in making verifiable market-enhancing claims about how their products are produced, processed, and packaged.</p>	<p>1.1 Provide value-added services to strengthen marketing support to U.S. agriculture in an environment of rising cost pressures, increasing exports, competing imports, and changing market requirements.</p>	<p>Grading and Certification Services</p> <p>Audit Verification Services</p> <p>Laboratory Services</p>	<p>Quality verification programs exist to provide product or process information for buyers and consumers about the quality or specifications of the product being purchased.</p>
<p>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: Provide benefits to the agriculture industry and general public by delivering timely, accurate, and unbiased market information, supporting marketing innovation, and by purchasing commodities in temporary surplus and donating them for Federal food and nutrition programs.</p>	<p>2.1 Respond quickly and effectively to changing markets, marketing practices, and consumer trends.</p> <p>2.2 Support small-production agricultural producers through new and existing AMS programs that are especially beneficial to that segment of the industry.</p> <p>2.3 Address food defense concerns.</p>	<p>Market News</p> <p>Standardization</p> <p>Pesticide Data Program</p> <p>Transportation Services</p> <p>Wholesale, Farmers, & Alternative Market Development</p> <p>Federal-State Marketing Improvement Program</p> <p>Specialty Crop Block Grants</p> <p>Commodity Purchases</p>	<p>AMS public good programs help the agriculture industry identify alternative ways to maintain and improve the return on funds it has invested.</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 3: Enable agriculture groups to create marketing self-help programs designed to strengthen the industry's position in the marketplace.</p>	<p>3.1 Respond to industry requests for planning and technical assistance.</p>	<p>Research and Promotion Programs</p> <p>Marketing Agreements and Orders</p>	<p>Federally-authorized marketing self-help programs, allowing agriculture industry groups to establish programs that promote consumer purchases of their commodities on a national or regional scale.</p>
<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 4: Monitor specific agricultural industries/activities to ensure that they maintain practices established by regulation to protect buyers, sellers, and other stakeholders.</p>	<p>4.1 Reduce the potential for mislabeling of seed and organic products.</p> <p>4.2 Institute an effective Country of Origin Labeling Program for all designated covered commodities.</p> <p>4.3 Apply a variety of dispute resolution approaches to facilitate commercial dispute resolution.</p>	<p>Organic Standards</p> <p>Federal Seed Act Program</p> <p>Shell Egg Surveillance</p> <p>Country of Origin Labeling</p> <p>Pesticide Recordkeeping</p> <p>Perishable Agricultural Commodities Act Program (PACA)</p> <p>Plant Variety Protection</p>	<p>Marketing regulatory programs help to ensure a fair marketplace by regulating agricultural marketing at the national level to protect buyers and other stakeholders.</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)

	<u>2007 PY</u>		<u>2008 CY</u>		<u>Increase/ Decrease</u>	<u>2009 BY</u>	
	<u>Actual</u>	<u>Staff Years</u>	<u>Budget</u>	<u>Staff Years</u>		<u>Estimated</u>	<u>Staff Years</u>
<u>Marketing Services:</u>	<u>Amount</u>		<u>Amount</u>			<u>Amount</u>	
Market News	\$32,181,573	239	\$32,744,966	243	\$1,693,034	\$34,438,000	244
Shell Egg Surveillance	2,513,271	15	2,660,000	15	69,000	2,729,000	15
Standardization	4,600,120	61	4,899,000	61	132,000	5,031,000	59
Federal Seed Act	2,294,370	22	2,405,000	22	480,000	2,885,000	28
Country of Origin Labeling	983,814	5	1,051,000	5	20,000	1,071,000	5
Pesticide Data	15,132,660	14	15,188,000	14	800,000	15,998,000	14
Microbiological Data	4,759,246	7	4,766,000	7	-4,766,000	0	0
Organic Standards	2,056,859	13	3,127,000	19	754,000	3,881,000	22
Pesticide Recordkeeping	2,825,788	12	2,919,000	12	45,000	2,964,000	12
Transportation	2,719,375	20	2,783,000	20	82,000	2,865,000	19
Wholesale, Farmers & Alternative Market Development	3,721,396	20	3,781,000	20	382,000	4,163,000	22
Total, Marketing Services	73,788,472	428	76,323,966	438	-308,966	76,015,000	440
<u>Payments to States and Possessions:</u>							
Federal-State Marketing Improvement Program (FSMIP)	1,334,000	0	3,186,537	0	-1,852,537	1,334,000	0
Specialty Crop Grants <i>a/</i>	5,469,084	0	8,440,500	0	-8,440,500	0	0
Total Available	8,264,000	0	11,627,037	0	-10,293,037	1,334,000	0
Total, Marketing Services and Payments to States & Possessions, Current Legislation	80,591,556	428	87,951,003	438	-10,602,003	77,349,000	440

Section 32
(On basis of available funds)

	<u>2007 PY</u>		<u>2008 CY</u>		<u>Increase/ Decrease</u>	<u>2009 BY</u>	
	<u>Actual</u>	<u>Staff Years</u>	<u>Budget *</u>	<u>Staff Years</u>		<u>Estimated</u>	<u>Staff Years</u>
	<u>Amount</u>		<u>Amount</u>			<u>Amount</u>	
<u>Section 32 (Permanent Appropriations):</u>							
<u>Administrative Funds:</u>							
Commodity Purchase Services	\$11,146,383	28	\$11,856,000	28	\$225,000	\$12,081,000	28
Web-based Supply Chain Management System	20,000,000	0	9,930,000	0	10,070,000	20,000,000	0
Marketing Agreements & Orders	15,492,951	89	16,798,000	89	472,000	17,270,000	89
Subtotal, Section 32 Administrative Funds	46,639,334	117	38,584,000	117	10,767,000	49,351,000	117
Section 32 Program Funds	836,589,708	0	1,002,957,000	0	19,543,000	1,022,500,000	0
Total, Section 32	883,229,042	117	1,041,541,000	117	30,310,000	1,071,851,000	117

User Funded Programs
(On basis of available funds)

	<u>2007 PY</u>		<u>2008 CY</u>		<u>Increase/ Decrease</u>	<u>2009 BY</u>	
	<u>Actual</u>	<u>Staff Years</u>	<u>Budget *</u>	<u>Staff Years</u>		<u>Estimated</u>	<u>Staff Years</u>
	<u>Amount</u>		<u>Amount</u>			<u>Amount</u>	
<u>Perishable Agricultural Commodities Act (Special Trust Fund):</u>							
PACA	\$10,556,591	81	\$10,052,000	85	\$273,000	\$10,325,000	85
<u>User Funded and Reimbursed:</u>							
Commodity Grading & Other Trust Fund (Fee) Programs	135,464,208	1,464	132,000,000	1,491	3,700,000	135,700,000	1,491
Reimbursements and User Fee Programs	58,257,079	574	67,791,000	560	1,655,000	69,464,000	560
Total, Trust, User Fee & Reimbursed Programs	204,277,878	2,119	209,843,000	2,136	5,628,000	215,489,000	2,136
TOTAL Available, AMS	1,168,098,476	2,664	1,339,335,003	2,691	13,255,000	1,364,689,000	2,693

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

* FY 2008 CY Budget amounts are shown net of funds rescinded pursuant to Division A, Title VII, Section 752 of P.L. 110-161.

Selected Accomplishments Expected at the FY 2009 Proposed Resource Level:

AMS' FY 2009 budget proposals are intended to strengthen Agency activities in line with Goal 2 of the USDA Strategic Plan and our mission statement: "To facilitate the competitive and efficient marketing of agricultural products."

- Increase the current market information available to buyers and sellers of specialty crops, which will increase the usefulness of the information to the agency's target audience that uses AMS information to influence their marketing decisions, currently reflected as number of eViews.
- Increase compliance of regulated entities with Federal Seed Act labeling and advertising regulations for agricultural and vegetable seed moving in interstate commerce with no enforcement action required which will increase buyer confidence, reduce the chance of financial loss for growers, and stabilize the marketing environment. Instituting an active seed control program is expected to decrease the mislabeling rate in selected states from 15 percent to 10 percent.
- Increase the percentage of children's food commodities for which pesticide residue data is available to 81 percent and increase the comprehensive pesticide residue data available for general dietary risk assessment to 90% to support pesticide registrations and provide data on newly authorized pesticides so that the impact on the environment can be assessed.
- Strengthen the National Organic Program's (NOP) oversight of organic labeling on imported products to improve compliance with U.S. requirements, strengthen the integrity of the USDA organic seal, and ensure equal treatment of foreign and domestic organic products. Since grower groups are extensively used overseas, the program will more closely monitor the activities of NOP-accredited foreign agents who certify grower groups.
- Support increased sales through farmers and other direct marketing distribution channels and increase the program's overall credibility in the direct marketing industry through more effective management of Farmer Market Promotion grants.
- Expedite progress toward deployment of the Web-Based Supply Chain Management (WBSCM) system to more efficiently manage the purchasing and tracking of food commodities for USDA agencies, including the Food and Nutrition Service, the Farm Service Agency, and AMS, which will strengthen controls and reporting and improve customer service by reducing processing time (business cycle), and providing more information for users and customers.
- Expand the mandatory Country of Origin Labeling (COOL) program to all covered commodities by conducting Federal activities related to quality assurance, regulations and protocols, general administration, and management of the COOL program for all covered commodities within the current level of appropriated funding. Implement compliance monitoring and enforcement activities for all covered commodities using mandatory user fees retained in a no-year account. Assessing fees for compliance activities requires an amendment to the authorizing legislation.

Means and Strategies:

- Expand Market News reporting on specialty crops to include currently underreported geographic areas and production methods such as greenhouse and organic to increase market transparency.
- Increase Federal monitoring and enforcement of the Federal Seed Act in States without active seed monitoring programs where the most seed is shipped under the Act, develop a training program to provide instruction on sampling techniques and procedures to State seed inspectors to ensure accuracy and uniformity, and develop pure reference samples to support violation determination and enforcement actions.
- Increase the level of pesticide residue sampling and testing, especially for newly authorized pesticides to meet program performance goals by providing the information needed for informed regulatory decisions.
- Conduct regularly scheduled accreditation and compliance audits of foreign organic certifiers and operations, establish a training program for foreign certification, and regularly monitor the activities of foreign accreditation programs under the National Organic Program.

- Hire dedicated specialists to more effectively review and administer Farmers Market Promotion grants through strengthened oversight, consistency, and operating efficiency.
- Develop the USDA Web-Based Supply Chain Management System (WBSCM) at the planned full funding level to expedite replacement and enhance the services provided by the outdated Processed Commodity Inventory Management System through contracted expertise operating under the guidance of representatives from all of the USDA food purchasing agencies.
- Propose an amendment to the authorizing legislation for Country of Origin Labeling that will allow the program to collect, retain, and invest user fees to fund periodic random compliance reviews and trace-back audits of covered retailers on all commodities identified by the Act. Conduct reviews of retailer records using Federal and cooperating State personnel; conduct trace-back audits on a statistical sample of the compliance reviews to verify compliance with labeling requirements.

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, vegetables, milk and dairy products, 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 fruits, vegetables, and specialty crops. The Agency ensures that industry self-help programs are meeting their regulatory requirements while pursuing marketing benefits.

Key Performance Targets

USDA Strategic Plan						
Performance Measures	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Target*	FY 2009 Target
Market-identified quality attributes for which AMS has provided standardization (%)	96%	96%	97%	97%	98%	98%

Market News and Marketing Services (excluding Standardization, Pesticide Data, and Microbiological Data Programs)						
Number of (annual) eViews for marketing and transportation information (millions)	28.2	28.5	40.9	42.3	42.3	42.5
Farmer's Market sales (\$ billions)	\$0.9	\$1.00	\$1.06	\$1.06	\$1.10	\$1.15
Percentage of regulated entities found to be in compliance with applicable Federal statutes or program regulations with no enforcement required	90%	80%	90%	88%	90%	91%
Program Funding (\$millions)	\$50	\$51	\$49	\$51	\$52	\$55
Pesticide Data Program						
Percentage of children's food commodities for which comprehensive pesticide residue data [has been reported] for dietary risk assessment	55%	69%	76%	78%	79%	81%
Increase in comprehensive pesticide data available for [general] dietary risk assessment	n/a	83%	86%	89%	89%	90%
Program Funding (\$millions)	\$15	\$15	\$15	\$15	\$15	\$16

Performance Measures	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Target*	FY 2009 Target
Commodity Purchases						
Percentage of commodities purchased under surplus removal authority for three out of five successive years	39%	25%	18%	9%	37%	36%
Total Section 32 Funds (\$millions)	\$874	\$870	\$1,317	\$883	\$1,042	\$1,072
Perishable Agricultural Commodities Act Program (PACA)						
Average processing time for new license application approvals	5 days	5 days	4 days	4 days	3 days	3 days
Number of months to resolve formal complaints [commercial disputes]	7.0	6.1	8.0	7.0	6.5	6.0
PACA Program Cost (\$millions)	\$10	\$10	\$10	\$11	\$10	\$10
Grading and Standardization Program						
The minimum acceptable accuracy rate (%) for applications of USDA grading and certification services	87%	88%	89%	88%	91%	92%
Grading (Trust and User Fee) and Standards Funds (\$millions)	\$174	\$196	\$197	\$192	\$198	\$204

Performance Measures	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008* Target	FY 2009 Target
Research and Promotion Programs						
Number of peer reviewed commodity board evaluations that show quantitative financial benefits	8	9	11	14	17	17
Reimbursed Federal Expenses (\$millions)	\$3	\$3	\$3	\$3	\$3	\$3

* FY 2008 funding reflects net availability after rescission.

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

AGRICULTURAL MARKETING SERVICE
Full Cost by Departmental Strategic Objective

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

PROGRAM	PROGRAM ITEMS	Dollars in Thousands		
		FY 2007	FY 2008*	FY 2009
Marketing Services Program				
Market News:				
	Collecting, analyzing, and disseminating time sensitive agricultural market information (\$000)	\$29,842	\$30,363	\$31,933
	Indirect Costs (\$000)	2,340	2,382	2,505
	Total Costs (\$000)	\$32,182	\$32,745	\$34,438
	FTEs	239	243	244
 Performance Measure:				
	Number of e-views for marketing and transportation information (millions)	42.3	42.3	42.5
	Cost per report issued	\$45.76	\$46.52	\$47.26
 Commodity Purchase Services Program				
	Purchase perishable non-price supported commodities to remove marketplace surpluses, and to meet domestic nutrition assistance program needs (\$000)	\$10,333	\$10,992	\$11,201
	Indirect Costs (\$000)	813	864	880
	Total Administrative Costs (\$000)**	\$11,146	\$11,856	\$12,081
	FTEs	28	28	28
 Performance Measure:				
	Percentage of commodities that were purchased under surplus removal in the current year plus one or two of the preceding years	9%	39%	38%
	Administrative cost per bid received	\$4,420	\$4,391	\$4,393

* FY 2008 amounts are shown net of funds rescinded pursuant to Division A, Title VII, Section 752 of P.L. 110-161.

** Does not include multi-agency WBSCM system development.

Perishable Agricultural Commodities Act (PACA) Program

Ensure fair trading practices in the marketing of more than \$80 billion in annual sales of perishable agricultural commodities (\$000)

	\$9,901	\$9,427	\$9,683
Indirect Costs (\$000)	656	625	642
Total Costs (\$000)	\$10,557	\$10,052	\$10,325
FTEs	81	85	85

Performance Measure:

Average processing time for license [renewal] applications from time of receipt for 90 percent of applications (days)

	4	4	4
Number of licenses issued	1,425	1,350	1,450

Pesticide Data Program

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

Administrative Costs (\$000)	\$14,036	\$14,087	\$14,829
Indirect Costs (\$000)	1,097	1,101	1,159
Total Costs (\$000)	\$15,133	\$15,188	\$15,988
FTEs	14	14	14

Performance Measure:

Number of children's food commodities included in the Pesticide Data Program
Number of compounds reported by PDP laboratories

	45	46	47
	378	385	388

Program cost per test	\$11.66	\$12.04	\$11.92
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Total Costs for USDA Strategic Objective 2.2

	\$000	\$000	\$000
Marketing Services and Payments to States	\$80,592	\$87,951	\$77,349
Section 32 Administrative ^{a/}	46,639	38,584	49,351
Trust	135,464	132,000	135,700
PACA	10,557	10,052	10,325
User Fee and Reimbursed	58,257	67,791	69,464
Total Costs (program, direct, indirect) ^{b/}	\$331,509	\$336,378	\$342,189
FTEs ^{c/}	2,664	2,691	2,693

^{a/} Section 32 Administrative Costs include Web-based Supply Chain Management (WBSCM) at \$20 million in FY 2007, \$9.9 million in 2008, and \$20 million in 2009.

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

^{c/} FTEs numbers do not include staff years for Milk Market Administrator (Schedule A) employees.