

2011 Explanatory Notes  
Agricultural Marketing Service

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## AGRICULTURAL MARKETING SERVICES

Purpose Statement

The mission of the Agricultural Marketing Service (AMS) is to facilitate the competitive and efficient marketing of agricultural products. AMS programs support a strategic marketing perspective that adapts product and marketing decisions to consumer demands, changing domestic and international marketing practices, and new technology. AMS carries out a wide range of programs under the authorization of the Agricultural Marketing Act of 1946 as well as over 50 other statutes. AMS conducts many appropriated program activities through cooperative arrangements with State Departments of Agriculture and other agencies. Approximately sixty percent of the funds needed to finance AMS activities (excluding commodity purchase program funds) are derived from voluntary user fees. AMS provides services for private industry, 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 Marketing Act of 1946

Agricultural and Food Act of 1981 (as amended by the Food Security Act of 1985)

The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill)

Cotton Statistics and Estimates Act of 1927

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, organic products, 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. The Market News Portal, developed over the past few years, improves the value of the collected market information to the user. This program provides producers and marketers of farm products and those in related industries with timely, accurate, and unbiased market information that assists them in making the critical daily decisions of where and when to sell, and at what price; thereby enhancing competitiveness and helping to increase the efficiency of agricultural marketing systems. Since 2008, the program has greatly expanded reporting on organic production to provide market information needed by producers in that expanding sector.

a. Livestock Mandatory Reporting (LMR): AMS's LMR program (as authorized by P.L. 106-78, Title 9) was initiated on April 2, 2001, and requires the reporting of market information by livestock processing plants that annually slaughter on average a minimum of 125,000 cattle, 100,000 swine, or slaughter or process an average of 75,000 lambs. The LMR market news reports provide information regarding the pricing, contracting for purchase, and supply and demand conditions for livestock, livestock production, and livestock products to encourage competition in the marketplace. In addition to providing information regarding the daily and weekly prices paid by packers to producers for cattle, hogs, and sheep and the daily and weekly prices received by packers for their sales of boxed beef and boxed lamb to retailers, wholesalers, and further processors these reports also provide prices paid by importers of imported lamb and lamb products. All of the price information reported is sorted into the respective purchase types as defined in the Act--negotiated, forward contract, and formula marketing arrangements--which were previously unavailable prior to LMR. The information in these reports is used by all sectors of the livestock and meat industry to make current, as well as future, marketing and livestock production decisions. On October 5, 2006, the LMR program was reauthorized by P.L. 109-296 through September 30, 2010, with some modifications to swine reporting.

b. Organic Market Reporting: The 2008 Farm Bill required the Secretary to undertake Organic Production and Market Data Initiatives and provided three agencies—AMS, the Economic Research Service, and the National Agricultural Statistics Service—with one-time funding to develop these initiatives. AMS' Market News (MN) program, which is responsible for the collection and distribution of organic market data, has responded by improving the reporting of organic products, expanding the number of organic commodities reported, and developing additional organic market information tools within the MN Portal.

## 2. Shell Egg Surveillance and Standardization:

These programs are authorized by the following statutes:

Egg Products Inspection Act

Agricultural Marketing Act of 1946

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

a. Shell Egg Surveillance: AMS conducts this program, in cooperation with the State departments of agriculture, to ensure that shell egg handling operations are inspected at least four times annually and hatcheries are inspected at least once each year to control the disposition of certain types of under grade and restricted eggs. This program diverts eggs that are not at least U.S. Consumer Grade B--and which cannot be sold in shell form--to egg breaking plants, which reassures buyers and supports efficient markets.

b. Standards Development: AMS develops, reviews, and maintains agricultural commodity standards that describe product quality attributes such as taste, color, texture, yield, weight, and physical condition for use in the trading of agricultural commodities. These standards provide a common language for buyers and sellers of commodities both here and abroad for use in marketing. AMS standards constitute the basis for market reporting, and are used in grading cotton, milk and dairy products, eggs, fruits, livestock and meat, nuts, tobacco, poultry, and vegetables. AMS participates in international standards-setting and other marketing activities related to agricultural exports to lend technical expertise.

## 3. Market Protection and Promotion Programs:

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

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

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

a. Pesticide Data Program (PDP): Established under authority of the Agricultural Marketing Act of 1946 and the 1996 Food Quality Protection Act, PDP develops and communicates comprehensive, statistically-reliable information on pesticide residues in food to improve Government dietary risk assessments. This program provides data on a continual basis to the Environmental Protection Agency (EPA) for use in the pesticide registration process and to other Federal and State agencies for use in determining policies intended to safeguard public health. In addition to reporting comprehensive pesticide residue data for general dietary risk assessments, the program is particularly focused on the foods most likely consumed by children. The pesticide residue data collected by the program enhances the competitiveness of farm economies by supporting the use of safer crop protection methods and supports marketing by providing information that can be used to re-assure consumers concerned about pesticides. To ensure integrity and the high degree of quality required for dietary risk assessment procedures, PDP's standard operating procedures parallel EPA's Good Laboratory Practice guidelines. Information on significant findings is reported to the Food and Drug Administration (FDA). This program is a cooperative effort between Federal agencies and is conducted by AMS through agreements with State agencies that provide sampling and testing services.

- b. Microbiological Data Program (MDP): Implemented in 2001, MDP supports agricultural marketing and addresses consumer concerns on microbiological contamination by collecting information regarding the prevalence of food-borne pathogens and indicator organisms on domestic and imported fresh fruits and vegetables. Microbiological data obtained from this fresh produce screening effort enhances understanding of the microbial ecology of fresh fruit and vegetables in the food supply, permits the identification of long-term trends, and contributes to a national produce microbiological baseline. Because MDP baseline data reflects changes in cultivation, harvesting practices, post-harvest handling and packaging of fresh produce to meet changing consumer life styles, preferences and demands, it can be used to help fine-tune Good Agricultural Practices. Combined with virulence attributes, serotypes, antimicrobial resistance, and genomic fingerprints, MDP data also supports Federal and State public health activities. AMS transfers data to the Centers for Disease Control and Prevention (CDC) and FDA on a semi-annual basis. To better support investigations conducted by the CDC and FDA, MDP has begun collecting sample origin information, including: grower, packer, and distributor; country of origin; collection facility name; and lot number/product code. MDP also provides data to USDA's Food Safety and Inspection Service and Agricultural Research Service. AMS establishes uniform procedures, determines testing methodologies for cooperating laboratories, analyzes the data, and generates an annual report. MDP sampling and testing of fruits and vegetables in U.S. markets are conducted under agreement by personnel from cooperating States.
- c. National Organic 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 who will ensure producers and handlers are in compliance with the national organic standards. AMS accredits foreign agents who certify products labeled organic for export to the U.S., and 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 increases the efficiency and enhances 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 prohibits false labeling and advertising of seed, as well as the shipment of prohibited noxious-weed seed into a State. State seed inspectors are authorized to inspect seed subject to the Act. 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 to resolve each case administratively. For cases that cannot be resolved, AMS can initiate appropriate legal action.
- e. Pesticide Recordkeeping Program: The Pesticide Recordkeeping program is authorized by the Food, Agriculture, Conservation and Trade Act of 1990. This program established Federal regulations requiring certified applicators to maintain records on applications of Federally-restricted use pesticides as required by the Act. The Act also requires that records be surveyed to provide a database on the use of restricted pesticides. A Memorandum of Understanding signed by the AMS, the National Agricultural Statistics Service (NASS), and the 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. 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 (COOL):** The COOL Act requires retailers to notify their customers of the country of origin of covered commodities. Labeling requirements for fish and shellfish became mandatory during FY 2005, and AMS established an audit-based compliance program the following year 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. During FY 2008, USDA issued an interim final rule on mandatory labeling for all commodities that incorporated the 2008 Farm Bill changes to the COOL Act. In January 2009, USDA issued a final rule on mandatory COOL for all covered commodities which became effective on March 16, 2009. The COOL regulation requires country of origin labeling for muscle cuts and ground beef (including veal), pork, lamb, goat, and chicken; wild and farm-raised fish and shellfish; fresh and frozen fruits and vegetables; and peanuts, pecans, macadamia nuts, and ginseng sold by designated retailers. The final rule outlines the requirements for labeling covered commodities and the recordkeeping requirements for retailers and suppliers. The program has established cooperative agreements with state agencies to conduct retail surveillance reviews. AMS is responsible for training Federal and State employees on enforcement responsibilities; analyzing and responding to formal complaints; conducting supply chain audits; and developing educational and outreach activities for interested parties.

g. **Commodity Research and Promotion Programs:** AMS provides oversight and direction to industry-funded and managed commodity research and promotion programs. The various research and promotion acts authorize the collection of an assessment from identified segments of the marketing chain. These 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, sorghum, soybeans, and watermelons. AMS reviews and approves the budgets and projects proposed by the research and promotion boards to ensure that proposals comply with the regulation and the statute. 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 provides technical advice and assistance to States and municipalities that are interested in creating or upgrading wholesale market facilities, auction and collection markets, and retail farmers markets. AMS also conducts feasibility studies in cooperation with the private sector, non-profit organizations, and other government agencies to evaluate and suggest efficient ways to handle and market agricultural commodities. AMS studies changes in the marketplace to assist States, localities, market managers/operators, and growers in making strategic decisions for future business development.

**Farmers Market Promotion Program (FMPP):** FMPP was created through an amendment of the Farmer-to-Consumer Direct Marketing Act of 1976. The program provides grants targeted to help improve and expand domestic farmers markets, roadside stands, community-supported agriculture programs, agri-tourism activities, and other direct producer-to-consumer market opportunities. The 2008 Farm Bill (Sec. 10106) increased the resources available for this program, allowing for a broader industry impact and post-award reviews of best practices. Entities eligible to apply include agricultural cooperatives, producer networks, producer associations, local governments, nonprofit corporations, public benefit corporations, economic development corporations, regional farmers' market authorities and Tribal governments.

#### 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  
 The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill)

AMS monitors the agricultural transportation system (inland waterways, rail, truck, ocean bulk, and ocean containerized) and conducts market analyses that support decisions regarding the transportation of agricultural products domestically and internationally. This program determines whether the Nation's transportation system will adequately serve the agricultural and rural areas of the United States by providing necessary rail, barge, truck, and shipping services. AMS provides technical assistance to shippers and carriers and participates in transportation regulatory actions before various Federal agencies. In addition, AMS provides economic analyses and recommends improvements to domestic and international agricultural transportation for policy decisions.

6. Commodity Grading and Plant Variety Protection:

These programs are authorized by the following statutes:

Agricultural Marketing Act of 1946  
 Farm Security and Rural Investment Act of 2002  
 Wool Standards Act  
 Cotton Statistics and Estimates Act of 1927  
 U.S. Cotton Futures Act  
 United States Cotton Standards Act  
 Naval Stores Act  
 Produce Agency Act of 1927  
 Specialty Crops Competitive Act of 1994  
 Tobacco Inspection Act of 1935  
 Tobacco Statistics Act  
 Plant Variety Protection Act

a. Grading, Certification, and Audit Verification: The grading process involves the application or verification of quality standards for agricultural commodities. AMS provides grading and certification services on agricultural commodities for which developed standards are available. 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 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, for a fee.

b. Plant Variety Protection Program: This program is authorized by the Plant Variety Protection Act, which encourages the development of novel varieties of sexually reproduced or tuber propagated plants by providing intellectual property rights protection to the developer. The program, funded by user fees, verifies the uniqueness of variety and issues certificates that assure developers exclusive rights to sell, reproduce, import, or export such varieties, or to use them in the production of hybrids or different varieties, for a period of 20 years for most species and 25 years for woody plants.

7. Payments to States and Possessions:

a. Federal-State Marketing Improvement Program (FSMIP): 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. AMS provides matching funds on a competitive basis to State departments of agriculture, State agricultural experiment stations, and other State agencies, to assist in exploring new market opportunities for U.S. food and agricultural products, and to encourage research and innovation aimed at improving the efficiency and performance of the agriculture commodities marketing system. States perform the work or contract with others, and must contribute at least one-half of the cost of the projects. This program has made possible many types of projects, such as electronic marketing and agricultural product diversification. Current projects are focused on the improvement of marketing efficiency and effectiveness, and seeking new outlets for existing farm-produced commodities. For FY 2010, USDA has invited State agencies to submit proposals that focus on helping to market, transport and distribute United States-produced food and agricultural products domestically and internationally.

b. Specialty Crop Block Grant Program (SCBGP): Section 101 of the Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621) authorized USDA to provide State assistance for specialty crops. The 2008 Farm Bill (Sec. 10109) amended the Specialty Crops Competitiveness Act to continue the program through 2012, expand the definition of specialty crops and eligible states, revise the minimum base grant, and provide mandatory funding. AMS administers this program by awarding grants to State departments of agriculture to enhance the competitiveness of fruits and vegetables, dried fruits, tree nuts, nursery crops (including floriculture), and horticulture. AMS provides guidance and assistance in developing State plans, submitting applications, and meeting the administrative, reporting, and audit requirements involved in managing a funded project. AMS also establishes and conducts internal review and evaluation procedures for applications and State plans; and participates in workshops, conferences, and other forums to facilitate interaction among States, USDA representatives, and industry organizations. After a grant is awarded, AMS reviews annual performance reports, final reports, audit results, and final financial statements; posts final performance reports on the SCBGP website and disseminates project findings at appropriate meetings and conferences; and participates in workshops, conferences, and other forums to facilitate interaction among States, USDA representatives, and industry organizations.

8. Perishable Agricultural Commodities Act Program:

This program is carried out under the Perishable Agricultural Commodities Act (PACA) and the Produce Agency Act (PAA) and is funded by license fees. These Acts are designed to: (1) protect producers, shippers, distributors and retailers from loss due to unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products handled for others. Commission merchants, dealers, and brokers handling fresh and frozen fruits and vegetables in interstate and foreign commerce must obtain a PACA license and 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.

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

Section 32 of the Act of August 24, 1935, (7 U.S.C. 612c) made available an appropriation equal to 30 percent of gross customs receipts collected during each preceding calendar year 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. Section 14222 of the 2008 Farm Bill established an annual amount that can be retained from these funds for Section 32 activities.

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. 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 under other authorities are included in the User Funded and Reimbursable Programs table.

Diversions 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, indemnities, or 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.

b. Marketing Agreements and Orders: The Marketing Agreements and Orders Program is authorized by the Agricultural Marketing Agreement Act of 1937. The program was established to assist farmers, milk producers, and handlers by allowing them to collectively work to solve marketing challenges. These instruments are designed to stabilize market conditions and improve the returns for fluid milk and fruit and vegetable producers. AMS oversees these various activities to ensure that they operate in the public interest and within legal parameters.

Marketing agreements and orders: (1) establish minimum prices that handlers pay to dairy producers; (2) regulate the quality and quantity of fruits and vegetables sold in commercial channels; and (3) provide for market development and promotion (including paid advertising). A majority of the currently active Federal marketing order programs for fruits and vegetables include minimum grade requirements. The standards used by our programs include characteristic qualities as well as criteria related to food safety (e.g., lack of mold, insects, foreign material, etc.). Presently, there are 32 active specialty crop marketing agreement and order programs covering 27 commodities, and 10 milk marketing orders. Proposed orders are subject to approval by producers of the regulated commodity. Section 32 funds authorized 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 three months from October through December due to the seasonal nature of cotton, tobacco, and a variety of fruit and vegetable grading programs.

AMS employment during the peak period averaged 3,623 during FY 2009. As of September 30, 2009, AMS had 2,625 employees, of whom 2,045 were permanent full-time and 580 were other than permanent full-time employees. About 78 percent of AMS employees are assigned to field offices. Of the 2,053 employees assigned to field office locations, 1,481 were permanent full-time and 572 were other-than permanent full-time employees.

Schedule A (Milk Market Administrator) employees as of September 30, 2009 totaled 387, of which 367 were permanent full-time and 20 were other-than permanent full-time employees.

OIG Audits:

- Oversight of the National Organic Program: (01601-03-Hy, Draft issued 12/14/09). This audit was conducted to assess the effectiveness of the AMS's corrective actions implemented in response to the prior audit (2005). Audit field work has concluded.
- Follow up on Purchase Specifications for Ground Beef: (01601-02-Hy, in progress). Audit was initiated to evaluate the AMS purchasing specification requirements (specifically, management controls) for ground beef donated to the National School Lunch Program and other Federal feeding programs.

Statement of Available Funds  
2009 Actual and Estimated 2010 and 2011

Item	Actual 2009		Enacted 2010		Estimated 2011	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
<b>Agricultural Marketing Service</b>						
Marketing Services .....	\$86,711,000	422	\$91,148,000	464	\$97,255,000	464
General Provision 732 .....	94,000	--	--	--	--	--
Subtotal, Marketing Services .....	86,805,000	422	91,148,000	464	97,255,000	464
Payments to States and Possessions .....	1,334,000	--	1,334,000	--	2,634,000	--
General Provisions 732 and 728 .....	338,000	--	350,000	--	--	--
Subtotal, Payments to States and Possessions .....	1,672,000	--	1,684,000	--	2,634,000	--
Total, Annual Appropriations .....	88,477,000	422	92,832,000	464	99,889,000	464
<b>2008 Farm Bill Initiatives:</b>						
Farmers Market Promotion Program .....	5,000,000	3	5,000,000	4	10,000,000	4
Specialty Crop Block Grants-Farm Bill .....	49,000,000	4	55,000,000	4	55,000,000	4
Subtotal, Farm Bill Initiatives .....	54,000,000	7	60,000,000	8	65,000,000	8
Total, AMS .....	142,477,000	429	152,832,000	472	164,889,000	472
<b>Obligations under other USDA appropriations:</b>						
Food & Nutrition Service for commodity procurement services (Sec. 32) .....	969,000	8	988,000	8	1,008,000	8
Total, Agriculture Appropriations .....	143,446,000	437	153,820,000	480	165,897,000	480
<b>Permanent Appropriations:</b>						
Funds for Strengthening Markets, Income, and Supply (Sec. 32) .....	7,979,334,788	149	8,061,101,000	164	6,605,946,000	164
Deduct Rescission .....	-293,529,985	--	-133,352,000	--	-50,000,000	--
Recoveries of Prior Year Obligations .....	8,310,600	--	--	--	--	--
Offsetting Collections .....	19,848,517	--	--	--	--	--
Unobligated balance available, start of year .....	293,529,985	--	375,374,000	--	76,000,000	--
Deduct transfers out <sup>a/</sup> .....	-6,672,312,788	--	-7,128,270,000	--	-5,616,946,000	--
Unobligated balance available, end of year .....	-375,373,576	--	-76,853,000	--	--	--
Net AMS Availability .....	959,807,541	149	1,098,000,000	164	1,015,000,000	164
Perishable Agricultural Commodities Act Fund .....	9,792,477	78	10,623,000	85	10,846,000	85
Total, Permanent Appropriations .....	969,600,018	227	1,108,623,000	249	1,025,846,000	249
<b>Non-Federal Funds:</b>						
Oversight work for the following:						
Oversight work for Research and Promotion Boards .....	3,901,000	24	3,901,000	27	3,980,000	27
Fees for grading of cotton and tobacco .....	41,575,241	364	64,583,000	360	60,947,000	360
Grading of farm products for producers, processors, and municipal, State and Federal Agencies .....	150,946,000	1,379	139,749,000	1,348	147,671,000	1,348
Wool research, development, and promotion .....	2,250,000	--	2,250,000	--	2,250,000	--
States for collection & dissemination of market news information .....	18,000	--	25,000	--	25,000	--
Total, Non-Federal Funds .....	198,690,241	1,767	210,508,000	1,735	214,873,000	1,735
2008 Farm Bill Trust Initiatives (AMA Organic Cost Share) .....	1,500,000	--	1,500,000	--	1,500,000	--
Total, Agricultural Marketing Service .....	133,236,259	2,431	147,451,000	2,464	140,816,000	2,464
Schedule A Employees .....	--	384	--	384	--	384

<sup>a/</sup> Includes the transfer to the Food and Nutrition Service (FNS), the Commerce Department, and the Fresh Fruit and Vegetable Program administered by FNS.

Permanent Positions by grade and Staff Years2009 Actual and Estimated 2010 and 2011

Grade	2009			2010			2011		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
Senior Executive Service	11	--	11	12	--	12	12	--	12
GS-15	32	6	38	41	4	45	41	4	45
GS-14	91	34	125	89	31	120	89	31	120
GS-13	129	120	249	170	94	264	170	94	264
GS-12	102	172	274	120	156	276	120	156	276
GS-11	26	191	217	37	197	234	37	197	234
GS-10	2	16	18	2	16	18	2	16	18
GS-9	37	545	582	46	522	568	46	522	568
GS-8	12	232	244	13	210	223	13	210	223
GS-7	25	237	262	31	203	234	31	203	234
GS-6	8	75	83	8	68	76	8	68	76
GS-5	7	74	81	7	70	77	7	70	77
GS-4	3	30	33	3	8	11	3	8	11
GS-3	1	--	1	4	1	5	4	1	5
GS-2	1	--	1	--	--	--	--	--	--
GS-1	--	--	--	--	--	--	--	--	--
Ungraded Positions .....	9	1	10	--	7	7	--	7	7
Total Permanent Positions without Schedule A .....	496	1,733	2,229	583	1,587	2,170	583	1,587	2,170
Schedule A Employees .....	12	372	384	--	--	--	--	--	--
Total Permanent Positions including Schedule A .....	508	2,105	2,613	583	1,587	2,170	583	1,587	2,170
Unfilled Positions end-of-year .....	49	-617	-568	--	--	--	--	--	--
Total Permanent Full Time Employment, end-of-year .	557	1,488	2,045	583	1,587	2,170	583	1,587	2,170
Staff Year Estimate .....	662	1,769	2,431	662	1,802	2,464	662	1,802	2,464
Schedule A Staff Years .....	12	372	384	12	372	384	12	372	384

**Motor Vehicle Fleet Data Size, Composition and Cost of Motor Vehicle Fleet**

The estimated number of passenger motor vehicles available for fiscal year 2011 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 three in fiscal year 2011 due to anticipated increased activity in the inspection services programs.

Replacement of passenger motor vehicles. AMS plans to replace 40 of the 291 passenger motor vehicles in operation in FY 2011. 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, 2009, are as follows:

Motor Vehicles Fleet Data

Size, Composition, and Annual Cost  
(in thousands of dollars)

Number of Vehicles by Type									
Fiscal Year	Sedans & Station Wagons	Light Trucks, SUVs and Vans		Medium Duty Vehicles	Ambulances	Buses	Heavy Duty Vehicles	Total Number of Vehicles	Annual Operating Costs (\$ in thou.)
		4X2	4X4						
2008									
Actual	204	73	5	0	0	0	0	282	\$593
Change	-13	-5	14	0	0	0	0	-4	-\$241
2009									
Actual	191	68	19	0	0	0	0	278	\$352
Change	7	3	0	0	0	0	0	10	\$222
2010 Est.	198	71	19	0	0	0	0	288	\$574
Change	0	3	0	0	0	0	0	3	\$73
2011 Est.	198	74	19	0	0	0	0	291	\$647

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

Marketing Services

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

Marketing Services

For necessary expenses of the Agricultural Marketing Service [\$91,148,000] \$97,255,000: *Provided*, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building.

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

Lead-off Tabular Statement

Appropriations Act, 2010 .....	\$91,148,000
Budget Estimate, 2011 .....	<u>97,255,000</u>
Increase in Appropriation .....	<u>+6,107,000</u>

Summary of Increases and Decreases

(On basis of appropriation)

<u>Item of Change</u>	2010 <u>Enacted</u>	<u>Pay Costs</u>	Program <u>Changes</u>	2011 <u>Estimated</u>
Market News .....	\$34,222,000	\$239,000	\$300,000	\$34,761,000
Surveillance and Standardization .....	7,885,000	55,000	--	7,940,000
Market Protection and Promotion .....	43,217,000	301,000	4,252,000	47,770,000
Transportation Services .....	2,921,000	20,000	--	2,941,000
Wholesale, Farmers, and Alternative Market Development .....	<u>2,903,000</u>	<u>20,000</u>	<u>920,000</u>	<u>3,843,000</u>
Total Available .....	<u>91,148,000</u>	<u>635,000</u>	<u>5,472,000</u>	<u>97,255,000</u>

Project Statement

(On basis of appropriation)

	<u>2009 Actual</u>		<u>2010 Enacted</u>		Increase or Decrease		<u>2011 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 .....	\$33,117,097	247	\$34,222,000	265	\$539,000	(1,2)	\$34,761,000	265
Egg Surveillance and Standardization								
Shell Egg Surveillance .....	2,701,019	12	2,771,000	18	19,000	(1)	2,790,000	18
Standardization .....	4,754,083	37	5,114,000	36	36,000	(1)	5,150,000	36
Total, Egg Surveillance and Standardization	7,455,102	49	7,885,000	54	55,000	(1)	7,940,000	54
Market Protection and Promotion:								
Federal Seed Act .....	2,479,266	20	2,474,000	22	17,000	(1)	2,491,000	22
Country of Origin Labeling .....	10,325,101	11	10,678,000	14	74,000	(1)	10,752,000	14
Pesticide Data .....	15,527,229	20	15,360,000	20	998,000	(1,3)	16,358,000	20
Microbiological Data .....	4,651,269	9	4,766,000	9	283,000	(1,4)	5,049,000	9
National Organic Standards .....	3,883,956	19	6,967,000	32	3,160,000	(1,5)	10,127,000	32
Pesticide Recordkeeping .....	2,870,684	10	2,972,000	10	21,000	(1)	2,993,000	10
Total Market Protection and Promotion ....	39,737,505	89	43,217,000	107	4,553,000	(1)	47,770,000	107
Transportation Services .....	2,829,421	19	2,921,000	19	20,000	(1)	2,941,000	19
Wholesale, Farmers, and Alternative Market Development .....	2,909,644	18	2,903,000	19	940,000	(1,6)	3,843,000	19
Unobligated Balance .....	662,231	--	--	--	--	--	--	--
Total, Available or Estimate .....	86,711,000	422	91,148,000	464	6,107,000		97,255,000	464

Justifications of Increases and Decreases

A total increase of \$6,107,000 for Marketing Services (\$91,148,000 available for FY 2010) consisting of:

- 1) An increase of \$635,000 to fund increased pay costs.
- 2) An increase of \$300,000 for the Market News Program to continue expanded reporting on organic agricultural products.

The Market News program requires on-going resources to continue expanded coverage of organic production and distribution markets for fruits, vegetables, livestock, grain, dairy and dairy products, poultry, eggs and cotton. This initiative was started with funding that AMS received in the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill).

The 2008 Farm Bill appropriated \$3.5 million to AMS' Market News program to collect price data related to organically grown products, and authorized an annual appropriation for sustained funding for the collection and distribution of organic market data. In September 2008, Market News expanded the fruit and vegetable retail report to devote a section to organic market data, including a snapshot of the weekly organic fruit and vegetable retail advertisements with a list of items and corresponding price ranges, which complements the daily market reports on wholesale shipping point prices for organic fruits and vegetables.

During fiscal year 2009, AMS added staff to focus on the specialized reporting of organic markets and enhanced the Market News database and the Market News Portal to make it easier for the public to retrieve segregated organic information. Market News is expanding coverage of the growing organic fruit and vegetable markets at shipping points and points of entry for imported fruits and vegetables, as well as at the wholesale levels. The program will make a special effort to increase coverage of local markets for small organic fruit and

vegetable growers, ranchers and distributors/handlers, as this is a largely underserved group of producers and marketers. The program will also begin reporting supply, demand, and price information on wholesale organic milk and dairy products, as well as reporting the prices paid to producers for organic milk by handlers.

The organic sector is the fastest growing sector in agriculture, with a 20 percent annual growth rate over the last decade, and the Economic Research Service expects continued growth at least through the next decade. There are currently 20,000 organic producers in the U.S. and there is significant growth in both new and conventional producers transitioning at least part of their production over to organic systems. The value of organic production is estimated at \$20 billion, with specialty crops comprising almost a third of the total.

- 3) An increase of \$891,000 for the Pesticide Data Program to enable the program to continue the testing of grains and maintain current operations.

This increase is requested to maintain effective levels of grain testing, drinking water testing, and to fund continued participation by all current cooperating States. The Pesticide Data Program (PDP), established under the authority of the Agricultural Marketing Act of 1946 and the 1996 Food Quality Protection Act (FQPA), generates comprehensive, statistically reliable information on pesticide residues in foods to improve the Government's ability to protect human health from pesticide risk.

The funding available for Federal payments to cooperating States has been greatly outpaced by uncontrollable cost increases, including cooperator salaries and shipping costs that rise with fuel prices. As cooperator costs have increased over the past five years, both the program and its cooperating agencies have significantly streamlined operations. Ultimately, reductions in monetary support to cooperating State agencies were necessary, which has resulted in reduced cooperator sampling and testing targets, along with delays in replacement and upgrades of laboratory equipment essential to program delivery. The requested funding will enable the program to fully reimburse rising State costs and produce the data needed, avoiding the need to further reduce sampling and testing goals.

The PDP program provides data 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. PDP is the main supplier of data needed to prepare realistic pesticide dietary exposure assessments using high quality data on residues in food, with a particular emphasis on foods most likely consumed by infants and children. This information is used by EPA in their evaluation of pesticide uses to ensure that this vulnerable segment of the population is adequately protected.

- 4) An increase of \$250,000 for the Microbiological Data Program to enter into a sampling agreement with the State of Arizona.

The Microbiological Data Program's (MDP) mission is to test for foodborne pathogens and bacteria in a mix of domestic and imported fruits, vegetables, and specialty crops (produce) based on a statistical sampling protocol. The requested budget increase will be used to cover the cost of entering into a sampling agreement with the State of Arizona. The inclusion of Arizona will allow the program to capture a larger number of Mexican imports during the winter months. Expanding the range of sampling sources increases the chance of early identification of foodborne pathogens before they become large-scale food safety issues or marketing problems. The requested resources will be used to add a new cooperating State that will increase the sampling of imports from Mexico while maintaining the program's data output at 15,000 samples per year and the number of tested commodities at seven.

Within this program, samples are collected and analyzed with the support of State Departments of Agriculture. The inclusion of commodities for testing is coordinated closely with the Food and Drug Administration and the Centers for Disease Control and Prevention. Those agencies are quickly notified when pathogens are detected so they can conduct follow-up investigations. This coordinated effort has shown to be effective in identifying clusters of foodborne illness, addressing the likely points of contamination, and minimizing impacts on human health and industry losses. The systematic approach to data gathering used by MDP allows for comparison of data across laboratories and evaluation of trends in microbial contamination throughout the years.

Over the past 3 years, the program has established a laboratory network that uses standardized, up-to-date methods and technology to test for pathogenic bacteria that have been involved in frequent outbreaks of illness (e.g., *Salmonella*, *E. coli* O157:H7 and non-O157 pathogenic *E. coli*). MDP uses complex laboratory procedures that are standardized, fast, and reliable. Information obtained at the time of sample collection and test results are captured using electronic devices to facilitate quick retrieval of data. The program has introduced new technological advances to microbial testing of foods and has harmonized procedures used for sampling, testing, and reporting parameters so that public health agencies can examine trends. MDP data can be used to establish microbial baselines and develop risk assessment tools for fresh produce. The data can also be used to examine the effectiveness of industry efforts to prevent contamination under Hazard Analysis and Critical Control Points systems.

The program's infrastructure has allowed MDP to mobilize quickly when CDC and/or FDA issue alerts of potential food contamination as demonstrated in the program's analysis of spinach in response to the *E. coli* O157:H7 outbreak; tomatoes, cilantro, green onions, bulb onions and hot peppers during the *Salmonella saintpaul* outbreak; and peanut butter in response to the *Salmonella typhimurium* outbreak.

5) An increase of \$3,111,000 for the National Organic Program to increase compliance with program regulations and enhance the integrity of the organic label.

This increase includes \$2.11 million for regulatory review, enforcement, and equivalency agreements, plus a one-time increase of \$1 million for assisting accredited certifying agents in achieving International Organization of Standardization (ISO) compliance. These funds will improve compliance with program regulations and will enhance the integrity of the organic label. The \$2.11 million added to the program's funding base will provide the resources needed to accelerate the review and amendment, as required, of program standards and regulations to reflect industry and consumer expectations through a transparent and participatory process; improve the consistency in certifier application of the standards, explore statutory authorities to strengthen compliance, ensure label integrity, and respond to requests for international equivalency agreements.

Regulations

The NOP regulation is well-crafted, but, it is nearly ten years old and must be thoroughly reviewed. The National Organic Standards Board (NOSB) has made several recommendations for substantial changes to the regulations that NOP does not have the resources to address. This request will provide the resources needed for the program to review, update, and streamline the current organic regulations; address NOSB recommendations; increase program enforcement; and develop new regulations for the rapidly growing organic industry.

NOP will use \$1.5 million of the \$3.1 million program increase to develop significant rulemaking actions addressing at least six new areas which will enhance the clarity and understanding of existing standards. NOP will work on rulemaking to implement NOSB recommendations for apiculture, mushrooms, greenhouse production, hydroponics, pet food, and aquaculture.

Additional Organic Production and Handling Specialists would be added to the NOP Standards Division to develop and implement NOSB recommendations through rule making and the development of program guidance. Additional NOP compliance officers would be added to the Compliance and Enforcement Division to address a backlog of complaints and enforcement issues as well as improve the timeliness of handling complaints and adverse actions.

Label Integrity

The NOP program is the first line of defense in assuring consumers that organic products consistently meet Federal standards and regulations. However, NOP lacks the resources needed to keep up with the rapid growth of the organic industry while maintaining the integrity of the label. The organic label claim is an identity-preserved claim, based on records and practices that can be documented and audited from farm to retail. The program will begin collecting and maintaining data from auditors and compliance staff in NOP on non-compliances related to commingling which will demonstrate the Department's commitment to organic identity preservation of product.

NOP also recognizes the need to identify and resolve discrepancies in application of the standards. Since the label is only as good as the inspectors and the certifiers who apply the standards on a daily basis, this request will enable the program to investigate and identify discrepancies in certifier application of the standards and work with the NOSB to develop and publish guidance documents and, as necessary, regulatory changes to improve consistency in application of the standards by all certifying agents. Increased funding will allow NOP to develop and distribute ISO-compliant training documents and explanatory manuals as well as provide necessary onsite training both in the US and abroad. The program will conduct onsite gap analysis reviews of all directly accredited NOP certifying agents to identify areas of improvement, and assist certifying agents with ISO accreditation which will provide greater credibility to the label. ISO standards create "a level playing field" for all competitors on markets around the world. Conformance to international standards means that organic producers and suppliers can offer products that meet specifications that have wide international acceptance, allowing them to compete in more markets.

To improve label integrity NOP will use \$1.0 million of the program increase to add additional Accreditation Specialists to the NOP Accreditation and International Activities Division to provide guidance and assistance to accredited certifying agencies. Providing support and training to certifiers will enable them to meet international standards and create a level playing field for organic producers and handlers. Providing clear and enforceable standards will enable organic producers and handlers to comply with the NOP regulations, meet consumer expectations and be successful in the marketplace.

#### Equivalency Agreements

After the announcement of the signing of the equivalency agreement with Canada, many other countries have expressed an interest in the same arrangement. Some of those include Japan, Australia, Thailand, Taiwan, European Union, Korea, and Peru. Research, preparation, and trade negotiations require a great amount of staff time. Specifically, they require that program personnel conduct side by side reviews of the requesting country's standards and prepare a detailed analysis to be subsequently used as a basis for negotiations of the agreement; meet with representatives of the U.S. and the requesting country to resolve differences; and prepare agreements for planned implementation.

NOP will use \$611,000 to enhance international relations with additional NOP staff utilizing, developing and implementing equivalency arrangements with foreign governments in order to expand market access for US organic food products.

- 6) An increase of \$920,000 for the Wholesale, Farmers, and Alternative Markets activity to implement the "Know Your Farmer, Know Your Food" initiative to benefit producers and consumers.

The Wholesale, Farmers, and Alternative Markets program conducts a number of activities that support USDA's "Know Your Farmer, Know Your Food" (KYF<sup>2</sup>) initiative which was implemented to create new economic opportunities by better connecting consumers with local producers. Under the KYF<sup>2</sup> initiative, agencies are challenged to examine current programs, policies, and regulations, and be as innovative as possible to encourage more local and regional food systems—to the benefit of local producers and consumers.

AMS proposes to support local and regional food systems to meet increased demand for locally grown produce. Over the last ten years, strong consumer demand for access to locally-grown produce has led to enormous growth in farmers markets and other direct marketing outlets. AMS strives to assist the agriculture community to meet this demand in every way possible and continues to explore opportunities to identify additional innovative and cost-effective options that help producers compete effectively in the growing consumer-driven market.

Research shows that small and medium-sized producers have substantially increased farm sales as a result of direct sales to consumers, as well as to schools, restaurants, and other institutional outlets. Although considerable work has been done and a diverse group of projects currently underway, there remain barriers to increased growth in this area. AMS is uniquely poised and committed to identify additional innovative and cost-effective options that will enable small and medium-sized producers to compete effectively in this growing consumer-driven market.

The additional funds will allow AMS' Transportation and Marketing Programs' Marketing Services Division to accelerate implementation of the KYF<sup>2</sup> and other direct marketing initiatives. The requested funding will enable the development of this ambitious initiative by implementing the following projects in FY 2011:

- Support the Healthy Food Financing Initiative, which is designed to support local and regional efforts to increase access to healthy food, particularly for the development of grocery stores and other healthy food retailers in urban and rural food deserts and other underserved areas;
- Explore ways for AMS to apply its expertise to support the Department's initiative to increase availability of healthy food;
- Explore the potential for using farmers market facilities as a product aggregation/distribution point for local food deliveries to restaurants, retail, and institutional clients;
- Develop fact sheets and training modules for small growers/grower networks to implement cost-effective traceability mechanisms that would be acceptable to commercial and institutional buyers;
- Monitor and report on new technological developments and product quality assurances in food supply chain management;
- Identify the most promising organizational and collaborative structures for small and medium-sized farm operations;
- Investigate the role of community kitchens in enhancing small producer access to infrastructure and permitting greater producer returns from value-added manufacturing activity;
- Evaluate "new-generation" community supported agriculture and buying club schemes, and examine their profitability and suitability for smaller-scale farm operations;
- Analyze distribution channel diversification as a strategy for increasing the profitability of small and/or medium-sized farms, with a focus on determining the optimal diversification strategy for farm operations at various levels of production;
- Provide relevant data and consultation on distribution and transportation issues and models to members of Departmental farm to school tactical team to facilitate increases in procurement of locally grown food ingredients by school food service officials.

For FY 2011, the Budget includes a total of \$50 million for the Healthy Food Financing Initiative, which is designed to support local and regional efforts to increase access to healthy food, particularly for the development of grocery stores and other healthy food retailers in urban and rural food deserts and other underserved areas. Through the initiative, funds will be made available from a number of loan, grant, promotion, and other programs to provide financial and technical assistance to support market planning and promotion efforts as well as infrastructure and operational improvements designed to stimulate consumer demand, enhance marketing, expand demand and retail outlets for farm products, and increase availability of locally and regionally produced foods. Of the total \$50 million, \$35 million is requested in the Office of the Secretary, and \$15 million is from set-asides of up to 10 percent from various USDA accounts, including the Wholesale, Farmers, and Alternative Market Development Program.

Geographic Breakdown of Obligations and Staff years2009 Actual and Estimated 2010 and 2011

	2009		2010		2011	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama .....	\$236,915	1	\$237,822	1	\$267,769	1
Arizona .....	522,579	3	524,581	3	590,635	3
Arkansas .....	281,164	1	282,241	2	317,780	2
California .....	1,491,138	6	1,496,849	8	1,685,331	8
Colorado .....	448,676	2	450,395	2	507,108	2
District of Columbia .....	66,729,309	326	71,974,889	357	75,419,540	357
Florida .....	714,217	4	716,952	4	807,230	4
Georgia .....	1,003,100	5	786,600	5	1,133,735	5
Idaho .....	659,540	3	662,066	4	745,433	4
Illinois .....	741,874	4	744,715	4	838,489	4
Iowa .....	2,144,469	11	2,152,682	12	2,423,746	12
Kansas .....	335,543	2	336,828	2	379,241	2
Kentucky .....	184,581	1	185,288	1	208,619	1
Louisiana .....	172,117	1	172,776	1	194,532	1
Massachusetts .....	528,963	3	530,989	3	597,850	3
Michigan .....	108,474	1	108,889	1	122,601	1
Minnesota .....	602,877	3	605,186	3	681,390	3
Mississippi .....	119,150	1	119,606	1	134,667	1
Missouri .....	574,504	3	576,704	3	649,322	3
Montana .....	202,712	1	203,488	1	229,111	1
Nebraska .....	174,461	1	175,129	1	197,181	1
New York .....	595,211	3	597,491	3	672,726	3
North Carolina .....	214,946	1	215,770	1	242,939	1
Ohio .....	152,432	1	153,016	1	172,283	1
Oklahoma .....	359,800	2	361,178	2	406,657	2
Oregon .....	321,127	2	322,357	2	362,948	2
Pennsylvania .....	475,539	2	477,360	3	537,469	3
South Carolina .....	70,856	1	71,128	1	80,084	1
South Dakota .....	283,609	1	284,695	2	320,544	2
Tennessee .....	3,016,483	14	3,028,036	16	3,409,323	16
Texas .....	1,133,727	5	1,138,070	6	1,281,374	6
Washington .....	782,128	4	785,124	4	883,985	4
Wisconsin .....	495,016	2	496,911	3	559,483	3
Wyoming .....	171,533	1	172,190	1	193,872	1
Subtotal, Available	86,048,769	422	91,148,000	464	97,255,000	464
Unobligated Balance .....	662,231	--	--	--	--	--
Total, Available or Estimate .....	86,711,000	422	91,148,000	464	97,255,000	464

Note: Marketing Services staff year amounts differ from the MAX budget system display due to the inclusion of Farm Bill staff.

Classifications by Objects

Marketing Services and Payments to States and Possessions  
2009 Actual and Estimated 2010 and 2011

	<u>2009 Actual</u>	<u>2010 Enacted</u>	<u>2011 Estimated</u>
Personnel Compensation:			
Washington, D.C. ....	\$27,190,494	\$28,941,228	\$29,726,802
Field .....	16,580,423	17,647,999	18,127,032
11.1 Full-time permanent .....	30,924,843	32,889,502	33,843,574
11.3 Other than full-time permanent .....	622,417	650,747	657,931
11.5 Other personnel compensation .....	2,843,497	2,927,219	2,963,915
	<hr/>	<hr/>	<hr/>
Total personnel compensation .....	34,390,757	36,467,468	37,465,420
12 Personnel benefits .....	9,327,419	10,065,817	10,332,472
13 Benefits for former personnel .....	52,741	55,942	55,942
Total personnel compensation and benefits .....	<hr/>	<hr/>	<hr/>
	43,770,917	46,589,227	47,853,834
Other Objects:			
21 Travel .....	2,238,767	2,797,508	3,430,901
22 Transportation of things .....	220,306	226,650	226,650
23.2 Rental payments to others .....	1,446,224	1,494,153	1,494,153
23.3 Communications, utilities and miscellaneous charges .....	2,099,679	2,162,586	2,180,586
24 Printing and reproduction .....	175,271	177,703	227,703
25.2 Other services .....	18,069,661	18,906,103	22,217,103
25.3 Purchases of goods and services from Government accounts .....	15,643,614	16,128,527	16,128,527
25.4 Operation and maintenance .....	6,458	7,269	7,269
25.6 Medical care .....	4,661	5,167	5,167
25.7 Operation and maintenance of equipment .....	215,975	219,774	219,774
26 Supplies and materials .....	1,253,137	1,286,213	1,411,213
31 Equipment .....	874,145	1,117,559	1,227,559
41 Grants, Subsidies, and Contribution .....	--	--	595,000
42 Insurance Claims and Indemnities .....	29,295	29,561	29,561
43 Interest and Dividends .....	659	--	--
Total other objects .....	<hr/>	<hr/>	<hr/>
	42,277,852	44,558,773	49,401,166
Total Marketing Services .....	<hr/>	<hr/>	<hr/>
	86,048,769	91,148,000	97,255,000
Payments to States and Possessions:			
41 Grants, subsidies and contributions .....	1,334,000	1,334,000	2,634,000
Total Obligations .....	<hr/>	<hr/>	<hr/>
	87,382,769	92,482,000	99,889,000
Position Data:			
Average Salary, ES positions .....	\$164,875	\$168,172	\$170,527
Average Salary, GS positions .....	\$54,416	\$55,504	\$56,281
Average Grade, GS positions .....	11	11	11

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

Status of Program

MARKETING SERVICES

MARKET NEWS

Current Activities: The Market News Service provides current, unbiased information on supply, demand, prices, movement, location, quality, condition, and other market data on agricultural products in specific markets and marketing areas. This information is supplied to producers, merchants, and others to assist them in the orderly marketing and distribution of their farm commodities. All market information is reported to Agricultural Marketing Service (AMS) on a voluntary basis with the exception of Livestock Mandatory Price Reporting. As the agricultural sector constantly changes so too does the form and content of the market news reports.

Selected Examples of Recent Progress:

Livestock Mandatory Reporting (LMR): AMS's LMR program (as authorized by P.L. 106-78, Title 9), initiated on April 2, 2001, requires the reporting of market information by livestock processing plants that annually slaughter (on average) a minimum of 125,000 cattle, 100,000 swine, or process an average of 75,000 lambs. Packers that annually slaughter an average of at least 200,000 sows and boars and importers who annually import an average of at least 2,500 metric tons of lamb meat products are also required to report. Mandatory reporting provides information on:

77 percent of slaughter cattle  
93 percent of boxed beef  
95 percent of slaughter hogs  
60 percent of slaughter sheep  
40 percent of boxed lamb meat

The reports generated from this activity include specifics on 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.

The purpose of the LMR program is to provide information regarding pricing, contracting for purchase, and supply and demand conditions for livestock, livestock production, and livestock products; improve the price and supply reporting services of USDA; and to encourage competition in the marketplace. In addition to providing information regarding daily and weekly prices paid by packers to producers for cattle, hogs, and sheep, and daily and weekly prices received by packers for their sales of boxed beef and boxed lamb to retailers, wholesalers, and further processors, LMR reports also provide information on prices received by importers of boxed lamb. Much of the information reported under the LMR program—such as formula transactions, forward contracts, and packer-owned transactions—were unavailable prior to the LMR Act, when USDA market reporting relied on voluntary reporting of negotiated transactions. The information in these reports is used by the livestock and meat industry to inform current, as well as future, marketing and production decisions. Prices reported through the program often are used as reference prices for the calculation of formula and contract prices, and analysts and policy makers depend on the information to assess market conditions and the performance of the livestock and meat sectors.

On October 5, 2006, the LMR program was reauthorized by P.L. 109-296 through September 30, 2010, with some modifications to swine reporting. AMS is developing proposed legislation to amend and reauthorize the LMR Act which expires in FY 2010.

Market News Web Portal (MNP): Information on dairy and poultry products was added in FY 2009. Also during FY 2009, AMS began software enhancements that will allow the addition of cotton reports to the Market News Portal. Cotton reporting is tentatively scheduled for public release in the first half of 2010. AMS continues to modernize and expand the USDA Market News Web Portal, which opened to the public in October 2005 with market price and sales information for livestock, meat, grain, fruit, and vegetables.

The MNP is flexible and user-friendly. It 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. All portals have a central gateway for entry through the AMS website.

Based on customer feedback, the following enhancements were added to the Market News Portal during 2009:

Launched the Dairy MNP to provide instant, real-time access to vast quantities of market data in a user-friendly format that is used extensively throughout the conventional and organic dairy industries.

Increased custom report date range limits, enabled Really Simple Syndication services, and implemented Ham Weather – (a web based service that offers local weather forecasts and weather related information).

Improved graphing with a feature which creates a price to volume comparison.

Developed an e-mail shortcut utility to allow individuals to e-mail Portal-generated reports to other parties.

Developed a message board on the Portal homepage to inform users of any pertinent changes or information pertaining to the Portal.

Enhanced the ability for registered users to download information in the Portal database to create an individualized database; users can automatically schedule e-mail updates from the database on a weekly or monthly basis.

Enabled automatic recalculation of weekly and monthly information to allow for any corrections or additions to the database.

Added an option to query for organic and greenhouse grown commodities.

Added Portal communities for organics, watermelons and tomatoes.

Enhanced navigation to “Browse by Report Type” so that the user can view information by State.

Added options for larger data sets in scheduled reports to be delivered to users via email.

Increased the selection of fruit and vegetable commodities available for query.

Organic Market Reporting: The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) requires the Secretary to undertake Organic Production and Market Data Initiatives and provided three USDA agencies—AMS, the Economic Research Service, and the National Agricultural Statistics Service—with one-time funding to develop these initiatives. AMS' Market News program, which is responsible for the collection and distribution of market data, has responded by improving existing reporting of organic products and has planned for further enhancement of organic reporting and the development of additional organic market information tools. By the end of FY 2009, AMS Market News had expanded the daily reporting of organic commodities to now include 234 items. AMS Market News also added an additional section on the advertised specials on organic products to the weekly *National Fruit and Vegetable Retail Report*.

Specifically, AMS' Poultry Market News and Analysis formed a team to work closely with U.S. producers and marketers of organic poultry and eggs, and their respective trade associations, to obtain their commitment to voluntarily provide organic market information. This effort led to an increase of three cooperators providing weekly organic chicken and egg price data; the development of a market report that provides information on the inventory of specialty shell eggs, including organic, available for marketing each week; the development of production data for organically-grown chicken, turkeys, and eggs; a new market report providing market information for organically grown poultry and eggs; and expanded coverage of global marketing of organic products for this industry.

Fruit and Vegetable reporters tracked and reported the prices and market conditions of 108 organic fruits and vegetables traded at 15 terminal markets along with 25 organic commodities at shipping point and movement data for 21 different commodities. The number of commodities being reported remained at about the same level as last year. However, the number of records (individual entries of data into the database) increased roughly 25 percent with the increased number of different varieties and package sizes being reported. In addition, AMS' Fruit and Vegetable Programs enhanced the National Fruit and Vegetable Retail Report by adding a special section on all observed weekly-advertised prices of fresh organic fruits and vegetables. This addition at the retail level includes about 60 individual organic items each week. The National Fruit and Vegetable Organic Summary Report is scheduled to begin in early 2010 and will display all available organic market data available on fruits and vegetables including prices at terminal market, shipping point, and retail levels along with movement data. A project is underway to modify the database to allow for the current and historical data from the retail report to be entered into the database as opposed to spreadsheets. This project will allow Market News to enhance the Portal in 2010 to give users the option to query retail data in ways similar to other reports on the Portal.

AMS' Livestock and Grain Market News began publishing a biweekly National Organic Grain and Feedstuffs summary along with the existing biweekly Eastern Cornbelt and Upper Midwest Organic Grain and Feedstuffs reports. Initiatives to improve current organic market reporting include expanding the cooperator base for sharing grain and feedstuffs market information and expanding the Upper Midwest and Eastern Cornbelt Organic Grain and Feedstuffs reports to include more commodities; exploring the feasibility of reporting other organic commodities like dry edible beans, peas, and lentils as well as imported grains and feedstuffs as those markets grow; and monitoring markets for livestock and meat products produced and marketed as organic to assess the feasibility of reporting such information as it becomes available.

Market Reporting Improvements: AMS adds, modifies, or eliminates reports to support both consumer need and environment changes on an on-going basis. Specific examples of new and enhanced agricultural market reports from 2009 are listed below.

AMS' Cotton Program monitors on an on-going basis the growth in domestic production of organic cotton and add information products as needed. The Cotton Program began outreach efforts to inform cotton ginner and producers about the Daily Spot Cotton Quotations and the role they play in establishing the Commodity Credit Corporation loan premiums and discounts. The Program expanded personal visits to include cotton ginner and producers in an effort to increase non-merchant participation in the process of establishing the Daily Spot Cotton Quotations.

New National and regional Livestock reports include the National Monthly Slaughter Cattle—Committed and Delivered; Southern Direct Slaughter Cow and Bull Carcass; National Steer and Heifer Estimated Grading Percent; Weekly National Carlot Pork; Weekly Pork and Beef Variety Meat; Weekly Tallow, Protein & Hide; National Monthly Weighted Average Replacement Sheep; Sioux Falls Regional Livestock Slaughter Cattle; and Weekly Retail Beef Activity.

In addition to the National and regional Livestock reports new local Livestock reports were developed which include the Edmonton Buying Station, Cleburne County Livestock Auction, Hodge Livestock Network Video Auction, Frisco City Auction, Calhoun Goat Sale, Dickson Livestock Auction, South Dakota Weekly Auction Summary, North Dakota Weekly Auction Summary, Frontier Stockyards Internet Auction, Tazewell Feeder Cattle, Spring Lake Feeder Cattle—Weighted Average, Thibodaux Auction, West Monroe Auction, and De Quincy Auction. New grain reports include the National Weekly Distillers Grains Summary, National Organic Feedstuffs, Wisconsin Ethanol Plant, and Minnesota Ethanol Plant.

AMS began reporting frozen egg products on a National basis and eliminated three regional reports previously used to report the frozen egg markets, expanded the Retail Chicken reporting section to provide information on supermarket featured activity for prepared chicken products (a fast-growing retail segment), and expanded the reporting of shell eggs at retail with the addition of the vegetarian-fed category to the Retail Egg report.

International Cooperation and Market Reporting: The Market News Program provides technical expertise to other countries and a variety of programs conducted by other U.S. agencies. These activities improve the information available to U.S. agriculture by supporting the development of foreign agricultural market information systems. AMS, in coordination with the Foreign Agricultural Service (FAS), worked with the U.S. Agency for International Development on a technical assistance project in India. A team of market information and grading/inspection specialists traveled to India in 2008-09 to assist the Government of India with their ability to collect and distribute market information, as well as establish grades and standards for domestic use. AMS also hosted and worked with FAS-sponsored groups from a number of countries, including El Salvador, Eastern African countries, and others who were looking at the way AMS Market News conducts data collection, analysis and public dissemination of market information. AMS Market News, in conjunction with FAS, is also planning to host a group of market information specialists from the Caribbean early in 2010.

AMS continues in its leadership role in the Market Information Organization of the Americas (MIOA), a network of market information organizations from twenty-six countries from North, Central, South America, and the Caribbean. AMS currently serves as the North America region Chair of the MIOA. Specialists from AMS participated in the annual symposium held in Mexico City, Mexico during October, 2009 as well as several Executive Committee meetings throughout the year. AMS also worked closely with its partners in the North America region on information technology and other agricultural issues, with

two regional meetings held during FY 2009 that focused on building capacity with the region and drawing upon the technical expertise and experiences of the other countries in North America. One specific area of interest is to work together to enhance the language options of the each country to provide greater access to market information for the other partners and their customers. The next regional meeting is scheduled in Phoenix, AZ, in the spring of 2010 and will address topics such as exchanging specialists on improved sharing of movement data on products crossing the borders, and on expanded market reporting to products of particular interest to the partners in the region and their agricultural community.

### SHELL EGG SURVEILLANCE

Current Activities: The shell egg surveillance (SES) program monitors the disposition of "restricted eggs" (eggs that are cracked, dirty, incubator rejects, inedible, leaking, or otherwise unfit for human consumption) to ensure that only eggs fit for human consumption are available to consumers. Inedible eggs constitute a small proportion of all shell eggs and are most often used in animal feed; the remaining eggs are destroyed. For FY09, the percentage of total egg operations in compliance with SES requirements was 95.95 percent.

Selected Examples of Recent Progress: Scheduled visits to shell egg handlers are made four times each year, and visits to hatcheries are made once each year. Additional visits (follow-up) are made when violations are found. The percentage in compliance during follow-up visits increased 11% in FY 2009.

\*Inspections Conducted:

	Shell Egg Handlers	** Total Handler Visits	Hatcheries	** Total Hatchery Visits	Other
Fiscal Year 2008	494	2142	337	340	N/A
Fiscal Year 2009	484	2069	328	333	11

\*The number of visits decreased in large part due to the fact that the number of shell egg registrants decreased throughout 2009. A reduction in registrants corresponds to a reduction in visits made.

FY 2008 started with 494 registrants and ended with 484. Since each registrant requires at least four visits per year, the decline in registrants accounts for a reduction of approximately 40 visits. Additionally, Total Handler Visits includes the follow up visits made to registrants in which an 11% increase in compliance was noted. The increase in compliance will account for the remaining reduction in visits.

\*\*Includes scheduled and follow-up visits

### STANDARDIZATION

Current Activities: AMS develops quality grade standards for commodities when needed by industry and modifies grade standards when industry practices or consumer preferences change. The Agricultural Marketing Act of 1946 directs USDA to provide such quality grade standards "to encourage uniformity and consistency in commercial practices." There are 578 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 the agricultural industry in domestic and international trading, futures market contracts, and as a benchmark for purchase specifications in most private contracts. Grade standards are also the basis for AMS Market News reports, grading services, and Federal commodity procurement.

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 become the basis for international harmonization of agricultural product quality grades recognized by the Codex Alimentarius and the United Nations Economic Commission for Europe (UNECE).

Selected Examples of Recent Progress:

Standards Reviews: In FY 2009, AMS specialists reviewed 75 commodity standards, including 21 for cotton products, three for dairy products, 15 for fresh fruit and vegetable products, 20 for livestock and meat, three for poultry products, and 13 for tobacco. These reviews resulted in the revision of three standards for fresh fruits and vegetables. In addition, the program developed one new standard for Tomatoes on the Vine.

Catfish Standards: The 2008 Farm Bill directs AMS to establish a voluntary fee-based grading program for farm-raised catfish. In order to initiate the grading program, AMS must develop marketing standards. To develop the marketing standards for catfish or any other fish, trained technical staff must research, design, develop, test, and publish the standard prior to its use. During FY 2009, AMS conducted an industry informational meeting to establish a process for development of a catfish grade standard. A work plan that outlines the standard development process has been submitted for approval.

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 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. Examples include:

UNECE/CODEX:

An AMS staff member served as the U.S. Delegate to meetings for the international standards bodies of the UNECE and Codex on Fruits and Vegetables. AMS continued to chair the Codex Committee on Processed Fruits and Vegetables (CCPFV). Though no CCPFV plenary meeting was held in FY 2009, AMS participated in several electronic working groups to advance work on sampling plans for drained weight and consideration of existing standards for relevance and potential revision. AMS, representing the U.S., led the working groups that focused on the relevance and revision of existing standards. AMS Fruit and Vegetable Programs' International Standards Coordinator continues to chair the UNECE Specialized Section on Standardization of Dry and Dried Produce. In FY 2009, AMS, in collaboration with the U.S. walnut industry, completed and delivered a Walnut Kernel Color Gauge to the UNECE for global application. Work on the interpretative brochure/inspection manual for walnut kernels is ongoing.

In FY 2009, the UNECE developed a new standard for blanched almond kernels and completed revised standards for apples, apricots, avocados, citrus fruits, sweet peppers, peaches and nectarines. Standards development/revision within the UNECE is ongoing for fresh chili peppers, chanterelles, shallots, berries, fruits, lettuce, pistachio kernels and peeled pistachio kernels, whole dried chili peppers, hazelnut kernels,

in-shell walnuts, dates, in-shell macadamia nuts and macadamia kernels. Using FAS/Technical Assistance for Specialty Crops funding, AMS hosted a meeting of the Codex Fresh Fruits and Vegetables apple working group which successfully completed the Draft Codex Standard for Apples that was adopted by the 15th Session of the Codex Committee on Fresh Fruits and Vegetables. AMS also hosted a Fresh Fruits and Vegetables standardization workshop designed to promote its standard development and application methods (28 participants from 23 countries attended). Both events were directly linked to the U.S. positions on international standards (within Codex and UNECE).

As part of the international outreach program for greater influence on the development and application of foreign standards, AMS' Fruit and Vegetable Programs participated in five standardization workshops in Europe in FY 2009. As a result, AMS was able to assist Albania and Serbia in the development of their national standard and application system. Through the coordination efforts of the U.S. Codex Office, AMS Fruit and Vegetable Programs also continued its participation in outreach efforts targeted at Latin America and the Caribbean. Through hosting and participating in international standardization workshops, AMS is able to exert greater influence on the development and application of international and foreign national standards designed to facilitate U.S. agricultural commodity exports.

An AMS representative served as the alternate U.S. delegate at the 41st Codex Committee on Pesticide Residues (CCPR) in Beijing, China. The Committee is active in promoting science-based pesticide standards for agricultural products in international trade. The primary CCPR activities in 2009 were establishing maximum residue limits (MRLs) for commodities in trade, revision of the Codex classification system for foods, global issues for minor use pesticides, global harmonization of MRLs, extraneous MRLs for Persistent Organic Pollutants, and measurement of uncertainty for testing consignments for pesticide residues.

An AMS expert served as the chairman of a drafting committee in the Codex Committee on Methods of Analysis and Sampling to prepare and publish new guidelines on Analytical Terminology for Codex Use. The guidelines (CAC/GL 72-2009) were accepted by the Codex Commission and published in the list of Codex Alimentarius Standards. AMS' Dairy Programs worked with the Food and Drug Administration, Foreign Agricultural Service, Animal and Plant Health Inspection Service, and U.S. Dairy Export Council to negotiate trade requirements for exporting dairy products to the European Union, Russia, Vietnam, Costa Rica, and India.

AMS represented and coordinated the U.S. positions on the Codex working group for processed cheese, which helped ensure that the development of an international standard for processed cheese did not unduly restrict or harm U.S. processed cheese manufacturers as well as ensuring that imported processed cheese did not confuse U.S. consumers. AMS represented and coordinated the U.S. position on the Codex working group for Fermented Milk Drinks.

In April 2009, AMS' Poultry Programs led discussions of international delegates to UNECE concerning the revised standards for shell eggs and egg products. As a result of these discussions, AMS was successful in achieving the official adoption of these standards by UNECE's Working Party on Agricultural Quality Standards. In May 2009, AMS officials increased the awareness of U.N. standards for poultry by achieving recognition and support from the International Poultry Council (IPC) as documented in the official records of IPC. AMS collaborated with officials of the U.N. and the International Egg Commission (IEC) to organize a presentation concerning UN shell egg and egg products standards during IEC's annual meeting.

International Organization for Standardization (ISO):

An AMS representative was selected as the Chairman of the new technical subcommittee entitled “Subcommittee (SC) 16: Horizontal methods for the detection of molecular biomarkers in: foods; seeds and propagules of food crops; commodity food crops; fruits; vegetables and derived foods.” The subcommittee is charged with establishing a framework for standardizing new technology in biomarker analysis. The first plenary meeting of ISO TC 34/SC 16 was held in Chicago, November 11-13, 2008. In attendance were over 35 delegates from Japan, the U.S., Thailand, France, India, Germany, Canada and the U.K. The new AMS-led subcommittee is working to ensure that biomarkers testing and laboratory criteria used are standardized internationally.

An AMS representative served as the Head of the U.S. delegation for Technical Committee 34 (SC 2 and SC 11) for food products in Seattle, Washington, in May 2008. Working with other committee members, the AMS representative gained ISO support for analytical tests that will be used in the forthcoming U.S. Olive Oil Grade Standards. The AMS representative recommended approval for three International Olive Council methods to be added as ISO Standards for 2008. The AMS representative also participated in Joint Working Group meetings with ISO delegates from France, Poland, and Argentina to harmonize 52 grain and feed analytical tests to promote consistency of results between laboratories in order to facilitate fair commodity pricing and international trade.

#### 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 907 samples at five different locations to determine trueness-to-variety of seed in interstate commerce. During FY 2009, AMS received 291 new complaints from 18 States, resulting in 308 cases. AMS tested 378 regulatory seed samples from 18 States which reflects an 18 percent increase above in the number of regulatory samples from 2008 and 386 mail order seed samples from 12 seed companies for trueness-to-variety. Seventy-one Federal Seed Act cases were administratively settled with penalty assessments totaling \$56,625; individual assessments ranged from \$1,050 to \$11,375. To ensure uniform application of the regulations, AMS conducted four training workshops for seed analysts and inspectors from six 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 FY 2009, AMS issued 2,579 Seed Analysis Certificates. The reduction of seed analysis certificates in 2009 is the result of receiving fewer seed samples for testing. Certificates containing the test results are issued upon completion of the testing. The reduction in the number of samples received for testing was due to world-wide economic conditions resulting in less U.S. seed being shipped internationally. Most of the samples tested and certificates issued represent seed scheduled for export.

## COUNTRY OF ORIGIN LABELING

Current Activities: The Farm Security and Rural Investment Act of 2002 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 Country of Origin Labeling (COOL) amendments to the Agricultural Marketing Act (Section 10816 of Public Law 107-171 and Section 208 of Public Law 107-206), identify covered commodities as muscle cuts of beef (including veal), lamb, and pork; ground beef, ground lamb, and ground pork; farm-raised fish and shellfish; wild fish and shellfish; perishable agricultural commodities; and peanuts. The law also requires method of production information (farm-raised or wild caught) for fish and shellfish to be noted at the final point of sale to consumers. The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) contains a number of amendments to the COOL provisions. The amended legislation adds goat, chicken, ginseng, macadamia and pecan nuts as covered commodities. It allows commodities derived from animals in the U.S. as of July 15, 2008, to be labeled as U.S. origin and specifies labeling requirements for multiple countries of origin. For ground meat items, it provides for a “list of all reasonably possible countries of origin.” Amendments specify that “normal course of business” records and producer affidavits may be used for verification. The use of State, regional, or local designations to identify the U.S. as the country of origin are also permitted for perishable agricultural commodities, ginseng, peanuts, pecans, and macadamia nuts produced exclusively in the U.S. Other changes set the same requirements and penalties for both suppliers and retailers, and reduced the maximum penalty per violation from \$10,000 to \$1,000. The COOL requirement became mandatory for retailers as of September 30, 2008.

Selected Examples of Recent Progress:

On January 15, 2009, USDA published the final rule for the mandatory labeling of all remaining covered commodities with a request for public comments. That rule went into effect in May and AMS successfully conducted three training sessions in Chicago, Illinois and Dallas, Texas, where 150 State reviewers were trained and passed the COOL exam. All 50 States have signed cooperative agreements and are currently conducting the reviews. During FY 2009, AMS increased the number of retail compliance reviews from 2,000 to 12,000 to reflect the increase in the number of covered commodities to the full spectrum of commodities covered in the legislation. In addition, testing materials to be used during the retail compliance reviews were developed.

## PESTICIDE DATA PROGRAM

Current Activities: The Pesticide Data Program (PDP) is a critical component in meeting the requirements of the 1996 Food Quality Protection Act (FQPA), which directs the Secretary of Agriculture to provide improved data collection of pesticide residues, standardized analytical and data reporting methods, and increased sampling of foods most likely to be consumed by infants and children. In a collaborative effort, AMS, the Environmental Protection Agency (EPA), and the Food and Drug Administration (FDA) coordinate and prioritize residue-testing and program activities. In addition, AMS conducts annual planning meetings with all program participants, including the cooperating State agencies and agricultural industry stakeholders, to select commodities and water sampling sites for inclusion in the program.

Selected Examples of Recent Progress:

During 2009, more than 13,000 samples were tested, resulting in over 1.6 million individual tests. Note: previously, “analyses” were calculated based on aggregates of chemicals within certain chemical classes, resulting in 140,000 analyses for FY 2008. The program has the largest database on pesticide residues in children’s foods in the U.S.

Commodities: In 2009, PDP added four new commodities--canned beans (kidney and pinto beans), green onions (scallions), sweet corn (fresh/frozen) and organic lettuce-- and reintroduced previously tested commodities bringing the number of commodities surveyed to date to 90. Commodities surveyed by PDP include fresh and processed fruit and vegetables, dairy, grains, meats and poultry, honey, catfish and drinking water. Canned beans, green onions, sweet corn and organic lettuce are high consumption items for which no data were available. The one-year catfish survey which ended in March 2009 was restarted in July 2009 at the request of the Food Safety and Inspection Service Office of Catfish Inspection. Duplicate samples were collected--one set was tested for pesticides at the AMS National Science Laboratory and the other set was sent to FSIS laboratories to be tested for other contaminants. The additional catfish data are needed to finalize implementation of the Catfish Inspection Program. Data on previously tested commodities are needed to determine if there were measurable changes in the residue profile. All commodities selected for testing are based on EPA’s requests for data to monitor registration-driven changes mandated by the FQPA and to respond to public food safety concerns.

Water Survey: In addition to the ongoing monitoring of surface water, which in 2009 covered 13 sites in 11 States, the PDP water survey was continued, including groundwater sites from potable domestic wells in Merrick County, Nebraska and in various counties in the State of Florida. The Merrick County sites were selected because of their proximity to a site that showed elevated levels of pesticide residues in 2007. These sites also had elevated levels of pesticide residues and as a result, in 2009, the Nebraska Department of Health collected an additional 50 samples to determine the extent and the source of the groundwater contamination. PDP tested these samples and provided results to the State Health authorities. PDP continued to collaborate with the Florida Department of Health to select sites of mutual interest to test 100 potable wells in key agricultural counties. These wells are used by field workers as drinking water sources and are located very near pesticide tank filling and rinsing areas. The Florida Department of Health used their own inspectors for sample collection. In exchange, PDP is sharing the analytical results. This collaboration with the States is mutually beneficial and also provides EPA with necessary data for risk assessment of N-methyl carbamates. PDP also began testing water at schools which use on-site wells for their drinking water needs. Most of these schools are in rural regions. Although EPA requires routine testing of school wells, comprehensive testing of pesticide at part-per-trillion levels is non-existent. Pesticide data on domestic potable groundwater wells are scarce and needed to address dietary risk concerns. The PDP water survey is a voluntary program that began in 2001 and to date has surveyed 75 municipal sites in 27 States and the District of Columbia and 525 potable groundwater wells in 37 States.

Sampling: PDP increased the use of statistical tools and marketing data to improve sample collection rates achieving a 99.7 percent success rate in 2009. Improvements in the sample tracking database and the use of electronic sample information forms allow for instant availability of data on food distribution points, which make it very valuable for trace back of questionable products. PDP monitors product availability at the various collection points through frequent communication with sampling inspectors and makes necessary adjustments to sampling protocols to meet collection targets.

Testing: Methods were enhanced to bring the total number of pesticides and metabolites tested to 437. 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 methods were adopted by the Codex Alimentarius for use as international methods. 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 2<sup>nd</sup> Latin American Pesticide Residue Workshop, in Santa Fe, Argentina. PDP also provided training on pesticide analytical methods to scientists from Saudi Arabia and made a presentation on sampling, technical and quality assurance procedures to an Indonesian delegation. Program staff also made presentations at scientific conferences to disseminate information on the development of statistical sampling frames and on current testing methodologies and participated in events sponsored by minor crop growers to improve communications.

Reporting: AMS publishes an annual data summary, with reports currently available for 1991-2007. 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>.

Pesticide Data Program—Evaluation of Performance Measures: Based on its FY 2008 PART Improvement Plan, the Pesticide Data Program (PDP) initiated an independent evaluation of the methodologies it uses to establish long-term and annual measures and to estimate program performance targets. The independent assessment clarified the process by which PDP establishes benchmarks for its existing measures, and aided in the revision of two long-term measures and the development of performance measures that demonstrate progress toward a long-term outcome. The three measures are: Long-term Measures: 1) 5-year running total number of foods, based on the top two dozen children's food commodities, included in the Pesticide Data Program; and 2) comprehensive pesticide residue data available for dietary risk assessment (Priority 1 and 2 Compounds) – all commodities. Priority 1 and 2 compounds are analyses, based on a scale of 1 to 4 (with 1 being most critical), deemed most critical to EPA for use in scheduled dietary risk assessments. Efficiency Measures: 1) number of days to respond to customized data requests; 2) cost per sample (in dollars); and 3) cost per test (in dollars).

Annual Output Measures: 1) number of samples collected per year; 2) number of PDP tests compared to annual target; and 3) percentage of sampling and analysis goal.

## 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. AMS shares MDP data with the FDA, the Centers for Disease Control and Prevention (CDC), and department of health agencies from participating States. In 2009, MDP continued to collect sample origin information, which helped regulatory agencies trace back and remove contaminated products from the food distribution system. MDP data was also used by CDC epidemiologists to identify the source of small outbreaks in the Midwest and Texas.

### Selected Examples of Recent Progress:

MDP was actively engaged in the follow-up investigation of the 2008-2009 *Salmonella typhimurium* outbreak linked to processed peanut products (peanut paste and institutional-size peanut butter). MDP set

in motion an emergency plan to collect peanut butter samples from the national food distribution system to verify that contamination was limited to a single processing plant. Over 1,500 peanut butter samples from various plants were collected and none of them tested positive for *Salmonella*. Results of the Agency's work during this outbreak include the use of MDP's monitoring data to allay public concerns about the wholesomeness of peanut butter, a food highly consumed by children.

AMS implemented new procedures to enhance communications among MDP, FDA and CDC epidemiologists, and to refine MDP's rapid response procedures. The close relationship between MDP cooperating State laboratories and their respective health agencies has allowed the program to rapidly identify pathogen species and enter this information into the CDC PulseNet database within days of isolating a pathogen. The data then becomes available to outbreak investigators nationwide enabling them to match pathogens isolated in food commodities with those isolated from humans and to take appropriate action. In 2009, MDP laboratories reported twelve *Salmonella* isolates (3 in alfalfa sprouts, two each in green onions, hot peppers and spinach, and one each in cantaloupe, romaine lettuce and roma tomatoes). One of the hot peppers was found to be contaminated with *Salmonella saintpaul* which prompted FDA to take quick action to prevent a repeat of the 2008 outbreak. The *Salmonella* strains isolated by MDP have been implicated in smaller outbreaks that were detected in various parts of the U.S. Data on *Salmonella* isolated by MDP was supplied to the Food Emergency Response Network (FERN), FDA, and CDC.

Commodities: MDP tested fresh alfalfa sprouts, cantaloupes, bagged organic lettuce, romaine lettuce, peanut butter, spinach, and tomatoes (roma and round). These commodities were introduced in consultation with CDC and FDA because they have been associated with food borne outbreaks.

Testing: MDP introduced an automated system for the purification of DNA from pathogenic bacteria (e.g., *Salmonella*, *E. coli* O157:H7, shiga toxin-producing *E. coli*, and enterotoxin-producing *E. coli*). Automation of the DNA purification process reduces labor costs and provides consistency in recovered purified DNA among program laboratories as well as reduces time spent obtaining reliable identification of targets.

Outreach: MDP is actively exchanging data on detection of pathogens with FDA and epidemiologists in CDC to determine if these detections are connected with reported outbreaks of human illnesses. MDP

strengthened collaboration of its laboratories with the FERN through participation in cross-Departmental status meetings and collaborative studies.

Reporting: All MDP data through 2008 have been entered into the Electronic Laboratory Exchange Network (eLEXNET), an integrated information network for government agencies engaged in food safety activities pertaining to FERN and CDC PulseNet. MDP also provided requested data to FDA's Center for Food Safety and Applied Nutrition, FDA's Office of Regulatory Affairs, USDA's Agricultural Research Service, and USDA's Office of the Chief Economist.

Microbiological Data Program—Evaluation of Performance Measures: MDP has been proposed for termination in fiscal years 2007, 2008, and 2009. Funding was reduced and program operations were curtailed. Consequently, no performance measures were set for MDP during these years but the program set internal targets to measure productivity. Output Measures were: 1) number of samples collected per year; 2) number of analyses performed; and 3) number of commodities included in the program.

## NATIONAL ORGANIC PROGRAM

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

Selected Examples of Recent Progress:

During FY 2009, NOP established a stronger program structure that placed greater emphasis on compliance activities in order to strengthen the integrity of the organic label.

Reviewed and analyzed more than 26,000 public comments submitted in response to a proposed "access to pasture rule" published in October 2008. NOP is working on publishing the final rule.

Published one final rule and one proposed rule on materials used in organic production. The final rule continued the exemption/prohibition for 12 substances that were due to sunset on November 3-4, 2008.

The proposed rule covered recommended exemptions for six substances to be used in organic crop production and processing.

Collaborated with the Alcohol and Tobacco Tax and Trade Bureau (TTB), a bureau of the Department of the Treasury, to create labeling guidelines for alcoholic beverage with organic claims. The labeling guidelines included sample labels for each type of beverage (wine, malt beverages, and distilled spirits) and each labeling category within the NOP regulations.

Conducted on-site reviews of recognition agreements currently in place with the governments of Japan, New Zealand, and the United Kingdom.

Worked in conjunction with the Office of the United States Trade Representative and the FAS to successfully negotiate a determination of organic standards equivalence with the Canadian Food Inspection Agency. Provided training for approximately 100 certifying agent representatives in Chicago, IL.

Investigated organic labeling cases resulting in changes to 23 product labels, of which one case involved label changes in over 500 stores. Twelve cases resulted in production process changes and 31 cases resulted in website changes. Four operations became certified to the NOP standards.

Conducted monitoring and evaluation exercises at three national trade shows and several local and retail stores.

Conducted outreach activities with other Federal agencies to establish interagency communication.

Organic Certification Cost-Share Programs: In FY 2009, over \$3.6 million was dispersed to States to partially reimburse producers and handlers for the cost of organic certification through the National Organic Cost-Share program. In addition, more than \$742,000 was dispersed to specially identified states to reimburse producers for the cost of organic certification through the Agricultural Management Assistance (AMA) Act Organic Cost-Share Program. Recipient States reported that over 7,500 producers and handlers received assistance through these cost-share programs.

## PESTICIDE RECORDKEEPING PROGRAM

Current Activities: The Federal Pesticide Recordkeeping Program (PRP) is a National program that verifies that certified private pesticide applicators (over 613,000 agricultural producers) maintain records on restricted use pesticide (RUP) applications. This is accomplished by conducting inspections with pesticide applicators utilizing State and Federal personnel. 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 RUP record information when needed for medical treatment.

### Selected Examples of Recent Progress:

State and Federal inspectors met with over 3,759 certified private applicators in FY 2009 which constitutes 107% of the year's goal for inspections conducted. The program reimbursed 34 cooperating states (more than \$1.4 million) and two Federal agencies to conduct inspections and educational outreach. By consolidating inspector training into regional sessions for 61 new inspectors, the program saved travel costs and cooperator time. In addition, more than 220 State inspectors completed training through a web-based training program established to update experienced inspectors on new policies and procedures.

PRP established a cooperative agreement with the Montana Department of Agriculture to provide training to reach underserved pesticide applicators, such as Native American Indians. Another agreement with the University of Arkansas, Pine Bluff, provided educational programs for minority small farmers. Over 13 counties in Arkansas received educational programs and materials, reaching over 450 farmers. These are 2 specific examples where the PDP program is able to support underserved agricultural producers.

Through a cooperative agreement with Ohio State University Extension Service, a new pocket sized notebook was developed to assist pesticide applicators maintain RUP or general use pesticide application information. These new notebooks, unique due to the use of water resistant paper, will be distributed during FY 2010.

## 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.

During 2009, the dairy research and promotion program focused on environmental issues. AMS' Dairy Programs assisted the industry in establishing an Innovation Center partnership devoted to an industry-wide commitment to greenhouse gas reductions and sustainability. The Innovation Center has identified 12 projects across the dairy value chain that, when successfully implemented, will generate an estimated \$238 million in additional incremental value while reducing greenhouse gas emissions 12 percent by 2020.

Research and Promotion Program Industry Assessments  
 FY 2009 Estimate  
 (Dollars in Millions)

<u>Commodity</u>	<u>Assessments Collected</u>
Cotton	\$58.6
Dairy	92.0
Fluid Milk	107.0
Beef	42.8
Lamb	2.3
Pork	63.6
Soybeans	67.0
Sorghum	7.0
Eggs	20.0
Blueberries	5.6
Hass Avocado Board	22.9
Honey Board	4.9
Mango Board	2.7
Mushroom Council	4.2
Peanut Board	9.1
Popcorn Board	1.2
Potato Board	16.0
Watermelon Board	<u>3.2</u>
Total	\$523.1

#### 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 experts provide assistance to State and local decision-makers and to farmers and shippers on 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 that are available in hard copy and/or on the AMS website.

Selected Examples of Recent Progress:

Study: Completed a draft of the *Study of Rural Transportation Issues* mandated by the FY 2008 Farm Bill; provided a Hill briefing to Representative Walz (D-MN); and initiated internal reviews with the Department of Transportation. The study enhances understanding of the movement of agricultural products, inputs, renewable fuels, coal for electricity, and rural economic development.

Presentations:

Proposed, developed, implemented, and co-sponsored a session for the USDA FY 2009 Agricultural Outlook Forum entitled *Transportation Issues: Now and Tomorrow*.

Presented and moderated sessions at the International Summit on Agricultural and Food Transportation.

Helped organize the presentations at the Food Distribution Research Society conference on *Entrepreneurship in the Food Chain: When "Local" Is King*.

Presented at the National Grain and Feed Agricultural Transportation Symposium and the Ethanol Market Dynamics Conference. Participated in meetings of the Agricultural Transportation Working Group and U.S. Grains Council.

These events increased outreach and facilitated the timely and consistent exchange of reliable transportation information on agricultural products.

Reports:

Established a biofuels transportation database and enhanced the weekly *Grain Transportation Report* and the *Mexico Transport Cost Indicator*, *Brazil Soybean Transportation*, and the *Agricultural Refrigerated Truck* quarterly reports with economic and statistical analysis.

Updated the *Soybean Transportation Guide: Brazil 2008* and *A Reliable Waterways System Is Important to Agriculture*. These reports are available at [www.ams.usda.gov/AgTransportation](http://www.ams.usda.gov/AgTransportation).

These reports, in part, use data from the AMS agricultural transportation market news portal and provide insightful information to assist U.S. exporters and domestic shippers.

Collected data and explored the potential development of a new quarterly publication, *U.S. Colombia Agricultural Transportation Report*; participated in the North America Super Corridor Coalition Conference; and provided input for Foreign Agricultural Service *Country Strategy Reports*. These actions help expand international transportation reporting.

Intergovernmental Committees: Represented USDA and agricultural shippers at meetings of the White House Homeland Security Council interagency policy committee for Surface Transportation Security Priority Assessments; Committee on the Marine Transportation System; Inland Waterway User Board; Rail Energy Transportation Advisory Committee; National Grain Car Council; and UNECE Working Party on the Transport of Perishable Food.

Analysis: Provided analysis of the impact of Red River flooding in North Dakota and Minnesota; low water, flooding, and ice conditions, and lock repairs on the inland waterways; coastal tropical storms and hurricanes; and H1N1 outbreaks on agricultural transportation.

## WHOLESALE, FARMERS AND ALTERNATIVE MARKETS PROGRAM

Current Activities: AMS' Marketing Services Division (MSD), which conducts this program, facilitates improved distribution of U.S. agricultural products by identifying marketing opportunities for farm direct sales and locally grown food to benefit small and medium-sized agricultural producers. Identification of these opportunities is accomplished through in-depth market analysis, research and evaluation of distribution, marketing and post-harvest handling strategies, the provision of direct technical assistance in facility design and demographic analysis, the preparation of guidance documents, toolkits and reference material, and the administration of competitive grants under the Farmers Market Promotion Program. As part of its mission to educate and support the farmers market and local food sector, MSD maintains and updates a comprehensive directory of U.S. farmers markets, which may be accessed at <http://www.ams.usda.gov/farmersmarkets>.

Farmers Market Promotion Program (FMPP): Provided over \$4.5 million in competitive grants to non-profit corporations, producer networks, producer associations, Tribal governments, local governments, and agricultural cooperatives, to expand direct farmer-to-consumer sales. Out of the 498 proposals received from 49 States and the District of Columbia (Wyoming did not apply), 86 projects from 37 States were

selected for funding. The amount awarded included 30 new electronic benefits transfer (EBT) start-up projects totaling \$833,166, which constituted an 18 percent increase compared with FY 2008--8 percentage points more than the 10 percent mandated by Congress.

Selected Examples of Recent Progress:

Farmers Markets and Direct-to-Consumer Marketing Projects/Studies:

National Farmers Market Survey: Completed and published a research report analyzing the results of USDA's FY 2006 national survey of farmer's market managers. This project examined farmers market performance and operational issues/needs in relation to geographic location, size of market, product mix, and population density of the surrounding community.

How to Start a Farmers Market on Federal Property: Collaborated with GSA to update and publish a user-friendly guide for market managers and planners interested in establishing a farmers market at Federal facilities. The brochure includes several examples of successful farmer's market operations on Federal property, including our flagship USDA farmers market at Washington, DC headquarters.

West Coast Direct Marketing Summit: *Developing Sustainable Foodsheds to Enhance Food Access and Nutrition:* AMS worked closely with its non-profit partner, the California-based Roots of Change, to bring together 120 leaders from the West Coast and national experts to explore and increase a common understanding of how to expand direct marketing opportunities and local food access through regional foodshed development. The Summit, held in Oakland, CA in July, featured case study presentations and plenary sessions by community leaders involved in enhancing access to locally grown food, developing innovative techniques in direct farm marketing, and addressing technological and infrastructural challenges, in order to stimulate new thinking about how existing obstacles in the local food system might be overcome.

Farmers Market Consortium: AMS presided over the 30-member Consortium comprised of USDA and other Federal agencies, foundations, and non-profit groups involved in providing financial and technical assistance to the farmers market and the local food sector. Under AMS' leadership, the Consortium members meet quarterly to share relevant information about funding and available resources, and to develop collaborative strategies to support local food system development.

National Farmers Market Coalition (FMC): Provided financial and technical support to FMC, a fledgling non-profit organization that serves as the primary national trade association for the farmer's market industry, in order to coordinate a National Farmers Market Week educational campaign and to support the development of education, information sharing, and training in "best practices" aimed at strengthening farmer's market performance throughout the United States. Among the highlights of the partnership was the development of "Markets Are Up" consumer-oriented point of sale material, available on both the AMS/MSD and FMC websites. This material was used by hundreds of farmer's markets throughout the country to educate their consumers about the benefits of purchasing locally grown food.

USDA Farmers Market: Operated the weekly outdoor farmers market on USDA headquarters property for the 14<sup>th</sup> consecutive year between June and October, coordinating schedules and logistics with 16 participating farm vendors. After successfully launching the first USDA indoor farmer's market in the fall of 2008, AMS will also operate a winter farmers market again each Wednesday from December 2009 through March 2010 in the USDA cafeteria. A team from AMS also represented USDA at the opening of the new "White House" farmer's market on Vermont Avenue in September 2009 by managing an information booth with educational literature on Federal farmers market activity.

EBT Working Group Workshop (Washington, DC, January 2009). MSD employees organized, hosted and facilitated this workshop, which brought together the leading experts in EBT implementation at farmer's markets to assist in developing a user-friendly handbook on lessons learned from the introduction of EBT at farmer's markets.

Facilities Design Projects/Studies:

South Texas Farmers Market Facility Expansion: Collaborated with market planners in Edcouch, TX, on plans for the Mercado Delta Market, a \$3.1 million multi-purpose public market that will focus on local farmers and community economic development. The project was completed in February 2009.

Energy Efficiency Project with New York Farmers Market: Assisted the Syracuse Farmers Market in researching and planning the implementation of a new, high efficiency lighting system using LED and other alternative sources of lighting. AMS engineers are tracking the performance of this demonstration lighting system to determine whether it promotes energy conservation and cost savings.

Design and Planning Support for Farmers Market Facilities: Assisted in the architectural design and provided planning support to a number of new or renovated farmers market facilities, including: Menands Farmers Market, NY; Shawnee Town Farmers Market, KS; Sea Island Cooperative Farmer Market, SC; Walterboro Farmers Market, SC; and Syracuse Farmers Market, NY.

Solar Power Applications for Permanent Food Market Facilities: Investigated the potential application of solar power in food warehouses and storage facilities as a cost-saving and energy conserving strategy by examining examples of successful experiments in California, New Mexico, and Arizona. The findings resulting from this case study analysis will be incorporated into a user friendly guidance document for food market and warehouse managers and planners.

Marketing Information and Education: AMS' MSD conducted a substantial amount of outreach and educational exchange with constituents and/or project partners, in order to promote and educate people about MSD program services and resources, provide technical assistance and disseminate research findings. Our participation and involvement in outreach and educational exchange ranged as follows:

Research Dissemination:

Annual meetings of the Agriculture, Food, and Human Values Society (State College, PA, March 2009) and the Rural Sociological Society (Madison, WI, July 2009). MSD researchers delivered presentations on preliminary findings from their ongoing national study of direct distribution models for smaller-scale farmers.

Regional local foods workshop sponsored by Penn State's Northeast Center for Rural Development (Kerhonkson, NY, May 2009). MSD economists participated in a joint presentation with ERS economists on the implications of farmers market and direct marketing sales growth.

ERS Local Foods Workshop (Washington, DC, June 2009). MSD participated in one panel discussion, moderated another, and helped conference organizers identify panel participants. The sessions examined different aspects of local food market structure, retailing, demand and supply, with specific examples of how local food supply chains operate and how producers have taken advantage of growing demand for locally grown product.

General Outreach, Education and Information Exchange:

National Food Value Chain Workshop and Agriculture of the Middle Working Group Meeting (Portland, OR, October 2008). MSD marketing specialists participated in interactive discussions with academic researchers designed to facilitate exchange of research ideas and identify gaps in current knowledge. Prior to the session, MSD employees organized and facilitated two sessions with researchers and practitioners at the W.K. Kellogg Foundation Food and Society Conference (San Jose, CA, April 2009) to build support for, and obtain feedback about, the Value Chain Research Collaboration Project.

International Public Market Conference (San Francisco, CA, April 2009). MSD marketing specialists participated in workshops on EBT operations.

Agile Agriculture (Fayetteville, AR, July 2009) and Communities of Practice meeting (Johnston, IA, August 2009). At the request of conference organizers, MSD was invited to participate in intensive facilitated interactive discussions related to constraints and opportunities in regional and local food system development.

Virginia Tech In-Service Training for Farm Business Management (Blacksburg, VA, August 2009). MSD researchers participated in panel discussions on alternative marketing and distribution mechanisms.

5<sup>th</sup> National Small Farms Conference (Springfield, IL, September 2009). MSD staff assisted with conference planning, made presentations at workshop, and moderated sessions.

Webinar on USDA Funding Opportunities (Washington, DC, September 2009). In collaboration with the Wallace Center, MSD employees moderated and played a leading role in organizing a webinar that permitted 100 participants to communicate directly with the program officers of USDA grant and technical assistance programs (AMS, Risk Management Agency (RMA), Rural Development (RD), National Institute of Food and Agriculture (CSREES-NIFA), and Office of Outreach) and ask questions about how specific grant programs can support the efforts of the National Good Food Network. Participants included small farmers, non-profit organizations, local and state marketing reps, university researchers, and cooperative extension staff.

GRADING AND CERTIFICATION SERVICES  
PROCESS VERIFICATION AND AUDIT BASED PROGRAMS

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

AMS has also developed voluntary testing and process verification programs in response to the market's growing need to facilitate the marketing of agricultural products. AMS' Process Verification programs provide producers and marketers of livestock and seed products, fresh and processed fruit and vegetables, and poultry and poultry products the opportunity to assure customers of their ability to provide consistent quality products by having their written production and manufacturing processes confirmed through independent, third party audits. The USDA Process Verified program uses the ISO 9000 series standards for documented quality management systems as a format for evaluation documentation to ensure consistent auditing practices and promote international recognition of audit results.

Selected Examples of Recent Progress:

Cotton Grading: AMS classified 12.1 million bales of cotton under the grower-classing program in FY 2009, with all cotton classed by the high volume instrument method. In addition, the Cotton Program classified over 553 thousand bales under the Cotton Futures Act. Cotton classing and grading information for bales is stored and maintained in a central database. This information is provided electronically to growers and agents who request it at a charge of five cents per record. In FY 2009, the Cotton Program received requests for information on 30 million bales.

Fees and Charges in Effect FY 2009:

<u>Service Performed</u>	<u>Fees</u>
Form 1 grading services	\$2.00 per sample <u>a/</u>

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

Dairy Products Grading: Dairy products grading, laboratory analysis, and plant inspections assure purity and quality of dairy products. Upon request, AMS grades dairy products sold in commercial channels. An AMS grade is also required on all products sold to the Commodity Credit Corporation (CCC) under the dairy price support program.

Dairy Programs reorganized program delivery to more cost-effectively and efficiently meet user-fee service demand. Grading services were relocated from low utilization areas to the high utilization area of California.

Fees and Charges in Effect in FY 2009:

<u>Services Performed</u>	<u>Hourly Fees FY 2009</u>
Continuous resident service	\$63.00
Nonresident service	\$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 2009, the Dairy Grading program issued 15,000 export certificates.

To enhance e-Trade opportunities, Dairy Programs partnered with industry and European Union port authorities to implement web-enabled issuance of dairy health certificates.

Processed Fruit and Vegetable Grading: This program offers both grading and audit-based verification services for the food industry. During FY 2009, AMS graded approximately 17.4 billion pounds of processed fruits and vegetables at 359 processing plants, 14 field offices, and 13 inspection points. This represents a 16% increase over last year as a result of increased grading requests for the National School Lunch Purchases, new clients, and military.

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 36 QTV audits in FY 2009. AMS' Plant Systems Audit (PSA) program provides an unbiased, third-party audit of a processor's quality assurance system. In FY 2009, AMS performed 34 PSA audits for fruit and vegetable processors nationwide.

AMS provides a Food Defense System Survey (FDSS) in support of USDA food purchases, and in FY 2009, AMS performed 581 of these surveys.

In FY 2009, AMS further expanded the new Quality Monitoring Program (QMP) for processed and fresh fruits and vegetables to include canned products. Under QMP, AMS performs product reviews and provides industry with information regarding product conformance to specifications. AMS also began confirming use of Hazard Analysis and Critical Control Point (HACCP) by suppliers to the USDA School Lunch program.

During FY 2009, AMS continued to meet the demand for inspection of food components in Department of Defense (DoD) operational rations in support of military activities in Iraq, Afghanistan, and elsewhere. In addition, the AMS/U.S. Department of Commerce Food Team participated in 33 worldwide subsistence audits under DoD's "Prime Vendor" food procurement program. These audits are conducted by food quality experts at various vendor/warehouse locations throughout the U.S. and other countries worldwide. The Food Team is utilized by DoD to ensure the quality of the food products purchased under Prime Vendor contracts.

In FY 2009, AMS began assuming from the Food and Nutrition Service (FNS) management responsibilities for the FNS Child Nutrition (CN) Labeling program. Accomplishments in FY 2009 included FNS training

of AMS staff on CN Label review, AMS outreach and training to CN manufacturers on developing quality control (QC) programs, AMS review and approval of over 200 industry CN QC plans, and AMS development of documented procedures for the CN review and inspection activities performed by AMS and U.S. Department of Commerce inspection personnel.

Fees and Charges in Effect in FY 2009:

<u>Service Performed</u>	<u>Hourly Fees</u>		
	<u>Base</u>	<u>Overtime</u>	<u>Holiday</u>
Lot inspection	\$62.00	\$93.00	\$124.00
Yearly contract (in-plant)	\$49.00	\$73.50	\$98.00
Additional Graders (in-plant)	\$65.00	\$97.50	\$130.00
Seasonal contract (in-plant)	\$65.00	\$97.50	\$130.00

Fresh Fruit and Vegetable Grading: AMS grading services for fresh fruits and vegetables are available at shipping points and in receiving markets throughout the U.S. and Puerto Rico. In FY 2009, AMS graded or supervised the grading of approximately 62 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 140 federal employees at 31 federal receiving markets.

The USDA AMS FVP Fresh Products Branch Good Agricultural Practices and Good Handling Practices (GAP&GHP) is an audit based program that assesses a participant’s efforts to conform to generally recognized “best practices” that minimize the risk of food safety hazards contaminating fruits, vegetables, and other specialty products during the production, harvesting, packing, transportation and storage of the product. AMS also provided auditing services to the fresh fruit and vegetable industry. Approximately 1,700 GAP & GHP audits were completed in 2009.

AMS provided four internal classroom refresher training classes, and CDs made with refresher slides for additional external training. Seven GAP & GHP auditor training and refresher classes were held for fresh fruit and vegetable auditors. One international training class and seven specialized industry training classes were held to cover inspection processes for various commodities and grading standards. These classes help to ensure service quality and uniform standard application of procedures.

Fees and Charges in Effect in FY 2009:

<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	\$151.00
Half car lot equivalent or less of each product	\$125.00
For each additional lot of the same product	\$ 69.00

\*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 the grader's regularly scheduled work week	\$74.00
Hourly rate for inspections performed under 40 hour contracts during the grader's regularly scheduled work week	\$74.00
Premium rate, in addition to hourly or car lot rates	\$38.00
Holiday hourly rate, in addition to hourly or car lot rates	\$74.00
Hourly rate for auditing (travel and expenses, inclusive)	\$92.00

Meat Grading and Certification: During FY 2009, meat grading and certification services were provided to approximately 242 meat packing and processing plants and other establishments worldwide. A total of 21.0 billion pounds of red meat (beef, lamb, veal and calf) were graded which represents approximately 95.7 percent of steers and heifers, 76.6 percent of lamb, and 27.8 percent of veal and calf commercially slaughtered in the U.S. In addition, 27.1 billion pounds of meat and meat products were certified for specification, contractual or marketing program requirements. AMS graded 552 loads of pork bellies and 597 loads of beef cattle carcasses for the Chicago Mercantile Exchange and performed 31 worldwide food audits for Department of Defense prime vendor contracts. Instrumentation grading was successfully implemented at five major beef harvesting facilities during the year. Fees collected for these activities in FY 2009 totaled \$25 million, with a cost per pound graded of \$0.000622 and cost per pound certified of \$0.000468.

Fees and Charges in Effect in FY 2009:

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

Accreditation, Audit and Verification Activities: During FY 2009, the Livestock and Seed Programs' Audit, Review and Verification Branch provided services to approximately 480 clients, including meat packing and processing plants, livestock producers and livestock service providers, beef export verification programs, organic certifying agencies, seed testing laboratories, state agencies, and other agricultural based establishments and companies worldwide. Services provided to producers, meat packers, and processors verified by the Audit, Review, and Compliance Branch through the Export Verification Program facilitated the export of beef in FY 2009 with a total export of 660,900 metric tons valued at \$2.2 billion for FY 2009.

Domestic and international accreditation audits conducted for the National Organic Program represent an approval to certify and label product with the USDA Organic Seal. Organic food sales are anticipated to increase an average of 18 percent in FY 2010.

Fees and Charges in Effect in FY 2009:

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

Poultry and Egg Grading: Approximately 91 percent of poultry grading services were provided on a resident basis, where a full-time grader is usually stationed at the plant that requests service. The remaining nine percent of poultry grading services are provided on a non-resident (lot grading) basis. During FY 2009, AMS provided resident service in 118 poultry plants, grading 7.9 billion pounds of poultry and 161 shell egg plants where 1.93 billion dozen shell eggs were graded, 0.5 billion pound reduction in the volume of chicken products received in official plants, and an additional 0.3 billion pound reduction of turkey handled in official plants for a 0.8 billion pound total reduction. Shell eggs certified in 2009 increased by 0.2 billion pounds. Poultry grading services covered about 28 percent of the turkeys slaughtered, 15 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 in Effect in FY 2009:

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

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

Poultry Export Verification Program – The Poultry Export Verification (PEV) program was established as a result of a FY 1997 ban on U.S. poultry exports to the European Union (EU) member states based on concerns by European Commission (EC) auditors about 1) the use of chlorinated water in the processing of U.S. poultry and 2) deficiencies in the U.S. system regarding verification of on-farm Good Manufacturing Practices (GMPs).

In FY 2009, a successful surveillance PEV audit was completed and the auditors observed the processing plant operating in “EU mode”. In early fall of 2009, the company shipped its first load consisting of 55,000 pounds of turkey meat to the EU, with a second load 30 days later. It is anticipated that during FY 2010, this major poultry company will ship additional loads of poultry to the EU and that additional poultry companies may attempt to seek PEV approval in an attempt to gain European customers.

AMS Poultry Programs began this effort in FY 2005, in collaboration with the poultry industry, the National Chicken Council, the National Turkey Federation, and other USDA agencies, to draft Quality System Assessment and PEV procedures to address the on-farm issues, which were accepted in FY 2005. In FY 2008, a major poultry company submitted a PEV quality manual for a desk audit review and later passed the PEV audit, meeting all PEV requirements.

Tobacco Grading: AMS’ tobacco grading service offers voluntary tobacco inspection, grading, and expanded pesticide testing on all types of domestic and imported tobacco. During FY 2009, 58 million kilograms of tobacco were graded and pesticide testing was performed on 52 million kilograms of tobacco to ensure that pesticide residue levels were within tolerance.

Fees and Charges in Effect FY 2009:

<u>Service Performed</u>	<u>Fees</u>
Permissive Inspection	\$47.40 per hour
Domestic Tobacco Grading	\$0.62 per hundred lbs
Certification of Export Tobacco	\$0.25 per hundred lbs
Imported Tobacco Grading	.37 per hundred kg
Imported Tobacco Pesticide Testing and Certification	\$1.88 per hundred kg
Retest Tobacco Pesticide Testing and Certification	\$220.00 per sample
Extra Pesticide List Testing and Certification	\$170.00 per sample
Genetically Modified Tobacco Testing	\$134.00 per sample

## 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. This voluntary program is funded through application fees for certificates of protection. Each developer of a new variety is assessed a fee of \$5,150 to cover the cost of filing, searching, issuing, informing the public, and maintaining plant variety protection certificates.

Selected Examples of Recent Progress:

More than 140 species of plants are currently protected under the PVPA (this is an approximation that is the same as last year). In FY 2009, AMS received 492 applications for protecting new agricultural, floral, and seed plant varieties which is a 19% increase over last year. We are seeing more applications relating to new corn and soybean varieties. A total of 856 applications, including some from previous years, were pending action at the end of 2009. During the fiscal year, AMS conducted searches on 410 applications to determine whether the plant constituted a new variety. On the basis of those searches, the program issued 307 certificates of protection. At the end of the fiscal year, 4,854 certificates were in force while protection had expired on 207 different varieties.

## NATIONAL SHEEP INDUSTRY IMPROVEMENT CENTER

The 2008 Farm Bill provided a one-time appropriation to fund the National Sheep Industry Improvement Center to allow the industry to engage in coordinated programs of infrastructure development, production research, environmental stewardship efforts, and marketing. The Center's work has previously been critical in providing assistance to a declining U.S. sheep industry. A Congressionally mandated study released in June 2008 concluded that the sheep industry must create and expand alternative markets for sheep products, transition from traditional marketing practices, embrace new technology, and establish a revived customer base. AMS continues work with the Farm Service Agency and Rural Development to implement the program.

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 [\$64,583,000] \$60,947,000 (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, 2010 .....	\$64,583,000
Budget Estimate, 2011 .....	<u>60,947,000</u>
Decrease in Limitation .....	<u>- 3,636,000</u>

The decrease of \$3,636,000 is based on a projected decrease in fees collected in fiscal year 2011.

Payments to States

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

Appropriations Language

Payments to States and Possessions

For payments to departments of agriculture, bureaus and departments of markets, and similar agencies for marketing activities under section 204(b) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623(b)), [~~\$1,334,000~~] \$2,634,000.

Lead-Off Tabular Statement

Appropriations Act, 2010 <sup>a/</sup> .....	\$1,334,000
Budget Estimate, 2011 .....	<u>2,634,000</u>
Increase in Appropriation .....	<u>+1,300,000</u>

<sup>a/</sup> Excludes \$350,000 provided by General Provision 728 for a grant to the Wisconsin Department of Agriculture, Trade and Consumer Protection.

Summary of Increases and Decreases

(On basis of appropriation)

<u>Item of Change</u>	2010 <u>Enacted</u>	<u>Pay Costs</u>	Program <u>Changes</u>	2011 <u>Estimated</u>
Payments to States and Possessions ...	\$1,334,000	--	\$1,300,000	\$2,634,000
Total Available .....	<u>1,334,000</u>	--	<u>1,300,000</u>	<u>2,634,000</u>

Project Statement

(On basis of appropriation)

	<u>2009 Actual</u>		<u>2010 Enacted</u>		Increase or Decrease	<u>2011 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
Payments for marketing services work under section 204(b) of the Agricultural Marketing Service Act of 1946 (FSMIP) .....	\$1,334,000	--	\$1,334,000	--	\$1,300,000 (1)	\$2,634,000	--
Specialty Crop Block Grant Obligations <u>a/</u> .....	7,564,964	--	842,491	--	-842,491	--	--
Unobligated balance available, start of period ...	-8,407,455	--	-842,491	--	842,491	--	--
Unobligated balance available, end of period ....	842,491	--	--	--	--	--	--
Subtotal Appropriation .....	--	--	--	--	--	--	--
Total, Available or Estimate .....	1,334,000	--	1,334,000	--	--	2,634,000	--

a/ FY 2008 specialty crop no-year grant application deadline was March 5, 2009, and grants were awarded in FY 2009.

Payments to States and Possessions

Obligation Levels

(On basis of available funds)

<u>Item</u>	<u>2009 Actual</u>	<u>2010 Enacted</u>	<u>2011 Estimated</u>
Appropriation, FSMIP .....	\$1,334,000	\$1,334,000	\$2,634,000
Unobligated Balance Available (from Specialty Crop Block Grants), start of period .....	8,407,455	842,491	--
Total Available .....	9,741,455	2,176,491	2,634,000
Total Obligations, FSMIP .....	-1,334,000	-1,334,000	-2,634,000
Total Obligations, Specialty Crop Block Grants ....	-7,564,964	-842,491	--
Unobligated Balance Available, end of period .....	842,491	--	--

Justifications of Increases and Decreases

- 1) An increase of \$1,300,000 for the Federal-State Marketing Improvement Program (\$1,334,000 available for FY 2010).

This request will increase the availability of grant funds awarded by the Federal-State Marketing Improvement Program (FSMIP), with an emphasis on value-added projects that spotlight local and regional food marketing initiatives and are of practical use to the agricultural industry. FSMIP is a competitive matching grant program for State Departments of Agriculture or similar State agencies that encourages research and innovation; improves agricultural marketing efficiency; and develops more efficient post-harvest and packaging methods, electronic marketing, and product diversification.

The requested resources will allow the program to increase the size and number of grant proposals that can be funded. AMS will encourage larger scale, high-impact projects that benefit multiple producers or agribusinesses; projects that reflect a collaborative approach between States, academia, the farm sector and other stakeholders; and projects that build off past project best practices. AMS is responsible for reviewing project proposals, guiding prospective grantees through the application process, guiding grantees through the reporting process, and monitoring project performance based on progress reports from grantees. Upon completion, final reports are made available through the AMS website. The program's final report database currently includes reports and projects from 1999 to 2007 and will be updated as information is received.

In FY 2009, the program received a total of 62 applications from 31 states totaling \$3.6 million. With an annual budget of \$1.3 million, the FSMIP program was able to fund only 23 of these projects from 19 states. The average award is \$50,000, although in recent years grants have ranged from \$25,000 to \$135,000. Some of those projects included: addressing logistics of distributing cut fresh specialty crops to food banks throughout California; assessing the comparative advantages Hawaiian agricultural producers have in accessing markets in Japan; determining demand for aquaculture products in the Midwest; exploring the feasibility of a state-wide food distribution system in Maine; providing training to Mississippi sweet potato growers that will help them access more lucrative retail markets; conducting pilot studies to match New York producers with food manufacturers in New York City seeking local ingredients; and fostering new markets for domestically produced dry peas, lentils, and chickpeas, through a comprehensive national consumer education campaign highlighting the nutritional attributes of these commodities as ingredients in processed products.

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

Geographic Breakdown of Obligations and Staff Years

## Payments to States and Possessions

Distribution of obligations by State are not available until projects have been selected. Funds in 2009 and 2010 for the Federal-State Marketing Improvement Program total \$1,334,000. A funding level of \$2,634,000 is proposed for 2011.

	<u>FY 2009</u>
California .....	\$198,250
Colorado .....	48,500
Hawaii .....	41,500
Idaho .....	48,000
Indiana .....	60,500
Louisiana .....	69,000
Maine .....	65,000
Massachusetts .....	38,000
Minnesota .....	92,500
Mississippi .....	47,150
New Jersey .....	89,000
New Mexico .....	40,500
New York .....	37,200
Oklahoma .....	47,150
South Carolina .....	74,500
Vermont .....	48,000
Virginia .....	152,000
Washington .....	87,250
Wisconsin .....	50,000
Total Obligations .....	<u>1,334,000</u>

Specialty Crop Block Grants  
Geographic Breakdown of Obligations

No-year funding was provided in FY 2008 to support the Specialty Crop Block Grant Program, with applications being accepted through March 5, 2009. Obligations not awarded in grants were expended for administrative costs. The 2008 Farm Bill provided annual funding of \$49,000,000 in FY 2009, and \$55,000,000 in each of fiscal years 2010 and 2011.

	<u>FY 2009</u>
Alaska .....	\$95,315
Arizona .....	159,294
Arkansas .....	3,593
California .....	1,228,395
Colorado .....	135,841
Connecticut .....	116,865
Delaware .....	104,505
District of Columbia .....	120,771
Florida .....	372,569
Georgia .....	298,953
Hawaii .....	117,907
Idaho .....	148,201
Illinois .....	123,538
Indiana .....	118,301
Iowa .....	106,194
Kansas .....	104,505
Kentucky .....	105,772
Louisiana .....	110,868
Maine .....	114,612
Michigan .....	174,977
Minnesota .....	126,184
Mississippi .....	107,039
Missouri .....	108,784
Montana .....	105,462
Nebraska .....	108,531
Nevada .....	102,900
New Hampshire .....	104,561
New Jersey .....	137,756
New York .....	164,954
North Carolina .....	178,440
North Dakota .....	118,582
Ohio .....	149,553
Oklahoma .....	113,599
Oregon .....	201,780
Pennsylvania .....	158,591
Rhode Island .....	102,872
South Carolina .....	121,848
South Dakota .....	108,125
Tennessee .....	123,397
Texas .....	213,831
Utah .....	105,687
Vermont .....	102,787
Virginia .....	123,566
Washington .....	287,906
West Virginia .....	100,563
Wisconsin .....	144,091
Wyoming .....	101,267
Puerto Rico .....	81,332
Total Obligations .....	<u>7,564,964</u>

Status of Program

## PAYMENTS TO STATES AND POSSESSIONS

Current Activities: The Federal-State Marketing Improvement Program (FSMIP) provides matching funds to State departments of agriculture and other State agencies for approximately 25 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 both domestically and internationally.

Selected Examples of Recent Progress:

During FY 2009, State agencies were encouraged to submit FSMIP proposals that reflect a collaborative approach between the States, academia and the farm sector, and which have Regional or National significance. AMS received grant applications for 62 projects from 31 States and U.S. territories representing requests for Federal funds of \$3.6 million. The program was appropriated \$1.3 million for competitive grants projects and these funds were allocated among 23 projects from 19 States. Another \$338 thousand was appropriated for the Wisconsin specialty meats project.

FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM  
FISCAL YEAR 2009 GRANTS

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
California	Develop protocols for harvesting field-packed cull crops for distribution through a State-wide network of food banks, creating a new market for produce growers and improving the nutritional status of low-income individuals.	\$88,250
California	Implement a strategic plan to market dried fruit in Mexico and through southwest U.S. retail and wholesale outlets that cater to Hispanic consumers.	\$50,000
California	Assess the impact of changes in agricultural transportation technology, infrastructure and cost on the future regional and international competitiveness of the California specialty crop industry.	\$60,000
Colorado	Evaluate and improve the effectiveness of Colorado MarketMaker as a tool for restaurant food and wine buyers seeking locally grown agricultural products and for consumers seeking farmers markets and agritourism destinations.	\$48,500
Hawaii	Determine the competitive and comparative advantage of Hawaii's diverse specialty agricultural sector in the Japanese market through analyses of historic export trends and patterns of Hawaii and its competitors.	\$41,500
Idaho	Explore consumer knowledge about and attitudes towards dairy production practices, and estimate consumer demand and willingness to pay for dairy products derived from animals raised in operations that use "animal friendly" production practices.	\$48,000
Indiana	Assess the demand and market requirements for fresh fish on ice by surveying buyers at ethnic markets, traditional meat/fish shops and	\$60,500

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
	independent grocery stores.	
Louisiana	Study the cotton ginning infrastructure of the lower mid-south region of the United States, determine an optimum, sustainable geographic distribution of cotton gins that will maintain viable marketing channels for cotton producers, and evaluate the impact of a graduated gin seed rebate program on farm profitability.	\$69,000
Maine	Develop a business plan and financial model for a centralized State wholesale distribution system for locally grown foods and conduct a pilot project to test and refine the system.	\$65,000
Massachusetts	Determine market demand for locally-grown frozen fruits and vegetables and research the feasibility of using a mobile flash freeze processing unit to develop a new niche market in the region.	\$38,000
Minnesota	Conduct cooperative brewing trials in China to demonstrate the quality and characteristics of U.S. barley to the Chinese malting and brewing sector and develop a marketing strategy for exporting U.S. six-row malting barley to China.	\$70,000
Minnesota	Analyze rate competition among railroads and its impacts on rail rates in Minnesota for major agricultural shipments.	\$22,500
Mississippi	Conduct on-farm trials and laboratory analyses to demonstrate the importance to producers of adopting postharvest handling practices that will improve sweet potato quality and enhance the competitiveness of Mississippi sweet potatoes in domestic and foreign markets.	\$47,150
New Jersey	Document the characteristics of direct-marketing patrons in the Mid-Atlantic region, describe product attributes and agritourism activities preferred by consumers, develop forecasting models of direct marketing activity, and estimate the economic impact of direct marketing and agritourism in the region.	\$89,000
New Mexico	Determine the feasibility of establishing a state branding program for New Mexico beef through an in-depth assessment of buyer needs and requirements and the costs and benefits to ranchers.	\$40,500
New York	Conduct pilot projects that demonstrate the potential for New York agricultural producers to meet demand by food processors in New York City for locally produced ingredients.	\$37,200
Oklahoma	Identify key demographic differences between Oklahoma consumers who attend farmers markets or belong to food cooperatives and those who do not, and develop strategies to increase the number of consumers who participate in direct marketing venues.	\$47,150

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
South Carolina	Develop an analytical model for use by State departments of agriculture to more efficiently and cost-effectively allocate State resources for promoting locally grown food.	\$74,500
Vermont	Create sensory wheels that will enable sugar makers to describe unique and positive sensory characteristics and troubleshoot for negative sensory characteristics of their maple syrup, and to train sugar makers on how to best utilize this information to enhance their marketing programs.	\$48,000
Virginia	Analyze the market for filets and value-added products made from U.S. tilapia, and determine the physical facility, equipment requirements, and associated costs of creating processed tilapia products.	\$65,000
Virginia	Evaluate opportunities and barriers to exporting wood products to Central America.	\$87,000
Washington	Foster new markets for domestically produced dry peas, lentils, and chickpeas by launching a comprehensive consumer education campaign highlighting the nutritional attributes of these commodities as ingredients in processed products.	\$87,250
Wisconsin	Address an unmet need for a technical marketing assistance program for small-to-medium producers as they scale up to expand their businesses and access new markets.	\$50,000
Wisconsin	Enhance the growth and profitability of specialty and artisan processed meat business in Wisconsin through technical specialized training, and business and market development.	\$338,000
Total		<u><u>\$1,672,000</u></u>

## SPECIALTY CROP BLOCK GRANT PROGRAM

The Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621 note) provided authorization to USDA to provide state assistance for specialty crops on December 21, 2004. All 50 states, the District of Columbia, and the Commonwealth of Puerto Rico are eligible to participate. Specialty crop block grant funds can be requested to enhance the competitiveness of specialty crops. Specialty crops are defined as fruits and vegetables, tree nuts, dried fruits, and nursery crops (including floriculture).

Through FY 2008, the program was funded through appropriations. The FY 2008 appropriation made \$8.44 million available until expended for Specialty Crop Block Grants. Grants were awarded from these funds in FY 2009. All the eligible States submitted their applications by the established deadline of March 5, 2009. Fifty-two U.S. States and Territories were awarded SCBGP funds. Information on the amounts awarded and the projects funded is also available on [www.ams.usda.gov/scbgp](http://www.ams.usda.gov/scbgp).

The FY 2008 Farm Bill, Sec. 10109, extended the Specialty Crop Block Grant program (SCBGP-FB) through FY 2012 and provided Commodity Credit Corporation funding at the following levels: \$10 million in 2008, \$49 million in 2009, and \$55 million for 2010 - 2012. The Act amended the definition of specialty crops by adding horticulture; and added Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands to the list of "States" eligible to apply for grants. State grants for each fiscal year are equal to the higher of \$100,000 or 1/3 of one percent of the total amount of available funding. AMS completed rulemaking on these Farm Bill changes with publication of the final rule in the *Federal Register* on March 27, 2009. The final rule requires State departments of agriculture to describe their outreach efforts to specialty crop producers, including socially disadvantaged and beginning farmers; and to describe their efforts to conduct a competitive process to ensure maximum public input and benefit. The Notice of Funding Availability for FY 2009 was published in the May 22, 2009, Federal Register with a grant application deadline of August 26, 2009.

SCBGP-FB Awards for FY 2009 were made to all 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands. American Samoa chose not to apply for FY 2009 funds. Grants were awarded totaling \$49 million for 745 projects. Project awards aim at enhancing the competitiveness of specialty crops through marketing and promotion, food safety, research, production, pest and plant health, and education initiatives. Information on the amounts awarded and the projects funded is available on [www.ams.usda.gov/scbgp](http://www.ams.usda.gov/scbgp).

Perishable Agricultural Commodities Act Fund

Lead-off Tabular Statement

Appropriations Act, 2010 .....	\$7,394,000
Budget Estimate, 2011 .....	<u>7,394,000</u>
Change in Appropriation .....	--

Summary of Increases and Decreases

(On basis of appropriation)

<u>Item of Change</u>	2010 <u>Enacted</u>	<u>Pay Costs</u>	<u>Program</u> <u>Changes</u>	2011 <u>Estimated</u>
Total Available .....	\$7,349,000	--	--	\$7,349,000

Project Statement

(On basis of appropriation)

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	<u>2009 Actual</u>		<u>2010 Enacted</u>		Increase or <u>Decrease</u>	<u>2011 Estimated</u>	
	<u>Amount</u>	<u>Staff</u> <u>Years</u>	<u>Amount</u>	<u>Staff</u> <u>Years</u>		<u>Amount</u>	<u>Staff</u> <u>Years</u>
Licensing dealers and handling complaints .....	\$9,792,477	78	\$10,623,000	85	\$223,000	\$10,846,000	85
Unobligated balance available start of period ..	-11,430,980	--	-8,240,769	--	3,274,000	-4,966,769	--
Unobligated balance available end of period ...	8,240,769	--	4,966,769	--	-3,497,000	1,469,769	--
Total, Available or Estimate .....	<u>6,602,265</u>	78	<u>7,349,000</u>	85	--	<u>7,349,000</u>	85

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Obligation Levels

(On basis of available funds)

Item	2009 Actual	2010 Enacted	2011 Estimated
Appropriation (from receipts) .....	\$6,602,265	\$7,349,000	\$7,349,000
Unobligated balance available, start of period .....	11,430,980	8,240,769	4,966,769
Total available .....	18,033,245	15,589,769	12,315,769
Total obligations .....	-9,792,477	-10,623,000	-10,846,000
Unobligated balance available, end of period .....	8,240,769	4,966,769	1,469,769

Geographic Breakdown of Obligations and Staff Years

2009 Actual and Estimated 2010 and 2011

	2009		2010		2011	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
California .....	\$1,211,966	12	\$1,314,756	13	\$1,342,355	13
District of Columbia .....	5,969,490	46	6,475,776	50	6,611,717	50
Texas .....	1,349,965	11	1,464,458	12	1,495,200	12
Virginia .....	1,261,056	9	1,368,010	10	1,396,727	10
Total, Available or Estimate .....	9,792,477	78	10,623,000	85	10,846,000	85

Status of Program

## PERISHABLE AGRICULTURAL COMMODITIES ACT FUND

Current Activities: The Perishable Agricultural Commodities Act (PACA) and the Produce Agency Act (7 U.S.C. 491 et seq.) are designed to protect producers, shippers, distributors, and retailers from loss due to unfair and fraudulent practices in the marketing of perishable agricultural commodities; and prevent the unwarranted destruction or dumping of farm products.

AMS' PACA program enforces these acts and is funded by license and user fees paid by commission merchants, dealers, and brokers handling fresh and frozen fruits and vegetables in interstate and foreign commerce. The law provides a forum for resolving contract disputes and a mechanism for the collection of damages from anyone who fails to meet contractual obligations. In addition, PACA provides for prompt payment 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 PACA are investigated and result in: 1) informal agreements between two parties; 2) formal decisions involving payments to injured parties; 3) suspension or revocation of licenses and/or publication of the facts; or 4) monetary penalty in lieu of license suspension or revocation. PACA also imposes a statutory trust that attaches to perishable agricultural commodities received by regulated entities, products derived from the commodities, and any receivables or proceeds from the sale of the commodities. The trust benefits 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 2009, AMS was contacted by members of the fruit and vegetable industry for assistance in resolving 1,676 commercial disputes. Of these disputes, more than 93 percent were resolved informally involving approximately \$23.2 million. AMS resolved 91 percent of these disputes within four months. Decisions and orders were issued in 375 formal reparation cases involving award amounts totaling approximately \$7.5 million. During the same period, AMS initiated 28 disciplinary cases against firms for alleged violations of the PACA. AMS issued 17 disciplinary orders – either suspending, revoking the firms' PACA licenses, levying civil penalties in lieu of license suspension, or a finding of repeated and flagrant violations, – against produce firms for violations of the PACA Act.

Section 32

Appropriations Language

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

Section 32

- Funds available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), shall be used only for commodity program expenses as authorized therein, and other related operating expenses,
- 1 [including \$10,000,000 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 [\$20,056,000] \$20,283,000 for formulation and administration of marketing agreements and orders pursuant to the Agricultural Marketing Agreement Act of 1937 and the Agricultural Act of 1961.
- 1 This change reflects completion of the development phase for the replacement of a system to support commodity purchases.

Lead-off Tabular StatementFunds for Strengthening Markets, Income, and Supply (Section 32)

Permanent Appropriation, 2010 .....		\$8,061,101,000
Unobligated balance available, start of year .....		375,374,000
Precluded from Obligation in Current Year .....		-76,853,000
Rescission of Prior Year funds <u>a/</u> .....		-133,352,000
		<hr/>
AMS Availability .....		8,226,270,000
Less annual transfers to:		
Department of Commerce .....	-113,371,000	
Food and Nutrition Service (FNS), Child Nutrition Programs .....	-6,747,877,000	
FNS Transfer from prior year funds <u>b/</u> .....	-242,022,000	
Total Transfers .....	-7,103,270,000	
AMS 2010 Spending Limitation .....		1,123,000,000
Less FNS Transfer for the Farm Bill Fresh Fruit and Vegetable Program <u>a/</u> .....		-25,000,000
		<hr/>
Adjusted Base for 2010 .....		1,098,000,000
Budget Estimate, 2011:		
Annual permanent appropriation .....		6,605,946,000
Unobligated balance available, start of year .....		76,853,000
Rescission .....		-50,000,000
AMS Availability .....		6,632,799,000
Less transfers to:		
Department of Commerce .....	-113,372,000	
FNS, Child Nutrition Programs .....	-5,278,427,000	
FNS Transfer from prior year funds <u>a/</u> .....	-76,000,000	
Total transfers .....	-5,467,799,000	
AMS 2011 Spending Limitation .....		1,165,000,000
Less FNS Transfer for the Farm Bill Fresh Fruit and Vegetable Program <u>c/</u> .....		-150,000,000
		<hr/>
Budget Estimate, 2011 .....		1,015,000,000
Decrease from adjusted 2010 .....		-83,000,000
		<hr/> <hr/>

a/ The amount is rescinded pursuant to the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2010, Public Law 111-80, GP Sec. 721.

b/ Public Law 111-80, Child Nutrition Programs (including transfer of funds).

c/ 2008 Farm Bill, Public Law 110-246, Section 4304.

Summary of Increases and Decreases

(On basis of adjusted appropriation)

<u>Item of Change</u>	2010		Program <u>Changes</u>	2011 <u>Estimated</u>
	<u>Enacted</u>	<u>Pay Costs</u>		
Child Nutrition Program Purchases .....	\$641,000,000	--	-\$56,000,000	\$585,000,000
Farm Bill Specialty Crop Purchases .....	144,600,000	--	+58,400,000	203,000,000
Farm Bill Whole Grain Products Pilot & Study .....	--	--	--	--
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 .....	72,600,000	--	-72,600,000	--
Estimated Future Needs <u>a/</u> .....	184,908,000	--	-3,682,000	181,226,000
Commodity Purchase Service .....	22,336,000	+\$105,000	-9,450,000	12,991,000
Marketing Agreements and Orders .....	20,056,000	+227,000	--	20,283,000
	<hr/>			
Net AMS Availability .....	1,098,000,000	332,000	-83,332,000	1,015,000,000
FNS Transfer for Farm Bill Fresh Fruit and Vegetable Program .....	25,000,000	--	125,000,000	150,000,000
Total Available .....	<hr/>	<hr/>	<hr/>	<hr/>
	1,123,000,000	332,000	41,668,000	1,165,000,000

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

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

Project Statement

On basis of appropriation)

	2009 Actual		2010 Enacted		Increase or Decrease	2011 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Commodity Purchases							
a. Child Nutrition Program Purchases ..	\$467,880,896	--	\$641,000,000	--	-\$56,000,000	\$585,000,000	--
b. Farm Bill Specialty Crop Purchases ..	119,418,398	--	144,600,000	--	58,400,000	203,000,000	--
c. Emergency Surplus Removal .....	319,513,092	--	72,600,000	--	-72,600,000	--	--
d. Estimated Future Needs .....	--	--	184,908,000	--	-3,682,000	181,226,000	--
Subtotal .....	906,812,386	--	1,043,108,000	--	-73,882,000	969,226,000	--
2. Farm Bill Whole Grain Products							
Pilot & Study .....	4,000,000	--	--	--	--	--	--
3. State Option Contract .....	--	--	5,000,000	--	--	5,000,000	--
4. Removal of Defective Commodities .....	28,963	--	2,500,000	--	--	2,500,000	--
5. Disaster Relief .....	--	--	5,000,000	--	--	5,000,000	--
6. Direct Payments .....	750,000	--	--	--	--	--	--
7. Administrative Funds							
a. Commodity Purchase Services .....	31,092,419	49	22,336,000	50	-9,345,000 1,2,3)	12,991,000	50
b. Marketing Agreements and Orders ...	17,123,773	100	20,056,000	114	227,000 (1)	20,283,000	114
Subtotal .....	48,216,192	149	42,392,000	164	-9,118,000	33,274,000	164
8. FNS Transfer for the Farm Bill							
Fresh Fruit and Vegetable Program ...	108,000,000	--	25,000,000	--	125,000,000	150,000,000	--
AMS Spending Limitation .....	1,067,807,541	149	1,123,000,000	164	42,000,000	1,165,000,000	164
Less: FNS Transfer for the Farm Bill							
Fresh Fruit and Vegetable Program .....	-108,000,000	--	-25,000,000	--	-125,000,000	-150,000,000	--
Total Obligations .....	959,807,541	149	1,098,000,000	164	-83,000,000	1,015,000,000	164
Offsetting Collections .....	-19,848,517	--	--	--	--	--	--
Recovery of Prior Year Obligations .....	-8,310,600	--	--	--	--	--	--
Unobligated balance, start of year .....	-293,529,985	--	-375,374,000	--	298,521,000	-76,853,000	--
FNS Transfers from Prior Year Funds .....	--	--	242,022,000	--	-165,169,000	76,853,000	--
Precluded from Obligation in							
Current Year .....	-343,492,000	--	-76,853,000	--	26,853,000	-50,000,000	--
Unobligated balance unavailable,							
end of year .....	375,373,576	--	76,853,000	--	-76,853,000	--	--
Total, Budget Authority .....	670,000,015	149	964,648,000	164	125,352,000	965,000,000	164
Rescission .....	293,529,985	--	133,352,000	--	-83,352,000	50,000,000	--
Total, Available or Estimate .....	963,530,000	149	1,098,000,000	164	42,000,000	1,015,000,000	164

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

(On basis of appropriation)

Item	2009 Actual	2010 Enacted	2011 Estimated
Permanent Appropriation .....	\$7,979,334,788	\$8,061,101,000	\$6,605,946,000
Rescission .....	-293,529,985	-133,352,000	-50,000,000
Unobligated balance, start of year .....	293,529,985	375,374,000	76,853,000
Offsetting Collections .....	19,848,517	--	--
Recoveries of Prior Year Obligations .....	8,310,600	--	--
<b>Total Available .....</b>	<b>8,007,493,905</b>	<b>8,303,123,000</b>	<b>6,632,799,000</b>
Less transfers to:			
Food and Nutrition Service (FNS), Child Nutrition Programs ..	-6,455,802,000	-6,747,877,000	-5,278,427,000
FNS Transfer from Prior Year funds .....	--	-242,022,000	-76,000,000
FNS, Fresh Fruit and Vegetable Program .....	-108,000,000	-25,000,000	-150,000,000
Department of Commerce .....	-108,510,788	-113,371,000	-113,372,000
<b>Total Transfers .....</b>	<b>-6,672,312,788</b>	<b>-7,128,270,000</b>	<b>-5,617,799,000</b>
<b>Total available after transfers .....</b>	<b>1,335,181,117</b>	<b>1,174,853,000</b>	<b>1,015,000,000</b>
<b>Less total obligations .....</b>	<b>-959,807,541</b>	<b>-1,098,000,000</b>	<b>-1,015,000,000</b>
<b>Unobligated balance, end of year .....</b>	<b>375,373,576</b>	<b>76,853,000</b>	<b>--</b>

a/ Consistent with the budget reporting system display.

Justifications of Increases and Decreases

A net decrease of \$9,118,000 for Section 32 administration (\$42,392,000 available for FY 2010) consisting of:

1) An increase of \$332,000 to fund increased pay costs.

This increase is needed to continue current levels of service in stabilizing market conditions through the purchase of surplus non-price supported commodities; and enable AMS to continue to assure that the commodities purchased are 100% domestic.

2) An increase of \$550,000 for AMS activities in support of the Food and Nutrition Services (FNS) Farm to School Tactical Team.

This request will fund agency participation in the Department's Farm to School Tactical Team to promote the use of local product to improve school food nutrition and service. FNS is leading a local food purchases initiative for USDA and has identified AMS as a partner in accomplishing this endeavor, since AMS purchases non-price-supported food that is used in the FNS' various nutrition programs. This request supports the Secretary's high priority goal to ensure that America's children have access to safe, nutritious, and balanced meals.

Funding for this request will enable AMS to engage in new developments that link local and regionally grown foods to school feeding programs. AMS will work in conjunction with other Department staff to bring together stakeholders and agency partners to explore possible purchases, share best practices, and provide technical advice and assistance. AMS will bring expertise to this initiative critical to the development of guidance documents that will be made available in print and on the Internet, technical assistance to schools via a toll-free number, along with assistance in locating and contracting with local fresh-cut facilities. AMS will also provide valuable assistance to schools by teaching quality characteristics to look for when purchasing produce, and will offer Good Agricultural Practices (GAP) certification services upon request.

This initiative demonstrates a commitment to build and leverage USDA's existing capacity, in partnership with ongoing efforts by non-governmental organizations, school districts, and academic institutions. AMS will synchronize efforts and incorporate lessons learned from the agency's various local food initiatives.

3) A decrease of \$10,000,000 due to the implementation of the Web-Based Supply Chain Management System (WebSCM).

The USDA agencies that conduct commodity procurement/nutrition assistance programs expect to implement WebSCM, by the end of fiscal year 2010. WebSCM is a new IT system that will take over the functions of the legacy tracking system, the Processed Commodity Inventory Management System (PCIMS). For fiscal year 2011, the cost of on-going operations and maintenance of the system will be shared by the user agencies.

Funds for Strengthening Markets, Income, and Supply (Section 32)  
Geographic Breakdown of Obligations and Staff Years  
2009 Actual and Estimated 2010 and 2011

	2009		2010		2011	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
California .....	\$831,964	3	\$731,000	3	\$574,000	3
District of Columbia .....	45,996,981	142	40,441,000	155	31,742,000	155
Florida .....	445,745	1	392,000	2	308,000	2
Oregon .....	750,740	2	660,000	3	518,000	3
Texas .....	190,762	1	168,000	1	132,000	1
 Total, Available or Estimate.....	 \$48,216,192	 149	 \$42,392,000	 164	 \$33,274,000	 164

Status of ProgramSECTION 32  
COMMODITY PURCHASESCurrent 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. Food purchases are coordinated with FNS to assure that the quantity, quality, and variety of commodities purchased meet the desires of schools and institutions participating in domestic nutrition assistance programs and can be used to assist individuals in meeting the *Dietary Guidelines for Americans*. The Farm Service Agency (FSA) administers the payments to vendors to whom contracts have been awarded, ensures the proper storage of commodities when necessary, and assists in commodity 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 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' Business Development and Quality Assurance Staff implements various programs and outreach initiatives to make AMS activities and expertise available to schools and other institutional food purchasers.

Section 4404 of the 2008 Farm Bill directs AMS to purchase, using Section 32 funds, additional fruits, vegetables, and nuts (specialty crops) to assist growers and support domestic nutrition assistance programs. The adjusted totals, which include the \$200 million minimum purchase level established by previous legislation, are: \$390 million for FY 2008, \$393 million for FY 2009, \$399 million for FY 2010, \$403 million for FY 2011, and \$406 million for FY 2012 and each fiscal year thereafter. In FY 2009, AMS purchased over \$470 million of specialty crop products which was a 16.4 percent increase over the minimum purchase level.

Selected Examples of Recent Progress:

Commodity Purchases: In FY 2009, AMS purchased \$847 million worth of non-price supported commodities with Section 32 funds. The Department of Defense purchased an additional \$60 million of fresh fruits and vegetables for the National School Lunch Program from Section 32 funds on behalf of AMS. Purchased commodities were used to fulfill the National School Lunch Program's commodity subsidy entitlement of 20.75 cents per meal and for emergency surplus removal to assist agricultural producers. Under agreement, AMS also purchased an additional \$594.8 million (\$180.4 million in specialty crops) of commodities on behalf of FNS with funds appropriated to FNS for entitlement programs. In total, AMS purchased approximately 1.8 billion pounds (F&V portion 1.1 billion pounds) of commodities distributed by FNS through its nutrition assistance programs.

Surplus removal (or bonus buy) commodities are donated to schools and other institutions in addition to entitlements. The following chart reflects the variety of producers and commodities that received assistance through bonus purchases in FY 2009:

Contingency Fund Expenditures FY 2009  
(Dollars in Thousands)

<u>Commodity</u>	<u>Amount</u>
Orange Juice Products	\$29,483
Walnuts	27,724
Great Northern Beans	24,933
Apple Products	13,895
Fresh Tomatoes	2,675
Blueberry Products	11,018
Pork Products	96,522
Lamb Products	3,311
Catfish	4,960
Broiler Products	46,385
Turkey Breast Meat	<u>58,608</u>
Total	\$319,514

WebSCM: Beginning in FY 2006, AMS was authorized the use of Section 32 funding to develop a new Web-Based Supply Chain Management (WebSCM) system to support the shared interests of USDA commodity purchase programs by replacing USDA's aging Processed Commodity Inventory Management System (PCIMS) procurement system. The WebSCM system will improve the procurement, delivery, and management of more than 200 commodities and 4.5 million tons of food through domestic and foreign feeding programs operated by USDA throughout the world. AMS, FSA, and FNS have been working collaboratively over several years on system development. During FY 2008, the project team completed the planning and design phase for WebSCM and began the build phase. During FY 2009, the project team completed the Design Phase and a significant portion of the build phase. The system is scheduled to "go-live" in FY 2010.

#### MARKETING AGREEMENTS AND ORDERS

Current Activities:

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 specialty crops.

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.

Selected Examples of Recent Progress:

Dairy:

- Implemented a streamlined Federal rulemaking process by developing and issuing supplemental rules of practice governing rulemaking proceedings, implementing the dairy forward pricing program, and issuing a proposal for the import assessment rule. The import assessment rule

required active participation with the U.S. Trade Representative, the Office of Management and Budget and numerous foreign dairy companies and associations.

- Appointed seven internal committees to address issues of concern to the dairy industry—three are directly focused on pricing and consolidation issues affecting both producers and processors – to develop creative approaches and solutions. Implementation of recommendations from two committees resulted in improved transparency in Federal milk marketing order operations affecting all producers and processors.
- Initiated a proceeding to consider fully regulating specific dairy businesses that are alleged to negatively impact dairy markets for all producers—the vast majority of which are considered small. To enhance transparency and increase participation by small producers and processors to resolve this issue, a public information session was convened prior to a formal rulemaking hearing. Due to the utilization of meeting technology, participation was increased by 500 percent and \$170 thousand savings was realized by both the government and industry.
- A centrally-located formal rulemaking hearing was conducted that allowed 55 people—(mostly representing small producers and businesses)--to testify, resulting in a rulemaking record of over 4,500 pages. Based on this information, a recommendation that benefits small dairy farmers and businesses has been prepared and will be issued for further industry comment. This proceeding is the first to be held under the new, faster timeline established in the 2008 Farm Bill and each segment was completed timely.
- Effectively negotiated a producer-favorable settlement through the U.S. District Court in Albany, New York, enforcing payment of \$2.5 million owed by a processor to dairy farmers over a four-year period.
- Established the Dairy Industry Advisory Committee and sought diverse, qualified nominees to be appointed by the Secretary. This committee will review key issues impacting the dairy industry and generate additional ideas about how USDA can help struggling producers.

#### Fruits and Vegetables:

Enforcement: AMS is responsible for marketing order enforcement. Industry administrative committees are charged with initial investigations and report complaints of possible violations to AMS. In FY 2009, the committees referred 15 cases to AMS for enforcement action. During the same time period, AMS closed ten other cases and collected \$25 thousand in civil penalties under stipulation agreements. AMS approved 32 marketing order compliance plans and conducted 19 compliance, program, and internal control reviews.

Raisins: In April 2004, USDA filed a formal complaint against Marvin Horne alleging that the grower/handler violated the Federal marketing order for California raisins and seeking \$830 thousand in assessments. As a result of complex litigation, USDA's Administrative Law Judge and Judicial Officer each found Horne liable as a handler for \$1.2 million in assessments, reserves and civil penalties for violations during the 2001-2003 crop years. Horne appealed this decision to the US District Court in October 2007, and the hearing is scheduled for December 2009. In March 2009, USDA filed a separate civil complaint against Horne for violations of the handling of raisins in the 2004 and 2005 crop years. Subsequently, USDA filed another civil complaint in October 2009 for FY 2005 crop year violations.

IT Initiatives: Culminating three years of preparation, AMS has deployed a Web-based application - Marketing Order Online System (MOLS) - that provides an efficient means for importers and receivers to complete and file the Importer's Exempt Commodity Form (FV-6) online. This system eliminates the

manual filing of 16,000 paper forms annually. AMS administers the import requirements that apply to about 1,000 businesses, with combined imports exceeding \$1 billion.

AMS has also launched a new initiative to automate the marketing order committee compliance requirements that will replace the paper-based review and certification systems with automated systems by which committees electronically document their internal controls procedures and certify their adherence to approved handler compliance plans. The initiative replaces the old costly and time-consuming processes that required separate compliance internal controls reviews. AMS is now training its field staff and expects to train committee members in early 2010. AMS expects this initiative to save \$81 thousand over the next two years.

Quality Factors Relating to Food Safety through Marketing Agreements and Orders: At the request of a nationwide coalition of the U.S. produce industry, AMS conducted public hearings in September and October 2009 at seven U.S. locations on a proposed National Marketing Agreement for Leafy Green Vegetables. The agreement is intended to help minimize the risk of food-borne contamination in cabbage, lettuce, spinach and other vegetables defined as “leafy greens.” The Administrative Law Judge set January 13, 2010, as the deadline for interested persons to submit proposed findings and conclusions, and written arguments or briefs based upon evidence received at the hearings.

To address European Union (EU) concerns over high aflatoxin levels in California almonds, AMS successfully coordinated efforts with the Almond Board of California, the Agricultural Research Service, and the Foreign Agricultural Service to implement the Board’s Voluntary Aflatoxin Sampling Program (VASP). This sampling program provided the basis for the EU’s expected lifting of its current special measures for U.S. almonds, thus allowing almond shipments accompanied by the required VASP certificate to flow into EU markets. The pistachio market has expressed interest in a similar program to address increased EU rejections of California pistachios for high aflatoxin test results.

Marketing Order Rulemaking: AMS amended the marketing order for Florida citrus and the pistachio marketing order to expand the production area covered under the order.

To respond to changing marketing needs, AMS issued about 75 rulemaking actions for fruit, vegetable and specialty crop marketing orders within established internal timeframes. Informal rulemaking to implement an agreement between the U.S. and Chile for imported fresh grapes was issued to ensure that U.S. consumers receive high quality domestic and imported grapes, and to maintain the viability of California grape industry. Also, AMS issued rulemaking to implement a U.S.-Canada agreement on imported potatoes to ensure high quality product for U.S. consumers.

AMS developed a shorter format for the publication of certain marketing order final rules in the Federal Register that will result in annual savings exceeding \$14 thousand, and collaborated with the Environmental Protection Agency to use special coding for rulemaking documents that is expected to save an additional \$50 thousand in AMS’ Federal Register printing costs.

Oversight of Marketing Communication Materials for Marketing Order Committees/Boards: AMS continued to implement its goal for full oversight of all marketing order committee/board marketing communication materials. In FY 2009, a working group of industry representatives and AMS staff held a series of meetings which resulted in the development of revised research communication standards and a streamlined process for approving committee and board marketing communications and commodity health

claims. AMS is preparing to conduct a 6-month pilot program commencing on April 1, 2010, of the streamlined review and approval process for committee marketing communications and commodity health claims, which will follow an agency training session of AMS and industry staff in March 2010.

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 24 programs, four strategic goals and eight strategic objectives that contribute to three of the Secretary’s Priority Goals.

USDA Strategic Goal	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<p><b>USDA Strategic Goal:</b> USDA will help America promote agricultural production and biotechnology exports as America works to increase food security.</p>	<p><b>Agency Goal 4:</b> Monitor specific agricultural industries/activities to ensure that they maintain practices established by regulation to protect buyers, sellers, and other stakeholders.</p>	<p><u>Objective 4.1:</u> Reduce the potential for mislabeling of organic products.</p>	<ul style="list-style-type: none"> <li>• National Organic Program (Organic Standards)</li> <li>• National Organic Cost-Share</li> <li>• AMA Organic Cost-Share</li> </ul>	<p><u>Key Outcome 4:</u> A fair agricultural marketplace that offers protections for buyers and other stakeholders at the national level.</p>
<p><b>USDA Strategic Goal:</b> USDA will ensure that all of America’s children have access to safe, nutritious, and balanced meals.</p>	<p><b>AMS Goal 2:</b> Provide benefits to the agriculture industry and general public by delivering timely, accurate, and unbiased market information, supporting marketing innovation, and by purchasing commodities in temporary surplus and donating them for Federal food and nutrition programs.</p>	<p><u>Objective 2.1:</u> Respond quickly and effectively to changing markets, marketing practices, and consumer trends.</p> <p><u>Objective 2.2:</u> Support small-production agricultural producers through new and existing AMS programs that are especially beneficial to that segment of the industry.</p> <p><u>Objective 2.3:</u> Address food defense concerns.</p>	<ul style="list-style-type: none"> <li>• Pesticide Data Program</li> <li>• Microbiological Data Program</li> <li>• Commodity Purchases for USDA child nutrition</li> </ul>	<p><u>Key Outcome 2:</u> The agriculture industry can identify alternative ways to maintain and improve the return on funds it has invested and the food needs of USDA nutrition program recipients are matched with those of agricultural producers.</p>

USDA Strategic Goal	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
	<p><b>AMS Goal 4:</b> Monitor specific agricultural industries/activities to ensure that they maintain practices established by regulation to protect buyers, sellers, and other stakeholders.</p>	<p><u>Objective 4.1:</u> Reduce the potential for mislabeling of agricultural products.</p>	<ul style="list-style-type: none"> <li>• Shell Egg Surveillance Program</li> </ul>	<p><u>Key Outcome 4:</u> A fair agricultural marketplace that offers protections for buyers and other stakeholders at the national level.</p>
<p><b>USDA Strategic Goal:</b> USDA will assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.</p>	<p><b>AMS Goal 1:</b> Support our customers in making verifiable market- enhancing claims about how their products are produced, processed, and packaged.</p>	<p><u>Objective 1.1:</u> Provide value-added services to strengthen marketing support to U.S. agriculture in an environment of rising cost pressures, increasing exports, competing imports, and changing market requirements.</p>	<ul style="list-style-type: none"> <li>• Grading and Certification Services</li> <li>• Audit Verification Services</li> <li>• Laboratory Services</li> </ul>	<p><u>Key Outcome 1:</u> Agricultural producers and sellers can document market-enhancing claims that offer greater economic returns.</p>
	<p><b>AMS Goal 2:</b> Provide benefits to the agriculture industry and general public by delivering timely, accurate, and unbiased market information, supporting marketing innovation, and by purchasing commodities in temporary surplus and donating them for Federal food and nutrition programs.</p>	<p><u>Objective 2.1:</u> Respond quickly and effectively to changing markets, marketing practices, and consumer trends.</p> <p><u>Objective 2.2:</u> Support small-production agricultural producers through new and existing AMS programs that are especially beneficial to that segment of the industry.</p>	<ul style="list-style-type: none"> <li>• Market News</li> <li>• Standardization</li> <li>• Transportation Services</li> <li>• Wholesale, Farmers, &amp; Alternative Market Development</li> <li>• Federal-State Marketing Improvement Program</li> <li>• Farmers Market Promotion Program</li> <li>• Specialty Crop Block Grants</li> <li>• Commodity Purchases for oversupply and other uses</li> </ul>	<p><u>Key Outcome 2:</u> The agriculture industry can identify alternative ways to maintain and improve the return on funds it has invested and the food needs of USDA nutrition program recipients are matched with those of agricultural producers.</p>
	<p><b>AMS Goal 3:</b> Enable agriculture groups to create marketing self-help programs designed to strengthen the</p>	<p><u>Objective 3.1:</u> Respond to industry requests for planning and technical assistance.</p>	<ul style="list-style-type: none"> <li>• Research and Promotion Programs</li> <li>• Marketing Agreements and Orders</li> </ul>	<p><u>Key Outcome 3:</u> Agriculture industry groups can establish programs that promote consumer purchases of their commodities on a national or regional</p>

USDA Strategic Goal	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<b>USDA Strategic Goal</b> – USDA will assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving. (cont'd)	industry’s position in the marketplace.			scale.
	<b>AMS Goal 4:</b> Monitor specific agricultural industries/activities to ensure that they maintain practices established by regulation to protect buyers, sellers, and other stakeholders.	<u>Objective 4.2:</u> Institute an effective Country of Origin Labeling Program for all designated covered commodities.  <u>Objective 4.3:</u> Apply a variety of dispute resolution approaches to facilitate commercial dispute resolution.	<ul style="list-style-type: none"> <li>• Federal Seed Act Program</li> <li>• Country of Origin Labeling</li> <li>• Pesticide Recordkeeping</li> <li>• Perishable Agricultural Commodities Act Program (PACA)</li> <li>• Plant Variety Protection</li> </ul>	<u>Key Outcome 4:</u> A fair agricultural marketplace that offers protections for buyers and other stakeholders at the national level.

**Key Outcome 1:** Agricultural producers and sellers can document market-enhancing claims that offer greater economic returns using unbiased, third-party, and legally recognized confirmation of product condition, lot size, USDA (quality) grade, marketing claims about a product or production process, or sales contract specifications.

Quality Certification and Verification Programs provide product or process information for buyers and consumers about the quality or specifications of the product being purchased. These programs directly benefit the requesting party by supporting product sales. Audit Verification Programs make it possible for the agriculture industry to make various marketing claims about their products and to reduce costs. Audit verification may be requested to verify that a system is in place that ensures products meet purchase specifications throughout the production process, or that the producer and/or processor followed Food and Drug Administration’s recommended practices for food safety, including Good Agricultural Practices and Good Handling Practices. For export, these services support sales by using internationally recognized standards to assist in export marketing. Field Laboratory Services provide AMS commodity programs and the agricultural community with multidisciplinary analytical laboratory services to support grading, commodity purchases, and export certification programs. AMS supports our customers in making verifiable market-enhancing claims about how their products are produced, processed, and packaged.

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

Selected Past Accomplishments toward Achievement of the Key Outcome:

Grading and Certification, Audit-Verification, and Laboratory Services Programs--AMS works with the agricultural industry to develop or change services that facilitate sales and trade as processes, products, and consumer preferences change.

Grading and Certification—

- Began to utilize approved grading instruments to assist in determining the official quality and yield grades and in evaluating factors for certified branded programs in an effort to improve the consistence and accuracy of beef and lamb carcass grade and factor assessment. A beef instrument grading augmentation pilot project was completed in 2008 and the technology initiated in 2009. Instrumentation grading was successfully implemented at five major beef harvesting facilities during the year. Fees collected for these activities in FY 2009 totaled \$25 million, with a cost per pound graded of \$0.000622 and cost per pound certified of \$0.000468. Instrument testing and validation for lamb grading was also started in 2009.
- Graded approximately 17.4 billion pounds of processed fruits and vegetables at 359 processing plants, 14 field offices, and 13 inspection points during FY 2009. This represents a 16 percent increase over last year as a result of increased grading requests for the National School Lunch Program, new clients, and the military.
- As part of ongoing efforts to enhance its ability to serve the needs of the produce industry, AMS' Fruit and Vegetable Programs announced the establishment of a nationwide toll-free number for its Fresh Products Branch in March 2009. The number is available to clients seeking information about their accounts or to speak with a staff member about a particular service.

Audit Verification—

- Completed approximately 1,700 Good Agricultural Practices & Good Handling Practices (GAP & GHP) audits for the fresh fruit and vegetable industry in 2009.
- Further expanded the new Quality Monitoring Program (QMP) for processed and fresh fruits and vegetables to include canned products in FY 2009. Under QMP, AMS performs product reviews and provides industry with information regarding product conformance to specifications.
- AMS began assuming from the Food and Nutrition Service (FNS) management responsibilities for the Child Nutrition (CN) Labeling program. During FY 2009, AMS staff received training from FNS on CN Label review and conducted outreach and training to CN manufacturers on developing quality control (QC) programs. AMS also reviewed and approved over 200 industry CN QC plans, and developed documented procedures for the CN review and inspection activities performed by AMS and U.S. Department of Commerce inspection personnel.

Export Verification—

- AMS has developed certification services for U.S. agricultural products accepted by the importing country. In FY 2009, the Dairy Grading program issued 15,000 export certificates, nearly equal (94 percent) to the extraordinary number of export certificates in FY 2008. To enhance e-Trade opportunities, Dairy Programs partnered with industry and European Union port authorities to implement web-enabled issuance of dairy health certificates.
- To facilitate beef exports, AMS' Livestock and Seed Program's Export Verification Program provided verification services to producers, meat packers, and processors on a total of 660,900 metric tons valued at \$2.2 billion in FY 2009.
- The Poultry Export Verification (PEV) Program completed a successful surveillance PEV audit in 2009, where the auditors observed the processing plant operating in "EU mode." In early fall of 2009, the company shipped its first load consisting of 55,000 pounds of turkey meat to the EU, with a second load 30 days later. It is anticipated that during FY 2010, this major poultry company will ship additional loads of poultry to the EU and that additional poultry companies may attempt to seek PEV approval in an attempt to gain European customers.

Selected Accomplishments Expected at the FY 2011 Proposed Resource Level: AMS will continue to support rural economies by offering services that add value by documenting the quality of agricultural products or support marketing claims of interest to buyers and consumers.

**Key Outcome 2:** The agriculture industry can identify alternative ways to maintain and improve the return on funds it has invested and the food needs of USDA nutrition program recipients are matched with those of agricultural producers.

AMS generates, collects, and processes data that are distributed directly to users, or may be repackaged and further disseminated; develops product descriptions that are used freely and widely in private contracts to provide a common language for trading; gathers and analyzes non-recurring statistical and economic data that supports agricultural marketing and contributes to public policy decisions; funds grants for projects that support marketing improvements; and purchases commodities for donation to USDA food and nutrition programs that benefit needy children and families. AMS monitors website usage and customer feedback to assess the usefulness of these products/services.

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

Long-term Performance Measure: The number of eViews for marketing and transportation information will increase from 41 million in 2006 to over 57 million in FY 2011.

Selected Past Accomplishments toward Achievement of the Key Outcome:

Market News Program—

- Expanded the Market News portal in 2009 to include dairy, poultry, and egg products and began software enhancements that will allow the addition of cotton reports in FY 2010. The portal provides instant, real-time access to daily and historical reports on agricultural commodity markets for producers, shippers and handlers, manufacturers and processors, wholesale and retail marketers, market analysts, and others.
- New Portal enhancements include: increased custom report data ranges, enabled RSS services, improved graphing with a prices to volume comparison feature, capability for users to email generated reports to other parties, a message board to inform users of changes, automatic recalculation of weekly/monthly data for corrections/additions, options to query for organic and greenhouse-grown commodities, enhanced navigation, implementation of weather information through the fruit and vegetable portal, and increased selection of fruit and vegetable commodities available for query.
- Expanded organic market news reporting such as retail prices and market (price and supply) data on organic production, including organic fruit and vegetable markets at shipping points, points of entry for imports, and at wholesale markets. Reporting of organic products rose to a total of 234 commodities by the end of FY 2009, including chicken, turkey and eggs; fruits and vegetables at terminal markets, shipping points, and retail levels; and grain and feedstuffs. Market News will soon begin reporting supply, demand, and price information on wholesale organic milk and dairy products, and prices paid by handlers to producers of organic milk.

Transportation Services—

- Completed a draft of the 2008 Farm Bill *Study of Rural Transportation Issues*, provided a Congressional briefing, and initiated reviews with the Department of Transportation. The study is designed to analyze and improve understanding of the movement of agricultural products, fuels, and rural economic development.
- Analyzed and reported on the impact to agricultural transportation of: river flooding in North Dakota and Minnesota; problems on inland waterways; coastal storms and hurricanes; and the effect of H1N1.

#### Wholesale, Farmers, and Alternative Market Program—

- Published results of the 2006 National Farmers Market Survey in June 2009. The report presents data from seven U.S. regions and looks at the number of vendors, the number of customers, the age of the market, the types of goods sold, and the way those goods were labeled, and analyzes the factors that contributed to the success of the markets.
- Released “West Coast Direct Marketing Summit: Case Study Presentations” in August, 2009. These presentations were made at The Direct Farm Marketing Summit: Developing Sustainable Foodsheds to Enhance Food Access and Nutrition, which brought together government agencies, nonprofit organizations and farmers to investigate ways farmers can sell directly to the public. The Summit, held in Oakland, Calif., July 7–9, 2009, was sponsored by AMS and Roots of Change, a nonprofit group supporting sustainable food systems.
- Provided technical support to the National Farmers Market Consortium, a new national trade association for the farmers’ market industry; helping to coordinate a National Farmers Market Week educational campaign and development of educational materials and training in “best practices” such as “Markets are Up” to educate consumers on the benefits of locally grown food.
- Issued a new report showing that direct-to-consumer farm marketing in the United States grew faster than total agricultural sales in June 2009. Direct marketing increased 104.7 percent and agricultural sales increased 47.6 percent from 1997 to 2007. AMS’ “Facts on Direct-To-Consumer Food Marketing” focuses on farm sales made directly to consumers in marketing outlets such as farm stands, farmers markets and community-supported agriculture, and highlights the growing importance of direct marketing to U.S. farmers nationwide, and in specific regions and states.
- Released Proceedings of a Special Session from the 2008 USDA Partners Meeting: Emerging Market Opportunities for Small-Scale Producers in May 2009. The report describes novel ways for small farmers to establish more lucrative and stable markets by selling their crops directly to supermarkets, institutional foodservice establishments, and specialty distributors; discusses methods for making contact and developing relationships with buyers and what is helpful from a buyer’s point of view; and contains pointers on requirements for this type of marketing as well as pitfalls to avoid.
- Awarded more than \$4.5 million in competitive grant funds to 86 projects from 37 states through the Farmers Market Promotion Program. The program reviewed 498 proposals from non-profit corporations, producer networks and associations, Tribal and local governments, and agricultural cooperatives from 49 States and the District of Columbia. Grant awards included 30 new EBT (electronic benefits transfer) start-up projects which constituted 18 percent of total grants funds.

#### Federal-State Marketing Improvement Program (FSMIP)—

- Awarded 23 matching grants that support local and regional agricultural market research and demonstration projects to 19 State Departments of Agriculture, State agricultural experiment stations, and other appropriate State agencies in FY 2009. These projects were selected from 62 proposals submitted to the program.
- State agencies were encouraged to submit projects that reflect a collaborative approach between the states, academia, and the farm sector, and which have regional or national significance.

#### Pesticide Data Program—

- Conducted more than 1.6 million individual tests on over 13,000 samples.
- Added 4 new commodities in 2009—canned beans (kidney and pinto), green onions, sweet corn (fresh/frozen), and organic lettuce, bringing the total number of commodities surveyed to date to 90.
- Collaborated with State agencies to test samples of groundwater from potable domestic wells in Nebraska and Florida. These sites are of interest to State health agencies and the EPA. PDP also began testing water at schools that use on-site wells, usually in rural regions. To date, the PDP water survey has tested 75 municipal sites in 27 states and the District of Columbia and 525 potable groundwater wells in 37 states.
- Consolidated analytical screening methods at MDP laboratories and expanded the use of automation to reduce equipment maintenance, labor, and hazardous waste management costs. PDP analytical methods were adopted by the Codex Alimentarius for use as international methods.
- Released printed copies of the Pesticide Data Program (PDP) Annual Summary for Calendar Year 2007 in March 2009. Released a 2008 Summary of Results for Fruit and Vegetable Samples, a data summary for all fruit and vegetable pesticide/commodity pairs for calendar year 2008; the 2008 Sample Origin by State or Country, which shows the number and percentage of samples per state or country of origin for the

calendar year; and the 2008 Presumptive Tolerance Violations, which lists residues reported to FDA as exceeding the tolerance or where no tolerance is established for the calendar year, have been posted on AMS' website, with semi-annual program plans (statements of work). The 2008 PDP Annual Summary will be posted to the PDP website and printed copies made available in early 2010.

#### Microbiological Data Program—

- Sampled and tested alfalfa sprouts, cantaloupes, bagged organic lettuce, romaine lettuce, spinach, tomatoes (roma and round), and peanut butter during 2009. These products have been associated with foodborne illness outbreaks.
- Collected over 1,500 samples of peanut butter and analyzed data in support of the investigation of peanut products for *Salmonella typhimurium*. Findings helped to allay public concerns about the wholesomeness of peanut butter.
- Implemented new procedures to improve communications between MDP, FDA, and CDC. Data on *Salmonella* isolated by MDP are supplied to the Food Emergency Response Network (FERN), FDA, and CDC within days of isolating a pathogen. All MDP data is entered into the Electronic Laboratory Exchange Network (eLEXNET), an integrated information network for government agencies engaged in food safety activities.
- Introduced an automated system for the purification of DNA from pathogenic bacteria which reduces testing time and increases consistency of data.
- The 2008 Data Summary, released September 2009, is posted on the USDA/AMS website.

#### Commodity Purchase Program—

- Purchased \$847 million worth of non-price supported commodities.
- Assisted growers, producers, and others in the agricultural marketing chain by providing funds for crop loss support in North Dakota; and by purchasing surplus commodities, including lamb, pork, catfish, chicken, orange juice, walnuts, turkey, apples, dried beans, tomatoes, and blueberries. Surplus commodity purchases assist producers who are struggling due to depressed market conditions and provide food to recipients of USDA's nutrition programs.
- Purchased another \$465 million in non-price supported foods to meet the requirements of FNS' child nutrition programs, including more than \$393 million worth of fruits, vegetables and specialty commodities to support the specialty crop industry and provide nutritious foods to schools.
- WebSCM—significantly advanced development of the replacement system to manage the purchasing and tracking of food commodities for USDA agencies (the Food and Nutrition Service, the Farm Service Agency, and AMS) which, upon completion, will strengthen controls and reporting, improve customer service by reducing processing time (business cycle), and provide more information for users and customers. USDA's goal is for the new system to become operational during FY 2010.

#### Selected Accomplishments Expected at the FY 2011 Proposed Resource Level:

- The Federal-State Marketing Improvement Program (FSMIP)—will expand its matching grants to focus on local and regional food marketing opportunities. FSMIP is a competitive grant program for projects proposed and conducted by State agencies to explore new market opportunities for local food and agricultural products, and to encourage research and innovation of their agricultural marketing systems to improve efficiency and performance. The states contribute at least half of the project costs. The FY 2011 budget request will enable AMS to fund a much greater number of applications and larger projects.
- The Wholesale, Farmers, and Alternative Market Development Program--will help to address the growing consumer demand for locally-grown produce. This proposal supports the “Know Your Farmer, Know Your Food” (KYF<sup>2</sup>) Initiative and will function in concert with other USDA agencies. The demand for local food access has led to enormous growth in farmers markets and other direct marketing outlets. AMS strives to assist the agriculture community to meet this demand in every way possible and continues to explore opportunities to identify additional innovative and cost-effective options that help producers compete effectively in the growing consumer-driven market. The Marketing Services Division within AMS' Transportation and Marketing Programs has specialists with technical expertise who can effectively implement activities in support of the KYF<sup>2</sup> Initiative.
- The Market News Program—will continue expanded coverage of the rapidly growing organic production and distribution markets for fruits, vegetables, livestock, grain, dairy and dairy products, poultry, eggs and cotton. Funding provided by the 2008 Farm Bill to “jump start” organic reporting allowed the program to

more than double the number of organic commodities reported. The FY 2011 budget request will enable Market News to continue reporting at this level to meet the needs of the underserved organic sector.

- Pesticide Data Program (PDP)—with the requested increase, PDP will maintain grain testing and continue full participation by the current 12 cooperating states and maintain sampling and testing targets. PDP generates data concerning pesticide residues in the food and water supply, with a special focus on foods most frequently consumed by children. When the data generated by the program is reduced to offset cost increases, it presents a less comprehensive picture of the risk from pesticide consumption, especially for children.
- Microbiological Data Program—The FY 2011 budget request will allow the program to add commodity sampling in Arizona to include imported produce coming through Southwestern markets. The inclusion of Arizona will allow the MDP program to capture a larger number of Mexican imports during the winter months, which will improve the chances for early identification of foodborne pathogens on imported produce. Rapid detection in the event of foodborne pathogen outbreaks allows for response before incidents become large-scale food safety issues or marketing problems.
- The Commodity Purchase Program—will provide expertise to the FNS-led Farm to School Tactical Team initiative to determine how to stimulate changes in school food procurement practices to support a local and regional food supply.

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

AMS works in partnership with the participating industry to oversee the administration of marketing self-help programs. AMS' role is to ensure that industry activities remain within legal and regulatory authority and to provide the necessary rulemaking. Program activities are funded from assessments collected by the industry that initiated the program. Federally-authorized marketing self-help programs are established under Research and Promotion or Marketing Agreement and Order legislation.

Long-term Performance Measure: the percentage of peer reviewed commodity board evaluations of research and promotion programs that show quantitative financial benefits is 94 percent (17 of 18), after the Sorghum Promotion, Research, and Information (Sorghum Checkoff) Program was approved, raising the total current number of programs to 18.

Selected Past Accomplishments toward Achievement of the Key Outcome:

Research and Promotion—

- On July 1, 2008, the Sorghum Checkoff Program began collecting assessments from sorghum producers. The Sorghum Promotion, Research and Information Order, published in the May 6, 2008 Federal Register, is designed to increase the profitability of U.S. sorghum producers, advance sorghum into the ethanol market and develop foreign markets for sorghum. The assessment for grain sorghum is 0.6 percent of net market value and 0.35 percent of net market value for sorghum forage, sorghum hay, sorghum haylage, sorghum billets and sorghum silage. Based on current sorghum prices, the program is expected to generate up to \$20 million annually for these purposes. In October 2008 the Secretary announced 13 appointments to the initial Sorghum Promotion, Research and Information Board.
- AMS' dairy research and promotion program focused on environmental issues during 2009. AMS assisted the industry in establishing an Innovation Center partnership devoted to an industry-wide commitment to greenhouse gas reductions and sustainability. The Innovation Center has identified 12 projects across the dairy value chain that, when successfully implemented, will generate an estimated \$238 million in additional incremental value while reducing greenhouse gas emissions 12% by 2020.

Marketing Agreements and Orders (fruits, vegetables, and specialty crops)—

- At the request of a nationwide coalition of the U.S. produce industry, AMS conducted public hearings in September and October 2009 at seven U.S. locations on a proposed National Marketing Agreement for Leafy Green Vegetables. The agreement is intended to help minimize the risk of food-borne contamination

in cabbage, lettuce, spinach and other vegetables defined as “leafy greens.” The Administrative Law Judge has set January 13, 2010, as the deadline for interested persons to submit proposed findings and conclusions, and written arguments or briefs based upon evidence received at the hearings. During 2010, AMS plans to conduct an industry and consumer outreach program that will involve meeting with producers, those in the marketing chain, and consumers, to develop and establish these programs; recruit and train specialists who can ensure the adequacy of the systems established under the new marketing programs as well as to investigate, and as necessary, bring appropriate and timely enforcement actions to address instances of non-compliance; and establish a system to track a very large number of inspection certificates and other data associated with these new programs.

- To address EU concerns over high aflatoxin levels in California almonds, AMS successfully coordinated efforts with the Almond Board of California, the Agricultural Research Service, and the FAS to implement the Board’s Voluntary Aflatoxin Sampling Program (VASP). This sampling program provided the basis for the EU’s expected lifting of its current special measures for U.S. almonds, thus allowing almond shipments accompanied by the required VASP certificate to flow into EU markets. The pistachio market has expressed interest in a similar program to address increased EU rejections of California pistachios for high aflatoxin test results.
- Culminating three years of preparation, AMS has deployed a Web-based application - Marketing Order Online System (MOLS) - that provides an efficient means for importers and receivers to complete and file the Importer’s Exempt Commodity Form (FV-6) online. This system eliminates the manual filing of 16,000 paper forms annually. AMS administers the import requirements that apply to about 1,000 businesses, with combined imports exceeding \$1 billion.
- AMS has also launched a new initiative to automate the marketing order committee compliance requirements that will replace the paper-based review and certification systems with automated systems by which committees electronically document their internal controls procedures and certify their adherence to approved handler compliance plans. The initiative replaces the old costly and time-consuming processes that required separate compliance internal controls reviews. AMS is now training its field staff and expects to train committee members in early 2010. AMS expects this initiative to save \$81 thousand over the next two years.
- AMS developed a shorter format for the publication of certain marketing order final rules in the Federal Register that will result in annual savings exceeding \$14 thousand, and collaborated with EPA to use special coding for rulemaking documents that is expected to save an additional \$50 thousand in AMS’ Federal Register printing costs.

Marketing Agreements and Orders (Dairy)—AMS’ Dairy Marketing Agreement and Order program:

- Implemented a streamlined federal rulemaking process by developing and issuing supplemental rules of practice governing rulemaking proceedings, implementing the dairy forward pricing program, and issuing a proposal for the highly controversial import assessment rule.
- Established the Dairy Industry Advisory Committee and sought diverse, qualified nominees to be appointed by the Secretary. This committee will review key issues impacting the Dairy industry and generate additional ideas about how USDA can help struggling producers.
- Initiated a proceeding to consider fully regulating specific dairy businesses that are alleged to negatively impact dairy markets for all producers [the vast majority of which are considered small]. To enhance transparency and increase participation by small producers and processors to resolve this issue, a public information session was convened prior to a formal rulemaking hearing. Due to the utilization of meeting technology, participation was increased by 500 percent and \$170 thousand in savings was realized by both the government and industry.
- A centrally-located formal rulemaking hearing was conducted that allowed 55 people—mostly representing small producers and businesses—to testify, resulting in a rulemaking record of over 4,500 pages. Based on this information, a recommendation that benefits small dairy farmers and businesses has been prepared and will be issued for further industry comment. This proceeding is the first to be held under the new, faster timeline established in the 2008 Farm Bill and each segment was completed timely.

Selected Accomplishments Expected at the FY 2011 Proposed Resource Level: Marketing Agreements and Orders— AMS will continue to work with the fruit and vegetable industry and the FDA to develop marketing agreements for leafy greens.

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

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

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

Long-term Performance Measure: AMS will strive to maintain the percentage of regulated entities found to be in compliance with applicable Federal statutes or program regulations with no enforcement required at 88 percent as the number and scope of regulatory oversight responsibilities are increased with the expansion of the COOL program to all covered commodities in FY 2009 and increased enforcement of organic certification regulations in fiscal years 2009 and 2010.

Selected Past Accomplishments toward Achievement of the Key Outcome:

National Organic Program (NOP)—

- Established a stronger program structure that placed greater emphasis on compliance activities in order to strengthen the integrity of the organic label.
- Investigated organic labeling cases resulting in changes to 23 product labels, of which one case involved label changes in over 500 stores. Twelve cases resulted in production process changes and 31 cases resulted in website changes. Four operations became certified to the NOP standards.
- Conducted on-site reviews of recognition agreements currently in place with the governments of Japan, New Zealand, and the United Kingdom.
- Worked in conjunction with the Office of the United States Trade Representative and the FAS to successfully negotiate a determination of organic standards equivalence with the Canadian Food Inspection Agency. The "equivalency agreement" followed a review by both nations of the other's organic certification program and a determination that products meeting the standard in the U.S. can be sold as organic in Canada, and vice versa. A common set of organic principles with Canada expands market opportunities for our producers to sell their products abroad. Canada is the largest U.S. trade partner and largest estimated export market for U.S. organic products.
- Reviewed and analyzed more than 26,000 public comments submitted in response to a proposed "access to pasture rule" published in October 2008, drafted the final rule, and began the clearance process.
- Published one final rule and one proposed rule on materials used in organic production. The final rule continued the exemption/prohibition for 12 substances that were due to sunset on November 3-4, 2008. The proposed rule covered recommended exemptions for six substances to be used in organic crop production and processing.
- Collaborated with the Alcohol and Tobacco Tax, and Trade Bureau (TTB) to create labeling guidelines for alcoholic beverages with organic claims. The labeling guidelines included sample labels for each type of beverage (wine, malt beverages, and distilled spirits) and each labeling category within the NOP regulations.
- Organic Certification Cost-Share Programs dispersed over \$3.6 million to State agencies to partially reimburse producers and handlers for the cost of organic certification through the National Organic Certification Cost-Share program; and dispersed more than \$742,000 to specially identified states to reimburse producers for the cost of organic certification through the Agricultural Management Assistance (AMA) Act Organic Cost-Share Program. Recipient States reported that over 7,500 producers and handlers received assistance through these cost-share programs.
- Audits of organic certification agents are conducted by AMS' Audit, Review, and Compliance (ARC) Branch for NOP. The ARC Branch has been formally recognized as a competent accreditor of certification bodies involved in organic production and processing by the National Institute of Standards and Technology (NIST) under the National Voluntary Conformity Assessment Systems Evaluation (NVCASE)

Program (15 CFR, Part 286). This recognition will facilitate the acceptance of U.S. products in international markets.

- During 2010, NOP will increase its monitoring of program compliance and conduct enforcement activities to maintain labeling credibility. NOP plans to conduct more surveillance of foreign certified operations and increase investigation of complaints and violations (domestic and foreign); increase enforcement in the U.S. and monitor recognition agreements with foreign countries.
- To ensure organic regulations are applied uniformly, the program will develop and make web-based training available to certifying agents and undertake regular reviews of the program's quality management system. To improve communication with certifiers and consumers, the program will improve its information system and increase activities to educate consumers on the USDA organic seal. AMS is developing an on-line database that will manage information for NOP and accredited certifying agents, and allow rapid analysis and reporting of key program objectives.

#### Country of Origin Labeling (COOL)—

- Published the final rule for mandatory labeling of all covered commodities on January 15, 2009, which went into effect in May, 2009. The COOL regulation requires country of origin labeling at retail for muscle cuts and ground beef (including veal), pork, lamb, goat, and chicken; wild and farm-raised fish and shellfish; fresh and frozen fruits and vegetables; peanuts, pecans, macadamia nuts, and ginseng sold by designated retailers.
- AMS began administering a comprehensive Country of Origin Labeling program for all covered commodities, including Federal-State monitoring and enforcement activities.
- All 50 States signed cooperative agreements with AMS to conduct retail compliance reviews.
- AMS conducted 3 training sessions in Chicago and Dallas to train 150 cooperating state reviewers.
- The program conducted 12,000 retail compliance reviews (up from 2,000 for seafood only).
- Completed the first of a series of random retail surveys in March 2009 to evaluate the COOL label information available to consumers, which indicated good general compliance with regulations.
- Country of Origin Labeling information is posted on the AMS website for cooperators, retailers, and any other interested parties. The site includes training materials for State cooperators, retailers, and suppliers; consumer information and answers to frequently asked questions; examples of records for COOL verification and guidance documents, and other information on the program.
- In February 2009, Secretary Vilsack released a letter inviting stakeholders to follow additional voluntary labeling practices. The program is monitoring industry compliance with the rule and will evaluate compliance with his suggested practices.
- During FY 2010, AMS will develop an expanded database to track Federal-State retail review findings, enforcement actions, and other information critical to program operations.

#### Selected Accomplishments Expected at the FY 2011 Proposed Resource Level:

National Organic Program—AMS will strengthen NOP by undertaking a thorough review and (where necessary) updating the program regulations, resolving discrepancies in application of the standards, addressing requests for equivalence agreements, and expanding program outreach to raise awareness of organic standards by new entrants and stakeholders. These activities will require an additional \$2.1 million in funding. We also request a one-time increase of \$1.0 million to assist accredited certifying agents in achieving International Organization of Standardization (ISO) compliance to enhance overall compliance with program regulations and as a consequence, the integrity of the organic label.

Summary of Budget and Performance  
Key Performance Outcomes and Measures

In support of **USDA's Strategic Goal** to help America promote agricultural production and biotechnology exports as America works to increase food security – the budget estimates include the following discretionary proposal:

- +\$3.1 million for the National Organic Program, of which \$2.1 million will be used on an on-going basis to strengthen the program by updating (where necessary) program regulations, resolving discrepancies in application of the standards, addressing requests for equivalence agreements, and expanding program outreach to raise awareness of organic standards by new entrants and stakeholders. The remaining \$1.0 million of this increase is requested for one year to assist accredited certifying agents in achieving ISO compliance to enhance overall compliance with program regulations and as a consequence, the integrity of the organic label.

In support of **USDA's Strategic Goal** to ensure that all of America's children have access to safe, nutritious, and balanced meals—the FY 2011 budget estimates include the following discretionary proposals:

- +\$0.9 million for the Pesticide Data Program to maintain pesticide residue testing conducted through cooperating State agencies. These data are used by USDA agencies and the Environmental Protection Agency for farming and environmental policy decisions and food safety issues.
- +\$0.3 million in funding for the Microbiological Data Program to enter into a sampling agreement with the State of Arizona. This agreement will allow AMS to increase the sampling and testing of produce (fruits, vegetables, specialty crops) from Mexico.

From mandatory funding, the FY 2011 Department Estimates include the following proposals that support this goal:

- +\$0.55 million for Commodity Purchase Services to provide technical expertise in support of the FNS Farm to School Tactical team. This effort will better link local and regionally grown foods to school nutrition assistance programs;
- -\$5.8 of the \$10 million decrease for the Web-Based Supply Chain Management System as it moves from development to the operational phase.

These proposals support the performance goals to establish national standards that result in improved quality of food sold in schools and to reduce food deserts by creating economic opportunities for farmers and food entrepreneurs.

In support of **USDA's Strategic Goal** to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving—the FY 2011 budget estimates include the following discretionary proposals:

- +\$1.3 million for the Federal-State Marketing Improvement Program for grant projects that focus on local and regional food marketing opportunities;
- +\$0.9 million for the Wholesale, Farmers, and Alternative Market Development Program to support local and regional food systems as part of USDA's Know Your Farmer, Know Your Food (KYF<sup>2</sup>) initiative;
- +\$0.3 million for the Market News Program to continue expanded reporting on organic agricultural products.

From mandatory funding, the FY 2011 budget estimates include the following proposal that supports this goal:

- -\$4.2 of the \$10 million decrease for the Web-Based Supply Chain Management System (WebSCM) as it moves from development to the operational phase.

These proposals will enable AMS to greatly increase support for local food access by developing educational publications, resource materials, and activities, and to continue reporting 257 organic agricultural products in Market News reports. By focusing on local marketing and the agricultural community, these proposals will help to create strong local and regional economies with an emphasis on food systems.

Key Performance Targets

<b>Performance Measures</b>	<b>FY 2006 Actual</b>	<b>FY 2007 Actual</b>	<b>FY 2008 Actual</b>	<b>FY 2009 Estimate</b>	<b>FY 2010 Target</b>	<b>FY 2011 Target</b>
<b>Pesticide Data</b> <b>Program:</b> 5-year running total number of foods, based on top two dozen children's food commodities, included in the Pesticide Data Program	N/A	19	19	21	20	20
Comprehensive pesticide residue data available for dietary risk assessment (Priority 1 & 2 Compounds) - all commodities	86	89	90	92	93	93
PDP Funding (\$millions)	\$15	\$15	\$15	\$15	\$15	\$16
<b>Microbiological Data</b> <b>Program:</b> Number of samples tested	n/a	n/a	n/a	14,400	14,000	15,000
Number of commodities tested	n/a	n/a	n/a	6.4	6.5	7
MDP Funding (\$millions)	\$6	\$5	\$5	\$5	\$5	\$5
<b>Wholesale, Farmers, &amp; Alternative Market Development:</b> Number of educational publications, resource materials, and activities conducted to improve local food access	n/a	n/a	35	35	35	40
Farmer's market sales (\$ billions)	\$1.06	\$1.06	\$1.11	\$1.15	\$1.20	\$1.23
Wholesale, Farmers, & Alternative Market Development Program Funding (\$millions)	\$3*	\$3*	\$3*	\$3	\$3	\$4
<b>Farmers Market Promotion Program</b> Funding **	\$1	\$1	\$3	\$5	\$5	\$10
<b>Market News:</b> Number of (annual) eViews for marketing and transportation information (millions)	40.9	42.3	56.7	56.8	57.0	57.2
Number of organic	n/a	n/a	114	234	246	257

<b>Performance Measures</b>	<b>FY 2006 Actual</b>	<b>FY 2007 Actual</b>	<b>FY 2008 Actual</b>	<b>FY 2009 Estimate</b>	<b>FY 2010 Target</b>	<b>FY 2011 Target</b>
agricultural products reported by market news						
Market News Funding (\$millions)	\$31	\$32	\$33	\$33	\$34	\$35

<b>Performance Measures</b>	<b>FY 2006 Actual</b>	<b>FY 2007 Actual</b>	<b>FY 2008 Actual</b>	<b>FY 2009 Estimate</b>	<b>FY 2010 Target</b>	<b>FY 2011 Target</b>
<b>National Organic Program:</b> Number of agricultural operations certified as organic, increasing the volume of organic food products available to American consumers and promoting export sales of organic food products	n/a	n/a	n/a	16,564	16,730	16,981
National Organic Standards Funding (\$millions)	\$2	\$2	\$3	\$4	\$7	\$10
<b>Standardization:</b> Market-identified quality attributes for which AMS has provided standardization (%)	96%	97%	97%	97%	99%	99%
Standardization Funding (\$millions)	\$5	\$5	\$5	\$5	\$5	\$5

\* Excludes funding for the Farmers Market Promotion Program (FMPP) (shown separately).

\*\* FMPP funded by appropriations for FY 2006-2008 and by Farm Bill transfer for FY 2008-2012.

**NOTE:** Only the dollars that relate to key performance measures are displayed.

Summary of Budget and Performance  
Full Cost by Strategic Objective

(Dollars in Thousands)

<b>DISCRETIONARY PROGRAMS BY USDA GOAL</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving</b>			
<b>Market News</b>	30,738	31,484	31,980
Indirect Costs	2,673	2,738	2,781
Total	33,411	34,222	34,761
Staff Years	239	239	239
<u>Related Performance Data</u>			
Organic Marketing Reporting: Number products reported	234	246	257
<b>Standardization</b>	4,596	4,705	4,738
Indirect Costs	400	409	412
Total	4,996	5,114	5,150
Staff Years	63	63	63
<b>Transportation Services</b>	2,617	2,687	2,706
Indirect Costs	228	234	235
Total	2,845	2,921	2,941
Staff Years	20	20	20
<b>Wholesale, Farmers, and Alternative Market Development</b>	2,609	2,671	3,536
Indirect Costs	227	232	307
Total	2,836	2,903	3,843
Staff Years	19	19	19
<u>Related Performance Data</u>			
Local Food Access: Number of publications activities	35	35	40
<b>Federal/State Marketing Improvement Program</b>	1,334	1,334	2,423
Indirect Costs	0	0	211
Total	1,334	1,334	2,634
Staff Years	0	0	0
<b>Federal Seed</b>	2,241	2,276	2,292
Indirect Costs	195	198	199
Total	2,436	2,474	2,491
Staff Years	22	22	22
<b>Pesticide Recordkeeping</b>	2,708	2,734	2,754
Indirect Costs	235	238	239
Total	2,943	2,972	2,993
Staff Years	13	13	13
<u>Related Performance Data</u>			
Number of foods included in PDP (based on top two	21	20	20
Pesticide residue data available for dietary risk assessment	92	93	93
<b>Country of Origin Labeling Program</b>	9,810	9,824	9,892
Indirect Costs	853	854	860
Total	10,663	10,678	10,752
Staff Years	15	15	15
<i>Goal Subtotal</i>	61,464	62,618	65,565

## Full Cost by Department Strategic Goal

(Dollars in Thousands)

(continued)

<b>Help America promote agricultural production and biotechnology exports as America works to increase food security</b>			
<b>National Organic Program</b>	3,558	6,410	9,317
Indirect Costs	309	557	810
Total	3,867	6,967	10,127
Staff Years	19	31	31
<u>Related Performance Data</u>			
Number of agricultural operations certified as organic	16,564	16,730	16,981
<b>Ensure that all of America's children have access to safe, nutritious, and balanced meals</b>			
<b>Microbiological Data Program</b>	4,385	4,385	4,645
Indirect Costs	381	381	404
Total	4,766	4,766	5,049
Staff Years	9	9	9
<u>Related Performance Data</u>			
Microbiological Data Program: Number of samples tested	14,000	14,000	15,000
Microbiological Data Program: Number of commodities	6.4	6.5	7
<b>Pesticide Data Program</b>	14,019	14,131	15,049
Indirect Costs	1,219	1,229	1,309
Total	15,238	15,360	16,358
Staff Years	14	14	14
<b>Shell Egg Surveillance</b>	2,493	2,549	2,567
Indirect Costs	217	222	223
Total	2,710	2,771	2,790
Staff Years	15	15	15
<i>Goal Subtotal</i>	\$22,714	\$22,897	\$24,197
<b>Total, Discretionary Appropriations</b>	<b>\$88,045</b>	<b>\$92,482</b>	<b>\$99,889</b>
<b>MANDATORY PROGRAMS BY USDA GOAL</b>			
<b>Rural communities create wealth so they are self-sustaining, repopulating, and thriving economically</b>			
<b>Commodity Purchase Services-Agri. Support &amp; Emergency</b>	15,348	8,631	5,020
Indirect Costs	1,335	750	436
Total	16,682	9,381	5,456
Staff Years	15	12	12
<b>Marketing Agreements &amp; Orders</b>	15,888	18,452	18,660
Indirect Costs	1,382	1,604	1,623
Total	17,270	20,056	20,283
Staff Years	89	98	98
<i>Goal Subtotal</i>	\$33,952	\$29,437	25,739
<b>America's children and the world's children have access to safe, nutritious, and balanced meals</b>			
<b>Commodity Purchase Services-Child Nutrition Purchases</b>	14,167	11,918	6,932
Indirect Costs	1,232	1,036	603
Total	15,399	12,955	7,535
Staff Years	13	16	16
<b>Total, Section 32 Administrative (Permanent Appropriations)</b>	<b>\$49,351</b>	<b>\$42,392</b>	<b>33,274</b>