

2012 Explanatory Notes
Agricultural Marketing Service

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AGRICULTURAL MARKETING SERVICE

Purpose Statement

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

AMS carries out a wide range of programs under the authorization of the Agricultural Marketing Act of 1946 as well as over 50 other statutes. AMS conducts many appropriated program activities through cooperative arrangements with State Departments of Agriculture and other agencies. Approximately sixty-two 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
Mandatory Price Reporting Act of 2010
Peanut Statistics Act
Naval Stores Act
Tobacco Inspection Act of 1935
U.S. Cotton Futures Act

The AMS Market News service collects, analyzes, and disseminates market information to the public for numerous agricultural commodities, including cotton, cottonseed, and tobacco; dairy products; fruits, vegetables and ornamentals; livestock, meat, grains and wool; poultry and eggs. Market information covers local, regional, national, and international markets and includes current data on supply, movement, contractual agreements, inventories, and prices for agricultural commodities. Market News reports provide producers and marketers of farm products and those in related industries with timely, accurate, and unbiased market information that assists them in making the critical daily decisions of where and when to sell, and at what price; thereby enhancing competitiveness and helping to increase the efficiency of agricultural marketing systems.

Federal and State reporters obtain market information, which AMS experts compile, analyze, and immediately disseminate to the agricultural community, academia, and other interested parties. National information is integrated with local information and released in a form easily understood by the industry and locality served. Electronic access through internet-released market news reports and e-mail subscriptions makes Market News information quickly and widely available. The Market News Portal, developed over the past few years, further increased the value of the collected market information to the user through increased functionality, offering data in the format requested by the user such as customized reports and graphs.

Market News also addresses changes in user interests. For example, AMS expanded global market reporting beginning in 2003 to assist exporters and provide information on imported products competing for domestic markets. Since 2008, the program has greatly expanded reporting on organic production to provide market information needed by producers in that expanding sector.

- a. Mandatory Reporting: On September 27, 2010, the Mandatory Price Reporting Act of 2010 (P.L. 111-239) reauthorized AMS' Livestock Mandatory Reporting (LMR) program. LMR 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. 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. The Mandatory Price Reporting Act also amended the Agricultural Marketing Act of 1946 to add mandatory reporting of price and volume for wholesale pork cuts and electronic reporting for dairy products.
 - 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 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 Market News Portal.
2. Shell Egg Surveillance and Standardization:

These programs are authorized by the following statutes:

Egg Products Inspection Act
Agricultural Marketing Act of 1946

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

- a. Shell Egg Surveillance: AMS conducts this program, in cooperation with the State departments of agriculture, to ensure that shell egg handling operations are inspected at least four times annually and hatcheries are inspected at least once each year to control the disposition of certain types of under grade and restricted eggs. This program diverts eggs that are not at least U.S. Consumer Grade B--and which cannot be sold in shell form--to egg breaking plants, which reassures buyers and supports efficient markets.
- b. Standards Development: AMS develops, reviews, and maintains agricultural commodity standards that describe product quality attributes such as taste, color, texture, yield, weight, and physical condition for use in the trading of agricultural commodities. These standards provide a common language for buyers and sellers of commodities 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 pesticide residue data for population-wide dietary risk assessments, the program particularly focuses on the foods most likely consumed by children. The pesticide residue data collected by the program enhances the competitiveness of farm economies by supporting the use of safer crop protection methods and supports marketing by providing information that can be used to re-assure consumers concerned about pesticides. To ensure integrity and the high degree of quality required for dietary risk assessment procedures, PDP's standard operating procedures parallel EPA's Good Laboratory Practice guidelines. Information on significant findings is reported to the Food and Drug Administration (FDA). 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. MDP provides data to USDA's Food Safety and Inspection Service and Agricultural Research Service, and 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 collects sample origin information, including: grower, packer, and distributor; country of origin; collection facility name; and lot number/product code. Combined with virulence attributes, serotypes, antimicrobial resistance, and genomic fingerprints, MDP data also supports Federal and State public health activities. 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 (NOP): 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 AMS, the National Agricultural Statistics Service (NASS), and 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 Fiscal Year (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. In January 2009, USDA issued a final rule on mandatory COOL for all covered commodities that became effective on March 16, 2009, which incorporated the 2008 Farm Bill changes to the COOL Act. The COOL Act requires country of origin labeling for muscle cuts 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 regulation outlines the requirements for labeling covered commodities and the recordkeeping requirements for retailers and suppliers. The program 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 Hass avocados, beef, blueberries, cotton, 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. Transportation and Marketing:

Transportation and Market Development activities are authorized under the following statutes:

Agricultural Marketing Act of 1946

Agricultural Adjustment Act of 1938

Agricultural Trade and Assistance Act of 1954

Rural Development Act of 1972

Farmer to Consumer Direct Marketing Act of 1976

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.

AMS supports the development of agricultural markets through technical advice and assistance to States and municipalities that are interested in creating or upgrading wholesale market facilities, auction and collection markets, and retail farmers markets. AMS also conducts feasibility studies in cooperation with the private sector, non-profit organizations, and other government agencies to evaluate and suggest efficient ways to handle and market agricultural commodities. AMS studies changes in the marketplace to assist States, localities, market managers/operators, and growers in making strategic decisions for future business development.

Farmers Market Promotion Program (FMPP): FMPP was created through an amendment of the Farmer-to-Consumer Direct Marketing Act of 1976. 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. Payments to States and Possessions:

- a. Federal-State Marketing Improvement Program (FSMIP): FSMIP is authorized by the Agricultural Marketing Act of 1946, which gives USDA the authority to establish cooperative agreements with State departments of agriculture or similar State agencies to improve the efficiency of the agricultural marketing chain. AMS provides matching funds on a competitive basis to State departments of agriculture, State agricultural experiment stations, and other State agencies, to assist in exploring new market opportunities for U.S. food and agricultural products, and to encourage research and innovation aimed at improving the efficiency and performance of the agriculture commodities marketing system. The State agencies 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.
- 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 to States in developing plans; submitting applications; and meeting the administrative, reporting, and audit requirements involved in managing a funded project. AMS also establishes internal review and evaluation procedures for applications and State plans, and participates in workshops, conferences, and other forums to facilitate interaction among States, USDA representatives, and industry organizations. After a grant is awarded, AMS reviews annual performance reports, final reports, audit results, and final financial statements; posts final performance reports on the SCBGP website and disseminates project findings at appropriate meetings and conferences; and participates in workshops, conferences, and other forums to facilitate interaction among States, USDA representatives, and industry organizations.

6. Commodity Grading, Verification, and Plant Variety Protection:

These programs are authorized by the following statutes:

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

- a. Grading, Certification, and Audit Verification: The grading process involves the application or verification of quality standards for agricultural commodities. AMS provides grading and certification services on agricultural commodities for which developed standards are available. AMS certification services provide assurance to buyers that the products they receive are the quantity and quality specified in their contract with the seller. AMS provides acceptance and condition inspection services for all agricultural commodities upon request. These services facilitate efficient marketing by permitting purchasers to buy commodities without having to personally inspect them and by providing an impartial evaluation of the quality of products prior to their sale. AMS certificates 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, and export certification services on a number of commodities, including seed. Grading, certification, and audit verification activities are performed by Federal employees and Federally-supervised State employees on a fee-for-service basis.
- c. Plant Variety Protection Program: This program is authorized by the Plant Variety Protection Act, which encourages the development of novel varieties of sexually reproduced or tuber propagated plants by providing intellectual property rights protection to the developer. The program, funded by user fees, verifies the uniqueness of variety and issues certificates that assure developers exclusive rights to sell, reproduce, import, or export such varieties, or to use them in the production of hybrids or different varieties, for a period of 20 years for most species and 25 years for woody plants.

7. Perishable Agricultural Commodities Act Program (PACA):

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.

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

Section 32 of the Act of August 24, 1935, (7 U.S.C. 612c) made available an appropriation equal to 30 percent of gross customs receipts collected during each preceding calendar year to encourage the domestic consumption or exportation of agricultural commodities. An amount equal to 30 percent of receipts collected on fishery products is transferred to the Department of Commerce's National Marine Fisheries Service. Section 14222 of the 2008 Farm Bill established an annual amount that can be retained from these funds for Section 32 activities, with the remaining funds transferred to the Food and Nutrition Service for Child Nutrition Programs.

- 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. The 2002 and 2008 Farm Bills established minimum levels of specialty crop purchases. 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 and is reimbursed for the administrative costs associated with purchases requested for nutrition assistance programs under other authorities (Economy Act, 31 U.S.C. 1535).

Section 32 of the Act of August 24, 1935, authorizes the Secretary of Agriculture, through payments or indemnities, to encourage the domestic consumption of agricultural commodities or products by persons in low income groups, and to re-establish farmers' purchasing power in connection with the normal production of agricultural commodities. In addition to commodities purchases for distribution, support to growers and producers may also be accomplished through commodity diversion or direct payments. The diversion program under Section 32 provides an alternative means of support to markets that are experiencing adverse economic conditions. Section 32 authority also allows USDA to finance the removal of defective commodities and to purchase foods for disaster relief (in Presidentially-declared domestic disasters).

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 (MA&O): 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.

MA&O: (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 133 consolidated year-round and seasonal field offices. AMS' peak employment period occurred during the months of November and 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 3,666 during FY 2010. As of September 30, 2010, AMS had 3,154 employees, of whom 2,038 were permanent full-time and 1,116 were other than permanent full-time employees. About 81 percent of AMS employees are assigned to field offices. Of the 2,566 employees assigned to field office locations, 1,467 were permanent full-time and 1,099 were other-than permanent full-time employees.

Schedule A (Milk Market Administrator) employees as of September 30, 2010, totaled 385, of which 362 were permanent full-time and 23 were other-than permanent full-time employees.

OIG Audits:

- Oversight of the NOP: (01601-03-Hy, final report issued 3/9/10). This audit was primarily conducted to assess the effectiveness of the Agricultural Marketing Service's (AMS) corrective actions implemented in response to the prior NOP audit (2005). In the current audit "management decision" was achieved with the Office of Inspector General on all audit recommendations, and final corrective actions are pending for two of the fourteen recommendations made.
- Implementation of COOL: (01601-04-Hy, in progress). This audit was initiated to evaluate whether the commodities covered in the final rule for country of origin labeling meet the requirements of the Agricultural Marketing Service's COOL program. The field work for this audit has concluded.
- NOP - Organic Milk: (01601-1-Te, in progress). This audit was initiated to evaluate whether milk marketed as organic meets the requirements of AMS' NOP. Field work is currently in progress.
- Oversight of Federally Authorized Research and Promotion Board Activities: (01099-32-Hy, in progress). This audit was initiated to determine if the Agricultural Marketing Service's internal controls are adequate to ensure that research and promotion boards are operating within applicable legislative guidelines. Fieldwork has concluded.

AGRICULTURAL MARKETING SERVICE

Statement of Available Funds and Staff Years
2010 Actual and Estimated 2011 and 2012

Item	Actual 2010		Estimated 2011		Estimated 2012	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Agricultural Marketing Service						
Marketing Services	\$91,148,000	453	\$91,148,000	464	\$95,646,000	464
Payments to States and Possessions	1,334,000	--	1,334,000	--	2,634,000	--
General Provision 728 a/	350,000	--	350,000	--	--	--
Total, Annual Appropriations	92,832,000	453	92,832,000	464	98,280,000	464
2008 Farm Bill Initiatives:						
Farmers Market Promotion Program	5,000,000	4	10,000,000	4	10,000,000	4
Specialty Crop Block Grants-Farm Bill	55,000,000	4	55,000,000	4	55,000,000	4
Anhydrous Ammonia Fertilizer Nurse Tank Program b/	--	--	1,000,000	--	--	--
Subtotal, Farm Bill Initiatives	60,000,000	8	66,000,000	8	65,000,000	8
Total, AMS	152,832,000	461	158,832,000	472	163,280,000	472
Obligations under other USDA appropriations:						
Food & Nutrition Service for commodity procurement services (Sec. 32)	1,013,000	6	1,059,000	8	1,107,000	8
Total, Agriculture Appropriations	153,845,000	467	159,891,000	480	164,387,000	480
Permanent Appropriations:						
Funds for Strengthening Markets, Income, and Supply (Sec. 32)	8,061,101,371	162	6,605,945,807	164	7,947,045,940	167
Deduct Rescission	-133,351,561	--	--	--	--	--
Recoveries of Prior Year Obligations	99,748	--	--	--	--	--
Offsetting Collections	12,850,015	--	--	--	--	--
Available authority from previously precluded balances, start of year ...	375,268,737	--	122,127,338	--	183,268,133	--
Deduct transfers out c/	-7,128,270,243	--	-5,479,805,012	--	-6,924,623,058	--
Unavailable resources, end of year	-122,127,338	--	-183,268,133	--	-127,328,015	--
Net AMS Availability	1,065,570,729	162	1,065,000,000	164	1,078,363,000	167
Perishable Agricultural Commodities Act Fund	9,857,597	78	10,674,000	85	10,710,000	85
Total, Permanent Appropriations	1,075,428,326	240	1,075,674,000	249	1,089,073,000	252
Total, Agricultural Marketing Service Appropriations	1,229,273,326	707	1,235,565,000	729	1,253,460,000	732
Non-Federal Funds:						
Oversight work for the following:						
Oversight work for Research and Promotion Boards	3,941,402	26	3,980,000	27	4,056,000	27
Fees for grading of cotton and tobacco	41,098,097	393	60,947,000	360	62,101,000	360
Grading of farm products for producers, processors, and municipal, State and Federal Agencies	151,749,653	1,324	145,126,000	1,348	145,498,000	1,348
Wool research, development, and promotion	2,250,000	--	2,250,000	--	2,250,000	--
States for collection & dissemination of market news information	35,000	--	7,000	--	7,000	--
Total, Non-Federal Funds	199,074,152	1,743	212,310,000	1,735	213,912,000	1,735
2008 Farm Bill Trust Initiatives (AMA Organic Cost Share)	1,500,000	--	1,500,000	--	1,500,000	--
Total, Agricultural Marketing Service	1,429,847,478	2,450	1,449,375,000	2,464	1,468,872,000	2,467
Schedule A Staff Years		378		378		378

a/ Includes a \$350,000 grant to the Wisconsin Department of Agriculture, Trade and Consumer Protection.

b/ \$1 million received in FY 2010 (General Provision 735) for the anhydrous ammonia fertilizer nurse tank program was transferred to the Department's Working Capital Fund on 9/30/10.

c/ Includes the transfers to the Food and Nutrition Service (FNS), the Commerce Department, and the Farm Bill Fresh Fruit and Vegetable Program administered by FNS.

AGRICULTURAL MARKETING SERVICE

Permanent Positions by Grade and Staff Years
2010 Actual and Estimated 2011 and 2012

AGRICULTURAL MARKETING SERVICE

Permanent Positions by Grade and Staff Year Summary
2010 Actual and Estimated 2011 and 2012

Grade	2010			2011			2012		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
Senior Executive Service	11	--	11	12	--	12	12	--	12
GS-15	39	4	43	42	4	46	44	4	48
GS-14	88	31	119	88	34	122	88	34	122
GS-13	158	102	260	161	100	261	163	100	263
GS-12	123	156	279	119	164	283	122	164	286
GS-11	36	190	226	31	196	227	39	196	235
GS-10	2	18	20	3	16	19	3	16	19
GS-9	43	522	565	43	526	569	45	526	571
GS-8	15	239	254	14	251	265	14	251	265
GS-7	32	223	255	31	211	242	31	211	242
GS-6	7	70	77	8	70	78	8	70	78
GS-5	10	62	72	7	57	64	7	57	64
GS-4	5	23	28	3	7	10	3	7	10
GS-3	1	3	4	4	1	5	4	1	5
GS-2	1	--	1	--	--	--	--	--	--
GS-1	--	--	--	--	--	--	--	--	--
Ungraded Positions	--	9	9	--	8	8	--	8	8
Total Permanent Positions without Schedule A	571	1,652	2,223	566	1,645	2,211	583	1,645	2,228
Unfilled Positions end-of-year <u>a/</u>	--	-185	-185	-2	--	-2	-14	--	-14
Total Permanent Full Time Employment, end-of-year <u>b/</u>	571	1,467	2,038	564	1,645	2,209	569	1,645	2,214
Schedule A Employment	12	350	362	--	--	--	--	--	--
Staff Year Estimate	686	1,764	2,450	629	1,835	2,464	632	1,835	2,467
Schedule A Staff Years	12	366	378	12	366	378	12	366	378

AGRICULTURAL MARKETING SERVICE

SIZE, COMPOSITION AND COST OF MOTOR VEHICLE FLEET

The estimated number of passenger motor vehicles available for FY 2012 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 does not anticipate increasing the fleet of passenger motor vehicles for FY 2012.

Replacement of passenger motor vehicles. AMS plans to replace 2 of the 252 passenger motor vehicles in operation in FY 2012. 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 in a most cost-effective manner.

Size, composition and cost of agency motor vehicle fleet as of September 30, 2010, are as follow:

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						
2009 Actual	191	68	19	0	0	0	0	278	\$352
Change	-21	2	-7	0	0	0	0	-26	\$62
2010 Actual	170	70	12	0	0	0	0	252	\$414
Change	0	0	0	0	0	0	0	0	\$7
2011 Est.	170	70	12	0	0	0	0	252	\$421
Change	0	0	0	0	0	0	0	0	\$7
2012 Est.	170	70	12	0	0	0	0	252	\$428

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

AGRICULTURAL MARKETING SERVICE

Marketing Services

For necessary expenses of the Agricultural Marketing Service \$95,646,000: *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).

Annualized Continuing Resolution, 2011	\$91,148,000
Budget Estimate, 2012	<u>95,646,000</u>
Change in Appropriation	<u>+4,498,000</u>

Summary of Increases and Decreases

(On basis of appropriation)

<u>Item of Change</u>	2011 <u>Estimated</u>	<u>Pay Costs</u>	Program <u>Changes</u>	2012 <u>Estimated</u>
Market News.....	\$34,222,000	--	-\$700,000	\$33,522,000
Surveillance and Standardization	7,885,000	--	--	7,885,000
Market Protection and Promotion	43,217,000	--	3,278,000	46,495,000
Transportation and Market Development.	5,824,000	--	1,920,000	7,744,000
Total Available	<u>91,148,000</u>	--	<u>4,498,000</u>	<u>95,646,000</u>

AGRICULTURAL MARKETING SERVICE

Marketing ServicesProject Statement
(On basis of appropriation)

	<u>2010 Actual</u>		<u>2011 Estimated</u>		Increase or <u>Decrease</u>	<u>2012 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	\$33,031,282	265	\$34,222,000	265	-\$700,000 (1)	\$33,522,000	265
Egg Surveillance and Standardization							
Shell Egg Surveillance	2,777,687	18	2,771,000	18	--	2,771,000	18
Standardization	5,025,672	35	5,114,000	36	--	5,114,000	36
Total, Egg Surveillance and Standardization	7,803,359	53	7,885,000	54	--	7,885,000	54
Market Protection and Promotion:							
Federal Seed Act	2,493,911	21	2,474,000	22	--	2,474,000	22
Country of Origin Labeling	10,617,019	16	10,678,000	14	-1,109,000 (2)	9,569,000	14
Pesticide Data	15,908,005	18	15,360,000	20	1,208,000 (3)	16,568,000	20
Microbiological Data	5,079,520	9	4,766,000	10	250,000 (4)	5,016,000	10
National Organic Standards	6,760,553	28	6,967,000	32	2,929,000 (5)	9,896,000	32
Pesticide Recordkeeping	2,971,887	8	2,972,000	9	--	2,972,000	9
Total Market Protection and Promotion	43,830,895	100	43,217,000	107	3,278,000	46,495,000	107
Transportation and Market Development	5,979,255	35	5,824,000	38	1,920,000 (6)	7,744,000	38
Subtotal, Available or Estimate	90,644,791		91,148,000			95,646,000	
Unobligated Balance	503,209	--	--	--	--	--	--
Total, Available or Estimate a/	91,148,000	453	91,148,000	464	4,498,000	95,646,000	464

a/ Total staff year amounts differ from the MAX budget system display due to Farm Bill entries being included in MAX.

Justifications of Increases and Decreases

A total increase of \$4,498,000 for Marketing Services (\$91,148,000 available for FY 2011) consisting of:

- 1) A net decrease of \$700,000 for the Market News Program (\$34,222,000 available in FY 2011).

This request includes an increase of \$300,000 to continue expanded Market News reporting on organic agricultural products through FY 2012. In FY 2009, the Market News program began to significantly expand coverage of organic production and distribution markets for fruits, vegetables, livestock, grain, dairy and dairy products, poultry, eggs and cotton with funding provided by the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). The Farm Bill provided \$3.5 million (one-time) to collect price data related to organically grown products. With these funds, the program has been able to provide market information on over 240 organic products at an average cost of \$950 thousand per year. However, those funds will be exhausted during FY 2012 and an additional \$300,000 is needed to continue organic reporting through the

fiscal year. Organic market reports particularly benefit small organic fruit and vegetable growers, ranchers, and distributors/handlers, a largely underserved market segment.

The program also proposes a decrease of \$1,000,000 for the Market News Program that will be realized through efficiency improvements. The agency will review all Market News activities to identify potential savings, including report modifications, reductions in staffing (through attrition), and closing or co-locating up to 7 field offices. The Market News Program will evaluate reports currently available, eliminating or consolidating information as necessary, but will strive to maintain needed reporting on agricultural segments that lack alternative data sources or where smaller producers are majority users. Within available resources, the Market News Program will continue to work toward implementing recent requirements under the Mandatory Price Reporting Act to include wholesale pork cuts and electronic reporting on dairy products.

- 2) A decrease of \$1,109,000 for the Country of Origin Labeling Program (\$10,678,000 available in FY 2011).

This proposal reduces funding for the Country of Origin Labeling (COOL) program due to the completion of a data management system that is under development in 2011. The COOL Act requires retailers to notify their customers of the country of origin of covered commodities, which include muscle cuts of beef (including veal), lamb, and pork; ground beef, ground lamb, and ground pork; farm-raised fish and shellfish; wild fish and shellfish; perishable agricultural commodities; peanuts, goat, chicken, ginseng, macadamia and pecan nuts. The program has worked to develop a database system that will facilitate the processing of data collected during in-store reviews. The system will simplify processing of information acquired during reviews in order to capture, manipulate, and process data in a timely fashion. This system is scheduled to be implemented during FY 2011. The cost to develop the COOL database, net ongoing operational costs, will not be needed in FY 2012. AMS' COOL program will use the remaining funding to conduct program operations, including label reviews at retail locations through cooperative agreements with State agencies, responding to formal complaints, conducting supply chain audits, and educating reviewers and stakeholders.

- 3) An increase of \$1,208,000 for the Pesticide Data Program (\$15,360,000 available for FY 2011) to enable the program to continue effective levels of testing on foods, grains, and drinking water.

This increase is requested to maintain effective levels of food and drinking water testing, including grains and other commodities of interest, by funding continued participation by all current cooperating States. The 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.

It is crucial that PDP meet its sampling and testing goals, particularly for children's foods. 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.

In FY 2010, EPA began requesting the inclusion of commodities deemed critical to Environmental Justice concerns. For PDP, this translates to testing commodities that are highly consumed by minority populations, even if they are not considered high consumption items for the U.S. population as a whole – e.g., mangoes, avocados, papayas. PDP tested mangoes in FY 2010 at the

request of EPA in order to fulfill a critical data need related to Environmental Justice. The requested funding will allow PDP to add avocados, and potentially, papayas, to the program.

The requested funding will enable the program to fully reimburse State costs to produce the data needed for policy determinations. PDP depends on its State cooperators, but the funding available for Federal payments to cooperating States has been greatly outpaced by State cost increases, including cooperator salaries and shipping costs that rise with fuel prices. Both the program and its cooperating agencies have significantly streamlined operations to offset cooperator cost increases over the past five years. But ultimately, cost increases in cooperating State agencies necessitated decreases in sampling and testing targets, along with delays in replacement and upgrades of laboratory equipment essential to program delivery.

4) An increase of \$250,000 for the Microbiological Data Program to increase sampling of commodities in the State of Arizona (\$4,766,000 available for FY 2011).

The 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. Within this program, samples are collected and analyzed with the support of State Departments of Agriculture.

The requested budget increase will be used to cover the cost of sampling eight produce commodities by the State of Arizona. Sampling in Arizona allows the program to capture a larger number of imports through Mexico, which rise in the winter months. Expanding the range of sampling sources and number of produce items sampled increases the chance of early identification of foodborne pathogens.

The inclusion of commodities for testing is coordinated closely with the Food and Drug Administration (FDA) and the Centers for Disease Control and Prevention (CDC), and 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. FDA strongly urged MDP to adjust sampling to capture more produce commodities coming across the southern U.S. border. For FY 2011, MDP adjusted the sampling and testing plan and initiated an agreement with Arizona to begin sampling four out of eight of the commodities identified by FDA.

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. 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. Over the past few 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 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 programs 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 \$2,929,000 for the National Organic Program to increase compliance with program regulations and enhance the integrity of the organic label (\$6,967,000 available in FY 2011).

This initiative will improve the NOP regulations and strengthen enforcement capacity to achieve greater compliance with program regulations. At this resource level the program will be able 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; improve timeliness and effectiveness of enforcement actions to protect organic 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 for alignment with current practices and expectations. The National Organic Standards Board (NOSB) has also made several recommendations for substantial changes to the regulations. This request will provide the resources needed for the program to review and revise the current organic regulations; address NOSB recommendations; improve program enforcement; and develop new regulations and program guidance for the rapidly growing organic industry.

The program will 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. The program is also addressing regulatory concerns that were identified by the Office of the Inspector General in its March 2010 audit report (01601-03-Hy) that requested more clarity around the requirements for certifying agents to conduct residue testing and for organic producers to provide outdoor access for poultry. To accomplish these initiatives, NOP requires additional organic production and handling specialists to conduct research, analyze complex production systems, develop program guidance, implement NOSB recommendations through the rulemaking process, and respond to public comments generated through public rulemaking.

In addition to the efforts mentioned above, the NOP is responsible for facilitating the review process for materials that are petitioned by organic farmers and handlers so that such materials may be reviewed by the NOSB for inclusion on or removal from the National List of Allowed and Prohibited Substances. This review process requires technical skill in food science, chemistry, biology, animal husbandry, and production agriculture. At present the NOP does not have adequate capacity to address the number of petitions that come in from the industry to technically review all of the petitioned substances. The NOP requires additional resources and specialists to achieve this goal.

Organic Label Integrity:

The NOP protects the integrity of the organic label by ensuring organic products consistently meet Federal standards and regulations. However, NOP does not have adequate resources to keep pace with the rapid growth of the organic industry while maintaining the integrity of the label. For example, the NOP compliance and enforcement staff began FY 2010 with an inventory of 122 complaints of noncompliance and closed 123 cases during the fiscal year. However, an additional 173 complaints of noncompliance were received during FY 2010. Thus, 140 percent more complaints were received than were closed in FY 2010. At this pace

and at the current resource level, the NOP cannot adequately service and investigate complaints within a reasonable amount of time.

To address a backlog of complaints and enforcement issues, as well as improve the timeliness of handling complaints and adverse actions, NOP will hire five additional specialized compliance officers to ensure compliance with the OFPA and the NOP regulations outlined in CFR Title 7, Section 205, through the investigation of complaints alleging violations of NOP regulations and conducting outreach activities with the industry. This increase will enable the program to reduce the back-log of complaints by an additional 20% per year.

Monitoring and Reporting:

To increase program efficiencies, enhance compliance and monitoring, and provide more timely responses to requests for information and service, the NOP needs to design, develop, and implement a database that will assist the program in managing its worldwide functions, processes, and data. Currently, the NOP is disadvantaged regarding the ability to provide accurate and timely reports concerning certification activity in the organic industry. The organic regulations require that certifying agents provide USDA copies of notices of noncompliance activity and a list of operations granted organic certification. However, due to technology gaps between the NOP and its various clients, and the lack of a uniform and central depository for submitting information to USDA, the NOP has not been able to efficiently manage and monitor required data.

Equivalency Agreements:

After the signing of the equivalency agreement with Canada was announced, many others expressed an interest in the same arrangement, including Japan, Australia, Thailand, Taiwan, European Union, Korea, and Chile. Research, preparation, and trade negotiations require a great amount of staff time. Equivalency agreements 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; conduct on-site assessments of the foreign government's accreditation and enforcement system; meet with representatives of the requesting country to resolve differences; and prepare agreements for planned implementation. Additional NOP experts are needed to develop and implement equivalency arrangements with foreign governments in order to expand market access for U.S. organic food products.

- 6) An increase of \$1,920,000 for Transportation and Marketing Programs to enhance community capacity to improve local food access (\$5,824,000 available in FY 2011).

USDA proposes to combine the Transportation Services and Wholesale Farmers and Alternative Market Development budget lines into one line titled Transportation and Market Development to provide the agency with more flexibility to support USDA priorities.

This initiative will capitalize on AMS marketing systems expertise to stimulate the development of regional food hubs and marketing outlets for locally and regionally grown food where gaps in food availability and food access are present. It will also allow AMS to conduct a number of activities that support USDA's "Know Your Farmer, Know Your Food" (KYF2) initiative which was implemented to create new economic opportunities by better connecting consumers with local producers.

There continues to be an increasing demand by consumers to access locally-grown products as evidenced by the enormous growth of 114 percent in farmers markets since 2000, along with dramatic increases in the number of community supported agriculture (CSA) operations and other direct farm marketing channels. Research shows that small and medium-sized producers have

experienced a substantial improvement in farm income as a result of these direct sales to consumers, restaurants, schools and other institutional 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 this growing consumer-driven market segment. Although considerable work has been completed and a diverse group of projects are currently underway, there remain numerous opportunities for AMS to help small and mid-sized food producers capture a greater percentage of consumer expenditures by identifying and analyzing the benefits and cost-effectiveness of emerging innovative distribution and marketing practices, and providing technical guidance to direct-to-consumer market planners, managers and vendors on how best to meet the needs and preferences of their local consumer population.

To this end, AMS plans to develop two new programs that will focus on outlets for local and regional product: “Technical Assistance to Regional Food Hubs to Support Agriculture of the Middle;” and “Technical Assistance to Beginning and Transitioning Farmers Markets.” These programs will provide tailored guidance to community planners, market managers and are designed to promote the development and expansion of regional distribution hubs that permit small and mid-size farmers to access and participate in commercial and institutional foodservice and retail markets that they would not be able to. The agency will also utilize the vast amount of data captured and lessons learned from projects funded by AMS’s FMPP to inform the direction of future research and market development projects.

To address related transportation issues pertaining to local and regional food, AMS will also enter into cooperative agreements with leading academic research institutions to conduct case studies on regional transportation options to assist producers with accessing local food markets. The results of these case studies will provide a better understanding of regional transportation pricing and service options which will benefit small and medium-size producers by providing practical knowledge and tools to solve some of the issues they face in expanding their markets.

These resources will also allow AMS to accelerate achievement of KYF2 and other local food promotion and food access initiatives. The requested funding will strengthen the development of viable local/regional food systems and facilitate increased community access to fresh locally and regionally-grown food as follows:

- 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 existing farmers markets, public markets and wholesale market infrastructure as product aggregation/distribution points 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; and
- Provide relevant data and consultation on distribution and transportation issues and models to members of the Departmental farm to school tactical team to facilitate increases in procurement of locally grown food ingredients by school food service officials.

AGRICULTURAL MARKETING SERVICE

Marketing ServicesGeographic Breakdown of Obligations and Staff Years
2010 Actual and Estimated 2011 and 2012

	2010		2011		2012	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	\$218,455	1	\$219,668	1	\$230,508	1
Arizona	465,931	2	468,518	2	491,638	2
Arkansas	498,926	1	501,695	3	526,453	3
California	1,632,502	8	1,641,565	8	1,722,573	8
Colorado	438,304	2	440,737	2	462,487	2
District of Columbia	70,841,198	356	71,234,469	365	74,749,770	365
Florida	799,436	4	803,874	4	843,544	4
Georgia	1,091,818	4	1,097,879	4	1,152,058	4
Idaho	684,815	3	688,617	3	722,599	3
Illinois	729,691	4	733,741	4	769,950	4
Iowa	2,035,624	10	2,046,925	10	2,147,937	10
Kansas	265,392	1	266,865	1	280,034	1
Kentucky	166,576	1	167,501	1	175,767	1
Louisiana	152,316	1	153,162	1	160,720	1
Massachusetts	477,678	2	480,330	2	504,034	2
Michigan	125,505	1	126,201	1	132,429	1
Minnesota	626,395	3	629,873	3	660,956	3
Mississippi	132,774	1	133,511	1	140,100	1
Missouri	555,440	3	558,524	3	586,086	3
Montana	177,971	1	178,959	1	187,791	1
Nebraska	122,953	1	123,636	1	129,737	1
New York	629,107	3	632,600	3	663,818	3
North Carolina	208,317	1	209,473	1	219,810	1
Ohio	140,182	1	140,960	1	147,916	1
Oklahoma	305,156	2	306,850	2	321,992	2
Oregon	314,203	2	315,947	2	331,538	2
Pennsylvania	519,195	3	522,078	3	547,841	3
South Carolina	81,706	--	82,159	--	86,213	--
South Dakota	356,039	2	358,016	2	375,683	2
Tennessee	2,630,199	13	2,644,800	13	2,775,317	13
Texas	1,174,574	6	1,181,094	6	1,239,379	6
Virginia	485,685	2	488,382	2	512,482	2
Washington	827,464	4	832,058	4	873,119	4
Wisconsin	559,306	3	562,411	3	590,165	3
Wyoming	173,956	1	174,922	1	183,554	1
Subtotal, Available	90,644,791	453	91,148,000	464	95,646,000	464
Unobligated Balance	503,209	--	--	--	--	--
Total, Available or Estimate ...	91,148,000	453	91,148,000	464	95,646,000	464

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

AGRICULTURAL MARKETING SERVICE

Marketing Services and Payments to States and PossessionsClassification by Objects
2010 Actual and Estimated 2011 and 2012

	<u>2010 Actual</u>	<u>2011 Estimated</u>	<u>2012 Estimated</u>
Personnel Compensation:			
Washington, D.C.	\$30,725,928	\$31,249,467	\$32,185,439
Field	16,349,188	16,627,761	17,125,789
11.1 Full-time permanent	32,926,191	33,478,238	34,581,238
11.3 Other than full-time permanent	477,108	487,579	487,579
11.5 Other personnel compensation	2,819,189	2,861,868	2,861,868
Total personnel compensation	36,222,488	36,827,685	37,930,685
12 Personnel benefits	10,802,093	10,997,599	11,328,599
13 Benefits for former personnel	50,534	51,944	51,944
Total personnel compensation and benefits	47,075,116	47,877,228	49,311,228
Other Objects:			
21 Travel	1,934,854	1,974,110	1,724,110
22 Transportation of things	205,018	212,073	212,073
23.1 Rental payments to GSA	18,440	18,610	18,610
23.2 Rental payments to others	1,423,619	1,447,976	1,447,976
23.3 Communications, utilities and miscellaneous charges	2,240,421	2,284,956	2,284,956
24 Printing and reproduction	509,648	510,079	510,079
25.1 Advisory and assistance services	9,990	9,825	9,825
25.2 Other services	19,685,043	19,078,144	22,892,144
25.3 Purchases of goods and services from Government accounts	14,062,603	14,212,921	14,212,921
25.4 Operation and maintenance	7,116	7,177	7,177
25.5 Research and development contracts	218	--	--
25.6 Medical care	5,613	6,172	6,172
25.7 Operation and maintenance of equipment	252,126	252,552	252,552
26 Supplies and materials	1,604,903	1,616,286	1,516,286
31 Equipment	1,518,277	1,546,968	1,146,968
41 Grants, Subsidies, and Contribution	8,251	8,288	8,288
42 Insurance Claims and Indemnities	83,536	84,635	84,635
Total other objects	43,569,675	43,270,772	46,334,772
Total Marketing Services	90,644,791	91,148,000	95,646,000
Payments to States and Possessions:			
41 Grants, subsidies and contributions	1,334,000	1,334,000	2,634,000
41 General Provision 728 <u>a/</u>	350,000	350,000	--
Total Direct Obligations	92,328,791	92,832,000	98,280,000
Position Data:			
Average Salary, ES positions	\$163,674	\$167,112	\$167,112
Average Salary, GS positions	\$57,566	\$58,775	\$58,775
Average Grade, GS positions	11	11	11

Note: Object class amounts differ from the MAX budget system display due to reimbursable and Farm Bill entries being included in MAX.

a/ Includes a \$350,000 grant to the Wisconsin Department of Agriculture, Trade and Consumer Protection, provided in GP 728 of the FY 2010 Agriculture Appropriations Bill.

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAM

MARKETING SERVICES

MARKET NEWS

Current Activities: The Market News Service provides current, unbiased information on supply, demand, prices, movement, location, quality, condition, and other market data on agricultural products in specific markets and marketing areas. 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 Mandatory Price Reporting on specified livestock, meat, and dairy product information. 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' 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:

- 79 percent of slaughter cattle
- 93 percent of boxed beef
- 95 percent of slaughter hogs
- 55 percent of slaughter sheep
- 39 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.

Cattle Dashboard:

The 2008 Farm Bill directed USDA to implement an enhanced system of electronic publishing to improve the presentation of market information collected pursuant to the Livestock Mandatory Reporting Act. In response to this mandate, Livestock and Grain Market News launched a Cattle Dashboard in July 2010. The Cattle Dashboard is a data visualization tool which is designed to allow users to see weekly volume

and price information on direct slaughter cattle presented in the form of interactive graphs and tables that can be customized for viewing and downloaded for use in reports and presentations. Livestock and Grain Market News has begun work on expanding the current dashboard to include the visual presentation of direct swine and sheep data collected through the LMR, which is scheduled for completion during FY2011.

Mandatory Price Reporting Act of 2010:

On September 28, 2010, the Mandatory Price Reporting Act of 2010 (2010 Reauthorization Act) (Pub. L. 111–239) was enacted, which reauthorized LMR for 5 years and added a provision for mandatory reporting of wholesale pork cuts. The 2010 Reauthorization Act directs the Secretary to engage in negotiated rulemaking to make required regulatory changes for mandatory wholesale pork reporting.

Market News Portal (MNP) – The Market News Portal on the AMS website had one major enhancement in 2010 – a historical retail data feature was added to the Custom Report section of the portal for Livestock & Grain, Fruit & Vegetable, Poultry, and Dairy Market News reports. The historical feature allows users to access historical market news data sets, to select the desired view format, and to customize the site to their specific needs. In addition, several other improvements were initiated to facilitate a more user friendly experience for our customers. For example, report graph options, report scheduling for users, and simplified access to organic and international information. MNP opened to the public in October 2005 with market price and sales information for livestock, meat, grain, fruit, and vegetables.

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.

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. During FY 2010, AMS Market News reported prices at all market levels and movement for 235 organic commodities on a daily basis. AMS Market News is also enhancing MNP and Market Information Systems to more easily report and access organic market data which will be available in early FY 2011.

National Fruit and Vegetable Organic Summary:

AMS Fruit and Vegetable Market News continued to expand market coverage and data availability of organic fresh fruits and vegetables in 2010. Recent enhancements to MNP have allowed Market News to transition the *National Fruit and Vegetable Organic Summary* from a manually generated weekly report to an automatically generated daily report. In addition, the custom search option was expanded to include a category specifically for organic data searches. This enhancement will make searching for and analyzing organic market data much easier than before by increasing the prominence of the data and eliminating a number of steps in retrieving organic – only data.

National Organic Grain and Feedstuffs:

AMS' Livestock and Grain Market News Branch publishes a biweekly *National Organic Grain and Feedstuffs* summary along with the *Eastern Cornbelt and Upper Midwest Organic Grain and Feedstuffs Reports*. Initiatives to improve current organic market reporting include expanding the cooperator base for grain and feedstuffs market information and expanding the Upper Midwest and Eastern Cornbelt regional reports to include more commodities; exploring the feasibility of reporting other organic commodities like dry edible beans, peas, and lentils, 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. Additionally, Livestock and Grain Market News will assess the feasibility of an international organic

publication after Harmonized Tariff Schedule codes for imported and exported organic commodities come online January 1, 2011.

Organic Cotton Market Report:

The Cotton Market News Branch worked with organic cotton producers and marketing cooperatives to create and publish Cotton Market News Reports covering organic cotton production. As a result of this collaborative effort, the first *Annual Organic Cotton Market Report* was published in June 2010. In addition to the annual report, organic crop information was included in the *Weekly Cotton Market Review* and the annual varieties planted report.

Organic Dairy Report:

Dairy Programs added an Organic Dairy Report section to Dairy Market News during FY 2010. The Report contains information: (1) surveying and presenting advertised prices of organic dairy products (milk, cheese, yogurt, butter, egg nog, half and half, cream, sour cream, cream cheese and ice cream) in 9,210 retail stores nationally; (2) calculating and disseminating national and regional weighted average advertised prices for milk and yogurt; (3) identifying the volume of U.S. sales of fluid milk products monthly; (4) providing average organic milk retail prices in 30 cities; (5) providing retail milk, cheese, butter and yogurt price range trends in varied cities; (6) collecting and disseminating information as to percentages of organic milk offered in retail markets traveling various distances from bottling plants to store; and (7) gathering and disseminating background on organic dairy product trends, production trends and producer related information, derived from confidential information voluntarily provided by cooperators throughout the organic dairy industry who were located and contacted for this purpose. This organic content is comprised in three separate organic report sections: (1) Organic Dairy Fluid Overview; (2) Organic Dairy retail Overview; and (3) Organic Dairy market Overview. Each of the three separate reports is available separately and a combined version of the 1st and 2nd reports is available with graphs, charts and tables.

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 2010 are listed below.

Retail Reporting:

AMS Fruit and Vegetable Market News made recent enhancements to the Market News Information System (MNIS) and MNP to improve data entry for retail reporting which allows for greater flexibility increased efficiency to report additional commodities, varieties, package sizes, and seasonal items. The amount of data in the retail report more than doubled due to this. Other benefits include:

- The capability of multiple users to access and enter data at the same time from multiple locations.
- Market Reporters can access the advertised prices directly through links to stores' websites from within the MNIS.
- Allowed the report administrator to check for data quality each day that the data is entered, instead of waiting until the end of the day of issue of the report.
- Automated report generation reducing the report preparation time significantly and allowing for earlier release times; and
- Added a column to show the percentage of advertisements marked "locally grown".

The addition of retail data to MNP is a major achievement for Market News, as it has been a request of many customers (buyers, sellers, retailers, research and promotion boards, researchers, and consumers) since the first retail report was issued in 2007. Retail data gives Market News customers the ability to (a) easily view, search, and analyze retail data in a number of formats for advertised retail prices back to October, 2007; run a query for all regions or specific regions at once; (c) run a query for a specific commodity or multiple commodities; and (d) on national data, toggle off or on information for the same time a year ago.

New or Enhanced F.O.B. Shipping Point Price Reports 2010:

Mexico Crossings through Texas (Bell, Jalapeño, Serrano, and Poblano peppers; tomatoes, plum tomatoes and broccoli); Texas carrots, California cherry tomatoes, California sweet corn, Haitian mangoes, Georgia blueberries, Georgia broccoli, Ohio summer squash, Michigan cabbage, Florida organic grape tomatoes, Uruguay blueberries, North Carolina and Georgia BlackBerries, Texas Organic grapefruit and oranges.

New Shipment Reports 2010:

Washington organic cherries, Massachusetts chipping potatoes, Texas carrots, honeydews and cantaloupe, Nevada onions, North Carolina and Georgia Blackberries, Arkansas and Texas Blackberries, and Texas organic grapefruit and oranges.

Produce Auctions Reported For First Time:

Fairview, KY, Lincoln County, KY; Hart County, KY; Homerville, OH; Tri County, PA; Mount Hope, PA; Adams County, PA; Leola PA

Farmer's Market reported:

Dallas, TX

New Futures Contract Report:

Fruit and Vegetable Programs' Market News Branch, in cooperation with the Minneapolis Grain Exchange (MGEX), has developed a weekly Apple Juice Concentrate (AJC) report. The new report will serve as a much needed price discovery mechanism for the industry and support a proposed futures contract market. The report will also be a valuable risk management tool for buyers and sellers.

The juice industry has asked for this report to improve market transparency by addressing the lack of adequate pricing information and the persistent market volatility of AJC. Over the past two years, prices have experienced extreme fluctuations based on fundamental supply and demand issues pushing prices down below historic levels. This caused the industry to explore the viability of a futures contract, in order to create more stability in the market. Market News contacted some of the largest AJC industry participants and solicited their cooperation, including processors from China and Argentina, U.S. buyers, brokers, packagers and sellers. The new report provides prices offered to importers for various U.S. entry points. The Apple Juice Concentrate Report is included in the National Apple Processing Report available every Thursday at:

<http://www.ams.usda.gov/AMSV1.0/ams.fetchTemplateData.do?template=TemplateN&page=SpecialtyReportsAppleProcessingIndex>

Upland Daily Spot Cotton Quotations:

Cotton Market News implemented the major changes to the *Upland Daily Spot Cotton Quotations* as a result of a review of the quality of the US cotton crop. As a result of these changes, the Daily Spot Cotton Quotations are better aligned with the quality of the US cotton crop. Cotton Market News introduced two new text reports that are designed to be viewed as text messages on cell phones. Cotton Market News continued to educate buyers, sellers, and ginners on the importance of participation in the Market News data collection process through personal visits, presentations, participation in local/regional meetings, and informational booths at two shows. As a result, the number of active participants in the Daily Spot Cotton Quotations Program has increased 48 percent. The majority of new participants are from the ginning segment and represent rural cotton farmers.

Mobile Reports:

Livestock and Grain Market News launched a new Mobile Report subscription service in January 2010. This service allows customers to subscribe to receive condensed highlights from some of our most utilized reports via text messaging on their cellular phone or mobile device. This is a free subscription service; but, standard text message rates do apply. New National and regional livestock and grain reports include the *National Quarterly Direct Feeder Pig Report* and the *National Biomass Report*. New local Livestock reports developed include *Pennsylvania Weekly Livestock Summary*, *Sioux Falls Regional Sheep & Goat Report*, *Midwest Livestock Auction - McCook, NE*, *Mid-Atlantic Cattle Sales Video Auction*, *Fairview*

Livestock Auction, Cattle Country Video Auction, Vintage Monthly Feeder Cattle Special Sale, El Reno Cow & Bull Sale, Fairview Slaughter Cattle Auction, Carolina Video Load Lot Monthly Summary, Waynesburg Livestock Auction, Preston Farmers Market Special Sale, Jackson County Livestock Special Sale, Harrisville Special Sale, South Branch Valley Slaughter Cattle Sale, North Platte Feeder Cattle Auction, and West Point Mississippi Livestock Auction. New grain reports include the *Pennsylvania Weekly Grain Report, Pennsylvania Weekly Hay Report, Iowa Weekly Production Cost Report, and Kansas Ethanol Plant Report.*

International Cooperation and Market Reporting – The Market News Branches of AMS provide technical expertise to other countries and support a variety of program conducted by other U.S. agencies; both in USDA and in other areas of the government. These activities help to improve the market information available to U.S. agriculture by supporting the development or improvement of the agricultural market information systems in other countries, and help to support other priorities such as capacity building to strengthen the rural sectors and reduce poverty. AMS, in coordination with the Foreign Agricultural Service (FAS), worked with the US Agency for International Development (USAID), the State Department, and key agricultural universities and colleges in the US to host and provide technical information or training to delegations. The Market News Branches also met and worked closely with their counterparts in Canada and Mexico to develop ways to working tri-nationally to improve the quality, variety and timeliness of market information on key products of mutual interest.

Market Information Organization of the Americas:

AMS continues in its leadership role in the Market Information Organization of the Americas (MIOA), a network of market information organizations from twenty-eight countries in North, Central, South America, and the Caribbean. AMS was recently chosen again to serve as the North America region Chair of the MIOA, as well as the Chair of the Organization. Specialists from AMS participated in the regular meeting held in Port of Spain, Trinidad and Tobago in late November-early December, 2010. AMS Market News has also attended and participated in several Executive Committee meetings throughout the year. AMS also worked closely with its partners in the North America region on information technology and related issues, with two regional meetings held during FY 2010. The meetings and joint efforts focused on building capacity within the region and drawing upon the technical expertise and experiences of the other countries in North America. For example, the regional partners are working to create market reports for product of interest to all, with the first effort to focus on tomatoes.

International Dairy Market News:

AMS' International Dairy Market News report continues to expand coverage in the European and Oceania regions of the world. These two regions, along with the U.S., are major sources of manufactured dairy products for potential international buyers. In recent years, economic and climatic conditions in the Oceania and European regions have limited participation to fulfill international buyer needs. Therefore, the U.S. dairy industry has been more active in international sales than ever before. Providing accurate and timely international price and supply/demand information gives the domestic dairy industry useful data to make beneficial managerial and financial decisions. Data from the USDA International Dairy Market News report is often referenced and used as benchmarks by the international dairy industry.

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 FY10, 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 2010.

Inspections Conducted:

Fiscal Year	Shell Egg Handlers	Total Handler	Visits Hatcheries	Total Hatchery	Visits Other
2008	494	2,142	337	340	N/A
2009	484	2,069	328	333	11
2010	492	2,404	316	329	5

FY 2010 started with 484 registered shell egg handlers and ended with 492 for a net increase of 8. Since each registrant requires at least four visits per year, the increase in registrants accounts for approximately 32 more visits. The number of handler visits for FY 2010 increased by 14% due to more compliance action to meet SES regulatory requirements. Inspections conducted include scheduled and follow-up visits.

STANDARDIZATION

Current Activities: AMS food and fiber standards are widely used by the agricultural industry in domestic and international trading, futures market contracts, and as a benchmark for purchase specifications in most private contracts. Grade standards are also the basis for AMS Market News reports, grading services, and Federal commodity procurement.

Pursuant to the Agricultural Marketing Act of 1946 which directs USDA to provide such quality grade standards "to encourage uniformity and consistency in commercial practices," AMS develops quality grade standards for commodities as needed by industry and modifies those standards when industry practices or consumer preferences change. Before standards are implemented, AMS conducts studies and announces proposed standards. Public comments are solicited to verify that quality grade standards will facilitate commerce. There are more than 500 quality grade standards in place for poultry, eggs, rabbits, meat, dairy products, fresh and processed fruits and vegetables, cotton, tobacco, and livestock.

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 2010, AMS specialists reviewed 82 commodity standards, including 21 for cotton products, 2 for dairy products, 18 for frozen vegetable products, 20 for livestock and meat, 8 for poultry products, and 13 for tobacco. These reviews resulted in the revision of one standard for poultry. In addition, the revised standards for olive oil were finalized and published.

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 2010, AMS drafted a grade standard which must undergo Departmental clearance prior to publication for comments.

Cotton Standards – Textile manufacturers are demanding that a measure of a cotton bale's short fiber content be assessed as part of cotton grading. Many international customers of U.S. cotton claim that U.S. cotton has higher short fiber content than cottons from other countries. As a result, U.S. cotton is acquiring a reputation for having a high degree of short fiber which is disputed by the U.S. cotton industry but without a short fiber measurement, the claims are difficult to refute. A Short Fiber Index (SFI) measurement cannot be provided until reference cotton standards are developed. Reference standards are required for calibrating cotton grading instrumentation to the proper short fiber content measurement level. Providing a measure of short fiber content may strengthen international marketing of U.S. cotton.

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, the American Society for Testing and Materials International (ASTMI), the International Cotton Advisory Committee (ICAC), international cotton outreach and several bilateral consultative committees on Agriculture. Examples include:

UNECE/CODEX:

AMS continued to chair the Codex Committee on Processed Fruits and Vegetables (CCPFV). In FY 2010, a CCPFV plenary public meeting was held in preparation for the 25th session to be held in FY 2011. The meeting was held to review draft U.S. positions for the upcoming session, and to solicit public comment on these positions. In addition, AMS participated in several electronic working groups to advance work in preparation for the CCPFV 25th session. AMS led one of the working group sessions that focused on assessing existing Codex processed fruit and vegetable standards for relevance and potential revision.

In FY 2010 an AMS representative participated in the U.S. Delegation to the 41st Session of the Codex Committee on Food Hygiene (CCFH) and assisted in the development of the CCFH's proposed draft annex on Leafy Green Vegetables, including Leafy Herbs, to the Code of Hygienic Practice for Fresh Fruits and Vegetables.

An AMS expert represented the U.S. as Delegate to the Codex Committee on Milk and Milk Products (CCMMP), served as Chair of the U.S. Committee on Milk and Milk Products, and participated in the CCMMP drafting groups to develop (1) a processed cheese standard, (2) and a standard for fermented milk drinks. Dairy specialists also assisted in other U.S. Codex Committees affecting international dairy standards, such as those on Hygiene, Labeling, and Food Additives.

In FY 2010 AMS Livestock and Seed (LS) Program Representatives hosted a UNECE Beef Rapporteurs meeting in Stillwater, OK. The rapporteurs meeting involved several beef experts from around the world, and focused on development of beef retail cut standards. The retail cuts standards development effort is part of the UNECE Working Party on Agricultural Quality Standards.

Livestock and Seed (LS) Program Representatives attended the UNECE Working Party on Agricultural Quality Standards meeting on October 26th in Moscow, Russia. The focus of the

meeting was on the development of draft standards for retail cuts of pork, and included discussions and presentations on meat traceability and standards development systems in the U.S.

During FY 2010, AMS poultry and egg specialists were successful in obtaining approval by UNECE's Specialized Section on the Standardization of Meat for revised standards for shell eggs and egg products. AMS led the development of these standards, and the Agency provided strong support to the Chinese delegation as they led the development of new standards for goose meat. All of these standards were recommended to the Working Party on Agricultural Quality Standards for official adoption as UNECE standards.

An AMS representative served as the alternate U.S. delegate at the 42nd Codex Committee on Pesticide Residues (CCPR) in Xian, China. The committee is active in promoting science-based pesticide standards for agricultural products in international trade. The primary activities in 2010 were establishing maximum residue limits (MRLs) for pesticides in commodities in international trade, emphasizing newer and safer pesticides as well as recommending deletion of those MRLs no longer supported by the manufacturer; revision of the Codex classifications system for foods, guidance on facilitating establishing MRLs for minor use pesticides; a U.S. sponsored pilot project aimed at achieving globalized MRLs based on joint national reviews to expedite MRL setting; additional extraneous MRLs for Persistent Organic Pollutants (withdrawn chlorinated pesticides), and Measurement of Uncertainty criteria for testing methods to enforce MRLs for consignments in trade.

An AMS representative served on the United States Government Codex Committee on Methods of Analysis Interagency Team that successfully concluded years of contentious negotiations by making changes to an influential international standard on molecular testing that could have caused significant disruption to international trade of biotech products. This standard will be published in 2011. As a result the Team was recognized with the 62nd Secretary's Honor Award for Helping America Promote Sustainable Agricultural Production and Biotechnology Exports as America Works to Increase Food Security. At the 31st session of CCMAS, AMS also contributed to the development of two technical standards for measurement uncertainty and uncertainty of sampling and participated in the endorsement of 119 laboratory analytical quality standards for fish and fishery products, milk and milk products, dietary fiber, processed fruits and vegetables, cocoa products and chocolate, and natural mineral waters.

International Organization for Standardization (ISO):

An AMS representative participated in the International Standards Organization Technical Committee 34 / Working Group 12 N0006 Quality management systems – Guidelines for the application of ISO 9001:2000 in crop production. AMS contributed to the development of U.S. positions and recommendations for ISO standards relating to food products.

An AMS representative served as the Chairperson of ISO Technical Committee (TC), Subcommittee (SC) 16- Horizontal Methods for Molecular Biomarker Analysis - established to advance food and agricultural biotechnology through the development of harmonized technical standards for quality.

An AMS representative served as the Head of the U.S. delegation for Technical Committee (TC) 34 (SC 2 and SC 11) meetings for food products held in Sydney, Australia in October 2009. Working with other committee members, the AMS delegate gained ISO support for the analytical methods that are used in the current U.S. Olive Oil Grade Standards. The AMS representative participated in the approval for four International Olive Council methods to be added as ISO standards for 2010. New tests for determining cadmium content and polycyclic aromatic hydrocarbons (PAHs) levels in vegetable oils (including olive pomace oil) were developed that will be used to ensure safer food and protect public health.

Two representatives from AMS served on ICAC's expert panel for the commercial standardization of instrument testing of cotton (CSITC). The expert panel met to discuss such issues as calibration standards, methods to improve calibration, value-setting procedures for calibration materials, and international round testing.

In April of 2010, AMS hosted high level officials from the General Administration of Quality Inspection & Quarantine (AQSIQ). AQSIQ performs inspections for all cotton imported into China. Since China is the largest customer of U.S. cotton exports, a smooth AQSIQ inspection process is vital for moving U.S. cotton into China. AQSIQ is very interested in signing a memorandum of understanding with AMS for collaboration in the areas of cotton classification and standardization. Potential activities include: expansion of AMS cotton standards into China; development of Chinese cotton standards; and AMS providing training to AQSIQ technicians.

FEDERAL SEED ACT

Current Activities: AMS administers Federal Seed Act (Act) regulations on the interstate shipment of agricultural and vegetable seeds. The Act requires that seed shipped in interstate commerce be labeled with information that allows seed buyers to make informed choices, and that seed labeling information and advertisements pertaining to the seed must be truthful. Therefore, the Federal Seed Program helps promote uniformity among State laws and fair competition within the seed trade.

AMS depends on cooperative agreements with each State to monitor interstate commerce of agricultural and vegetable seeds with regard to seed labeling. State inspectors routinely inspect and sample seed shipments being marketed in their States. They refer apparent violations of the Act to AMS' Federal Seed Program for investigation and appropriate action. While most complaints involving mislabeled seed are submitted by State seed control officials, they may be submitted by anyone. AMS takes regulatory action against the interstate shipper when a violation is confirmed. Actions on violations include a letter of warning for minor violations and technical violations; a monetary penalty is imposed for serious violations.

Selected Examples of Recent Progress:

In cooperation with State agencies, AMS conducted field tests on 1,113 samples at six different locations to determine trueness-to-variety of seed in interstate commerce. During FY 2010, AMS received 243 new complaints from 15 States, resulting in 288 cases. AMS tested 344 regulatory seed samples from 15 States which reflects a 12 percent decrease from the number of regulatory samples from 2009 and 414 mail order seed samples from 13 seed companies for trueness-to-variety. The decrease in regulatory sample was due to the program taking a proactive approach to training seed company employees to reduce seed mislabeling, to reduce seed act violations. Forty-two Federal Seed Act cases were administratively settled with penalty assessments totaling \$37,475; with individual assessments ranging from \$850 to \$16,250. To ensure uniform application of the regulations, AMS conducted seven training workshops for seed analysts and inspectors from 18 states.

COUNTRY OF ORIGIN LABELING

Current Activities: The Country of Origin Labeling (COOL) amendments to the Agricultural Marketing Act of 1946 require retailers to notify their customers of the country of origin of covered commodities. Covered commodities are identified as muscle cuts of beef (including veal), lamb, and pork; ground beef, ground lamb, and ground pork; farm-raised fish and shellfish; wild fish and shellfish; perishable agricultural commodities; peanuts, goat, chicken, ginseng, macadamia and pecan nuts. The law also requires method of production information (farm-raised or wild caught) for fish and shellfish to be noted at the final point of sale to consumers. The Act states that "normal course of business" records and producer affidavits may be used for verification, the same requirements and penalties apply to both suppliers and

retailers, and the maximum penalty per violation is \$1,000. The COOL requirement became mandatory for retailers as of September 30, 2008 and the final rule went into effect March 2009. AMS conducts the COOL program through cooperative agreements with all 50 states.

Selected Examples of Recent Progress:

In February 2010, AMS held a second training session on the COOL regulation and retail surveillance procedures with state cooperators. Through a train-the-trainer program, approximately 500 state reviewers have been certified to conduct COOL reviews in retail stores across the country. In FY 2010, 8,363 retail reviews were conducted and 200 products were audited through the chain of commerce. In addition to enforcement activities, the COOL program worked on design and development of an automated database system called COOL FACTS. The completion of the COOL FACTS system is scheduled for 2011 and implemented later in the year.

PESTICIDE DATA PROGRAM

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

Selected Examples of Recent Progress:

During 2010, PDP tested more than 12,800 food and water samples, resulting in over 1.8 million individual tests. Previously, "analyses" were calculated based on aggregates of chemicals within certain chemical classes.

Commodities – In 2010, PDP added four new commodities – cabbage, cilantro, eggs, and mangoes – and reintroduced previously tested commodities bringing the number of commodities surveyed to date to 94. Commodities surveyed by PDP include fresh and processed fruit and vegetables, milk and dairy products, beef, pork, poultry, catfish, corn grain and corn syrup, soybeans, wheat and wheat flour, barley, oats, rice, almonds, peanut butter, honey, pear juice concentrate, bottled water, groundwater, and treated and untreated drinking water. Cabbage is a high consumption item for adults for which no data were available and eggs are a high consumption item for adults and children, for which no data were available. Cilantro and mangoes are important additions to the program based on environmental justice concerns. 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. The one-year catfish survey which started in July 2009 at the request of the Food Safety and Inspection Service (FSIS) Office of Catfish Inspection was continued into 2010. 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 catfish data supports effort to establish a Catfish Inspection Program.

Water Survey – PDP continued to monitor surface water, sampling 12 sites in 9 States throughout the year, and testing of schools and childcare facilities with onsite wells for pesticide residues. Although testing of the water from these facilities is required under the Safe Drinking Water Act (SDWA), few pesticides are tested and the testing is focused on parent compounds rather than metabolites; metabolites most commonly occur in groundwater. For this survey, PDP has partnered with various State and county/local agencies

responsible for sample collection. These partners coordinate sampling efforts and samples are shipped to the designated PDP laboratory for analysis. Data are shared with the local agency and with the school/childcare facility. The PDP water survey began in 2001 and to date has surveyed 83 municipal sites drawing from surface water in 29 States and the District of Columbia, 525 potable groundwater wells in 37 States, 235 school/childcare facility wells, and 93 brands of bottled water.

Sampling – PDP increased the use of statistical tools and marketing data to improve sample collection rates, achieving a 99.3 percent success rate in FY 2010. 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 440. 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 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 staff presented program sampling and testing details to an Indonesian delegation in conjunction with the Foreign Agricultural Service to facilitate trade with Indonesia. PDP staff made presentations at scientific conferences to disseminate information on program activities and current testing methodologies and met with minor crop representatives and Pest Control Officials to improve communications. PDP staff also participated in the A2LA Conclave, a working meeting to address issues related to ISO 17025 accreditation.

Reporting – AMS publishes an annual data summary, with reports currently available for 1991-2008. 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>.

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.

Selected Examples of Recent Progress:

Commodities – MDP tested fresh cantaloupes, cilantro, green onions, hot peppers, bagged or bunched leaf or Romaine lettuce, bagged or bunched spinach, sprouts (alfalfa and clover), and tomatoes (plum and round). These commodities were included in the sampling and testing schemes following consultation with CDC and FDA because they have previously been associated with foodborne outbreaks.

Reporting – MDP actively exchanges program information and pathogen detection data with several offices of the FDA Department of Health and Human Services (Center for Food Safety and Applied Nutrition's Office of Produce Safety and Office of Food Defense, Communication, and Emergency Response; FERN; Southeast Regional Laboratory) and CDC epidemiologists. 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.

AMS implemented new procedures to enhance communications among MDP, FDA, CDC, and State agencies to refine MDP's response time. 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 2010, MDP sample origin information helped regulatory agencies trace and remove contaminated products from the food distribution system. MDP data was also used by CDC epidemiologists to identify sources of regional illnesses. Recently, MDP provided results on *Salmonella infantis* contamination in cilantro samples collected in Texas and Florida to FDA and CDC for follow-up and epidemiological investigations. From January through November, 2010, approximately 16,000 fresh produce samples, comprising 8 commodities, were tested for *Salmonella*, *E. coli* O157:H7 and non-O157 shiga-toxin carrying *E. coli* (STEC). MDP shared results of positive *Salmonella* detections with FDA CFSAN Produce Safety Staff. Of the nineteen *Salmonella* positives reported, FDA performed follow-up investigations that resulted in several limited, voluntary recalls of the affected lots of the fresh produce (cantaloupe, sprouts, and cilantro), thereby reducing consumption of affected produce as well as minimizing economic loss for producers. On another occasion, MDP data for a positive finding of a non-O157 STEC in a sprouts sample helped the CDC and the Wisconsin Division of Food Safety in taking quick action regarding follow-up with the grower. MDP also shared its data on pathogen characteristics such as serotypes and genomic fingerprints by pulsed-field gel electrophoresis (PFGE) with FDA and CDC to assist in trace-back as well as in outbreak matchups.

Leafy Greens Pilot Program – Working with Growers Express, LLC/Green Giant Fresh, a group of produce growers in California’s Salinas Valley, MDP tested leafy lettuce and spinach samples, collected at the farm fields for the presence of *Salmonella* and *E. coli* O157:H7. MDP provided data from this farm-gate pilot project to FDA to assist in the development of FDA’s safety guidelines on leafy greens.

Testing – MDP implemented an FDA-approved, real-time polymerase chain reaction (PCR) assay for the detection of *E. coli* O157:H7 and non-O157 STECs. Replacement of a conventional PCR assay formerly used by MDP laboratories by this real-time assay will increase target detection sensitivity and save time in pathogen identification. Furthermore, MDP and FDA FERN are discussing harmonization of analytical methods and reports. This method change was a first step toward this harmonization effort.

Interagency Coordination – In order to cross-utilize federal resources, MDP and FDA FERN held monthly conference calls and a meeting to discuss interagency agreements for sharing resources in sampling, testing, purchasing equipment, and standardization of capturing sample information and of reporting analytical results. As a first step, MDP and FDA FERN conducted a joint proficiency test in November 2010. MDP also met with FDA CFSAN Produce Safety Staff to discuss trends in positive detections and commodity selection, and with the CDC PulseNet Database Unit and the CDC Outbreak Response and Prevention Branch (Division of Foodborne, Waterborne, and Environmental Diseases) to discuss uploading MDP data to PulseNet and sharing information on serotypes and antimicrobial resistance of MDP pathogen isolates. All MDP data through 2009 have been entered into the Electronic Laboratory Exchange Network (eLEXNET), an integrated information network for government agencies engaged in food safety activities pertaining to the FERN and CDC PulseNet.

MDP has provided data and will participate in the development of geospatial models and predictive risk assessment tools by FDA Office of Food Defense, Communication, and Emergency Response Risk Assessment Coordination Team and NASA-Goddard Space Flight Center. FDA plans on using MDP data for spatial and temporal produce contamination identification.

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 NOP facilitates trade and ensures integrity of organic agricultural products by consistently implementing organic standards and enforcing compliance with the regulations. The Program 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 and also provide other recommendations to the Secretary on the implementation of the National Organic Program.

Selected Examples of Recent Progress:

- On February 17, 2010, the NOP published the long-awaited access to pasture rule to clarify feed and living conditions for livestock production that would qualify their milk and meat for USDA organic certification. The rule establishes enforceable pasture practice standards to satisfy consumer expectations that ruminant livestock animals graze on pasture during grazing season and are not confined.
- In March 2010, the Office of Inspector General (OIG) published an audit report on the NOP which recommended that the Program further improve administration and strengthen management controls to ensure more effective enforcement of program requirements. The report indicated the need to strengthen oversight of certifying agents and organic operations to ensure that organic products are consistently and uniformly meeting NOP standards. The NOP has completed 12 out of 14 corrective actions identified in the OIG audit.
- The NOP developed a quality management system and a Quality Manual to align the program's accreditation program with international requirements outlined in ISO 17011. Furthermore, the Program initiated a peer review process to have its accreditation program assessed by the National Institute of Standards and Technology for compliance with ISO 17011.
- On September 1, 2010, the NOP published the inaugural edition of the NOP Program Handbook, designed for those who own, manage, or certify organic operations by providing guidance about the national organic standards and instructions that outline best program practices.
- In October 2010, the NOP published draft guidance on compost and vermicompost in organic crop production; wild crop harvesting; outdoor access for organic poultry; commingling and contamination prevention in organic production and handling; and use of chlorine materials in organic production and handling.
- The NOP published a number of rules on the National List of Allowed and Prohibited Substances including materials sunsetting in 2012; adding tetracycline and sulfurous acid to the National List; and other National List substances.
- The NOP developed new training seminars on liquid fertilizers, access to pasture, adverse actions procedures, labeling, certification, complaint handling, wine labeling, and enforcement procedures. The NOP provided training in Germany, Ghana, California, Colorado, Georgia, New York and Wisconsin.
- The NOP held public meetings of the National Organic Standards Board in Davis, California and Madison, Wisconsin.
- The NOP established a complaint database to improve the handling of complaints to ensure they are handled in an effective and timely manner.
- Conducted on-site reviews of recognition agreements currently in place with the governments of Denmark and Israel.

Organic Certification Cost-Share Programs – In FY 2010, nearly \$4.8 million was allocated to States to partially reimburse producers and handlers for the cost of organic certification through the National Organic Certification Cost Share Program. We predict that States will disperse the allocated funds to

producers and handlers, thereby assisting over 8,000 certified organic operations. Recent efforts by the NOP to increase outreach and training have resulted in significant growth, with at least 10 States requesting additional funds to meet their unexpected demand.

Agricultural Management Assistance Program (AMA) – In FY 2010, nearly \$1.5 million was allocated to specially-identified states to reimburse organic producers through (AMA) Organic Cost Share Program.

PESTICIDE RECORDKEEPING PROGRAM

Current Activities: The Federal Pesticide Recordkeeping Program (PRP) is a national program that enforces the Federal Pesticide Recordkeeping regulations, which require certified private pesticide applicators (over 600,000 agricultural producers) to maintain records of their restricted use pesticide (RUP) applications. AMS uses Federal and cooperating State personnel to conduct compliance inspections of certified private pesticide applicators utilizing State and Federal personnel. In addition, PRP also provides educational outreach programs and materials to the regulated community to assist them 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:

More than 250 State and Federal inspectors met with over 3,700 certified private applicators in FY 2010, which exceeded our sampling goal of 3,500 inspections conducted of applicators who are required to follow the Federal requirements. An additional 645 certified private applicators were inspected in those States that have their own recordkeeping requirements that meet or exceed the Federal requirements. The program reimbursed 36 cooperating states and two Federal agencies to conduct applicator inspections and provide educational outreach. The use of Web-based and regional inspector training for a majority of the State inspectors has resulted in savings to the program that has been used to produce additional outreach and educational training materials. More than 200 State and Federal inspectors completed the web-based and regional training offered by the program, which updates inspectors and program managers on the new policies and procedures for the year.

PRP established cooperative agreements with the University of Arkansas at Pine Bluff and Michigan State University to provide applicator training and outreach to underserved and small minority farmers in each State. PRP also continued a cooperative agreement with the Montana Department of Agriculture to provide training to underserved certified private pesticide applicators including Native American Indians in the State of Montana.

During FY 2010 the program began an effort to update and print the full pesticide recordkeeping manual and program brochure to inform pesticide applicators. In addition, the program fact sheet and wallet reference card were updated and printed to provide additional resource materials to assist applicators with their compliance of the regulations. All current educational outreach materials have been posted in electronic format to the program's website for download as an alternative method of distribution. PRP publishes an annual summary report each year to provide information on the number of compliance inspections conducted, the list of State cooperators that assisted with conducting applicator inspections, outreach materials provided, tradeshow attended to reach private applicators, and other program information posted on the Program's website: <http://www.ams.usda.gov/pesticiderecords>.

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, importers, processors, and handlers, to carry out programs aimed at strengthening the demand for their products. It is the responsibility of AMS to review and approve the budgets and projects proposed by the boards such as paid advertising, consumer education, industry relations, industry information, retail, food service and export promotion, market production and nutrition research, public relations, and project evaluation. The industries reimburse AMS for the cost of administrative oversight activities.

This year, AMS strengthened its guidelines for oversight of all research and promotion programs, the first revision in 6 years. For example, under the new guidelines, boards are required to conduct annual financial audits in accordance with the stronger generally accepted Government auditing standards (GAGAS) as opposed to the more common generally accepted auditing standards (GAAS) used by most corporations. In addition, boards must document decisions concerning the selection of contractors.

During 2010, the egg research and promotion program funded research on egg nutrient composition from various housing systems, and preliminary data showed that cholesterol in eggs was much lower than previously documented. AMS approached USDA's Agricultural Research Service, which conducted a study of eggs from different regions in the U.S. As a result, the cholesterol of one egg is now reported in the *USDA Nutrient Database for Standard Reference* as 186 mg instead of the former 212 mg. In addition, eggs were discovered to be a good source of vitamin D.

The egg research and promotion program continued its Good Egg Project, a program to educate consumers on egg production and promote nutrition and philanthropy. A key goal of the project is to invite the public to join egg farmers in the fight against hunger. In addition to providing grants to teachers and conducting other programs, the board hosted community breakfasts across the country. In addition to serving a hot egg breakfast to attendees, egg farmers also donated about 17 million eggs to local food banks and Feeding America. Since the Good Egg Project began in 2009, egg farmers have donated more than 28 million eggs to the Nation's hungry.

During 2010, the dairy research and promotion program focused on child health and nutrition through the check-off created school program Fuel Up to Play 60 (FUTP60). FUTP60 combines the 2005 Dietary Guidelines with the star power of the National Football League (NFL) to encourage youth to develop healthy eating and physical activity habits. AMS assisted the industry in the development of a Memorandum of Understanding between USDA, the NFL and Dairy Management Inc., to implement steps to nationally reduce and prevent childhood obesity. In its first full year of implementation, the program exceeded its enrollment goal of 60,000 schools with an enrollment of 60,575 elementary, middle, and high schools. FUTP60 also shares the goals of First Lady Michelle Obama's childhood obesity platform "Let's Move!"

Research and Promotion Program Industry Assessments
 FY 2010 Estimate *
 (Dollars in Millions)

<u>Commodity</u>	<u>Assessments Collected</u>
Cotton	\$60.0
Dairy	91.6
Fluid Milk	107.5
Beef	41.6
Lamb	2.0
Pork	68.0
Soybeans	80.0
Sorghum	6.0
Eggs	21.0
Blueberries	6.3
Hass Avocado Board	34.2
Honey Board	3.9
Mango Board	3.9
Mushroom Council	3.9
Peanut Board	7.4
Popcorn Board	1.2
Potato Board	10.2
Watermelon Board	2.8
Total	<u><u>\$ 551.5</u></u>

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

TRANSPORTATION AND MARKET DEVELOPMENT

Current Activities: AMS' Transportation and Market Development Program's Transportation Division 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 agricultural shippers on regulatory, policy, and legislative matters related to agricultural and rural transportation. The program conducts and sponsors economic studies of domestic and international transportation issues and provides technical assistance and information on agricultural and food transportation; rural infrastructure; and distribution for 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.

The program's Marketing Services Division (MSD), 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>.

FMPP – MSD also administers FMPP, which provides grants targeted to establish, improve and expand domestic farmers markets, roadside stands, community-supported agriculture programs, agri-tourism, and direct producer-to-consumer market strategies. Grants up to \$100,000 are awarded on a competitive basis to eligible entities that include agricultural cooperatives, economic development corporations, local governments, nonprofit corporations, producer associations, producer networks, regional farmer market authorities, and Tribal governments. In fiscal year 2010, FMPP provided over \$4.3 million in competitive grants to nonprofit corporations, producer networks, producer associations, Tribal governments, local governments, and agricultural cooperatives to expand direct farmer-to-consumer sales. A total of 81 projects from 35 States were selected for funding out of the 509 proposals received from all 50 States and the District of Columbia. The amount awarded included 27 new electronic benefits transfer (EBT) projects totaling \$1.04 million, which constituted 24 percent of all awards. These EBT project funds represent an 8 percent increase over FY 2009, and 14 percentage points more than the 10 percent mandated by Congress. Synopses for the full portfolio of FMPP grant awards for fiscal year 2010 can be viewed at <http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRDC5087025&acct=fmpp>

Selected Examples of Recent Progress:

Transportation Studies and Projects:

- Study of Rural Transportation Issues – widely reported in more than 100 media, trade association, and Government websites, this congressionally mandated study was utilized in many forums Congressional hearings, Federal Maritime Commission and Surface Transportation Board actions, etc., and by stakeholders.
- Agricultural Hours of Service Exemption for Drivers Transporting Farm Supplies – AMS worked with the Office of the Secretary and trade associations in support of the 100 air-mile radius agricultural exemption for wholesale and retail distribution of anhydrous ammonia, leading to favorable rulemakings by Federal Motor Carrier Safety Administration in time for 2010 spring planting and fall fertilization.
- Marine Container Availability Pilot Project – in support of the President’s National Export Initiative, program experts worked with Federal Maritime Commission staff, exporters, and ocean carriers on ways to make container demand, location, and availability more transparent to all parties.
- A USDA Regional Roadmap to Meeting the Biofuels Goals of the Renewable Fuels Standard by 2022 – AMS played a crucial role in devising the strategic plan for this effort, provided economic analysis for the report, and acted as one of three principal editors, working with other USDA, Environmental Protection Agency, Department of Energy, and White House staff.
- USDA Renewable Energy Outreach and Marketing Tool – AMS worked with the USDA Office of Energy Policy and New Uses, Office of the Chief Economist, to identify new locations for bioenergy projects.
- Grain Transportation Data for China – program officials met with FAS and Chinese investigators concerned with the countervailing duty on U.S. poultry to show that transportation of grain for poultry is not subsidized.
- Agricultural Shipper Workshops for U.S. Exporters – the program facilitated discussion of rail, truck, and ocean transportation issues in Minneapolis, Seattle, Modesto, Boise, and Atlanta.
- Report Issued:
 - *Impact of Panama Canal Expansion on the U.S. Intermodal System*
 - *U.S. Grain and Soybean Exports to Mexico—A Modal Share Transportation Analysis*
 - *Soybean Transportation Guide: Brazil 2009*
 - *Grain Transportation Report* (weekly)

- *Mexico Transport Cost Indicator Report*
- *Brazil Soybean Transportation Indicator Report*
- *Agricultural Refrigerated Truck Quarterly*
- *A Reliable Waterway System Is Important to Agriculture*
- Presentations:
 - Transportation Research Board 89th Annual Meeting:
 - *Rail Industry Competition and Implications for U.S. Agriculture*
 - *Developments in Brazil's Transportation System*
 - 51st Annual Transportation Research Forum:
 - *Rail Rate Changes Since the Staggers Act*
 - *An Investigation of Rail Freight Transportation Competition* (best paper award for agricultural and rural transportation)
 - *Assessing the Importance of Freight Transportation to U.S. Agriculture*

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

- Food Hub Research and Analysis – MSD leads the Know Your Farmer, Know Your Food (KYF2) regional food hub subcommittee, chairing both the full task force and the smaller core tactical team, and oversees the subcommittee's primary short term programmatic deliverables.
- National Farmers Market Directory – AMS, with cooperative research assistance from Michigan State University, created a secure platform for the very first time that enabled interested market managers and organizers to submit their market information electronically.
- National Farmers Market Managers Survey – MSD launched its latest national survey in June 2010 with a 70-question survey instrument, and received more than 1,100 usable responses from farmers market managers around the country by mid-August 2010. Response volume was comparable to the replies received during the previous national survey, which was published in May 2009.
- Value Chain Workshops – MSD co-hosted two intensive “writeshops” on food value chain development with the Wallace Center of Winrock International in December 2009 and July 2010. The two events helped recruit nearly 40 key researchers, practitioners, and educators in the field of value chain development to develop a common framework for the definition and study of food value chains, synthesize lessons learned and best practices, and create appealing training and educational tools that would help agricultural producers, processors, and food business operators better understand the components of successful value chain relationships.
- National Study of Small-Scale Direct Distribution Models – MSD researchers are nearing completion of a “best practices and lessons learned” resource guide for small/mid-sized farmers. The guide uses nine case studies of direct distribution models to inform farmers and food distributors about promising delivery mechanisms for locally grown food to retail and institutional clients. It also includes an overview of the tradeoffs involved in market channel choices and various ownership and management structures.
- Impacts of Consumer Demographics on Target Marketing Effectiveness at Farmers Markets – MSD partnered with the Pacific Coast Farmers Market Association to look at consumer household demographics at 20 market sites managed by the association in urban, suburban and exurban communities, and explore the relative effectiveness of target marketing campaigns to boost farmers market patronage in these various communities.
- Low and Mixed-Income Farmers Markets Study – MSD is engaged in a cooperative research project with the Council on the Environment in New York City (the sponsors of NYC's Greenmarkets farmers market network system) to analyze demographic characteristics and food access of nine low and mixed-income neighborhoods in New York City anchored by both successful and struggling farmers markets.

- What You Need to Know about GAPS, Food Safety and Produce Identification – MSD is currently preparing a set of easy to follow frequently asked questions (FAQ's) that explains the who, what when, where, and why of food safety programs, third party audits, Good Agricultural Practices/Good Handling Practices (GAP/GHP) programs and produce labeling, identification and traceback initiatives.

Facilities Design Projects/Studies:

- Provided technical assistance to the staff of the Institute of American Indian Art, a 1994 land grant school in Santa Fe, NM, in developing a farmers market for the Native American community in that region. The farmers market is part of a 4-acre community garden that will function as a living laboratory for students to learn about farming.
- Provided technical support to city officials in Chester, SC, to convert a historic downtown building into a farmers market.
- Provided technical assistance to Charleston County, SC, in creating a master plan for enlarging the Sea Island Regional Farmers Market on a 250-year-old historical site. The South Carolina Department of Agriculture and the South Carolina Cooperative Extension Service are partnering with County officials to rehabilitate existing facilities and work with local growers to increase the number of vendors participating in this market. Also, prepared a design concept for the Summerville Farmers Market in South Carolina.
- Developed conceptual designs and market plans for the Black Belt Family Farm Fruit and Vegetable Market Center in Selma, AL, in collaboration with the Alabama Farmers Market Authority, Alabama Agricultural Land Grant Alliance, Black Belt Farmers Cooperative, and Tuskegee University.
- Provided a technical review of architectural plans for a redesigned Dallas Farmers Market. The proposed plans call for revamping the market to become the core of an urban food district that would include shed renovations, creation of a pedestrian corridor, and additional landscaping.
- Provided content on farmers markets as a building type for the American Institute of Architects' website. This article marks the first inclusion of farmers market buildings on the site, and occurs at a time when standards are just being developed for farmers markets by architects.
- Provided technical guidance on organizing a farmers market to representatives of several government agencies--APHIS, FDA, HHS, and OPM regarding farmer recruitment, market layout, promotional materials, and security issues.
- Provided technical assistance and guidance on starting a farmers market to representatives from the Museum of the American Indian which was featured as part of the Museum's "Living Earth" celebration in August 2010.

Marketing Information and Education – MSD conducted outreach and educational exchange with constituents and/or project partners, on MSD services and resources, technical assistance, and research findings.

Research Dissemination:

- Presentation on USDA's involvement in local foods policy at a session of the 2009 American Planning Association's Federal Policy and Program Briefing in Washington, DC. Presentation described the KYF2 initiative and discussed several USDA activities designed to enhance the development of local and regional food systems.
- Presented the KYF2 initiative at the grand opening of the Fair Food Farmstand at Reading Terminal Market in Philadelphia, PA. The Farmstand received a Farmers Market Promotion Program grant in 2008 to support their expansion efforts.
- Moderated a panel at the annual meeting of the Food Distribution Research Society (FDRS) in Broomfield, CO. This year's theme was *Value Based Food Supply Chains: The Role of Transparency, Trust, and Consumer Activism*. The panel addressed the role of land grant universities and State agriculture departments in connecting producers to consumers.

- Organized and managed an information exhibit at the Community Food Security Coalition from October 10–13 in Des Moines, IA. The exhibit presented USDA marketing programs and resources to participants interested in farm-to-school marketing, urban farming enterprises, alternative distribution methods, and EBT redemption at farmers markets.
- Provided an overview of direct marketing and distribution trends at a workshop co-sponsored by Virginia Cooperative Extension, Virginia Tech University and Virginia State University at the Airlie Center in Warrenton, VA.
- Sponsored and facilitated three workshops describing Food Safety Audit Programs and Food Safety Plans to small producers who would like to market to wholesalers and grocery chains. Workshops were held at the Mid-Atlantic Fruit and Vegetable Conference in Hershey, PA; MOSES Organic Conference in Lacrosse, WI; and in Chicago at the FamilyFarmed Expo.
- Addressed the *Professional Farmers Market Manager Training Program Growing Market Opportunities Conference* in Seneca, NY and presented information on site selection considerations for establishing farmers markets and national market trends.
- Participated in a discussion panel entitled “Food System in Flux,” at the Natural Products Expo in Anaheim, CA. Presentation outlined strategies that integrate agriculture, economy building, and community wealth to develop a sustainable food system.
- Conducted a training session for architects for the Northern Virginia Chapter of the American Institute of Architects (AIA). The session was titled “Farmers Markets Catalyst for Urban Development”. The session provided architects with an understanding of the benefits of a farmers market for the local economy, public health, urban and rural land sustainability and creation of pedestrian-friendly public spaces.
- Presented information on distribution options and challenges for small and mid-size farmers at the annual meetings of the American Association of Geographers and the Rural Sociological Society.

FMPP Outreach, Education and Information Exchange – Program provided technical assistance and engaged with constituents at numerous grant-writing workshops and conferences across the country. These sessions focused on providing instructions for preparing proposal applications along with informing stakeholders of changes to the FMPP grant program for 2010. In addition, MSD supported a number of outreach and educational efforts directed toward farmers markets and direct marketing initiatives through participation by AMS specialists in conferences, workshops, meetings, etc. including:

- National Association of Farmers Market Nutrition Programs (Atlantic City, NJ, October 2009).
- Virginia State University, Virginia Tech, and the Virginia Cooperative Extension Small Farm Outreach Program (Richmond, VA, November 2009).
- North Carolina Agricultural and Technical State University and the North Carolina Coalition of Farm and Rural Families (Durham, NC, November 2009).
- 17th Annual Symposium of the Intertribal Agriculture Council & the Indian Nations Conservation Alliance (Las Vegas, NV, December 2009).
- South Carolina Department of Agriculture (Columbia, SC, January 2010).
- Southern Sustainable Agriculture Working Group (Chattanooga, TN, January 2010).
- Colorado Farmers’ Market Association Annual Meeting (Salida, CO, March 2010).
- USDA’s 3rd Annual Outreach Conference at Virginia State University (Petersburg, VA, March 2010).
- 21st National Farmworker Conference: Building Stronger Rural Communities (San Antonio, TX, March 2010).
- Pennsylvania State University Extension (Lancaster, PA, March 2010).
- Centers for Disease Control (Alexandria, VA, May 2010). *Racial and Ethnic Approaches to Community Health Across the U.S. (REACH U.S.)* conference.
- American Farmland Trust (March 2010), *What Is in Store for Farmers Markets in 2010?*
- Green Talk Network of VoiceAmerica (August 2010). Participated in a live broadcast by the National Sustainable Agriculture Information Service (a project of the National Center for Appropriate Technology) about the Farmers Market Promotion Program and MSD research activities in support of farmers markets and farm direct-marketing.

FMPP Information and Technical Assistance Products – To inform the public, the program offers a fact sheet addressing FMPP “strategies” and a color, tri-fold brochure describing the program. Additional new tools produced for prospective applicants include a “Pre-Application Guide” and a “How to Apply for an FMPP Grant” PowerPoint tutorial. The FMPP website was redesigned to make information more user-friendly.

Research Publications and Reports:

- *Supplemental Nutrition Assistance Program (SNAP) at Farmers Markets: A How-to Handbook.* The handbook, developed by AMS and FNS, in cooperation with the Project for Public Spaces, provides essential guidance for farmers market managers who are thinking about implementing EBT technology at their markets in order to accept SNAP benefits.
- *Marketing Maine Tablestock Potatoes.* A research report developed by AMS in collaboration with the Agricultural Research Service to provide growers and handlers of fresh Maine potatoes with information about transportation and marketing channel alternatives.
- *Breaking Down Market Barriers for Small and Mid-Sized Organic Growers.* A report developed by the California Institute for Rural Studies as part of a cooperative research agreement, focusing on marketing challenges faced by small and mid-sized organic fruit and vegetable farmers in California.
- *Connecting Local Farmers with USDA Farmers Market Nutrition Program Participants.* Describes a pilot program that studied the feasibility of providing transportation to recipients of Farmers Market Nutrition Program (FMNP) assistance.

AUDITING, CERTIFICATION, GRADING,
TESTING, AND VERIFICATION SERVICES

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 industry 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:

- a. Cotton Grading – AMS classified 12.9 million bales of cotton under the grower-classing program in FY 2010, with all cotton classed by the high volume instrument method. In addition, the Cotton Program classified over 1.3 million 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 2010, the Cotton Program received requests for information on 44.3 million bales.

Fees and Charges in Effect FY 2010:

<u>Service Performed</u>	<u>Fees</u>
Form 1 grading services	\$2.20 per sample <u>a</u> /
Futures grading services	\$3.50 per sample

- a/ Base fee rate as of July 2008. A discount of five cents per bale is awarded to producers who are billed through voluntary central agents (e.g., cotton gins and warehouses).
- b. 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 2010, 67 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 2010:

<u>Service Performed</u>	<u>Fees</u>
Permissive Inspection	\$47.40 per hour
Domestic Tobacco Grading	\$0.70 per hundred lbs
Certification of Export Tobacco	\$0.25 per hundred lbs
Imported Tobacco Grading	\$1.54 per hundred kg
Imported Tobacco Pesticide Testing and Certification	\$2.05 per hundred kg
Domestic Tobacco Pesticide Testing and Certification	\$0.93 per hundred lbs
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

- c. 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 some products sold to the Commodity Credit Corporation (CCC) under the dairy price support program.

AMS Dairy Programs relocated the grading services from low utilization areas to the high utilization area of California to meet user-fee service demand.

Fees and Charges in Effect in FY 2010:

<u>Services Performed</u>	<u>Hourly Fees</u>
Continuous resident service	\$63.00
Nonresident service	\$68.00

International markets are increasing for U.S. dairy and related products. Dairy Programs offer assistance with inspection and certification of dairy and related products for export. Certifications attest that dairy products are: 1) fit for human consumption; 2) produced under sanitary and wholesome conditions; and 3) free from animal diseases. In FY 2010, the Dairy Grading program issued 16,000 export certificates. To facilitate the issuance of these certificates, the Program developed an online system for EU certification.

The Dairy Grading Program worked with the Foreign Agricultural Service, Food and Drug Administration and office of United State Trade Representative to negotiate on export requirements with India, China, Russia, and the European Union.

- d. Processed Fruit and Vegetable Grading – This program offers both grading and audit-based verification services for the food industry. During FY 2010, AMS graded approximately 13.8 billion pounds of processed fruits and vegetables at 359 processing plants, 14 field offices, and 13 inspection points.

In addition, AMS conducted third-party quality, systems, and sanitation audits for food service organizations, processors, retailers, and state and federal government entities:

- AMS provides verification audits under the Qualified Through Verification (QTV) program to meet the needs of the fresh-cut produce industry. AMS performed 14 QTV audits in FY 2010.
- AMS' Plant Systems Audit (PSA) program provides an unbiased, third-party audit of a processor's quality assurance system. In FY 2010, AMS performed 25 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 2010, AMS performed 385 of these surveys. Reviews and provides industry with information regarding product conformance to specifications.
- During FY 2010, 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 28 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 2010 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 67 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 2010:

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

- e. 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. These services include voluntary inspections as well as mandatory services such as import and export certifications, inspections for Federal Marketing Order requirements, and inspections for Commodity Procurement Programs. In FY 2010, AMS graded or supervised the grading of approximately 58.5 billion pounds of fresh fruits, vegetables, and specialty crops. Grading services were provided by approximately 2,000 Federally-licensed State employees at shipping points and cooperative market locations and by approximately 125 federal employees at 32 federal receiving markets.

AMS Fresh Products Branch 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 2,400 GAP & GHP audits were completed in 2010.

AMS provided 13 LiveMeeting refresher training classes and eight GAP & GHP auditor training and refresher classes were held for fresh fruit and vegetable inspectors and auditors. Four specialized industry training classes were held to cover inspection processes for various commodities and grading standards. Two new classes for Food Nutrition Service were held for over 55 state public school cafeteria officials. These classes help to ensure service quality and uniform standard application of procedures.

Fees and Charges in Effect in FY 2010:

<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

- f. Meat Grading and Certification – During FY 2010, meat grading and certification services were provided to approximately 273 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 96.7 percent of steers and heifers, 74.4 percent of lamb, and 30.2 percent of veal and calf commercially slaughtered in the U.S. In addition, 28.4 billion pounds of meat and meat products were certified for specification, contractual or marketing program requirements. AMS graded 361 loads of pork bellies and 592 loads of beef cattle carcasses for the Chicago Mercantile Exchange and performed 29 worldwide food audits for Department of Defense prime vendor contracts. Instrument grading was successfully implemented at seven major beef harvesting facilities during the year. Fees collected for these activities in FY 2010 totaled \$26.1 million, with a cost per pound graded of \$0.000630 and cost per pound certified of \$0.000422.

Fees and Charges in Effect in FY 2010:

<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

- g. Accreditation, Audit and Verification Activities – During FY 2010, 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, lamb, veal and pork in FY 2010 with a total export of 462,000 metric tons valued at \$2.9 billion for FY 2010.

Domestic and international accreditation audits conducted for the National Organic Program represent an approval to certify and label product with the USDA Organic Seal.

- Review and update the European Union (EU) High Quality Beef and Non-Hormone Treated Cattle (NHTC) Program – Updated the program to include information on how to qualify NOP certified organic cattle for use in the NHTC Program. The first group of Certified Organic Cattle for the NHTC program was processed in July.
- Established an Export Verification Program for Pork to Russia to ensure that pork exports from the United States meet specific Russian microbiological and tetracycline-group antibiotic residue requirements. Prior to closing, this market was estimated at over \$200 million.
- Designed and implemented a new Export Verification and Quality System Assessment program for Taiwan. This allowed the beef industry to expand the type of beef products that can be shipped to Taiwan from only boneless product to all beef items produced from cattle less than 30 months of age.
- Expanded accreditation services and accredited two certification bodies to the Global Organic Textile Standards (GOTTS), which allows them to certify textile companies in the U.S. to this International Standard and label the product as meeting the GOTTS standard.
- Conducted on onsite audit of a USDA accredited certification agent to the ISO Guide 65 program with the scope of USDA Grass-fed Standard. This will provide producers the ability to label and sell their products as USDA Certified Grass Fed as well as USDA Certified Organic through the same accredited certification agent.
- In cooperation with the Seed Regulatory and Testing Branch designed and implemented a Seed Conditioning USDA Process Verified Program. This program allows for the verification of specified seed conditioning processes, including Refuge in the Bag.
- Provide USDA Process Verified Program third party verification services to producers and farmers to market products labeled as: South Dakota Certified Beef; Nebraska Verified Beef and North Dakota Beef; North Dakota Calf Improvement Association; Where Food Comes From TM; and, Verified Green.

Fees and Charges in Effect in FY 2010:

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

- h. Poultry and Egg Grading – Approximately 89 percent of poultry grading services were provided on a resident basis, where a full-time grader is usually stationed at the plant that requests service. The remaining eleven percent of poultry grading services are provided on a non-resident (lot grading) basis. During FY 2010, AMS provided resident service in 116 poultry plants, grading 6.59 billion pounds of poultry and 163 shell egg plants where 2.16 billion dozen shell eggs were graded. It was noted that there was a 0.5 billion pound reduction in the volume of chicken products received in official plants, and an additional 0.4 billion pound reduction of turkey handled in official plants for a 0.9 billion pound total reduction. Shell eggs certified in 2010 increased by 0.38 billion pounds. Poultry grading services covered about 29 percent of the turkeys slaughtered, 14 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 2010:

<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 2010, two successful surveillance PEV audits were 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 2011, 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.

- i. Voluntary Seed Testing – AMS offers seed inspection and certification services to users for a fee. Most of the users of this service are seed exporters. During FY 2010, AMS issued 2,513 Seed Analysis Certificates. The slight reduction of seed analysis certificates in 2010 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.

Fees and Charges in Effect FY 2010:

<u>Service Performed</u>	<u>Fees</u>
Seed Testing Activities	\$52.00 per hour

- j. Administration of Organization for Economic Cooperation and Development (OECD) Seed Schemes – AMS is responsible for the administration of U.S. participation in the OECD Seed Schemes, an international program through which seed companies export seed certified for varietal purity. AMS collects a fee to operate the program that is based on the amount of seed shipped. During FY 2010, AMS approved the shipment of 151 million pounds of seed and approved 1,427 new varieties. This represents a reduction of 52 million pounds of exported seed in 2010 due to world-wide economic conditions resulting in less certified seed shipped internationally.

Fees and Charges in Effect FY 2010:

<u>Service Performed</u>	<u>Fees</u>
Seed Export Management	\$0.20 per 100 lbs – Corn \$0.11 per 100 lbs – Other Crops

- k. Field Laboratory Services – The AMS Field Laboratory Services program (FLS) provides USDA, other federal agencies, and the agricultural industry with a network of analytical testing laboratories supporting commodity purchases, export certification programs, grading, quality assurance and biosecurity. During FY 2010, FLS conducted over 102,000 analyses and test for chemical, microbiological, biomolecular, proximate, and organoleptic testing. FLS consistently performs tests on commodities such as breads and cakes, butter, coffee, citrus juices and juice products, citrus trees, canned and fresh fruits and vegetables, canola, corn, crop plants, eggs and egg products, honey, meats, milk and dairy products, military and emergency food rations, oils and spreads, peanuts, rice, soybeans, tobacco, turf grass and others. The tests are performed to detect, identify, characterize and

quantify dietary content, pathogen contamination, aflatoxins, varietal identity, pesticide residue contamination, organoleptic properties and proximate characteristics.

Fees and Charges in Effect FY 2010:

<u>Service Performed</u>	<u>Fees</u>
Aflatoxin	\$25.00 - \$44.00 per test
Dairy	\$78.00 per hour
Citrus	\$78.00 per hour
Tobacco	\$450.00 per test
Voluntary/Other	\$78.00 per hour

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 2010, AMS received 598 applications for protecting new agricultural, floral, and seed plant varieties which is a 22% increase over last year. We are continuing to see more applications relating to new corn and soybean varieties. A total of 1,102 applications, including some from previous years, were pending action at the end of 2010. During the fiscal year, AMS conducted searches on 263 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, 4,761 certificates were in force while protection had expired on 272 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. On December 7, 2010, USDA issued a final rule and announced the appointment of the Sheep Center's Board of Directors. The first meeting of the Board of Directors is planned for January 19, 2011.

AGRICULTURAL MARKETING SERVICE

Limitation on Administrative Expenses

Not to exceed \$62,101,000 (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.

Annualized Continuing Resolution, 2011.....	\$60,947,000
Budget Estimate, 2012	<u>62,101,000</u>
Change in Limitation <u>a/</u>	<u>+ 1,154,000</u>

a/ The increase of \$1,154,000 is based on anticipated workload increases in FY 2012.

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

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

Annualized Continuing Resolution, 2011	\$1,334,000
Budget Estimate, 2012	<u>2,634,000</u>
Change in Appropriation	<u>+1,300,000</u>

Summary of Increases and Decreases

(On basis of appropriation)

<u>Item of Change</u>	<u>2011 Estimated</u>	<u>Pay Costs</u>	<u>Program Changes</u>	<u>2012 Estimated</u>
Payments to States and Possessions..	\$1,334,000	--	\$1,300,000	\$2,634,000
Total Available	<u>1,334,000</u>	<u>--</u>	<u>1,300,000</u>	<u>2,634,000</u>

Project Statement

(On basis of appropriation)

	<u>2010 Actual</u>		<u>2011 Estimated</u>		<u>Increase</u>	<u>2012 Estimated</u>	
	<u>Amount</u>	<u>Staff</u>	<u>Amount</u>	<u>Staff</u>	<u>or</u>	<u>Amount</u>	<u>Staff</u>
	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Decrease</u>	<u>Years</u>	<u>Years</u>
Payments for marketing services work under section 204(b) of the Agricultural Marketing Service Act of 1946 (FSMIP) a/ ..	\$1,334,000	--	\$1,334,000	--	\$1,300,000	\$2,634,000	--
Specialty Crop Block Grant Obligations	28,242	--	814,249	--	-814,249	--	--
Unobligated balance available, start of period	-842,491	--	-814,249	--	814,249	--	--
Unobligated balance available, end of period	<u>814,249</u>	--	--	--	--	--	--
Subtotal Appropriation	--	--	--	--	--	--	--
Total, Available or Estimate	<u>1,334,000</u>	<u>--</u>	<u>1,334,000</u>	<u>--</u>	<u>1,300,000</u>	<u>2,634,000</u>	<u>--</u>

a/ Excludes a \$350,000 grant to the Wisconsin Department of Agriculture, Trade and Consumer Protection, in FY's 2010 and 2011.

AGRICULTURAL MARKETING SERVICE

Payments to States and PossessionsObligation Levels
(On basis of available funds)

Item	2010 Actual	2011 Estimated	2012 Estimated
Appropriation, FSMIP	\$1,334,000	\$1,334,000	\$2,634,000
Unobligated Balance Available (from Specialty Crop Block Grants), start of period	842,491	814,249	--
Total Available	2,176,491	2,148,249	2,634,000
Total Obligations, FSMIP	-1,334,000	-1,334,000	-2,634,000
Total Obligations, Specialty Crop Block Grants .	-28,242	-814,249	--
Unobligated Balance Available, end of period ...	814,249	--	--

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 2011).

This request will increase the availability of grant funds awarded by the 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 on 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 2010 and is updated as information is received.

In FY 2010, the program received a total of 59 applications from 31 states totaling \$4.0 million. With an annual budget of \$1.3 million, the FSMIP program was able to fund only 22 of these projects from 18 states. The average award is \$50,000, although in recent years grants ranged from \$20,000 to \$109,000. Some of those projects included: surveying families with children to identify their attitudes about and preferences for seafood and aquaculture products, and to help the seafood industry develop a marketing campaign to reach this target population of consumer in Florida; using Web-based technology to foster an effective regional food system in Montana; encouraging increase use of locally-produced sustainable protein foods such as beef, pork, poultry, dairy, eggs and seafood in Maryland

healthcare facilities and institutions; developing a collaborative cluster of bakers to work on new product development with the region’s growers and millers of hard and soft wheat, spelt, corn and other small grains in New York; along with exploring opportunities for developing community supported agriculture (CSA) operations in Wyoming, and developing a start-up guide that addresses the challenges of operating CSAs in the Rocky Mountain region.

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.

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Geographic Breakdown of Obligations and Staff Years

Distribution of obligations by State are not available until projects have been selected. Funds in 2010 and 2011 for the Federal-State Marketing Improvement Program total \$1,334,000. A funding level of \$2,634,000 is proposed for 2012.

	<u>FY 2010</u>
Colorado	\$42,000
Florida.....	118,915
Georgia.....	63,275
Kentucky	38,550
Louisiana	61,295
Maryland	121,445
Massachusetts	38,870
Michigan	48,000
Mississippi	43,690
Montana	142,085
Nebraska	68,095
New Jersey	51,215
New York	134,060
North Dakota	59,735
Ohio.....	54,375
Oregon	55,850
South Carolina	109,000
Wyoming	83,545
Total Obligations	<u>1,334,000</u>

AGRICULTURAL MARKETING SERVICE

Specialty Crop Block GrantsGeographic Breakdown of Obligations

Annual funding of \$55,000,000 was provided in FY 2010 for the Specialty Crop Block Grant Program by the 2008 Farm Bill. Solicitation of grant applications was released on February 3, 2010. Applications were accepted through July 29, 2010 and awarded before September 30, 2010. Obligations not awarded in grants were expended for administrative costs.

	<u>FY 2010</u>
Alabama.....	\$435,904
Alaska.....	197,259
Arizona.....	1,175,326
Arkansas.....	270,935
California.....	17,281,159
Colorado.....	773,535
Connecticut.....	445,339
District of Columbia.....	181,210
Delaware.....	251,741
Florida.....	4,797,413
Georgia.....	1,015,360
Hawaii.....	416,809
Idaho.....	1,037,890
Illinois.....	648,086
Indiana.....	399,796
Iowa.....	276,311
Kansas.....	282,828
Kentucky.....	273,263
Louisiana.....	353,448
Maine.....	420,878
Maryland.....	432,767
Massachusetts.....	502,944
Michigan.....	1,415,490
Minnesota.....	802,719
Mississippi.....	293,555
Missouri.....	342,960
Montana.....	292,955
Nebraska.....	353,971
Nevada.....	231,061
New Hampshire.....	260,468
New Jersey.....	840,374
New Mexico.....	396,161
New York.....	1,254,272
North Carolina.....	1,147,732
North Dakota.....	665,630
Ohio.....	675,086
Oklahoma.....	369,855
Oregon.....	1,764,486

AGRICULTURAL MARKETING SERVICE

Specialty Crop Block GrantsGeographic Breakdown of Obligations
(Continued)

	<u>FY 2010</u>
Pennsylvania.....	1,069,427
Rhode Island.....	224,472
South Carolina.....	524,183
South Dakota.....	208,817
Tennessee.....	520,785
Texas.....	1,800,402
Utah.....	309,815
Vermont.....	228,703
Virginia.....	513,227
Washington.....	3,744,666
West Virginia.....	213,598
Wisconsin.....	1,056,178
Wyoming.....	206,135
Guam.....	183,113
Puerto Rico.....	400,098
U.S. Virgin Islands.....	182,405
Total Awarded.....	<u><u>54,363,000</u></u>

STATUS OF PROGRAM

PAYMENTS TO STATES AND POSSESSIONS

Current Activities: The Federal-State Marketing Improvement Program provides matching funds to State departments of agriculture and other State agencies for approximately 25 projects per year. The 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 2010, 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 59 projects from 31 States and U.S. territories representing requests for Federal funds of \$4.0 million. The program was appropriated \$1.3 million for competitive grants projects and these funds were allocated among 22 projects from 18 States. Another \$350 thousand was appropriated for the Wisconsin specialty meats project.

FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM
FISCAL YEAR 2010 GRANTS

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
Colorado	Prepare and assist the millet industry to directly market their products through research and training on the certifications and protocols necessary to access domestic and international markets.	\$42,000
Florida	Survey families with children to identify their attitudes about and preferences for seafood and aquaculture products, and to help the seafood industry develop a marketing campaign to reach this target population of consumers.	80,900
Florida	Assess demand for farm-raised baitfish in the Southeast through interviews and a survey of Florida anglers and baitfish retailers.	38,015
Georgia	Examine the market for locally-produced beef in the Southeastern U.S. and determine consumers' willingness to pay for various product attributes to help the region's retailers/foodservice operators better estimate consumer price-points, and help producers implement appropriate production strategies.	63,275
Montana	Use Web-based technology to foster an effective regional food system in Montana.	62,485
Montana	Create a wheat- price model and Web-site for use by wheat producers in a three-state region, and conduct educational programs aimed at improving economic returns.	79,600
Louisiana	Identify high potential, wood-based bioenergy business options that can be integrated into the current business models of forest landowners, and wood product manufacturers and distributors in the Louisiana forestry sector.	61,295

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
Maryland	Assess the economic impact of Maryland farmers markets, identify ways to expand the customer base and increase sales at farmers markets, and explore the feasibility of forming a statewide farmers market association.	20,825
Maryland	Encourage increased use of locally produced sustainable protein foods such as beef, pork, poultry, dairy, eggs, and seafood, in Maryland health care facilities and institutions.	100,620
Massachusetts	Identify factors that explain why some farmers markets succeed and others fail, and evaluate the impact of the new Women, Infants, and Children (WIC) cash voucher program on farmers and WIC clients.	38,870
Michigan	Gain insight into consumer demand and willingness to pay for ornamental and food-producing nursery plants grown under different production systems (sustainable, organic, conventional), at varying distances from the market (local, distant; domestic, international), in various containers (plastic, wheat, straw).	48,000
Mississippi	Conduct a pilot project to develop and deliver a quality control training program for small farmers and limited-resource cooperatives in Mississippi.	43,690
Kentucky	Determine best practices for sampling food products at farmers markets, explore how food product sampling can enhance vendor revenue, and publish a food product sampling guidebook for market managers and vendors.	38,550
Nebraska	Improve the sustainability of small to mid-sized agricultural producers and their host communities through more effective management of local food cooperatives operating under the Oklahoma Food Cooperative model.	68,095
New Jersey	Develop and launch New Jersey grown and processed value-added products that meet the nutritional and cost requirements of the National School Lunch Program.	51,215
New York	Develop a collaborative cluster of bakers to work on new product development with the region's growers and millers of hard and soft wheat, spelt, corn and other small grains.	75,505
New York	Develop practical direct marketing food safety protocols and compile comprehensive case studies to demonstrate best practices for safe food handling.	58,555
North Dakota	Study current industry practices with regard to quality standards for biomass feedstocks including corn stover, wheat straw, sorghum aftermath, and sugarcane bagasse, and using the results, develop schedules of premium and discounts, and a price reporting series.	59,735
Ohio	Foster development of new local food processing, aggregation and distribution infrastructure in Ohio.	54,375

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
Oregon	Assist grass seed warehouse operators develop export shipping quality manuals and complete a comprehensive review process to enhance their competitiveness in international markets.	55,850
South Carolina	Provide baseline data for a study on the long term economic impact of Market Maker, an interactive Web-based resource that provides geo-coded food marketing information to entrepreneurs and customers to facilitate business-to-business and consumer-producer connections now operating in 13 states and the District of Columbia.	109,000
Wyoming	Explore opportunities for developing community supported agriculture (CSA) operations in the state, and develop a start-up guide that addresses the challenges of operating CSAs in the Rocky Mountain region.	83,545
Total		<u><u>\$1,334,000</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.

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.

Current Activities: The Notice of Funding Availability for FY 2010 was published in the February 3, 2010, Federal Register with a grant application deadline of July 29, 2010.

Selected Examples of Recent Progress:

During FY 2010, grant awards were made to the 50 States, District of Columbia, the Commonwealth of Puerto Rico, Guam, and the U.S. Virgin Islands. American Samoa and the Commonwealth of the Northern Mariana Islands chose not to apply for funding. Grant awards totaled approximately \$55 million for 827 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.

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Annualized Continuing Resolution, 2011	\$12,399,000
Budget Estimate, 2012	<u>12,399,000</u>
Change in Appropriation	<u><u>- -</u></u>

Summary of Increases and Decreases

(On basis of appropriation)

<u>Item of Change</u>	2011 <u>Estimated</u>	<u>Pay Costs</u>	Program <u>Changes</u>	2012 <u>Estimated</u>
Total Available	\$12,399,000	--	--	\$12,399,000

Project Statement

(On basis of appropriation)

	<u>2010 Actual</u>		<u>2011 Estimated</u>		Increase or <u>Decrease</u>	<u>2012 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
Licensing dealers and handling complaints	\$9,857,597	78	\$10,674,000	85	\$36,000	\$10,710,000	85
Unobligated balance available start of period	-8,240,769	--	-4,920,255	--	-1,725,000	-6,645,255	--
Unobligated balance available end of period	4,920,255	--	6,645,255	--	1,689,000	8,334,255	--
Total, Available or Estimate	<u>6,537,083</u>	<u>78</u>	<u>12,399,000</u>	<u>85</u>	<u>--</u>	<u>12,399,000</u>	<u>85</u>

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities ActObligation Levels
(On basis of available funds)

Item	2010 Actual	2011 Estimated	2012 Estimated
Appropriation (from receipts)	\$6,537,083	\$12,399,000	\$12,399,000
Unobligated balance available, start of period	8,240,769	4,920,255	6,645,255
Total available	14,777,852	17,319,255	19,044,255
Total obligations	-9,857,597	-10,674,000	-10,710,000
Unobligated balance available, end of period	4,920,255	6,645,255	8,334,255

Note: The program implemented an 80 percent fee increase in FY 2011 as authorized under PACA.

Geographic Breakdown of Obligations and Staff Years
2010 Actual and Estimated 2011 and 2012

	2010		2011		2012	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
California	\$1,014,509	8	\$1,098,530	9	\$1,102,235	9
District of Columbia	6,190,826	49	6,703,548	53	6,726,157	53
Texas	1,303,537	10	1,411,496	11	1,416,256	11
Virginia	1,348,725	11	1,460,426	12	1,465,352	12
Total, Available or Estimate	9,857,597	78	10,674,000	85	10,710,000	85

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 2010 AMS was contacted by members of the fruit and vegetable industry for assistance in resolving 1,509 commercial disputes. These disputes involved approximately \$19.8 million. AMS resolved 92 percent of these disputes informally within four months. Decisions and orders were issued in 424 formal reparation cases involving award amounts totaling approximately \$11.4 million. During the same period, AMS initiated 24 disciplinary cases against firms for alleged violations of the PACA. AMS issued 11 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.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income and SupplySection 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, 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 for formulation and administration of marketing agreements and orders pursuant to the Agricultural Marketing Agreement Act of 1937 and the Agricultural Act of 1961.

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

Permanent Appropriation, 2011	\$6,605,945,807
Prior Year Appropriation, Available	122,127,338
Unavailable resources, end of year <u>a/</u>	-183,268,133
AMS Availability	6,544,805,012
Less annual transfers to:	
Department of Commerce	-68,231,012
Food and Nutrition Service (FNS), Child Nutrition Programs	-5,277,574,000
FNS Transfer from prior year funds <u>b/</u>	-76,000,000
Total Transfers	-5,421,805,012
AMS 2011 Spending Limitation <u>b/</u>	1,123,000,000
Less FNS Transfer for the Farm Bill Fresh Fruit and Vegetable Program <u>c/</u>	-58,000,000
Adjusted Base for 2011	1,065,000,000
Budget Estimate, 2012:	
Annual permanent appropriation	7,947,045,940
Prior Year Appropriation, Available	183,268,133
Unavailable resources, end of year <u>a/</u>	-127,328,015
AMS Availability	8,002,986,058
Less transfers to:	
Department of Commerce	-71,211,940
FNS, Child Nutrition Programs	-6,644,834,000
FNS Transfer from prior year funds <u>d/</u>	-170,418,118
Total transfers	-6,886,464,058
AMS 2012 Spending Limitation	1,116,522,000
Less FNS Transfer for the Farm Bill Fresh Fruit and Vegetable Program <u>c/</u>	-38,159,000
Budget Estimate, 2012	1,078,363,000
Increase from adjusted 2011	13,363,000

a/ Includes delayed Farm Bill Fresh Fruit and Vegetable Program transfer.

b/ Public Law 111-80, GP Section 721.

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

d/ 2008 Farm Bill, Public Law 110-246, Section 14222.

AGRICULTURAL MARKETING SERVICE

Summary of Increases and Decreases
(On basis of appropriation)

<u>Item of Change</u>	2011 <u>Estimated</u>	<u>Pay Costs</u>	Program <u>Changes</u>	2012 <u>Estimated</u>
Child Nutrition Program Purchases	\$246,100,000	--	\$338,900,000	\$585,000,000
Farm Bill Specialty Crop Purchases	158,300,000	--	47,700,000	206,000,000
State Option Contract	5,000,000	--	--	5,000,000
Removal of Defective Commodities	2,500,000	--	--	2,500,000
Disaster Relief	5,000,000	--	--	5,000,000
Direct Payments	550,000,000	--	-550,000,000	--
Emergency Surplus Removal	--	--	--	--
Estimated Future Needs <u>a/</u>	50,934,000	--	176,142,000	227,076,000
Commodity Purchase Services	27,110,000	--	621,000	27,731,000
Marketing Agreements and Orders	20,056,000	--	--	20,056,000
Net AMS Availability	<u>1,065,000,000</u>	--	<u>13,363,000</u>	<u>1,078,363,000</u>
FNS Transfer for Farm Bill Fresh				
Fruit and Vegetable Program ...	58,000,000	--	-19,841,000	38,159,000
Total Available	<u>1,123,000,000</u>	--	<u>-6,478,000</u>	<u>1,116,522,000</u>

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

AGRICULTURAL MARKETING SERVICE

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

Project Statement
(On basis of appropriation)

	<u>2010 Actual</u>		<u>2011 Estimated</u>		Increase or Decrease	<u>2012 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
1. Commodity Purchases							
a. Child Nutrition Program Purchases	\$614,131,392	--	\$246,100,000	--	\$338,900,000	\$585,000,000	--
b. Farm Bill Specialty Crop Purchases	24,639,114	--	158,300,000	--	47,700,000	206,000,000	--
c. Emergency Surplus Removal	300,887,802	--	--	--	--	--	--
d. Estimated Future Needs	--	--	50,934,000	--	176,142,000	227,076,000	--
Subtotal	939,658,308	--	455,334,000	--	562,742,000	1,018,076,000	--
2. State Option Contract	--	--	5,000,000	--	--	5,000,000	--
3. Removal of Defective Commodities	--	--	2,500,000	--	--	2,500,000	--
4. Disaster Relief	282,289	--	5,000,000	--	--	5,000,000	--
5. Direct Payments	83,375,000	--	550,000,000	--	-550,000,000	--	--
6. Prior Year Accounting Adjustment	177,394	--	--	--	--	--	--
7. Administrative Funds							
a. Commodity Purchase Services	22,275,551	54	27,110,000	50	621,000 (1)	27,731,000	53
b. Marketing Agreements and Orders	19,802,187	108	20,056,000	114	--	20,056,000	114
Subtotal	42,077,738	162	47,166,000	164	621,000	47,787,000	167
8. FNS Transfer for the Farm Bill							
Fresh Fruit and Vegetable Program	25,000,000	--	58,000,000	--	-19,841,000	38,159,000	--
AMS Spending Limitation	1,090,570,729	162	1,123,000,000	164	-6,478,000	1,116,522,000	167
Less: FNS Transfer for the Farm Bill							
Fresh Fruit and Vegetable Program	-25,000,000	--	-58,000,000	--	19,841,000	-38,159,000	--
Total Obligations	1,065,570,729	162	1,065,000,000	164	13,363,000	1,078,363,000	167
Offsetting Collections	-12,850,015	--	--	--	--	--	--
Recovery of Prior Year Obligations	-99,748	--	--	--	--	--	--
Prior Year Appropriation, Available	-375,268,737	--	-122,127,338	--	-61,140,795	-183,268,133	--
FNS Transfers from Prior Year Funds	242,022,000	--	76,000,000	--	94,418,118	170,418,118	--
Precluded from Obligation in Current Year <u>a/</u> ..	-76,853,128	--	-137,140,795	--	22,662,795	-114,478,000	--
Unavailable resources, end of year <u>a/</u>	122,127,338	--	183,268,133	--	-55,940,118	127,328,015	--
Total, Budget Authority	964,648,439	162	1,065,000,000	164	13,363,000	1,078,363,000	167
Rescission	133,351,561	--	--	--	--	--	--
Total, Available or Estimate	1,098,000,000	162	1,065,000,000	164	13,363,000	1,078,363,000	167

a/ Reflects delayed Farm Bill Fresh Fruit and Vegetable Program transfer.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income, and Supply (Section 32)Obligation Level
(On basis of appropriation)

	2010 Actual	2011 Estimated	2012 Estimated
Permanent Appropriation	\$8,061,101,371	\$6,605,945,807	\$7,947,045,940
Prior Year Appropriation, Available	375,268,737	122,127,338	183,268,133
Rescission	-133,351,561	--	--
Offsetting Collections	12,850,015	--	--
Recoveries of Prior Year Obligations	99,748	--	--
Total Available	8,315,968,310	6,728,073,145	8,130,314,073
Less transfers to:			
Food and Nutrition Service (FNS), Child Nutrition Programs	-6,747,877,000	-5,277,574,000	-6,644,834,000
FNS Transfer from Prior Year funds	-242,022,000	-76,000,000	-170,418,118
FNS, Fresh Fruit and Vegetable Program	-25,000,000	-58,000,000	-38,159,000
Department of Commerce	-113,371,243	-68,231,012	-71,211,940
Total Transfers	-7,128,270,243	-5,479,805,012	-6,924,623,058
Total available after transfers	1,187,698,067	1,248,268,133	1,205,691,015
Less total obligations	-1,065,570,729	-1,065,000,000	-1,078,363,000
Total unavailable resources, end of year	122,127,338	183,268,133	127,328,015
Less delayed Farm Bill Fresh Fruit and Vegetable Program transfer	-76,000,000	-92,000,000	-114,478,000
Net unavailable resources, end of year	46,127,338	91,268,133	12,850,015

Section 32

Justifications of Increases and Decreases

- 1) A net increase of \$621,000 and 3 staff years for AMS activities in support of the commodity purchase administration consisting of:
- a) A decrease of \$261,000 for the Web-based Supply Chain Management System (\$14, 774,000 available in FY 2010).

This decrease of \$261,000 is for the Web-based Supply Chain Management System to reflect the annual need for operations and maintenance costs.

- b) An increase of \$882,000 and 3 staff years for AMS activities in support of the USDA Farm to School Team.

This request will fund agency participation in the Department's Farm to School 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 Department's goal of ensuring 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 local, regional, and national stakeholders and agency partners to explore possible purchases, share best practices, and provide technical advice and assistance. AMS will engage farm to school stakeholders through a variety of formats, including but not limited to email, conferences, webinars, and meetings. 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 provide assistance on trainings to help farmer's better market their products to school nutrition programs. AMS will explore ways to leverage existing agency grant programs to support efforts to connect schools to local and regional food systems. AMS will provide assistance on food safety education, outreach, and trainings for farmers. AMS will also provide valuable assistance to schools by teaching grading standards and quality characteristics to look for when purchasing produce, and will offer 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.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income, and Supply (Section 32)Geographic Breakdown of Obligations and Staff Years
2010 Actual and Estimated 2011 and 2012

	2010		2011		2012	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
California	\$1,080,126	4	\$1,210,740	4	\$1,226,681	4
District of Columbia	39,487,265	152	44,262,273	154	44,845,042	157
Florida	513,507	2	575,604	2	583,182	2
Oregon	793,565	3	889,527	3	901,239	3
Texas	203,275	1	227,856	1	230,856	1
Total, Available or Estimate.....	42,077,738	162	47,166,000	164	47,787,000	167

STATUS OF PROGRAM

SECTION 32

COMMODITY PURCHASES

Current Activities:

AMS purchases meat, poultry, fruits and vegetables to help stabilize market conditions. The commodities acquired are furnished to the Food and Nutrition Service (FNS) to meet the needs of the National School Lunch Program and other domestic nutrition assistance programs. 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 2010, AMS purchased over \$511 million of specialty crop products which was a 21.9 percent increase over the minimum purchase level.

Selected Examples of Recent Progress:

Commodity Purchases – In FY 2010 AMS purchased \$874.7 million worth of non-price supported commodities with Section 32 funds. The Department of Defense purchased an additional \$65 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 19.50 cents per meal and for emergency surplus removal to assist agricultural producers. Under agreement, AMS also purchased an additional \$549 million (\$164.2 million in specialty crops) of commodities on behalf of FNS with funds appropriated to FNS for entitlement programs. In total, AMS purchased approximately 2.1 billion pounds (F&V portion 1.4 billion pounds) of commodities distributed by FNS through its nutrition assistance programs.

Surplus Removal – 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 2010:

Contingency Fund Expenditures FY 2010
(Dollars in Thousands)

<u>Commodity</u>	<u>Amount</u>
Apple and Apple Products	\$49,624
Blueberries	6,972
Red Tart Cherries	33,117
Clingstone Peach & Mixed Fruit Products	25,900
Pear Products	7,881
Plum Products	10,825
Potatoes and Potato Products	25,367
Cranberry Products	17,891
Dried Figs	4,974
Strawberries	6,972
Tomatoes	5,819
Freestone Peaches	4,962
Dates Products	2,674
Pork Products	36,677
Beef Products	37,397
Lamb Shoulder Chops & Leg Roasts	1,893
Breaded Catfish Strips	8,385
Chicken Leg Quarters (Dark meat)	13,557
Total	\$300,887

Web-Based Supply Chain Management (WebSCM) System – 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. 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 a significant portion of the build phase, with the rest of the build phase completed in FY 2010. The system went “live” in FY 2010 with limited functionality. Full functionality of WebSCM is scheduled to “go live” in FY 2011.

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:

- Complemented a regulatory proceeding and implemented amendments that benefits small dairy farmers and businesses. The proceeding was the first to be held under the new, faster timeline established in the 2008 Farm Bill and each segment was completed timely.
- Completed a regulatory proceeding that provides clarity to dairy farmers and dairy product manufacturers regarding how milk and milk-derived ingredients will be priced under all Federal milk marketing orders when used in fluid milk products.
- Implemented the Secretary's Dairy Industry Advisory Committee (DIAC) appointed to address dairy farmer profitability and price volatility. Coordinated the solicitation and selection of 17 committee members (with a diversity rate of 24 percent), developed and published a committee charter and by-laws, and managed all aspects of 3 public meetings that were held. To enhance public and DIAC participation at minimum costs, a web-based public comment platform was designed and implemented, as well as a SharePoint website for committee member deliberations.

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 2010, the committees referred 3 cases to AMS for enforcement action. During the same time period, AMS closed 10 other domestic marketing order cases and 546 cases related to Section 8e compliance, and collected \$52 thousand in civil penalties under stipulation agreements. AMS approved 25 marketing order compliance plans and conducted 19 compliance, program, and internal control reviews.

IT Initiatives – After more than a year of development and testing, AMS fully implemented, in January 2010, a new initiative that automates the marketing order committee compliance requirements and replaces the paper-based review and certification systems with automated processes. Now that field staff and committee members are fully trained, committees electronically document their internal controls procedures and certify their adherence to approved handler compliance plans. Therefore, AMS reviews and provides feedback and/or approval faster. AMS still conducts site visits, but they are accomplished by one auditor, rather than two or more, and they encompass a wider range of areas than before. AMS saves

approximately \$81 thousand over two years by minimizing site visits and saving on paper and document shipping costs.

Quality Factors Relating to Food Safety through Marketing Agreements and Orders – Based on comments received in a 2008 Advanced Notice of Proposed Rulemaking and a 2009 series of seven hearings, AMS developed a Recommended Decision pertaining to a proposed national marketing agreement for leafy green

vegetables. AMS is consulting with Department officials on its possible publication in the Federal Register. If implemented, the marketing agreement is intended to help minimize the risk of food-borne contamination in cabbage, lettuce, spinach and other vegetables defined as “leafy greens.”

Following work in 2009 to expand the domestic coverage of the marketing order for pistachios grown in California to also include Arizona and New Mexico, AMS drafted a regulation in 2010 to regulate exports of pistachios, based on an industry recommendation.

To respond to changing marketing needs, AMS issued about 65 rulemaking actions for fruit, vegetable and specialty crop marketing orders within established internal timeframes. AMS continued operating under a process that was developed in 2009 and shortens the format for certain marketing order final rules in the Federal Register, resulting in annual savings exceeding \$14 thousand. AMS continues collaborating 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 – From June to November 2010, AMS conducted a pilot program with four committees and boards, testing a pre-approval audit program for AMS’ endorsement of their marketing materials and commodity health claims. Preliminary analysis of the completed pilot shows the streamlined process achieved its goal of saving time and resources, while also further educating committees and boards of AMS requirements. Work in 2009 consisted of AMS and a working group of industry representatives holding 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, which was the basis for the pilot. AMS is now assessing the proposed program’s operations and deciding whether to adopt the process for all marketing order committees and research and promotion boards.

Peanut Handling and Quality Regulations – AMS performed a Section 610 Review of the current peanut handling and quality regulations in the United States, and conducted another round of nominations for industry members to the Peanut Standards Board. As a result, the Secretary of Agriculture appointed members and AMS has begun planning the Board’s next meeting for 2011, when AMS will consult with its members to discuss the public comments received during the Section 610 Review and potentially develop modifications to current handling and quality regulations.

Summary of Budget and Performance
Statement of Agency Goals and Objectives

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

AMS has 22 programs, 4 strategic goals, and 8 strategic objectives that contribute to 2 United States Department of Agriculture (USDA) Strategic Goals.

USDA Strategic Goal	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
USDA Strategic Goal 1: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.	AMS Goal 1: Support our customers in making verifiable market-enhancing claims about how their products are produced, processed, and packaged.	<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.	<ul style="list-style-type: none"> • Grading and Certification Services • Audit Verification Services • Laboratory Services 	<u>Key Outcome 1:</u> Agricultural producers and sellers can document market-enhancing claims that offer greater economic returns.
	AMS Goal 2: Provide benefits to the agriculture industry and general public by delivering timely, accurate, and unbiased market information; supporting marketing innovation; and by purchasing commodities in temporary surplus and donating them for Federal food and nutrition programs.	<u>Objective 2.1:</u> Respond quickly and effectively to changing markets, marketing practices, and consumer trends. <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.	<ul style="list-style-type: none"> • Market News • Standardization • Transportation and Market Development • Federal-State Marketing Improvement Program • Farmers Market Promotion Program • Specialty Crop Block Grants • Commodity Purchases [to support domestic producers] 	<u>Key Outcome 2:</u> The agriculture industry can identify alternative ways to maintain and improve the return on funds invested, and the food needs of USDA nutrition program recipients are matched with those of agricultural producers.
	AMS Goal 3: Enable agriculture groups to create marketing self-help programs designed to strengthen the industry's position in the marketplace.	<u>Objective 3.1:</u> Respond to industry requests for planning and technical assistance (while maintaining oversight of program activities).	<ul style="list-style-type: none"> • Research and Promotion Programs • Marketing Agreements and Orders 	<u>Key Outcome 3:</u> Agriculture industry groups can establish programs that promote consumer purchases of their commodities on a national or regional scale.

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

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

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 (FDA) recommended practices for food safety, including GAP and GHP. 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:

Export Verification – In June, AMS received a commitment by two leading European ports - Rotterdam, Netherlands, and Felixstowe, United Kingdom - to accept records from the USDA's Electronic Trade Document Exchange System (eTDE). In addition, AMS obtained an agreement from the European Commission to accept electronic data from eTDE into the Trade Control and Expert System (TRACES), the European community's single system for managing traceability for products of animal origin. AMS is working with officials from both ports to refine this process. These efforts support documentation of marketing claims by U.S. agricultural producers and sellers to facilitate U.S. exports.

AMS worked with European Commission officials to define trade document data requirements that will conform to European information systems. This has allowed AMS to engage the peanut and dairy industries in creating a process to identify all electronic documents related to exported shipments using this data. Establishing this process for delivering electronic trade documents will allow ports to perform the required document checks in advance of shipment arrivals. This in turn will allow for the prompt release of U.S. agricultural products into foreign marketplaces. It will also eliminate the cost of shipping and managing paper documents, as well as manual entry of incoming shipment information, into the TRACES system.

AMS has prepared the eTDE system to serve as a repository for Food Safety and Inspection Service (FSIS) certificates issued by the Public Health Information System (PHIS). European countries were advised in writing of the FSIS eTDE delivery channel, which will enter production in FY 2011.

Selected Accomplishments Expected at the FY 2012 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 children and families in need. AMS monitors website usage and customer feedback to assess the usefulness of these products/services.

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

Other USDA programs use Market News information for risk management, economic analysis, and statistical compilation. The Risk Management Agency uses Market News organic market information to develop their market-based risk management solutions for organic producers; the Economic Research Service develops economic analyses and overviews of organic production for the organics industry on market and production strategies; and the National Agricultural Statistics Service (NASS) develops the census of organic production which is a resource to the organic industry in defining its scope. The Organic Trade Association also uses organic Market News information to support their member services activities.

HPPG Measure: Number of healthy food retail outlets established in identified food deserts. A number of AMS marketing programs support the USDA high priority goal to eliminate food deserts. During FY 2011, USDA will invest strategically in six food deserts. Success will be measured based on increasing the number of healthy food retail outlets in the 6 identified food deserts and increasing the number of people, households, and children with access to healthy food retail outlets.

Long-term Performance Measure: Farmers markets increase consumer access to local food. AMS programs assist in the development and improvement of farmers markets. The cumulative number of farmers markets established is expected to increase from 5,274 in 2009 (with \$1.22 billion in sales per year) to 6,300 in 2015 (with \$1.5 billion in sales per year).

Selected Past Accomplishments toward Achievement of the Key Outcome:

The Market News Program – The Market News Program continued expanded reporting on organic production to provide information needed by the industry with resources provided by Section 10302 of the Food, Conservation, and Energy Act of 2008 (Farm Bill). For example, in 2010, AMS Market News regularly reported current market information on 246 organic products (cotton, dairy and dairy products, fruits and vegetables, meat and grain, and poultry and eggs). In April 2010, AMS announced a new National Fruit and Vegetable Organic Summary. Issued every Tuesday, the new report provides an easy-to-use summary of the market data, including wholesale and shipping point prices and movement data. The report provides all available organic market data at a glance; thus significantly reducing the amount of time customers spend searching for organic market data. AMS' National Organic Program (NOP) has created a link to AMS Market News on the NOP website and presented information about AMS Organic Market News at the April 2010 National Organic Standards Board meeting in Davis, California. During FY 2011, AMS continues to report on organic markets. Market News information is essential to a financially sustainable and competitive agricultural system.

Transportation and Market Development – Transportation and Market Development supports agricultural market innovation, expansion, and transportation through studies, reports, and technical assistance.

AMS published a series of publications aimed at the small and mid-size food producers that highlight recent changes in supply chain management practices (in packaging technology, vendor selection, merchandise preferences, quality control, etc.) in order to help these producers become more successful at supplying retail customers.

AMS issued a report in December 2009 that was developed in partnership with the California Institute for Rural Studies on *Breaking Down Market Barriers for Small and Mid-sized Organic Growers*. The report focuses on marketing challenges faced by organic fruit and vegetable farmers in California and their potential commercial buyers, citing grower difficulty in getting organic price premiums, inconsistent supply of product available to commercial buyers, locating and accessing markets, lack of price information, and meeting buyer requirements as the greatest barriers to the successful marketing of organic produce grown on small and mid-sized farms. Recommendations for farmers, buyers, policymakers, organizations, and researchers on breaking down these barriers are also presented in the report, as well as recommendations on developing more direct relationships between organic producers and customers; hosting workshops on marketing, food safety, working with wholesalers, online marketing and organic transitions; and expanding preferential purchases of local and organic foods by public agencies.

Farmers markets in the United States annually generate more than \$1 billion in sales per year. Consequently, the continued growth of farmers markets leads to increased economic opportunities for many farmers, especially newer farmers and those with smaller-scale operations who may have difficulty accessing other distribution channels. In April 2010, AMS launched its latest campaign to collect information about farmers markets for the *2010 USDA National Farmers Market Directory*, the official count of the Nation's farmers markets. In May 2010, with the help of Michigan State University, AMS was able to successfully transition the Directory to an online platform so that market managers could update their own market information on an individual basis. As a result, more than 4,000 market records were updated by market managers, and the Department's master database of farmers markets is now more robust than ever, allowing a greater number of consumers to locate farmers markets – and the availability of particular products and services – in their own communities. Since the directory was first created in 1994, the number of farmers markets has more than tripled from 1,755 to 6,132 in 2010. The directory now provides a snapshot of what is happening at farmers markets, demonstrates how the industry is growing and expanding, serves as a tool to help consumers find local farmers markets, and captures specific information about where farmers markets operate, if they accept food assistance program vouchers and electronic benefits from the Supplemental Nutrition Assistance Program (SNAP), Women Infants and Children Program, and Farmers Market Nutrition Program, and what types of products are being sold. This year, data were also expanded to include the growing number of winter farmers markets.

In June 2010, the Transportation and Market Development Program, working with the Food and Nutrition Service (FNS), released a how-to handbook on SNAP benefits at Farmers Markets to give market managers and stakeholders technical guidance on how to make their market facilities more accessible to recipients of Federal nutrition assistance benefits, and enable farmers markets to enjoy the patronage of household shoppers that have not traditionally been drawn to farmers markets.

The latest USDA National Farmers Market Managers Survey, launched in June 2010, queried market managers across the country about their operations, management structure, vendor composition, merchandise offerings and sales volumes. This survey is designed to help market managers, planners and organizers make better informed decisions about their market operations and practices, and give them relevant data on how to leverage sales, increase profitability and make the economic case for farmers markets in their communities.

In April 2010, AMS submitted its first, comprehensive report to Congress on the four major modes of transportation commonly used by agriculture in the United States—truck, rail, barge, and ocean vessel. The study and report found broad initiatives that merit attention relating to rail industry deregulation, funding for inland waterways and highways, availability of ocean containers and vessels, and the

transportation of biofuels. The report provides vital information needed to make strategic infrastructure and policy decisions to meet rural America's agricultural transportation needs in FY 2011 and beyond.

Farmers Market Promotion Program - Received proposals from more than 500 applicants in FY 2010. After review by an external panel in late July, \$4.4 million was allocated at the end of FY 2010 to 81 farmers market and other direct-to-consumer marketing projects in 35 states. Of this amount, more than \$1 million dollars will go to 27 new projects that involve the installation of electronic benefits transfer (EBT) machines at farmers markets and another 8 existing EBT projects will receive \$0.2 million so that recipients of supplemental nutrition assistance can redeem their benefits at markets and be encouraged to shop for fresh produce at farmers markets.

Federal-State Marketing Improvement Program – Awarded more than \$1.3 million in 22 matching grants to 18 states supporting agricultural market research and demonstration projects that will explore new and innovative approaches to marketing U.S. food and agricultural products and improve the efficiency and performance of the marketing system. These grants focus on developing agricultural marketing strategies for an array of projects including eight local/regional food projects, two bio-energy projects, a farm-to-school project, and a food safety for direct marketers project.

Pesticide Data Program – Program data are used to assess pesticide residue risk to assist in the re-registration of pesticides and provide information on safer replacement pesticides as their uses increase. These newer pesticides are intended to replace previously registered pesticides to mitigate risk under the criteria set by the Food Quality Protection Act of 1996. In FY 2010, PDP tested 12,772 samples for 419 pesticides and their metabolic products. These tests involved 27 different commodities, including fruit, vegetables, catfish, eggs, groundwater, and treated and untreated drinking water. The fruit and vegetables surveyed comprised 21 crops, which included two types of lettuce (conventional and organic) and two types of spinach (fresh and processed – canned/frozen). Of the 21 fruit and vegetable commodities, 14 were minor crops (asparagus, beans/legumes, bell peppers, cabbage, cantaloupe, cilantro, cucumbers, mangoes, pears, potatoes, spinach, strawberries, sweet potatoes, watermelon) and 10 were high consumption foods for children (apples, sweet corn, grapes, oranges, lettuce – conventional and organic, oats, pears, potatoes, tomato paste, and watermelon). PDP added eggs in July, a new commodity for the program, because they were deemed a critical data need by the Environmental Protection Agency (EPA) and are a high consumption food item for children. Mangoes were tested at the request of EPA because they are an EPA Environmental Justice concern. Also during FY 2010, PDP surveyed school and daycare well waters which included 300 wells which were identified for testing in conjunction with the National Children's Study.

Microbiological Data Program – MDP has been working to tighten microbiological sampling and testing requirements/protocols so that information shared with the FDA and Centers for Disease Control and Prevention (CDC) can be used to help address food safety concerns. MDP is working with FDA and CDC to develop measures that will evaluate progress in reducing the number of food borne illnesses attributed to fruit and vegetables.

During FY 2010, MDP notified the FDA and CDC of 23 *Salmonella* positive detections in fresh produce samples (as of September 30, 2010). *Salmonella* was found in alfalfa sprouts, hot peppers, spinach, cantaloupe, and cilantro, prompting FDA to initiate trace back, compliance action(s), or recall of the affected lots, on seven or more occasions. Information collected on these pathogens was uploaded to PulseNet, the CDC database that tracks human illnesses and outbreaks. CDC helps match MDP *Salmonella* isolates with outbreaks, thereby aiding CDC in outbreak investigations. Resource constraints require that MDP focus its testing on selected fresh produce samples for pathogens of importance to public health, primarily *Salmonella* and pathogenic *E. coli*. Prompt notification and action by MDP helps to reduce the scope of outbreaks and limit the economic impact on growers.

MDP information provided to FDA includes the location where the product was sampled, grower, distributor, lot number, "use by" date, and any other identification available at the time of sample collection

to facilitate removal of affected products from the food distribution system. By taking quick action, FDA ensures that a recall is limited to the affected producer and does not impact other producers of the same commodity. Information provided to CDC on pathogens isolated by MDP, including genomic fingerprints, connects cause and effect of human illness associated with foods and facilitates investigation of clusters of illness before they become widespread outbreaks.

In July 2010, MDP initiated a pilot project to sample at production points (“farm-gate”) in Salinas Valley, California for two commodities, lettuce and spinach. MDP enlisted growers through voluntary participation in this pilot project and collected samples through September 2010. In return, MDP will provide results within 48 hours, so that if pathogens are found, the product will not reach the consumer. This project, developed with the support of FDA, will provide comparative data between wholesale and farm-gate sampling. MDP sampling is normally taken at major wholesale distribution centers and selected terminal markets.

To improve coordination of activities between MDP, FDA, and CDC, especially relative to potential recalls, AMS conducted a seminar on MDP with FDA officials, invited FDA and CDC staff to the annual MDP meetings to present updates on their epidemiological initiatives, met with the Produce Marketing Association and United Fresh Produce to explain MDP objectives and discuss farm-gate sampling possibilities, and provided a presentation with an open dialog to the Food Marketing Institute whose membership is comprised of major U.S. food distributors.

In FY 2011, the MDP began sampling a limited number of produce at wholesale markets in Arizona to include more produce imported through Mexico. This program supports government-wide initiatives on healthy foods and improved children’s nutrition.

Commodity Purchases – Commodity purchases supports agricultural producers and nutrition assistance programs. During FY 2010, AMS worked with the FSIS and the Agricultural Research Service (ARS) to complete new food safety standards for ground beef purchased by AMS for Federal food and nutrition assistance programs. These new standards, applicable to AMS ground beef contracts awarded on or after July 1, 2010, are designed to ensure that food provided to nutrition programs is as safe and nutritious as possible and that USDA purchase standards are in line with those of major private-sector buyers of ground beef. In addition to continuing a zero tolerance for *E. coli* O157:H7 (including O157:H7 and O157:Non-Motile (NM); and *Salmonella*, the new AMS standards will: 1) tighten microbiological testing protocols; 2) tighten the microbiological upper specification and critical limits; 3) increase microbiological sampling frequency for finished products to every 15 minutes; and, 4) institute additional rejection criteria for source trimmings used to manufacture AMS purchased ground beef. AMS will also consider any vendor classified by FSIS as having a long term poor safety record as an ineligible vendor until a complete cause-and-effect analysis is completed.

As part of this effort, the National Academy of Sciences (NAS) reviewed the AMS ground beef purchase requirements by bringing together experts in all areas of science to provide an independent review of the program. The review was focused on three major areas: 1) a thorough evaluation of the scientific validity of current technical requirements and methods; 2) to benchmark those processes and methods against recognized industry leading programs, which supply product directly to consumers through retail sales or food service operations; and 3) provide recommendations to AMS on how to perform future periodic evaluations against industry recognized best practices. NAS concluded that the current, robust specification requirements for ground beef have been protective of the health of recipients in Federal food and nutrition programs over the past decade. The findings and recommendations clearly indicate that there is no single scientifically valid solution to ensure food safety. In general, NAS recommended that USDA use a more transparent and auditable process that employs a larger array of available scientific resources and assets to systematically develop product specifications that attain a safe product that meets end-user needs.

AMS contracted with ARS in July 2010, to review the commodity specifications for foods purchased by AMS. ARS was asked to determine the adequacy of food safety requirements as referenced in the AMS food purchase specifications and inspection procedures. In November 2010, ARS reported to AMS concerning the results of the review, specifically microbiological sampling and testing requirements, contained in the commodity specifications for cooked diced chicken, fresh baby carrots, and cooked boneless roast beef. Where feasible, AMS will use the reports from ARS to enhance and strengthen its food safety requirements for products purchased for the National School Lunch Program and other food assistance programs.

AMS presented an interactive webinar to the produce industry entitled “How to Sell to the USDA” in September 2010. The webinar was presented by AMS’ Commodity Purchase Program which purchases fruits and vegetables from industry vendors for distribution to a variety of domestic programs including the National School Lunch Program. Overall, AMS purchases about one billion pounds of produce per year. In this webinar session, fruit and vegetable growers and producers of all sized operations learn how to sell to the USDA, and why certain items are purchased. Through its partnership with FNS, AMS is working on ways to get more locally grown foods into the school lunch program. AMS co-sponsored three food safety workshops in 2010 for small producers in Illinois, Pennsylvania, and Wisconsin, the last two of which were aimed at organic producers.

AMS is working closely with FNS staff to improve the nutritional profiles of the foods purchased for schools and other recipients of USDA’s food nutrition assistance programs. In this effort, AMS has worked to lower and improve the sodium and fat content of product offerings by revising product specifications or introducing new products. For example, AMS introduced oven roasted chicken to replace cooked batter breaded chicken. The new product has less than 11 percent fat and 200 milligrams or less of sodium per 2-ounce serving. Specifications for turkey ham, chicken fajita strips, canned boned chicken, and fruits have all been revised to make the products more nutritious. New offerings for fruits will contain extra light sucrose syrup as opposed to light syrup. Several products are currently either under development or review, including vegetables with no salt added as opposed to the currently offered low sodium vegetables.

During FY 2010, the USDA agencies sharing the Processed Commodities Inventory Management System (AMS, FNS, and the Farm Service Agency) began a phased-in conversion of processes to the new WebSCM. Production activities within the new system began on June 30, 2010, based on a revised phased implementation approach supported by the Office of Management and Budget (OMB). Initial functionality included price support procurement, multi-food inventory and ordering, DOD fresh program payments, and administration functionality. This functionality touches all aspects of WebSCM, and nearly 650 users, including recipient agencies and other external users, are currently using WebSCM.

Selected Accomplishments Expected at the FY 2012 Proposed Resource Level:

- Implement new Transportation and Market Development activities that take advantage of AMS’ program expertise to support USDA food hubs and Know Your Farmer, Know Your Food (KYF2) Initiatives which will help to address the growing consumer demand for locally-grown produce. 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.
- Expand the Federal-State Marketing Improvement Program (FSMIP) to award \$2.6 million in competitive matching grants that focus on local and regional food marketing opportunities. The FY 2012 budget request will enable AMS to fund a much greater number of applications and larger projects. Projects proposed and conducted by State agencies explore new market opportunities for local food and agricultural products, and encourage research and innovation of their agricultural marketing systems to improve efficiency and performance.

- Conduct a \$10 million grants program to award funds to eligible applicants under the Farm Bill-funded FMPP. FMPP grants are targeted to help improve and expand domestic farmers markets, roadside stands, community-supported agriculture programs and other direct producer-to-consumer market opportunities.
- Conduct a \$50 million grants program to award funds to State agencies for projects in support of specialty crops. Specialty crops are defined as fruits and vegetables, tree nuts, dried fruits, and nursery crops (including floriculture). These funds are made available under the Farm Bill-funded Specialty Crop Block Grants Program.
- Continue participation by the current 12 cooperating states and maintain effective sampling and testing targets in the Pesticide Data Program (PDP). PDP generates data concerning pesticide residues in the food and water supply, with a special focus on foods most frequently consumed by children, as well as minority populations and the U.S. as a whole. 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.
- Expand sampling of produce in Arizona under the Microbiological Data Program (MDP) to include more imported produce coming through Southwestern markets. The inclusion of Arizona allows MDP to capture a larger number of imports through Mexico, which increase during the winter months.
- Provide AMS commodity purchasing expertise to the USDA Farm to School Team initiative to determine how to stimulate changes in school food procurement practices to support a local and regional food supply.
- Establish a source of operating funds for the WebSCM system, USDA's commodity procurement management system.

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

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

Long-term Performance Measure: The percentage of peer reviewed commodity board evaluations of research and promotion programs that show quantitative financial benefits is 94 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. The goal is to maintain or increase this percentage.

Selected Past Accomplishments toward Achievement of the Key Outcome:

Research and Promotion – During 2010, AMS revised its' *Guidelines for AMS Oversight of Commodity Research and Promotion Programs*. In developing these guidelines, AMS discussed the provisions with industry boards to improve stakeholder buy-in, address R&P Boards' concerns with new requirements by finding practical ways to help strengthen our oversight while being mindful of boards' business needs. AMS capitalized on this effort by encouraging open dialogue about uniformity, consistency, solid internal controls, sound management practices, and best programmatic practices. Under the new guidelines, the boards are required to document their decisions concerning the selection of contractors and to conduct annual financial audits in accordance with Government auditing standards, which are stronger than the more common Generally Accepted Accounting Standards used by most corporations. AMS is responsible for review and approval of budgets and projects undertaken by the boards using industry assessments (or checkoff funds).

Marketing Agreements and Orders (Dairy) – The number of schools participating in the Fuel Up to Play 60 Program (FUTP60) increased by 38 percent in 2010 – significantly higher than the 7 percent AMS goal. This in-school program encourages the availability and consumption of nutrient-rich foods, along with 60

minutes of daily physical activity. The program's success resulted from personal collaboration efforts between AMS senior management and major stakeholders to promote healthier eating, combined with the activities of the National Dairy Council (NDC). Through these collaboration efforts, a 2010 work plan was adopted by the NDC and FNS which incorporates the FUTP60 Program into USDA's Healthier U.S. Schools Challenge Program (HUSCC). The work plan has five objectives to increase visibility and acceptance of FUTP60 and HUSCC programs. In this way, AMS ensured timely and expedient review and approval of multiple contracts and over 50 public relation and promotional communication items, including materials and contracts that enabled planning and execution of FUTP60 events at the National Press Club; and facilitated kick-off events and public service announcements to increase next year's school participation in the FUTP60.

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

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

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

Long-term Performance Measure: One component of ensuring the financial sustainability of producers is to continue to identify and improve access to new domestic markets. AMS provides support in developing opportunities through market trend analysis and business and marketing tools. This assistance includes overseeing national standards for the production and handling of agricultural products labeled as organic. Goods that are certified as organic frequently bring higher prices at market, resulting in increased returns for farmers. This program protects consumer interests through improvement of the integrity of the USDA Organic label. The percentage of accredited certifying agents, both domestic and foreign, that are in full compliance with 90 percent of the National Organic Program accreditation criteria will increase from 90 percent in 2010 to 92 percent in 2012.

Selected Past Accomplishments toward Achievement of the Key Outcome:

National Organic Program (NOP) - During FY 2010, NOP has effected program changes to better protect consumer interests, including increased oversight and training of accredited certifying agents, policy changes, complaint/compliance reviews, and policy changes that address USDA OIG findings and recommendations. These changes are critically needed as demand for organic products grows. The number of agricultural operations certified as organic increased to approximately 17,400 in FY 2010. For the same year, the number of foreign certified organic operations increased to approximately 9,534, for a total of 26,945 operations certified to the national organic standards worldwide. Organic certification is expected to continue growing.

The NOP has implemented a number of corrective actions to improve the integrity of the USDA Organic label including: an improved complaint handling and enforcement action process; an audit of the California State Organic Program which verified that California has implemented corrective actions to address all of the findings from the December 2009 NOP audit; responded to National Organic Standards Board (NOSB) recommendations; expanded training to accredited certifying agents (training conducted in California, Wisconsin, New York, Georgia, Colorado, Germany and Ghana); completed all audits of foreign accredited certifying agents and foreign governments with recognition agreements; implemented a foreign assessment program for greater oversight of foreign organic operations; and is on track to complete corrective actions for all 14 OIG audit recommendations identified in the March 2010 OIG audit of NOP.

Country of Origin Labeling Program (COOL) – in FY 2010, a total of 500 State employees were certified to conduct COOL reviews in retail stores across the U.S. The program conducted a total of 8,363 retail reviews and audited 200 products through the chain of commerce. An automated database system - COOL FACTS – is scheduled for implementation during FY 2011.

Federal Seed Act Program – received 243 new mislabeling complaints from 15 state agencies during FY 2010, resulting in 288 cases. The program settled 42 cases administratively with penalty assessments totaling over \$37 thousand.

Pesticide Recordkeeping Program (PRP) – exceeded its sampling goal for recordkeeping inspections by meeting with over 3,700 certified private applicators of Federally-restricted use pesticides. Another 645 private applicators were inspected in States that have recordkeeping requirements that meet or exceed the Federal requirements. More than 200 State and Federal inspectors completed the Web-based and regional training offered by the program. The implementation of Web-based inspector training has resulted in savings that enabled the program to produce additional outreach and educational materials.

Shell Egg Surveillance Program (SES) – increased the number of shell egg handler visits by 14% due to increased compliance action to meet SES regulatory requirements. In FY 2010, 96% of all egg operations were in compliance with SES requirements and the percentage of handlers and hatcheries in compliance with the regulations during follow-up visits increased 11%.

Perishable Agricultural Commodities Act (PACA) Program – In May 2010, PACA announced two new tools for growers, buyers, and sellers of produce to assist them in doing business – “*Sample PACA Reparation Cases by Subject Matter*” and “*PACA Commodities List*” – available through the AMS website. Businesses can use “*Sample PACA Reparation Cases by Subject Matter*” to get an idea of how previous PACA cases have been settled. They will find examples of cases involving such things as abandonment, acts of God, Breach of Contract and others. The “*PACA Commodities List*” is a compilation of fruits and vegetables that are commonly bought and sold in the United States. Businesses can reference this list to determine if the products they produce, sell and/or buy are covered under the PACA. Both additions are a public service to enhance the knowledge of the industry regarding fair trade practices. These links complement the educational tools and resources already available to the public, such as the Internet Training Program, “PACA Search” feature for license information, PACA Top Ten Contract Issues, and Industry Trade Terms.

Selected Accomplishments Expected at the FY 2012 Proposed Resource Level:

- AMS’ National Organic Program (NOP) will reinforce the integrity of the USDA Organic label by undertaking a thorough review and (where necessary) update the program regulations; resolving discrepancies in application of the standards, strengthening guidance and oversight of certifiers and improving response time on enforcement actions as demand and production levels increase; and addressing requests for equivalence agreements.
- The implementation of the new COOL FACTS database in FY 2012 will enable the COOL program to better monitor compliance by retailers with labeling requirements.

AGRICULTURAL MARKETING SERVICE

Summary of Budget Performance Key Performance Outcomes and Measures

Discussion of Key Performance Proposals:

Key Performance Targets

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

- +\$2.9 million for the National Organic Program, to strengthen the integrity of organic labeling by strengthening guidance and oversight of certifiers and improving response time on enforcement actions as demand and production levels increase. The program will update (where necessary) program regulations, resolve discrepancies in application of the standards, and address requests for equivalence agreements.
- +\$1.9 million for the Transportation and Market Development Program to support to support food hubs and local and regional food systems as part of USDA's Know Your Farmer, Know Your Food (KYF2) initiative.
- +\$1.3 million for the Federal-State Marketing Improvement Program for additional grant projects that focus on local and regional food marketing opportunities.
- -\$0.7 million for the Market News Program to offset proposed increases and contribute to budget reduction efforts.
- -1.1 million for the Country of Origin Labeling Program to offset proposed increases and contribute to budget reduction efforts.

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

In support of USDA's strategic goal to ensure that all of America's children have access to safe, nutritious, and balanced meals– the budget estimates include the following discretionary proposals:

- +\$1.2 million for the Pesticide Data Program to maintain pesticide residue testing conducted through cooperating State agencies, with a focus on foods highly consumed by children. 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 expand sampling under agreement with the State of Arizona. This agreement will allow AMS to increase the sampling and testing of produce (fruits, vegetables, specialty crops) imported through Mexico.

The FY 2011 budget estimates include the following proposals from mandatory funding that support both of the strategic goals listed above:

- +\$0.9 million to fund AMS participation in USDA's Farm to School initiative. Commodity Purchase Services will provide technical expertise in support of the USDA Farm to School Team which will better link local and regionally grown foods to school nutrition assistance programs.

- -\$0.3 million adjustment for USDA's Web-Based Supply Chain Management System which will provide the \$14.5 million necessary for administration, operation and maintenance of this new commodity management system.
- +\$32.4 million net change in Section 32 program funds to offset administrative costs and adjust the total to the amount made available by the 2008 Farm Bill.

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

Key Performance Targets

Performance Measure	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 CR Level	FY 2012 Target
National Organic Program: Percentage of accredited certifying agents, both domestic and foreign, that are in full conformance with 90% of the NOP accreditation criteria	--	--	--	90%	90%	92%
National Organic Program Funding (\$ millions)	\$2	\$3	\$4	\$7	\$7	\$10
Transportation and Market Development: Number of educational publications, resource materials, physical site inspections, training of stakeholders, and case studies conducted to improve local food access	n/a	35	35	35	35	43
Transportation and Market Development Program Funding (\$ millions)	\$6	\$6	\$6	\$6	\$6	\$8
Cumulative number of farmers markets established, increasing consumer access to local food	n/a	n/a	5,274	6,132	6,166	6,200
Annual Farmers Market Sales (\$ billions)	\$1.06	\$1.11	\$1.22	\$1.22	\$1.23	\$1.23
Farmers Market Promotion Program Funding (\$ millions) ^{1/}	\$1	\$4	\$5	\$5	\$10	\$10

Performance Measure	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 CR Level	FY 2012 Target
Market News: Number of (annual) eViews for marketing and transportation information (millions)	42.3	56.7	56.8	57.0	57.0	56.0
Number of organic items covered (agricultural products reported by market news)	n/a	114	234	246	246	246
Market News Funding (\$ millions) ^{2/}	\$32	\$33	\$33	\$34	\$34	\$34
Pesticide Data Program: 5-year running total number of foods, based on top two dozen children's food commodities, included in the Pesticide Data Program	19	19	21	22	21	22
Comprehensive pesticide residue data available for dietary risk assessment (Priority 1 & 2 Compounds) - all commodities	89	90	91	91	91	92
PDP Funding (\$ millions)	\$15	\$15	\$15	\$15	\$15	\$17
Microbiological Data Program: Number of samples tested	n/a	n/a	15,172	18,600 ^{3/}	18,000	18,000
Number of commodities tested	n/a	n/a	6.35	8 ^{3/}	8	8
MDP Funding (\$ millions)	\$5	\$5	\$5	\$5	\$5	\$5

1/ Farm Bill funds provided for FY 2008-2012; \$1 million appropriated in FY 2007 and FY 2008.

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

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

HPPG Measure:

Performance Measure	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 CR Level	FY 2012 Target
HPPG Measure – Eliminate Food Deserts: Number of new healthy food retail outlets established in identified food deserts. (USDA-wide initiative--a number of AMS marketing programs support this USDA high priority goal.)	--	--	--	--	Projects underway	6 or more

Summary of Budget and Performance

Full Cost by Department Strategic Goal
(Dollars in Thousands)

DISCRETIONARY PROGRAMS	FY 2010	FY 2011	FY 2012
Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving			
Market News	\$30,507	\$31,607	\$30,961
Indirect Costs	2,524	2,615	2,561
Total Costs	33,031	34,222	33,522
FTEs	265	265	265
<u>Related Performance Data</u>			
Organic Market Reporting: Number products reported	246	246	246
Number (in millions) of (annual) eViews for market information	57.0	57.0	56.0
National Organic Program	6,244	6,435	9,140
Indirect Costs	517	532	756
Total Costs	6,761	6,967	9,896
FTEs	28	32	32
<u>Related Performance Data</u>			
Percentage of accredited certifying agents, foreign and domestic, in conformance with 90 percent of the NOP accreditation criteria	90%	90%	92%
Transportation and Market Development a/	5,522	5,379	7,152
Indirect Costs	457	445	592
Total Costs	5,979	5,824	7,744
FTEs	35	38	38
<u>Related Performance Data</u>			
Cumulative number of farmers markets established	6,132	6,166	6,200
Number of publications and activities to improve local food access	35	35	43
Standardization	4,642	4,721	4,723
Indirect Costs	384	393	391
Total Costs	5,026	5,114	5,114
FTEs	35	36	36
Federal Seed	2,303	2,284	2,285
Indirect Costs	191	190	189
Total Costs	2,494	2,474	2,474
FTEs	21	22	22
Country of Origin Labeling Program	9,806	9,857	8,838
Indirect Costs	811	821	731
Total Costs	10,617	10,678	9,569
FTEs	16	14	14
Pesticide Recordkeeping	2,745	2,743	2,745
Indirect Costs	227	229	227
Total Costs	2,972	2,972	2,972
FTEs	8	9	9
Federal/State Marketing Improvement Program	1,334	1,334	2,634
Indirect Costs	0	0	0
Total Costs	1,334	1,334	2,634
FTEs	0	0	0
Total Discretionary Costs for USDA Strategic Goal 1	\$68,214	\$69,585	\$73,925
FTEs	408	416	416

Full Cost by Department Strategic Goal
(Dollars in Thousands)
(continued)

Ensure that all of America's children have access to safe, nutritious, and balanced meals				
Pesticide Data Program		14,693	14,166	15,302
Indirect Costs		1,215	1,194	1,266
	Total Costs	15,908	15,360	16,568
	FTEs	18	20	20
<u>Related Performance Data</u>				
Number of foods, based on top two dozen children's food commodities, in the Pesticide Data Program		22.0	21.0	22.0
Comprehensive pesticide residue data available for dietary risk assessment		91.0	91.0	92.0
Microbiological Data Program		4,691	4,402	4,633
Indirect Costs		388	364	383
	Total Costs	5,079	4,766	5,016
	FTEs	9	10	10
<u>Related Performance Data</u>				
Number of samples tested		18,600	18,000	18,000
Number of commodities tested		8.0	8.0	8.0
Shell Egg Surveillance		2,566	2,558	2,559
Indirect Costs		212	213	212
	Total Costs	2,778	2,771	2,771
	FTEs	18	18	18
Total Discretionary Costs for USDA Strategic Goal 4		\$23,765	\$22,897	\$24,355
	FTEs	45	48	48
Total, Discretionary Appropriations		\$91,979	\$92,482	\$98,280
MANDATORY PROGRAMS				
Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving				
Commodity Purchase Services - Agri. Support & Emergency (AS&E)		7,490	16,546	9,645
Indirect Costs		620	1,369	798
	Goal Total, Administrative Costs	8,110	17,915	10,443
	FTEs	20	33	20
Commodity Purchases Program Funds - AS&E		409,362	771,734	445,576
Marketing Agreements & Orders		18,289	18,524	18,524
Indirect Costs		1,513	1,532	1,532
	Total Administrative Costs	19,802	20,056	20,056
	FTEs	108	114	114
Total Mandatory Program Costs for USDA Strategic Goal 1		\$437,274	\$809,705	\$476,075
	FTEs	128	147	134
Ensure that all of America's children have access to safe, nutritious, and balanced meals				
Commodity Purchase Services - Child Nutrition Purchases (CNP)		13,084	8,493	15,967
Indirect Costs		1,082	702	1,321
	Goal Total, Administrative Costs	14,166	9,195	17,288
	FTEs	34	17	33
Commodity Purchases Program Funds - CNP		715,131	396,100	737,637
Total Mandatory Program Costs for USDA Strategic Goal 4		\$729,297	\$405,295	\$754,925
	FTEs	34	17	33
Total, Mandatory Appropriations (Section 32)		\$1,166,571	\$1,215,000	\$1,231,000

a/ USDA proposes to combine the Transportation Services and Wholesale Farmers and Alternative Market Development lines into one line titled Transportation and Market Development.