

2013 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 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
 The 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 data provides producers and marketers of farm products and those in related industries with timely, accurate, and unbiased market information that assists them in making the critical daily decisions of where and when to sell, and at what price; thereby enhancing competitiveness and helping to increase the efficiency of agricultural marketing systems.

Federal and State reporters obtain market information, which AMS experts analyze, compile, and immediately disseminate to the agricultural community, academia, and other interested parties. National information is integrated with local information and released in a form easily understood by the industry and locality served. 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, graphs, and dashboards.

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: AMS' Livestock Mandatory Reporting (LMR) program (as authorized by P.L. 106-78, Title 9), initiated on April 2, 2001 and reauthorized in 2010 (P.L. 111-239), 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. LMR Market News reports provide information regarding price, contracts for purchase, and supply and demand conditions for livestock, livestock production, and livestock products; improve the price and supply reporting services of USDA; and 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 and lamb products. The information in these reports is used by the livestock and meat industry to impact 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. Analysts and policy makers depend on this information to assess market conditions and the performance of the livestock and meat sectors. The Mandatory Price Reporting Act of 2010 added 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 (NASS)—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 and 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. AMS grade standards are also the basis for AMS Market News reports, grading services for cotton, milk and dairy products, eggs, fresh and processed fruits and vegetables, catfish, livestock, meat, olive oil, peanuts, poultry, rabbits, and tobacco, Federal commodity procurement, and are used to foster marketing opportunities in global commerce. AMS provides technical guidance to the following international standards organizations by providing expertise to protect the interests of U.S. agri-producers: United Nations Economic Commission for Europe, Codex Alimentarius, and International Organization for Standardization, and Organization for Economic Cooperation and Development.

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) for further action. 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 publishes findings on an annual basis. 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 foreign governments that operate an organic accreditation program for organic exports to the U.S. which 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.
- 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 and samples are routinely drawn by State seed inspectors to monitor seed sold commercially. 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, 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 certified applicator's good recordkeeping practices. 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 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 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 regulation outlines the labeling requirements for covered commodities and the recordkeeping requirements for retailers and suppliers. The program established cooperative agreements with state agencies to conduct the 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 which is 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 cotton, dairy, fluid milk, beef, lamb, pork, soybeans, sorghum, eggs, blueberries, Hass avocado, honey, mango, mushrooms, peanuts, popcorn, potatoes, 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 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
 International Carriage of Perishable Foodstuffs Act of 1982
 The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill)
 Farmer to Consumer Direct Marketing Act of 1976

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, 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.

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 Competitive Act of 1994
 Tobacco Inspection Act of 1935
 Tobacco Statistics Act
 Plant Variety Protection Act

- a. Grading, Certification, and Audit Verification: The grading process involves the application or verification of quality standards for agricultural commodities. AMS provides grading and certification services on agricultural commodities for which developed standards are available. 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 are also used as evidence of quality and condition in a court of law to settle commercial disputes. AMS 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.

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

7. Perishable Agricultural Commodities Act Program:

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

- a. Commodity Purchases and Diversions: AMS purchases non-price supported commodities such as meats, fish, fruits, vegetables, 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 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 these purchases (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: The Marketing Agreements and Orders Program are authorized by the Agricultural Marketing Agreement Act of 1937. The program was established to assist farmers, milk producers, and handlers by allowing them to collectively work to solve marketing challenges. These instruments are designed to stabilize market conditions and improve the returns for fluid milk and fruit and vegetable producers. AMS oversees these various activities to ensure that they operate in the public interest and within legal parameters.

Marketing agreements and orders: (1) establish minimum prices that handlers pay to dairy producers; (2) regulate the quality and quantity of fruits and vegetables sold in commercial channels; and (3) provide for market development and promotion (including paid advertising).

A majority of the currently active Federal marketing order programs for fruits and vegetables include minimum grade requirements. The standards used by our programs include characteristic qualities as well as criteria related to food safety (e.g., lack of mold, insects, foreign material, etc.). Presently, there are 32 active specialty crop marketing agreement and order programs covering 27 commodities, and 10 milk marketing orders. Proposed orders are subject to approval by producers of the regulated commodity. Section 32 funds authorized annually through the Appropriations Acts, 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. Program activities and administration at the local level are financed through handler assessments.

Geographic Dispersion of Offices and Employees:

Most of AMS' field offices are located to facilitate Market News data collection (near markets) or where needed to provide fee-funded grading, verification, and certification services to the agricultural industry (near customers). AMS regularly assesses, and when indicated, opens, relocates, or closes field offices to improve service delivery and reduce operational costs.

As of September 30, 2011, AMS had 2,824 employees, of whom 2,002 were permanent full-time and 822 were other than permanent full-time employees. Approximately 80 percent of AMS' employees are assigned to field offices. Of the 2,257 employees assigned to field office locations, 1,449 were permanent full-time and 808 were other-than permanent full-time employees.

Schedule A (Milk Market Administration) employees as of September 30, 2011, totaled 383, of which 367 were permanent full-time and 16 were other than permanent full-time employees.

OIG Audits:

- Oversight of the National Organic Program (01601-03-Hy, Final Report issued December 14, 2009): This audit was initiated to evaluate whether agricultural products marketed as organic meet the requirements of the AMS NOP. OIG issued the final report with 14 recommendations. All issues have been addressed for the recommendations except for one recommendation which remains outstanding.
- National Organic Program- Organic Milk (01601-1-Te, in progress): This audit was initiated to evaluate whether milk marketed as organic meets NOP requirements. Also, in scope for testing is the adequacy and consistency of the AMS oversight, provided by AMS approved certifying agents, to ensure organic certified milk producers and processors/handlers comply with all Program requirements.

- National Organic Program's National List of Allowed and Prohibited Substances (01601-01-23, in progress): This audit was initiated to evaluate controls over the National List of Allowed and Prohibited Substances, the process used to determine which substances are permitted in the NOP, and whether the substances that are currently permitted should remain in the program.
- Oversight of Federally Authorized Research & Promotion Boards (01099-32-Hy, in progress): The audit objective is to determine if agency internal controls are adequate to ensure that research and promotion boards are operating within applicable legislative guidelines.
- Oversight of the Beef Research and Promotion Board (01099-001-21, in progress): The audit objective is to determine if agency internal controls are adequate to ensure that beef check off funds are collected, distributed, and expended in accordance with applicable laws and regulations. The structure and relationship between: AMS and the Board; the Board and State entities; and the Board and its contractors will also be evaluated.
- USDA Controls Over Shell Egg Inspections (50601-1-ER, in progress): This audit was initiated due to the August 2010 nationwide recall of over 500 million shell eggs potentially contaminated with *Salmonella Enteritidis*.
- Implementation of Country of Origin Labeling (01601-04-Hy, Final Report issued May 5, 2011): This audit was initiated to evaluate whether the covered commodities outlined in the final rule for country of origin labeling meet the requirements of the AMS Country of Origin Labeling program. OIG issued the final report with 14 recommendations. All issues have been addressed for six of these recommendations. Eight recommendations remain outstanding for this audit and are being addressed.

AGRICULTURAL MARKETING SERVICE

Available Funds and Staff Years

(Dollars in thousands)

Item	2010 Actual		2011 Actual		2012 Estimate		2013 Estimate	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Agricultural Marketing Service								
Marketing Services.....	\$91,148	453	\$86,711	441	\$82,211	430	\$77,032	421
Payments to States and Possessions.....	1,334	-	1,334	-	1,198	-	1,331	-
General Provision 728 <u>a/</u>	350	-	-	-	-	-	-	-
Recission.....	-	-	-176	-	-	-	-	-
Total, Adjusted Appropriations, Discretionary.....	92,832	453	87,869	441	83,409	430	78,363	421
Congressional Relations Transfer.....	145	-	131	-	-	-	-	-
Total, Available, Discretionary	92,977	453	88,000	441	83,409	430	78,363	421
2008 Farm Bill Initiatives, Mandatory:								
Farmers Market Promotion Program <u>b/</u>	5,000	4	10,000	4	10,000	4	-	-
Specialty Crop Block Grants-Farm Bill <u>b/</u>	55,000	4	55,000	4	55,000	4	-	-
AMA Organic Cost Share.....	1,500	-	1,500	-	1,500	-	1,500	-
Total, 2008 Farm Bill Initiatives, Mandatory.....	61,500	8	66,500	8	66,500	8	1,500	-
Permanent Appropriations, Mandatory:								
Funds for Strengthening Markets, Income, and Supply (Sec. 32)								
Rescission	8,061,101	162	6,605,946	160	7,947,046	164	8,990,117	164
Recoveries of Prior Year Obligations	-133,352	-	-	-	-150,000	-	-	-
Offsetting Collections	100	-	112	-	-	-	-	-
Available Authority from Previously Precluded								
Balances, Start of Year	375,269	-	122,127	-	259,953	-	206,694	-
Transfers Out <u>c/</u>	-7,128,270	-	-5,476,814	-	-6,922,305	-	-7,914,193	-
Unavailable Resources, End of Year	-122,127	-	-259,953	-	-206,694	-	-190,694	-
Subtotal, Permanent Appropriations, Mandatory.....	1,065,571	162	1,004,675	160	928,000	164	1,091,924	164
Total, AMS Adjusted Appropriations.....	1,220,048	623	1,159,175	609	1,077,909	602	1,171,787	585
Obligations under other USDA Appropriations:								
Food & Nutrition Service for Commodity								
Procurement services (Sec. 32).....	1,018	6	1,122	4	1,107	6	1,128	6
Subtotal, Other USDA Appropriations	1,018	6	1,122	4	1,107	6	1,128	6
Total, Agriculture Appropriations.....	1,221,066	629	1,160,297	613	1,079,016	608	1,172,915	591
Non-Federal Funds:								
Perishable Agricultural Commodities Act Fund, Mandatory....	9,858	78	10,354	75	10,710	77	10,778	77
Reimbursable work:								
Research and Promotion Boards.....	3,941	26	4,235	27	4,275	27	4,315	27
Fees for Grading of Cotton and Tobacco	39,968	393	43,938	421	62,101	421	62,592	421
Grading of Farm Products for Producers, Processors, and								
Municipal, State and Federal Agencies	148,608	1,324	151,497	1,332	152,121	1,335	153,217	1,352
Wool Research, Development, and Promotion	2,250	-	2,250	-	2,250	-	2,250	-
States for Collection & Dissemination of Market								
News Information.....	35	-	7	-	-	-	-	-
Total, Non-Federal Funds	204,660	1,821	212,281	1,855	231,457	1,860	233,152	1,877
Total, Agricultural Marketing Service	1,425,726	2,450	1,372,578	2,468	1,310,473	2,468	1,406,067	2,468
Schedule A Staff Years		378		370		370		370

a/ Includes a \$350 thousand grant to the Wisconsin Department of Agriculture, Trade and Consumer Protection.b/ Subject to reauthorization.c/ Includes the transfers to the Food and Nutrition Service (FNS), the Commerce Department, and the Fresh Fruit and Vegetable Program administered by FNS.

AGRICULTURAL MARKETING SERVICE
Permanent Positions by Grade and Staff Year Summary

Item	2010 Actual			2011 Actual			2012 Estimate			2013 Estimate		
	Wash. D.C.	Field	Total									
ES.....	-	-	-	-	-	-	-	-	-	-	-	-
SES.....	11	-	11	11	1	12	11	1	12	11	1	12
SL.....	-	-	-	-	-	-	-	-	-	-	-	-
GS-15.....	39	4	43	40	6	46	42	4	46	42	4	46
GS-14.....	88	31	119	88	30	118	88	34	122	88	34	122
GS-13.....	158	102	260	150	112	262	171	91	262	171	91	262
GS-12.....	123	156	279	119	141	260	103	170	273	103	170	273
GS-11.....	36	190	226	36	180	216	40	183	223	40	183	223
GS-10.....	2	18	20	2	16	18	2	12	14	2	12	14
GS-9.....	43	522	565	42	505	547	43	508	551	43	508	551
GS-8.....	15	239	254	15	232	247	12	248	260	12	248	260
GS-7.....	32	223	255	30	201	231	21	203	224	21	203	224
GS-6.....	7	70	77	8	64	72	8	55	63	8	55	63
GS-5.....	10	62	72	5	66	71	8	65	73	8	65	73
GS-4.....	5	23	28	4	16	20	4	7	11	4	7	11
GS-3.....	1	3	4	1	3	4	1	1	2	1	1	2
GS-2.....	1	-	1	2	-	2	-	-	-	-	-	-
GS-1.....	-	-	-	-	-	-	-	-	-	-	-	-
Ungraded Positions.....	-	9	9	-	7	7	-	8	8	-	8	8
Total Perm. Positions without Schedule A.....	571	1,652	2,223	553	1,580	2,133	554	1,590	2,144	554	1,590	2,144
Unfilled, EOY.....	-	185	185	-	131	131	-	-	-	-	-	-
Total, Perm. Full-Time Employment, EOY a/.....	571	1,467	2,038	553	1,449	2,002	554	1,590	2,144	554	1,590	2,144
Staff Year Est.....	686	1,764	2,450	682	1,786	2,468	628	1,840	2,468	628	1,840	2,468
Schedule A Staff Years.....	12	366	378	16	354	370	16	354	370	16	354	370

a/ AMS total end-of-year employment for FY 2011 was 2,824, of which 2,002 were permanent full-time and 822 were other than permanent full-time employees. Due to the seasonality of grading, AMS peak employment occurred during the months of October through December and the average employment during that period was 3,630 employees.

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

The estimated number of passenger motor vehicles available for 2013 is the minimum necessary to maintain essential services of 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 General Services Administration (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. In 2010, AMS increased support in inspection services. AMS developed voluntary testing and process verification programs in response to the market's growing need to facilitate the marketing of agricultural products. In 2011, a duplication error occurred with the Fleet and FAST data base system. AMS does not anticipate increasing the fleet of passenger motor vehicles for 2013.

Replacement of passenger motor vehicles. AMS does not plan to replace any of the 275 passenger motor vehicles in operation in 2013.

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, 2011, are as follows:

Number of Vehicles by Type *									
Fiscal Year	Sedans & Station Wagons	Light Trucks, SUVs and Vans		Medium Duty Vehicles	Ambulances	Buses	Medium size Vehicles	Total Number of Vehicles	Annual Operating Costs ** (\$ in thou.)
		4X2	4X4						
2010 Actual	170	70	12	0	0	0	0	252	\$414
Change	-4	4	16	0	0	0	3	19	207
2011 Actual	166	74	28	0	0	0	3	271	621
Change	0	0	0	0	0	0	0	0	0
2012 Est.	166	74	28	0	0	0	3	271	621
Change	0	0	0	0	0	0	0	0	0
2013 Est.	166	74	28	0	0	0	3	271	621

* Numbers include vehicles that are owned by the Agency and leased from commercial sources or GSA.

** Excludes acquisition costs and gains from the sale of vehicles as shown in OMB Motor Vehicle FAST Database.

AGRICULTURAL MARKETING SERVICE

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

Marketing Services

For necessary expenses of the Agricultural Marketing Service [\$82,211,000] \$77,032,000: *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).

AGRICULTURAL MARKETING SERVICE

Marketing ServicesLead-off Tabular Statement

Appropriations Act, 2012	\$82,211,000
Budget Estimate, 2013	77,032,000
Change from 2012 Appropriation	<u><u>-5,179,000</u></u>

Summary of Increases and Decreases

(Dollars in thousands)

	2010 <u>Actual</u>	2011 <u>Change</u>	2012 <u>Change</u>	2013 <u>Change</u>	2013 <u>Estimate</u>
Discretionary Appropriations:					
Market News	\$34,222	-\$1,073	-\$200	-	\$32,949
Surveillance & Standards	7,885	-224	-	-	7,661
Market Protection and Promotion	43,217	-3,223	-4,127	-\$6,179	29,688
Transportation and Market Development	5,824	-90	-	+1,000	6,734
Total, Appropriation or Change	<u>91,148</u>	<u>-4,610</u>	<u>-4,327</u>	<u>-5,179</u>	<u>77,032</u>

AGRICULTURAL MARKETING SERVICE

Marketing ServicesProject Statement

(On basis of appropriations)

(Dollars in thousands)

Program	<u>2010 Actual</u>		<u>2011 Actual</u>		<u>2012 Estimate</u>		<u>Change</u>		<u>2013 Estimate</u>	
	Staff		Staff		Staff		Staff		Staff	
	Amount	Years	Amount	Years	Amount	Years	Amount	Years	Amount	Years
Discretionary Appropriations:										
Market News Service.....	\$34,222	265	\$33,149	256	\$32,949	246	-	-3	\$32,949	243
Shell Egg Surveillance and Standardization:										
Shell Egg Surveillance.....	2,771	18	2,717	16	2,717	17	-	-	2,717	17
Standardization.....	5,114	35	4,944	33	4,944	35	-	-	4,944	35
Total, Surveillance and Standardization.....	7,885	53	7,661	49	7,661	52	-	-	7,661	52
Market Protection and Promotion:										
Federal Seed Act.....	2,474	21	2,439	18	2,439	18	-	-	2,439	18
Country of Origin Labeling.....	10,678	16	7,942	16	5,000	16	-	-	5,000	16
Pesticide Data.....	15,360	18	15,330	19	15,330	19	-	-	15,330	19
Microbiological Data.....	4,766	9	4,592	6	4,348	4	-\$4,348 (1)	-4	-	-
National Organic Standards.....	6,967	28	6,919	35	6,919	34	-	-	6,919	34
Pesticide Recordkeeping.....	2,972	8	2,772	7	1,831	6	-1,831 (2)	-6	-	-
Total, Market Protection and Promotion.....	43,217	100	39,994	101	35,867	97	-6,179	-10	29,688	87
Transportation and Market Development:										
Development.....	5,824	35	5,734	35	5,734	35	+1,000 (3)	+4	6,734	39
Total Adjusted Appropriations.....	91,148	453	86,538	441	82,211	430	-5,179	-9	77,032	421
Rescission and Transfers (Net).....	-	-	173	-	-	-	-	-	-	-
Total Appropriations.....	91,148	453	86,711	441	82,211	430	-5,179	-9	77,032	421
Transfers In:										
Congressional Relations.....	145	-	131	-	-	-	-	-	-	-
Rescission.....	-	-	-173	-	-	-	-	-	-	-
Balance Available, SOY.....	-	-	-	-	-	-	-	-	-	-
Recoveries, Other (Net).....	-	-	-	-	-	-	-	-	-	-
Total Available.....	91,293	453	86,669	441	82,211	430	-5,179	-9	77,032	421
Lapsing Balances.....	-648	-	-350	-	-	-	-	-	-	-
Total Obligations.....	90,645	453	86,319	441	82,211	430	-5,179	-9	77,032	421

AGRICULTURAL MARKETING SERVICE

Marketing ServicesProject Statement

(On basis of obligations)

(Dollars in thousands)

Program	<u>2010 Actual</u>		<u>2011 Actual</u>		<u>2012 Estimate</u>		<u>Change</u>		<u>2013 Estimate</u>	
	Staff		Staff		Staff		Staff		Staff	
	Amount	Years	Amount	Years	Amount	Years	Amount	Years	Amount	Years
Discretionary Obligations:										
Market News Service.....	\$33,031	265	\$33,698	256	\$32,949	246	-	-3	\$32,949	243
Shell Egg Surveillance and Standardization:										
Shell Egg Surveillance.....	2,778	18	2,594	16	2,717	17	-	-	2,717	17
Standardization.....	5,026	35	4,880	33	4,944	35	-	-	4,944	35
Total, Surveillance and Standardization.....	7,804	53	7,474	49	7,661	52	-	-	7,661	52
Market Protection and Promotion:										
Federal Seed Act.....	2,494	21	2,394	18	2,439	18	-	-	2,439	18
Country of Origin Labeling.....	10,617	16	7,678	16	5,000	16	-	-	5,000	16
Pesticide Data.....	15,908	18	15,367	19	15,330	19	-	-	15,330	19
Microbiological Data.....	5,079	9	4,585	6	4,348	4	-4,348	(1)	-4	-
National Organic Standards.....	6,761	28	6,630	35	6,919	34	-	-	6,919	34
Pesticide Recordkeeping.....	2,972	8	2,756	7	1,831	6	-1,831	(2)	-6	-
Total, Market Protection and Promotion.....	43,831	100	39,410	101	35,867	97	-6,179	-10	29,688	87
Transportation and Market Development.....										
Development.....	5,979	35	5,737	35	5,734	35	+1,000	(3)	+4	6,734
Total Obligations.....	90,645	453	86,319	441	82,211	430	-5,179	-9	77,032	421
Lapsing Balance.....	648	-	350	-	-	-	-	-	-	-
Total Available.....	91,293	453	86,669	441	82,211	430	-5,179	-9	77,032	421
Transfers In:										
Congressional Relations.....	-145	-	-131	-	-	-	-	-	-	-
Rescission.....	-	-	173	-	-	-	-	-	-	-
Total Appropriations.....	91,148	453	86,711	441	82,211	430	-5,179	-9	77,032	421

Marketing Services
Justification of Increases & Decreases

- 1) A decrease of \$4,348,000 and 4 staff years to terminate the Microbiological Data Program to focus Marketing Services resources on AMS' core mission (\$4,348,000 and 4 staff years available in 2012).

AMS proposes the termination of the Microbiological Data Program (MDP) for 2013. MDP was established in 2001 to address consumer concerns about microbiological contamination on fruits and vegetables. AMS was able to capitalize on Pesticide Data Program's (PDP) existing infrastructure and State relationships to maximize program effectiveness. Although the need for produce pathogen data has not diminished, MDP is not closely aligned with the core mission of AMS, which is to facilitate competitive and efficient marketing of U.S. agricultural products.

In 2011, MDP performed over 35,000 tests on 17,431 produce samples of eleven commodities (full and partial year) – cantaloupe, cilantro, hot peppers, lettuce (all types), bagged lettuce, spinach (all types), bagged spinach, alfalfa sprouts, round tomatoes, cherry/grape tomatoes and plum/Roma tomatoes. During 2012, MDP plans to conduct 49,000 analyses on 14,000 samples of seven commodities (cantaloupe, cilantro, cherry tomatoes, hot peppers, lettuce, spinach, and alfalfa sprouts), targeting four pathogens (on an annual basis). The termination of MDP will end agreements with State cooperators. The eleven cooperating States that provide sampling and/or testing services to MDP are California, Colorado, Florida, Michigan, Minnesota, North Carolina, New York, Ohio, Texas, Washington, and Wisconsin. Federal staffing reductions will be realized through reassignment, as employees conducting this program are cross-utilized by AMS' Pesticide Data Program and AMS' National Science Laboratory.

- 2) A decrease of \$1,831,000 and 6 staff years to terminate the Pesticide Recordkeeping Program to focus Marketing Services resources on AMS' core mission (\$1,831,000 and 6 staff years available in 2012).

AMS has successfully operated the Pesticide Recordkeeping Program (PRP) since 1992 through its established authority to conduct cooperative programs and its strong working relationships with State agricultural agencies. Although the PRP is carried out as one of the Agency's Marketing Services activities, this program is not central to the core mission of AMS, which is to facilitate the competitive and efficient marketing of agricultural products.

PRP has been charged with administering Federal pesticide recordkeeping regulations through compliance and educational outreach activities. Pesticide recordkeeping regulations are based on Section 1491 of the Food, Agriculture, Conservation, and Trade Act of 1990, commonly referred to as the 1990 Farm Bill, which requires all private applicators to maintain record(s) of their federally restricted use pesticide (RUP) applications for a period of 2 years.

For the 27 States and 2 Territories operating under the Federal recordkeeping regulations, PRP reimburses State pesticide regulatory agencies to conduct record inspections and provide compliance assistance to applicators. States and Territories under Federal Pesticide Recordkeeping regulations include: Alabama, Alaska, Arkansas, Delaware, Georgia, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Montana, New Mexico, New York, North Carolina, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Utah, Virginia, Wyoming, Guam, and the U.S. Virgin Islands. The remaining 23 States and one Territory conduct their own compliance review programs under federally-recognized State pesticide recordkeeping requirements.

- 3) An increase of \$1,000,000 and 4 staff years for Transportation and Marketing Programs to enhance community capacity to improve local food access (\$5,734,000 and 35 staff years available in 2012).

There continues to be an increasing demand by consumers to access locally-grown products as evidenced by the enormous growth of 135 percent in farmers markets since 2000, along with dramatic increases in the number of community supported agriculture 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 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: a) identifying and analyzing the benefits and cost-effectiveness of emerging innovative distribution and marketing practices, and b) 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.

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 are present in food availability and food access. It will also allow AMS to conduct a number of activities that support USDA's mission to create new economic opportunities by better connecting consumers with local producers.

The additional 4 staff years (35 in 2010, 2011, and 2012) will be used to expand local food initiatives 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 initiatives will provide tailored guidance to community planners and market managers 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 otherwise not have access to. The Agency will also utilize the vast amount of data captured and lessons learned from projects funded by AMS Farmer's Market Promotion Program to inform the direction of future research and market development projects.

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

- Explore ways for AMS to apply its expertise 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;
- 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; and
- 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.

AMS will continue to use base funds to facilitate and improve 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. The program identifies these opportunities 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, and toolkits and reference material.

An net \$0 impact to Marketing Services discretionary total.

Within the funding requested for each of the Marketing Services activities, an estimated \$173,000 for increases in pay cost will be absorbed through efficiencies and reductions to program obligations.

AGRICULTURAL MARKETING SERVICE

Marketing ServicesGeographic Breakdown of Obligations and Staff Years

(Dollars in thousands)

State/Territory	2010 Actual		2011 Actual		2012 Estimate		2013 Estimate	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	\$219	1	\$112	1	\$107	1	\$100	1
Arizona	466	2	556	3	529	3	496	3
Arkansas	499	1	434	1	413	2	387	2
California	1,633	8	1,625	8	1,548	8	1,450	8
Colorado	438	2	461	2	439	2	411	2
District of Columbia	70,841	356	67,185	345	63,987	334	59,956	327
Florida	799	4	704	4	670	3	628	3
Georgia	1,092	4	1,165	5	1,110	6	1,040	6
Idaho	685	3	629	3	599	3	562	3
Illinois	730	4	699	3	666	4	624	3
Iowa	2,036	10	1,875	9	1,786	9	1,674	9
Kansas	265	1	247	1	235	1	220	1
Kentucky	167	1	172	1	164	1	154	1
Louisiana	152	1	173	1	164	1	154	1
Massachusetts	478	2	358	2	341	2	320	2
Michigan	126	1	11	-	11	-	10	-
Minnesota	626	3	588	3	560	3	525	3
Mississippi	133	1	131	1	125	1	117	1
Missouri	555	3	579	3	551	3	517	3
Montana	178	1	173	1	165	1	154	1
Nebraska	123	1	185	1	176	1	165	1
New York	629	3	632	3	602	3	564	3
North Carolina	208	1	184	1	175	1	164	1
Ohio	140	1	127	1	121	1	113	1
Oklahoma	305	2	352	2	336	2	314	2
Oregon	314	2	371	2	353	2	331	2
Pennsylvania	519	3	512	3	487	2	457	2
South Carolina	82	-	74	-	71	-	66	-
South Dakota	356	2	302	2	288	2	270	1
Tennessee	2,630	13	2,696	14	2,567	13	2,406	13
Texas	1,175	6	1,134	6	1,080	6	1,012	6
Virginia	486	2	164	1	156	1	146	1
Washington	827	4	658	3	627	3	587	3
Wisconsin	559	3	880	4	839	4	786	4
Wyoming	174	1	171	1	163	1	152	1
Obligations	90,645	453	86,319	441	82,211	430	77,032	421
Lapsing Balances	648	-	350	-	-	-	-	-
Total, Available or Estimate	91,293	453	86,669	441	82,211	430	77,032	421

AGRICULTURAL MARKETING SERVICE

Marketing Services and Payments to States and PossessionsClassification by Objects

(Dollars in thousands)

	<u>2010</u> <u>Actual</u>	<u>2011</u> <u>Actual</u>	<u>2012</u> <u>Estimate</u>	<u>2013</u> <u>Estimate</u>
Personnel Compensation:				
Washington, D.C.....	\$30,726	\$30,217	\$30,163	\$29,326
Field.....	16,349	16,079	16,050	15,605
11.0 Total personnel compensation.....	36,222	35,324	35,273	34,291
12.0 Personnel benefits.....	10,802	10,925	10,893	10,593
13.0 Benefits for former personnel.....	51	47	47	47
Total, personnel comp. and benefits.....	47,075	46,296	46,213	44,931
Other Objects:				
21.0 Travel and transportation of persons.....	1,935	1,377	1,380	1,398
22.0 Transportation of things.....	205	24	24	26
23.1 Rental payments to GSA.....	18	3	3	3
23.2 Rental payments to others.....	1,424	1,450	1,454	1,454
23.3 Communications, utilities, and misc. charges.....	2,240	2,086	2,091	2,083
24.0 Printing and reproduction.....	510	322	323	305
25.1 Advisory and assistance services.....	10	8	8	8
25.2 Other services from non-Federal sources.....	19,685	20,836	17,164	13,437
25.3 Other purchases of goods and services from Federal sources.....	14,063	11,130	11,158	11,158
25.4 Operation and maintenance of facilities.....	7	10	10	10
25.5 Research and development contracts.....	-	-	-	-
25.6 Medical care.....	6	5	5	5
25.7 Operation and maintenance of equipment.....	252	137	137	137
25.8 Subsistence and support of persons.....	-	-	-	-
26.0 Supplies and materials.....	1,605	910	812	742
31.0 Equipment.....	1,518	1,666	1,370	1,277
32.0 Land and structures.....	-	4	4	4
41.0 Grants, Subsidies, and Contribution.....	8	-	-	-
42.0 Insurance Claims and Indemnities.....	84	55	55	55
Total, Other Objects.....	43,570	40,023	35,998	32,101
Total, Marketing Services.....	90,645	86,319	82,211	77,032
Payments to States and Possessions:				
41.0 Grants, subsidies and contributions.....	1,334	1,331	1,198	1,331
41.0 General Provision 728.....	350	-	-	-
Total, Payments to States and Possessions.....	1,684	1,331	1,198	1,331
Total, new obligations.....	92,329	87,650	83,409	78,363
Position Data:				
Average Salary, ES positions.....	\$163,567	\$163,731	\$163,731	\$163,731
Average Salary, GS positions.....	\$64,315	\$61,235	\$61,235	\$61,235
Average Grade, GS positions.....	11	9	9	9

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 the 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 do the form and content of the market news reports. AMS issued over 350,000 Market News reports covering over 700 products to thousands of domestic and foreign users in 2011.

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 and reauthorized in 2010 (P.L. 111-239), 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
- 38 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 impact 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. Analysts and policy makers depend on this information to assess market conditions and the performance of the livestock and meat sectors.

New LMR Data Tools - The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) directed USDA to implement an enhanced system of electronic publishing to improve the presentation of market information collected pursuant of the Livestock Mandatory Reporting Act. In response to this mandate, Livestock and Grain Market News (LGMN) launched a Cattle Dashboard in July 2010 and in 2011, developed the Swine and Lamb Dashboards, all of which are available on the Market News Website. The Dashboards are data visualization tools designed to allow users to view weekly volume and price information on direct slaughter cattle, swine, and lambs presented in the form of interactive graphs and tables that can be customized for viewing and downloaded for use in reports and

presentations. AMS will be developing an interactive dashboard for boxed beef market information in the upcoming year.

To help customers use these dashboards and other features on the Market News website, LGMN launched a Reference Room. This new site features three main tools to help users access and interpret Livestock and Grain Market News reports. They include:

- A **Glossary of Terms** which defines commonly used terminology used in Livestock and Grain Market News reports;
- A **Tutorial** section that includes narrated, step-by-step instructional videos that walk users through the website's most popular interactive features. For example, users who want to learn how to receive market news reports by email can play a short, 2-minute video that quickly shows each step in the process. Users can also watch these "how to" videos on navigating the Market News Portal and searching for historical data, navigating a Market News Dashboard, subscribing to Really Simple Syndication feeds, and related actions; and
- A **Report Overview** section that has information on how to read some of the most frequently accessed reports, such as boxed beef and the pork carcass cutout. Each document outlines key features of the reports, how values are derived, and what the data are frequently used for.

On September 28, 2010, Congress enacted the Mandatory Price Reporting Act of 2010 (2010 Reauthorization Act) (Pub. L. 111-239) which reauthorized Livestock Mandatory Reporting (LMR) for an additional 5 years and added a provision for mandatory reporting of wholesale pork cuts. The 2010 Reauthorization Act directed USDA to engage in negotiated rulemaking on the regulatory changes needed. The negotiated rulemaking process was completed and the draft proposed regulation for pork reporting is in clearance. Implementing a mandatory wholesale pork reporting program will provide market participants with considerably more market information than they have had in the past and will address concerns in the producer segment relative to the asymmetric availability of market information. The Act also set requirements for Dairy Product Mandatory Reporting.

Dairy Product Mandatory Reporting (DPMR) – The AMS' DPMR program was established on August 2, 2007, on an interim final basis, with the final rule effective June 22, 2008. The program: (1) requires persons engaged in manufacturing dairy products to provide to USDA certain information including the price, quantity, and moisture content, where applicable, of dairy products sold by the manufacturer; and (2) requires manufacturers and other persons storing dairy products to report to USDA information on the quantity of dairy products stored. The National Agricultural Statistics Service (NASS) currently collects information for the program, and AMS provides verification and enforcement functions for the price reporting of dairy products. NASS publishes sales information for cheddar cheese, butter, dry whey, and nonfat dry milk on a weekly basis. Any manufacturer that processes and markets less than 1 million pounds of these products per calendar year is exempt from the reporting requirements. While the 2008 Farm Bill identified a need for electronic reporting of data as resources became available, the Mandatory Price Reporting Act of 2010 (Act) required that the Secretary establish an electronic reporting system for manufacturers of dairy products to report certain market information for the mandatory dairy product reporting program. The Act further states that the Secretary shall publish the information obtained under this section for the preceding week not later than 3 p.m. Eastern Time every Wednesday. Pursuant to this requirement, AMS published a proposed rule on June 10, 2011, which included regulatory changes for implementing the provisions of the Act and transferring applicable data collection responsibilities from NASS to AMS. Comments were received by August 9, 2011, and a Final Rule is being drafted.

To establish electronic reporting capability, AMS has begun implementation of a web-based system similar to the current LMR system. This will leverage an existing program to speed up creation and implementation of a new electronic reporting system. The implementation of the software is scheduled for March 2012, with beta-testing, full implementation, and transfer of data collection to be completed by the end of 2012. The purpose of the program is to provide accurate and timely market information for dairy industry participants. Widely available market information is needed to ensure markets operate competitively and fairly. Data collected through the program is used as the price discovery mechanism to establish minimum prices for the Federal milk order system.

Market News Portal (MNP) – AMS made several enhancements to the MNP on the AMS website in 2011, all designed to either make more information available to the public or to make user guides easier to access. In addition to the LGMN Reference Room under the Help Guide, the Fruit & Vegetable program enhanced the custom report feature under the retail report. Other minor modifications improved the look and feel, as well as adding new links for easier navigation. The MNP is flexible and user-friendly allowing users to customize the site to their specific needs, query directly from the Market News Information System database, and select the format view. The system permits customers to build and save their own data searches and allows for currency and metric conversion, along with graphing. The MNP serves as a central gateway for entry through the AMS website, with links to other key areas within USDA and to important partners.

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 2011 are listed below.

Cotton:

- Cotton Market News began including additional information in the Daily Spot Cotton Quotations. This was the second set of major changes to the *Upland Daily Spot Cotton Quotations* as a result of a 2010 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 developed seven new text reports that are designed to be viewed as text messages on cell phones and a cotton price data file that provides easier access to historical daily cotton prices for the base quality. The reports were developed based on customer feedback and request for specific data.

Fruits, Vegetables and Specialty Crops: New or Enhanced Free-On-Board (F.O.B.) Shipping Point Price Reports -

- Domestic: California sweet corn, organic baby peeled carrots and tomatoes; Georgia broccoli, chip stock potatoes, blueberries and watermelons; Kansas potatoes; Michigan watermelons; Mississippi watermelons; Nevada onions; and North Dakota potatoes.
- International: West coast Peru citrus and asparagus; along with Mexican greenhouse grown plum tomatoes. In addition, re-established California honeydews and Central American mangoes, added or modified several shipping districts for greater clarity in the market, and created a new apple juice concentrate report.

Livestock & Grain: New national, regional, and local livestock and grain reports include the -

- Reels Weekly Hay Auction, Congerville, IL;
- Mayfield, KY Graded Goat Sale;
- Owenton, KY Livestock Auction;
- West Point, MS Livestock Auction;
- North Platte, NE Feeder Cattle Auction;
- Greencastle, PA Monthly Feeder Cattle Auction;
- Middleburg, PA Monthly Feeder Cattle Auction;
- South Dakota Ethanol Corn and Co-Products.
- South Dakota Weekly Summary; and
- Wyoming Weekly Summary.

Poultry and Eggs:

In 2011, AMS Poultry Market News reviewed and evaluated 45 percent of existing market reports. These evaluations prompted AMS to make changes which resulted in a 12 percent reduction of the number of reports while increasing the amount of market information available by 33 percent and providing more efficient customer access to market information. Reporting changes included:

- Added market coverage of supermarket activity for service and self-service turkey and chicken deli meats, one of the fastest growing segments of the retail sector and a major outlet for turkey and chicken meat not previously reported to the *Weekly Retail Turkey Feature Activity* report, resulting in a 67 percent increase in the amount of information provided. The *Weekly Retail Turkey Feature Activity* report, first released in 2005, expanded AMS Market News reporting coverage into the retail sector, providing a tool for users to measure, analyze, anticipate, and react to retail marketing and consumer trends.
- Added the new *Weekly National Fowl Market* report – This report combined and expanded market information for mature hens. The report provides information in an easy-to-read format, and offers a more efficient and user-friendly presentation. The report also provides more meaningful context to the market while increasing the amount of information provided by 8 percent of previous reports. Prior to the release of this report, fowl information was inefficiently dispersed across eight separate old-style reports.
- Added the new *Weekly National Egg Products* report – This new report combined all weekly egg products market information, previously contained in three text-based market reports, into a single user-friendly Adobe PDF formatted report. Combining the three reports into a single report lets users find and access egg products market information more quickly and efficiently.
- Combined Chicken Parts Reporting – Combined all reporting of chicken parts in the southern U.S. in the *Southern Broiler/Fryer Parts* report. This report provides critical market information covering the nation's largest chicken production and marketing region. The change expanded and improved coverage of the marketing of chicken and chicken parts in the U.S. while increasing user access to the information.
- Enhanced Egg Reporting – Released an updated version of the *Weekly Shell Egg Inventory* report. This report is widely used by the shell egg industry as an indication of the overall status of the shell egg market. The updated report features realigned and expanded reporting regions that better reflect current marketing patterns and is published in an enhanced and more user-friendly format. These changes, resulting in a 70 percent increase from previous reports in information provided, are part of the on-going effort to standardize shell egg reporting across the production and marketing chain, allowing users to more easily recognize and respond to developing market trends.
- Enhanced Whole Body Turkey Reporting – Combined all reporting of whole body turkeys into a single, more user-friendly format resulting in improved customer access to market information. This new report, *Weekly National Fresh and Frozen Whole Young Turkeys*, reflects market prices on a F.O.B. basis to reflect the evolution of the market away from regional trading to national trading. The resulting report more accurately reflects current turkey production and marketing practices and serves as a more valuable source of market information to the public.

Organic Market Reporting – The 2008 Farm Bill requires the Secretary to undertake Organic Production and Market Data Initiatives and provided three USDA agencies – AMS, NASS, and the Economic Research 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 enhancements of organic reporting and the development of additional organic market information tools. An additional \$300,000 was provided to AMS in the FY 2012 Appropriations Act, which combined with the remaining 2008 Farm Bill funding, will allow for continued reporting through 2012.

During 2011, AMS Market News continued to enhance reporting and access to organic market data, by reporting prices at all market levels and movement for 230 organic commodities on a daily basis. Improvements include:

National Organic Grain and Feedstuffs

AMS' Livestock and Grain Market News publishes a biweekly *National Organic Grain and Feedstuffs* summary, which includes *Eastern Cornbelt* and *Upper Midwest* organic grain and feedstuffs market information. Initiatives to improve organic market reporting include expanding the National report to include more commodities and exploring the feasibility of reporting additional organic commodities. In addition, LGMN continues to assess the feasibility of an international organic publication using Harmonized Tariff Schedule codes for imported and exported organic commodities.

USDA Certified Organic Poultry and Eggs

In 2011, an updated version of the USDA Certified Organic Poultry and Egg report was released following an extensive development process. The new report provides information for organic poultry and eggs including production and inventory data not previously available publically. With this report, users are able to access all of their organic poultry and egg market and production information needs in one, easy to read format. The new report replaces the old, text-based report first released in January 2004. This is the first market news report devoted entirely to organics. Following the release of this report, a survey was conducted of the U.S. organic and cage-free shell egg flock size to update information provided to the public, resulting in a 40% increase in flock size levels previously reported.

International Cooperation and Market Reporting – The Market News Program provides technical expertise to other countries through a variety of programs conducted by AMS and other U.S. agencies. These activities improve the information available to U.S. agriculture by supporting the development of foreign agricultural market information systems.

AMS hosted and worked with Foreign Agricultural Service (FAS) sponsored groups from a number of countries who were looking at the way AMS Market News conducts data collection, analysis, and public dissemination of market information. AMS Market News, in conjunction with FAS, is working in support of the President's Feed the Future Initiative which is a consolidated effort by the Federal government to achieve global food security and aid developing nations dealing with chronic hunger. AMS provides market information to assist Haiti and countries in Central America because of the Program's long term collaborative efforts with those nations.

- Market Information Organization of the Americas (MIOA) – AMS continues in its leadership role in the MIOA, a network of market information organizations from 32 countries in North, Central, South America, and the Caribbean. AMS was chosen again in 2011 to serve a two year term as the North America region Chair of the MIOA, as well as the Chair of the Organization. Specialists from AMS participated in several Executive Committee meetings throughout the year. AMS worked closely with its partners in MIOA and with the Technical Secretariat, Inter-American Institute for Cooperation on Agriculture (IICA), to conduct a Managers Workshop in June 2011 for lead officials in the market information systems from across the Western Hemisphere. AMS Market News also cooperated with the Central American region in support of a related workshop, put on as part of an Inter-American Bank for Development funded project to promote fruit competitiveness for the nations of Central America. The meetings and joint efforts focused on building capacity within the region and drawing upon the technical expertise and experiences of the other nations in the Americas, to the benefit of all. The various regional partners of MIOA are working to create market reports for products of interest to all and to support interregional trade.

Customer Outreach and Training – AMS Market News routinely responds to requests for information from individuals, industry groups, and associations. Most of the new reports generated or products added are at the specific request of data users or customers of Market News. In 2011, AMS held a series of webinars on how to use the MNP to meet the users' market information needs, as well as general sessions on Market News and the information products that it creates. Fruit and Vegetable Market News worked with industry groups and associations to hold a series of hands-on training sessions on MNP system navigation and usage.

Cotton and Tobacco Market News also continued to educate buyers, sellers, producers, 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 three trade shows and two regional meetings. As part of this outreach campaign, Cotton and Tobacco Market News division employees made 43 new contacts at gins, attended 23 local/regional meetings and two national meetings where employees discussed what Cotton Market News had to offer and how to participate in the data collection process. As a result of the outreach efforts, there are now seven producers and 29 gin contacts that routinely supply market information for various reports.

Organizational Assessments – AMS Market News has contracted with an outside firm to conduct an organizational assessment of all Market News activities. The goal of the assessment is to identify areas for improvement in efficiency and effectiveness of delivering Market News. This effort was initiated in mid-2011, with the final report due to the Agency mid-2012.

Three years after the first *Market News Customer Satisfaction Survey*, AMS will follow with a second survey in 2012 using the results to identify areas for program improvements and/or future focus.

Early in 2011, AMS Poultry Market News & Analysis conducted a thorough *Poultry Market Reporting Assessment* of its market reporting process including collection and analysis of data, preparation of market news reports, and dissemination of these reports for the purpose of achieving efficiencies and improvements in service cost, quality, and timeliness. With the knowledge gained from this assessment, the program launched an aggressive campaign to increase efficiency, reduce operational costs, and improve customer service. These actions increased the amount, complexity, and relevance of the poultry market information AMS provides, expanded market coverage to new and historically underserved markets, increased access to market information, and enhanced the value and usefulness of its service to the public. Customer feedback to these efforts has been overwhelmingly positive with users expressing increased satisfaction with the improved access and the additional market information.

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 2011, the percentage of total egg operations in compliance with SES requirements was 95 percent.

Selected Examples of Recent Progress: Scheduled visits to shell egg handlers are made four times each year, and visits to hatcheries are conducted annually. Additional follow-up visits are made when violations are found. The percentage in compliance during these visits decreased 17 percent in 2011.

<u>Inspections Conducted</u>				
<i>Quarterly visits are made to shell egg handlers with 3,000 or more chickens or who pack product for the ultimate consumer. If a violation of the Act is found a follow-up visit is made during the quarter. In 2011 the percent of follow-up visits increased 4 percent over 2010.</i>				
	Shell Egg Handlers		Hatcheries	
	<u>Number of Handlers</u>	<u>Total Inspections</u>	<u>Number of Hatcheries</u>	<u>Total Inspections</u>
FY 2009	484	2,069	328	333
FY 2010	492	2,404	316	329
FY 2011	493	2,485	323	333

Note: Inspections above include both routine and follow-up visits.

AMS monitors the air temperature of coolers of shell eggs that are destined for consumers to ensure they are in compliance with a 45 degree temperature requirement of the Food Safety and Inspection Service (FSIS). The temperatures are monitored, recorded, and reported to FSIS on a quarterly basis, and the reports are used by FSIS to ensure that shell eggs stay within required food safety temperatures. Since FSIS does not have inspection personnel at shell egg handling facilities, the monitoring and reporting of activities performed by AMS saves money for FSIS and improves efficiency of operations for both agencies.

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 the agriculture and food 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 currently more than 500 quality grade standards in place for cotton, dairy products, eggs, fresh and processed fruits and vegetables, livestock, meat, olive oil, peanuts, poultry, rabbits, and tobacco.

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 2011, AMS specialists reviewed 83 commodity standards to ensure they continue to accurately describe current products, including 21 for cotton products, 3 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 following standard revisions:

- Shell Egg Standards – Genetic advancements in layer flocks, improvements in production practices, and increased use of technology have contributed to improving the quality of shell eggs. As a result, AMS conducted an evaluation of shell eggs at major retail outlets to correlate grade standards and assess the adequacy of current criteria for the various grades. Data gathered through the evaluation and assessment process revealed that some grade criteria needed to be revised to remain relevant with current technology and production practices. AMS has initiated the process to update grade standards for shell eggs.
- Potato Standards – AMS published a revision to the U.S. Standards for Grades of Potatoes in the *Federal Register*. The standards were revised by amending the similar varietal characteristic requirement to allow mixed colors and/or types of potatoes when designated as a mixed or specialty pack. Additionally, AMS added restrictive tolerances for permanent defects in the en route/at destination tolerances, removed the definition for injury, and clarified the scoring guide for sprouts. The revised standards also add table numbers to the definitions of damage, serious damage, and external defects; amend table headings; replace omitted language in the definition for bruises; and amend language in the tolerance section to ensure soft rot tolerances are applied correctly.
- Frozen Okra Standards – AMS sought comments on a proposed revision to the U.S. standards for grades of frozen okra. The American Frozen Food Institute petitioned USDA to revise the standards to convert them from a variable score point system to a statistically based individual attribute grading system, similar to the U.S. standards for grades of canned green and wax beans. The proposed new standards are intended to provide the okra industry with greater flexibility to meet industry and consumer demand.
- Grapefruit Juice Standards – AMS began seeking comments on a proposed revision to the U.S. standards for grades of grapefruit juice. The Florida Citrus Processors Association, noting advances in industry processing technology, petitioned USDA to revise the standards. The proposed standards are designed to give the grapefruit juice industry greater flexibility to meet market demands. Notice of the proposed new U.S. standards for grapefruit juice grades were published in the August 18, 2011, *Federal Register*, with comments due by October 17, 2011.
- Ginseng Standards – AMS revised standards and created new grades for cultivated ginseng. Changes to the standards include adding tolerance levels, reclassifying sizes, removing table values and amending definitions. The revisions will make the marketing of U.S. ginseng easier in a changing and competitive world market. The new standards are based on quality and percentage of defects. On August 30, 2011, AMS published a notice in the *Federal Register* (76 FR 53875); soliciting comments on a possible revision of the United States Standards for Grades of Cultivated Ginseng. The public comment period closed on September 29, 2011. No comments were received. AMS worked closely with the Ginseng Board of Wisconsin (GBW) on the revisions prior to publishing in the *Federal Register*. The GBW unanimously endorsed the proposed revisions. AMS proceeded with the Final Notice to revise the United States Standards for Grades of Cultivated Ginseng which is currently pending publication.

New Standards Development – In 2011, AMS developed the following new standard:

- Onion – AMS sought comment on a proposal to establish new U.S. standards for grades of frozen onions. The American Frozen Food Institute, a national trade association promoting and representing the interest of the frozen fruit and vegetable industry, requested that AMS develop grade standards for frozen onions. NASS reported that U.S. production of onions was nearly 7.2 million pounds in 2010. The notice was published in the June 1, 2011, *Federal Register*. The comment period for the proposal to establish new U.S. standards for grades of frozen onions ended on August 1, 2011. Comments to revise onion defect definitions were received which have been incorporated into the document for re-proposal. The document including these revisions is being prepared for legal review. After legal review, the proposal will be posted for a 30-day comment period.

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, the International Cotton Advisory Committee, international cotton outreach and several bilateral consultative committees on Agriculture. Examples include:

UNECE/CODEX:

- AMS representatives assisted in the following U.S. Codex Committees affecting international dairy standards: Hygiene, Labeling, and Food Additives.
- AMS Fruit and Vegetable experts participated in the development and/or updating of twelve standards: eight for the UNECE Specialized Section on Fresh Fruits and Vegetables and four for the UNECE Specialized Section on Dry and Dried Produce standards.
- AMS chaired the 25th session of Codex Committee on Processed Fruits and Vegetables (CCPFV) - An AMS staff member served as the U.S. Delegate to the session and another AMS staff member served as a member of U.S. Delegation, assisting in the development and delivery of the U.S. positions to ensure U.S. interests are represented. The CCPFV advanced revisions of standards for desiccated coconut, canned bamboo shoots, and canned mushrooms (as an annex to the Standard for Certain Canned Vegetables) were adopted as final Codex standards by the Codex Alimentarius Commission during its 2011 session. AMS did not attend the 15th Session of the CCPFV but was able to submit U.S. positions and provide technical advice to the U.S. Delegation. During the fiscal year, AMS also participated in five working groups (chairing one and co-chairing another) established to advance other CCPFV work in preparation the 26th CCPFV session in 2012.
- An AMS official participated as a member of the U.S Delegation in the 22nd session of the Codex Committee on Fats and Oils (CCFO). The session held Feb. 21-25, 2011, in Penang, Malaysia, discussed proposed changes to the Codex Standard for Olive Oil with respect to linolenic acid levels and other agenda items. The U.S. delegation participated in four working groups and co-chaired the working group on linolenic acid levels in olive oil. To establish purity and avoid adulteration through mixing with other types of oils, olive oil standards set specific levels for fatty acid composition and sterol composition under international standards like Codex Alimentarius. During this session, the CCFO revised the olive oil standard, eliminating a specific level of linolenic acid (C18:3), leaving to countries the discretion to regulate the limit.
- AMS participated in two Organizations for Economic and Cooperation Development Fruit & Vegetable Scheme technical working groups on the development of Citrus Fruits explanatory brochure. AMS' participation is geared at protecting the interest of Florida citrus exports to Europe. AMS also uses such opportunities to undertake outreach activities in support of USDA international standardization activities.
- AMS fruit and vegetable experts participated in three one-week international Codex outreach programs coordinated by the U.S Codex office in an effort to build international support for U.S. positions at Codex committee plenary sessions.
- AMS Livestock and Seed program representatives attended the UNECE Working Party on Agricultural

Quality Standards meeting on June 14-18th in Geneva, Switzerland. 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. In addition, web-based standards are being highlighted for future standards development. The U.S. is leading the way with the beef and pork retail cuts draft as the first standards to use this approach.

- AMS Poultry representatives reviewed the UNECE draft standard for goose meat and assisted with preparing the final document for adoption by the Working Party on Agricultural Quality Standards. AMS agreed to host a Poultry Working Group and lead the initiative to expand the library of items covered in UNECE's chicken and turkey standards.
- AMS Poultry representatives attended the conferences of the International Poultry Council and the International Egg Commission. AMS provided information concerning the UNECE poultry and egg standards and engaged in capacity building sessions to educate producers and marketers about these international standards.

International Organization for Standardization (ISO):

- An AMS representative served as the Leader of the U.S. delegation for Technical Committee (TC) 34 (SC 2 and SC 11) meetings for food products held in Madrid, Spain in April 2011 and wrote meeting file reports to the American National Standard Institute (ANSI) in New York City for reference and international distribution. Working with other committee members from 52 foreign countries, an AMS representative participated in gaining the approval for two International Olive Council (IOC) methods to be added as ISO standards for 2011. New tests for determining fatty acid alkyl esters levels in vegetable oils (including olive oil) were developed that will be used to ensure the best quality food and protect public health. The Agency delegate took part also in standards development for ISO/TC 34/SC 9 (Subcommittee for the microbiology of food and animal feedstuffs by polymerase chain reaction methods) and SC 17 (Food Safety).
- An AMS representative is serving a five year term that began in 2009 as the Chairperson of the ISO Food and Food Products Technical Committee (TC-34), Subcommittee (SC-16) – Horizontal Methods for Molecular Biomarker Analysis which was established to advance fair and transparent commerce of food and agricultural biotechnology products through the development of harmonized technical standard methods. The subcommittee is hosted in the U.S., sponsored in part by AMS and composed of delegates from twenty-seven national standardization bodies. ISO SC 16 is the only international standards development organization providing standards and specifications for verifying the identity of high valued agricultural commodities and testing genetically engineered organisms in commerce. The third plenary meeting of SC 16 was held in 2011 in Beltsville, Maryland at the Agricultural Research Service's George Washington Carver Center.

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 1,042 samples at four different locations to determine trueness-to-variety of seed in interstate commerce. During 2011, AMS received 302 new complaints from 16 States, resulting in 384 cases. AMS tested 356 regulatory seed samples from 16 States, which reflects about a 3.5 percent increase from the number of regulatory samples from 2010, and 109 mail order seed samples from 6 seed companies for trueness-to-variety. The Program administratively settled 106 Federal Seed Act cases during the year, with penalty assessments totaling \$72,675 and individual assessments ranging from \$450 to \$21,775. To ensure uniform application of the regulations, AMS conducted seven training workshops for seed analysts and inspectors from 21 states.

In December 2010, AMS proposed to revise the Federal Seed Act regulations. These updates are periodically needed in order to maintain consistency with other federal and state agencies, as well as changes in industry practice. Ultimately, the harmonizing of state and federal testing procedures reduces the burden on small entities shipping seed in interstate commerce by allowing the same test to meet regulatory requirements for inter- and intra-state shipments.

The proposed rule was published in the Federal Register in December, with comments due Feb. 15, 2011. In January 2011, AMS held a public hearing to discuss proposed revisions to the Federal Seed Act (FSA) regulations, so that interested parties could present their views concerning the proposal. With no comments to the proposed changes, the final rule was published June 2, 2011.

The changes made to the Federal Seed Act regulations include updated:

- nomenclature of some agricultural and vegetable seeds listed per current usages on the International Code of Botanical Nomenclature;
- list of prohibited noxious-weed seeds;
- seed testing regulations to reflect improvements in seed testing technology and methods;
- noxious-weed seed tolerances;
- seed certification regulations; and
- labeling requirements for seed treated with the most toxic class of chemical compounds.

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 works in collaboration with all 50 States to conduct the COOL program.

Selected Examples of Recent Progress:

In January 2011, USDA issued a final rule adopting regulations for the mandatory COOL program for packaged honey bearing any official USDA mark or statement. The final rule adopted, with changes, an interim rule published in the *Federal Register* on July 8, 2009 (effective October 2009). The final rule included provisions for COOL requirements for packed honey, and for debarment of services if the COOL requirements are not met for packages of honey bearing official USDA grade marks or statements. As provided for in the interim rule, packers were given a 90-day period to exhaust current inventories of labels. In 2009, U.S. production of honey totaled 144 million pounds valued at \$208 million. During the same period, imports totaled 95,475 metric tons valued at \$220.3 million.

Review Activities: In 2011, the COOL Program conducted 4,005 retail reviews and 1,190 follow-up retail reviews of the roughly 37,000 regulated retailers. In addition, 307 products were audited through the supply chain.

Database: The COOL program designed and developed an automated database system called COOL FACTS. This system will be used to capture compliance information for retail reviews along with supply and trace back audits. The system is scheduled to go-live in May 2012. The program is finalizing the development and testing of a new database system that will facilitate the processing of data collected during in store reviews. This new system will allow AMS to target audits in facilities that have the most instances of violations.

Program Audit: AMS improved program operations by incorporating key Office of Inspector General recommendations into program activities. Based on the 14 recommendations from the OIG audit; 6 have been resolved/closed and the remaining 8 are a work in progress.

Training: In June and July 2011, AMS held six 2-day training sessions 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. The COOL Program also developed and will implement early in 2012, a COOL retail surveillance certification examination through USDA's AgLearn application. This will enable State cooperators to complete the certification process in a more organized and efficient manner.

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 2011, PDP tested more than 12,700 food and water samples, resulting in over 2 million individual tests.

Commodities – 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. In 2011, PDP added nine new commodities – canned beets, baby food green beans, baby food pears, and baby food sweet potatoes, cherry/grape tomatoes, hot peppers, papayas, snap peas and tangerines – and reintroduced previously tested commodities bringing the number of commodities surveyed to date to 103. Data on ready-to-eat baby foods was needed to more accurately evaluate pesticide exposure to this vulnerable segment of the population; canned beets, cherry/grape tomatoes, snap peas, and tangerines are high consumption items for adults for which no data was available. Hot peppers and papayas are important additions to the program based on environmental justice concerns. Data on previously tested commodities is needed to determine if there were measurable changes in the residue profile. All commodities selected for testing are based on EPA's requests for data to monitor registration-driven changes mandated by the FQPA and to respond to public food safety concerns.

Water Survey – 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, 1,192 potable groundwater wells in 42 States, 586 school/childcare facility wells, and 93 brands of bottled water.

PDP continued to monitor surface water, sampling 5 sites in 3 States throughout the year, and tested 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, few pesticides are tested and the testing is focused on parent compounds rather than metabolites; metabolites most commonly occur in groundwater. For the schools/childcare facility survey, PDP partners with various State and county/local agencies responsible for sample collection. For the first time, PDP was able to obtain samples from sites located on Tribal Nations' lands, working with 8 Native

American Nations. 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.

Sampling – During 2011, PDP achieved a 98.5 percent success rate in collecting samples, a slight decline from 2010, during which PDP achieved a sampling success rate of 99.3%. This slight decrease was due to a funding disruption that forced suspension of sample collection activities for one day. The PDP was operating under a temporary budget which expired before the final budget was approved. This funding disruption of one day resulted in 57 uncollected samples, which accounts for the 98.5 percent sampling success rate. Events beyond the program's control (such as delays in budget enactment) affect sampling success rates. PDP uses statistical tools and marketing data to enhance sample collection rates and has implemented improvements in the sample tracking database and the use of electronic sample information forms that allow for instant availability of data at food distribution points, which make it very valuable for the 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 – Methods were enhanced to bring the total number of pesticides and metabolites tested to over 470, including pharmaceutical compounds tested in water. 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 as well as or better than other participating laboratories in the U.S. and around the world.

Outreach – PDP staff presented program sampling and testing details to the Korean FDA in conjunction with the Foreign Agricultural Service to facilitate trade with Korea. PDP staff met with minor crop and chemical industry representatives and Pest Control Officials to improve communications. PDP staff also participated in meetings with the National Institutes of Health's National Children's Study to update them on PDP's water project data collection activities and attended interagency meetings with the Food Safety and Inspection Service to discuss program planning issues for both programs and to share technical information.

Reporting – AMS publishes an annual data summary, with reports currently available for 1991-2009. Public-domain databases containing sample identity and analytical results data for each sample tested are posted on the Program's website at <http://www.ams.usda.gov/pdp>.

MICROBIOLOGICAL DATA PROGRAM

Since 2001, the Microbiological Data Program (MDP) has administered a multi-state laboratory network that uses the latest validated methods and technology to test select domestic and imported fresh produce for the presence of disease-causing bacteria such as *Salmonella*, pathogenic *Escherichia coli*, and *Listeria monocytogenes*. MDP works closely with the FDA, the Centers for Disease Control and Prevention (CDC), and state health and regulatory officials by providing produce pathogen data that augments their management of food safety issues and allows implementation of sound measures to prevent contamination throughout the produce chain (production, processing, and distribution).

Selected Examples of Recent Progress:

During 2011, MDP performed 35,041 tests on 17,431 samples. The 7.9 percent decline in output over the previous year (44,908 tests and 18,921 samples were collected in 2010) was due to the budget uncertainties early in 2011 which resulted in 54 uncollected samples which affected overall counts.

Commodities – In 2011, MDP tested 9 commodities: cantaloupe, cilantro, hot peppers, bagged/bunched lettuce (leaf and romaine), bagged spinach, sprouts (alfalfa/clover), round tomatoes, Roma (plum) tomatoes, and grape/cherry tomatoes. MDP has also tested celery, green onions, onions, parsley and peanut butter. These commodities were included in sampling and testing schemes following consultation with CDC and FDA because they had previously been associated with food-borne outbreaks.

Reporting – MDP actively exchanges program information and pathogen detection data with several offices of the FDA including the Center for Food Safety and Applied Nutrition's Office of Produce Safety, the Office of Food Defense, Communication, and Emergency Response; FERN; the Office of Regulatory Affairs' regional laboratories

and State Department of Health Agencies. MDP information is also shared with CDC epidemiologists, the National Antimicrobial Resistance Monitoring System (NARMS), and the PulseNet laboratory. On request, MDP provided data to USDA's Agricultural Research Service and the National Advisory Committee on Microbiology Criteria for Food.

MDP reported to FDA 35 *Salmonella* positives during 2011. These 35 positive reports, which included sample information and test results, were used by FDA in conjunction with additional information collected by FDA inspectors to recommend ten limited voluntary recalls of the affected lots of fresh produce (cantaloupe, sprouts, cilantro, cherry tomato, and bagged spinach). In addition, because *Salmonella* was frequently detected in cilantro, FDA Center for Food, Safety, & Applied Nutrition (CFSAN) issued a cilantro guidance letter to the produce industry in 2011. MDP also reported to FDA 27 non-O157 pathogenic *E. coli* positives.

MDP continuously shares its data on pathogen characteristics such as serotypes and genomic fingerprints by pulsed-field gel electrophoresis (PFGE) with FDA and CDC. The close relationship between MDP-participating State laboratories and their respective health agencies allows for rapid serotyping and identification of pathogen species and reporting of this information into the CDC PulseNet database within days of isolating a pathogen. As a result, CDC epidemiologists were able to identify ten MDP *Salmonella* matches to human illness. MDP data enables outbreak investigators nationwide to match pathogens isolated in food commodities with those isolated from humans. MDP has also provided data to the Interagency Risk Assessment Consortium and a CDC/FSIS risk assessment group for facilitating development of attribution models in linking a commodity to a food-borne pathogen.

Testing Methods – 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 Food Emergency Response Network (FERN) have collaborated in harmonization of analytical methods and reports.

Interagency Coordination and Cooperation – In order to cross-utilize federal resources, MDP and FDA FERN held monthly conference calls and numerous meetings to discuss interagency agreements for sharing resources for sampling, testing, equipment purchases, and to harmonize collection of sample information and reporting of analytical results. In 2011, MDP signed two agreements with FDA to assist in a research and method development project and to provide samples for the FERN Cooperative Agreement Program (CAP). MDP assisted FDA by collecting cilantro samples from its participating States to be used by the FDA Module-1 Laboratory to evaluate the ruggedness of a newly developed method using real-life samples. MDP also collected produce samples for testing by FERN CAP microbial laboratories to evaluate their readiness to respond in the event of food contamination emergencies. MDP consulted FDA CFSAN Produce Safety Staff to discuss 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 sharing of MDP isolates data in PulseNet for match-up with food or human illness in a timely manner.

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. The 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 provide other recommendations to the Secretary on the implementation of the NOP.

Selected Examples of Recent Progress:

Rulemaking:

- Published a Proposed Rule in April 2011, to implement requirements for periodic residue testing by certifying agents.
- Published a Final Rule describing the Access to Pasture Requirements for Ruminant Slaughter Stock. This rule included a discussion of public comments, and concluded that a rule change was not necessary.
- Published a number of rules on the National List of Allowed and Prohibited Substances. These included:
 - Proposed and Final Rules renewing the listings for substance on the National List which were scheduled to sunset in 2011;
 - A Proposed Rule to add fenbendazole and moxidectin to the National List;
 - The Final Rule to amend the listing for methionine on the National List. Final Rule to add, with annotations, aqueous potassium silicate, sodium carbonate peroxyhydrate, gellan gum, fortified cooking wine, and tragacanth gum to the National List; and
 - A Proposed Rule to amend the annotation for lecithin-unbleached; remove lecithin-bleached; and add microcrystalline cheese wax, acidified sodium chlorite, dried orange pulp, and Pacific kombu seaweed to the National List.

Resources and Guidance:

- NOP released three instruction documents outlining sampling procedures and laboratory criteria for parties conducting residue testing of organically produced agricultural products in January 2011, as a result of a larger project related to pesticide residue testing.
- Launched an online listing of organic operations certified by USDA accredited certifying agents. This was the first time a complete list of organic certified operators was posted for the public.
- Issued Draft and Final Guidance through the NOP Handbook, as well as other resource tools to support the organic community.
- Final Guidance was issued on Compost and Vermicompost in Organic Crop Production, Wild Crop Harvesting, Commingling and Contamination Prevention in Organic Production and Handling.
- Final Guidance was also issued on Use of Chlorine Materials in Organic Production and Handling.
- Draft guidance was issued on Made with Organic Products (specified ingredients or food group(s)), Kelp, Pesticide Residue Testing, Seeds, Annual Seedlings, and Planting Stock in Organic Crop Production, and Vitamins & Minerals for Livestock.
- Published policy memos concerning the labeling of textiles that contain organic ingredients; and clarifying existing regulations regarding the use of genetically modified organisms in agriculture.
- Completed and posted General Accreditation Policies and Procedures, and organic system plan templates and forms.

Investigation and Enforcement:

- The NOP received and began investigative activities on 181 complaints during 2011, representing a 15 percent increase from 2010. A total of 128 complaints were closed. As a result of investigations, NOP issued ten civil penalties through settlement agreements for willful violations of the NOP regulations.
- In 2011, the NOP implemented the enforcement action procedure of publishing notices of NOP fraudulent certificates online to alert the organic community when such a certificate is identified. Three such notices were posted during the year; each involved an international operator's misrepresentation of agricultural products as certified organic through falsification of an NOP certificate.
- Improved the enforcement process by reducing the average appeal processing time by 50 percent and issuing six civil penalties in 2011.

Audit Reviews and Actions:

- To advance its accreditation program in 2011, the NOP led audits of 23 domestic and foreign certifying agents; issued reinstatements of certification to suspended organic producers and handlers; removed accreditation from two certification agents; issued one new accreditation; issued temporary variances to the USDA organic regulations due to weather related events; conducted an onsite evaluation of California State

Organic Program to determine compliance with the NOP regulations; and verified that California implemented corrective actions required to operate as a State Organic Program.

- The NOP completed a peer review process to have its accreditation program assessed by the National Institute of Standards and Technology for compliance with ISO 17011. The peer review identified areas for improvement in its accreditation activities; corrective actions were in progress by the end of the fiscal year and will continue into 2012.

International Activities:

- Continued to engage with other countries to advance organic community trade through recognition and equivalency agreements. In January 2011, representatives of NOP conducted an assessment of the Program's organic recognition agreement with the government of India. In July 2011, Canada began its formal hard enforcement of its equivalency arrangement with the U. S.
- Assessed the European Union (EU) Commission's organic program in hopes of establishing an organic equivalence agreement with them, and facilitated the EU Commission's assessment of the NOP.
- Completed the assessment of four certifying agents operating in China, and supported the establishment of codes for organic food products to track organic imports and exports.

Training and Outreach:

- Conducted training for accredited certifying agents in Portland, Oregon and Nurnberg, Germany; and attended multiple conferences and outreach events, resulting in a better understanding of the NOP and the impact of the rules and regulations for both producers and organic consumers.
- In early 2011, the NOP launched an email notification service as a tool to increase outreach and transparency.
- Held public meetings of the NOSB in Madison, Wisconsin in October 2010 and in Seattle, Washington in April 2011.
- In September 2011, the NOP partnered with other USDA offices to host an Organic Listening Session, where members of the public shared their interests and concerns about organic agriculture with Department representatives.

Organic Certification Cost-Share Programs – In 2011, approximately \$7 million was allocated to States to partially reimburse producers and handlers for the cost of organic certification through the National and Agricultural Marketing Assistance Organic Certification Cost Share Programs. Based on preliminary reports, over 8,000 certified organic operations received reimbursements during 2011. The NOP expanded outreach efforts for these programs through site visits, conference presentations, advertising in trade publications, direct mail, and email marketing.

PESTICIDE RECORDKEEPING PROGRAM

Current Activities: The Federal Pesticide Recordkeeping Program (PRP) is a National program that enforces the Federal Pesticide Recordkeeping regulations, which requires certified private pesticide applicators (over 600,000 agricultural producers) to maintain records of their restricted use pesticide (RUP) applications. This is accomplished by conducting compliance inspections with certified private pesticide applicators utilizing State and Federal personnel. PRP also provides information to the regulated community to assist them with compliance and provides outreach materials to licensed health care professionals to inform them of the availability of RUP record information when needed for medical treatment.

Selected Examples of Recent Progress:

Records Inspection and Educational Outreach – More than 250 State and Federal inspectors met with over 3,400 certified private applicators required to follow the Federal regulations. Also, 800 inspections of certified private applicators were conducted in the States that have their own recordkeeping requirements that meet or exceeded the Federal requirements. The program reimbursed 36 cooperating states and two Federal agencies with more than \$1.5 million in Federal funds to conduct certified private pesticide applicator inspections and provide educational outreach.

Annual Summary – PRP publishes an annual summary report which provides information on the number of compliance inspections conducted, the list of State cooperators that assisted with conducting applicator inspections, outreach materials provided, tradeshow attendees to reach private applicators, and other program information. The FY 2010 annual summary was published in August 2011, and is available on the Program's website: <http://www.ams.usda.gov/AMSV1.0/pestiderecords>.

Outreach to Underserved and Small Minority Farmers – PRP established cooperative agreements with:

- Auburn University to provide applicator training and outreach to underserved and small minority farmers in the State of Alabama to assist them with maintaining RUP application records;
- University of Illinois to provide training and education to certified private applicators including Native American Indians through the 1994 Tribal Land Grant Colleges and Universities, which covers all Tribal Nations in the U.S.; and
- The Montana Department of Agriculture cooperative agreement was continued in 2011 to provide training to underserved certified private pesticide applicators including Native American Indians in the State of Montana.

Reference Materials – During 2011, the program began an effort to update and print the full-sized PRP manual and program brochure to assist pesticide applicators maintain RUP and general use pesticide application information. In addition, the program fact sheet and wallet reference card were updated and printed to provide additional outreach materials to assist applicators with their compliance of the regulations. All of the educational outreach materials have been posted in electronic format to the program's website for download as an alternative method of distribution available to certified private pesticide applicators.

Training – 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 provided updates on the new policies and procedures for 2011.

RESEARCH AND PROMOTION PROGRAMS

Current Activities: AMS provides administrative oversight to 19 industry-funded commodity research and promotion programs with \$750 million in assessments. 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.

Selected Examples of Recent Progress:

AMS strengthened its guidelines for oversight of all research and promotion programs. Under the new guidelines, industry boards are required to conduct annual financial audits in accordance with the Generally Accepted Government Auditing Standards (GAGAS), which are stronger than the more common Generally Accepted Auditing Standards (GAAS) used by most corporations. In addition, boards must document decisions concerning the selection of contractors. During 2011, the research and promotion programs have been working with the boards to ensure implementation of these new guidelines.

Cotton – The cotton research and promotion program continued its research into new uses and promoting new technologies. The Program announced its collaboration with Under Armour in that company's adoption of a new line of performance apparel using a natural-fiber-developed finish technology. The apparel line called "Charged Cotton" includes t-shirts and shorts for men and women and represents a huge step forward for cotton's viability in the synthetic-dominated athletic apparel category. The Program continued to develop and promote its cottonseed

and cotton by-product research, including hydromulch, cotton soundproofing wall covering, decking material, backyard compostable packing material, and recycled denim home insulation.

Dairy Products – The dairy research and promotion program continued to focus on child health and nutrition through the check-off created school program - Fuel Up to Play 60 (FUTP60). FUTP60 combines the 2010 Dietary Guidelines with the star power of the National Football League (NFL) to encourage youth to consume nutrient-rich foods, including low-fat and fat-free dairy, and to have 60 minutes of physical activity every day. AMS assisted the industry in the development of a Memorandum of Understanding (MOU) between USDA, the Department of Education, the Department of Health and Human Services, National Dairy Council, Gen YOUth Foundation, and the NFL. This MOU set a new precedent for public-private partnerships and cross-department collaboration to further the goals of FUTP60 through healthier eating and increased physical activity. The FUTP60 program is now in more than 70,000 schools serving 36 million elementary, middle, and high schools students. FUTP60 also shares the goals of the First Lady’s childhood obesity platform “*Let’s Move!*”

The Dairy program also implemented the Dairy Import Assessment (DIA) as required by the 2008 Farm Bill and conducted extensive outreach efforts to ensure successful implementation, including notification of over 5,500 industry stakeholders. The program coordinated more than 15 presentations to discuss specific DIA provisions along with the establishment of a website <http://www.ams.usda.gov/AMSV1.0/dairyimportassessment> and an email address at DairyImportAssessment@ams.usda.gov to encourage an open dialogue.

Eggs – The egg research and promotion program funded research studying the effect on hens of fortifying feed with additional vitamin D, a nutrient in which many people are deficient. This came on the heels of FY 2010 research showing that eggs are naturally a good source of this nutrient, prompting the egg industry to question whether the level of vitamin D should be increased further. Researchers fortified feed with various levels of vitamin D and discovered no detrimental effect on hens. As a result of this new research, egg farmers are considering standardizing feed formulations to include more of this important nutrient.

The Program also continued its Good Egg Project which educates consumers about egg production and promotes 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, including one in Joplin, MO, following the May 22, 2011 tornado. In addition to serving a hot egg breakfast to attendees, egg farmers also donated eggs to local food banks and Feeding America. Since the Good Egg Project began in 2009, egg farmers have donated 28.5 million eggs to the Nation’s hungry.

Softwood Lumber – AMS’ fruit and vegetable research and promotion program implemented a new softwood lumber research and promotion program. Softwood lumber is used in products like flooring, siding, and framing. The program will be financed by assessments on softwood lumber domestic manufacturers and importers. The purpose of the program is to strengthen the position of softwood lumber in the marketplace, maintain and expand markets for softwood lumber, and develop new uses for softwood lumber within the U.S.

Sorghum – Sorghum producers and importers voting in a national referendum have approved the continuation of the Sorghum Promotion, Research, and Information Order, commonly known as the Sorghum Checkoff Program. The goal of the program is to strengthen the position of, and to develop and expand the markets for sorghum and sorghum products. The assessment for grain sorghum is 0.6 percent of net market value and 0.35 percent of net market value for sorghum forage, sorghum hay, sorghum haylage, sorghum billets and sorghum silage. Although limited, imports of sorghum and sorghum products are also assessed.

Research and Promotion Program Industry Assessments
 FY 2011 Estimate*
 (Dollars in Millions)

<u>Commodity</u>	<u>Assessments Collected</u>
Cotton	\$85.0
Dairy	96.2
Fluid Milk	105.0
Beef	42.0
Lamb	1.9
Pork	62.3
Soybeans	89.5
Sorghum	6.6
Eggs	21.0
Blueberries	6.6
Hass Avocado Board	27.6
Honey Board	3.7
Mango Board	3.2
Mushroom Council	3.8
Peanut Board	7.3
Popcorn Board	0.5
Potato Board	12.4
Watermelon Board	2.5
Total	\$ 577.1

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

TRANSPORTATION AND MARKET DEVELOPMENT

Current Activities: AMS' Transportation and Market Development Program is comprised of a Transportation Division and the Marketing Services Division.

The 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.

Selected Examples of Recent Progress:

Transportation Studies and Projects:

- Provided online access to the Grain Transportation Report (GTR) data, reducing staff time in responding to information requests, boosting stakeholder utility of the GTR, and increasing the number of overseas

subscribers by 25 percent. These actions are expected to help facilitate grain marketing and enhance research. This innovative service is fully supported and encouraged by the Federal Maritime Commission.

- Analyzed implications of the Mississippi and Missouri River flooding, tropical storms, hurricanes, the earthquake, tsunami, and radiation in Japan. Presented *Impacts of Mississippi River Closures* to the Quarterly Food and Agriculture Joint Sector Meeting, part of the *Strategic Partnership Program Agroterrorism Initiative*, which examines the Nation's food supply.
- In support of the President's National Export Initiative, initiated information collection on shipping containers. Information is collected on a voluntary basis from ocean carriers at select locations and aggregated weekly on AMS' Website for the use of U.S. exporters.
- Assisted in planning the first USDA Biomass Research Center Customer/Stakeholder Research Planning Workshop in Denver, including a workshop on biofuel distribution infrastructure.
- Conducted an evaluation of wholesale port prices in 2010.
- Sponsored six agricultural shipper workshops, facilitating discussion of ocean, rail, and truck regulatory, rate, and service issues for U.S. agricultural exporters in Memphis, TN, Minneapolis, MN, Seattle, WA, Modesto, CA, Boise, ID, and Atlanta, GA. Attended annual meetings of the Agriculture Transportation Coalition and Midwestern Shippers Association on these issues.
- Prepared and filed USDA comments to the Federal Motor Carrier Safety Administration (FMCSA) in support of continuing the 150 mile CDL farm exemption for the movement of crops, supplies, and machinery, which FMCSA reaffirmed in 2011.
- Prepared and filed USDA comments to the Surface Transportation Board on ways to foster more rail to rail competition, including mandatory reciprocal switching and reviewing bottleneck rates and paper barriers.
- Filed USDA comments to the U.S. Surface Transportation Board supporting the reduction of fees for filing complaints for unreasonable rail business practices, from \$20,600 to \$350.
- Filed USDA comments on the need for balance, transparency, and appeal rights in railroad mediation and arbitration procedures.
- Reports Issued:
 - Weekly: Grain Transportation Report and Mississippi River Gage Report.
 - Quarterly: Brazil Soybean Transportation, Mexico Transport Cost Indicator Report, Agricultural Refrigerated Truck Quarterly, and Grain Transportation Updates
 - Annually or One-time: Soybean Transportation Guide: Brazil 2010, Impacts of Transportation Infrastructure on the U.S. Cotton Industry, Transportation of U.S. Grains: A Modal Share Analysis, 1978-2007, U.S. Grain and Soybean Exports to Mexico—A Modal Share Transportation Analysis, 2007-2010, Infrastructure Moves Agriculture, and Rail Rate and Revenue Changes since the Staggers Act.

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 and the Federal-State Marketing Improvement 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>.

AMS also plays a key role in the "Know Your Farmer, Know Your Food" Initiative to help local food systems thrive, create new opportunities for farmers, ranchers, consumers and rural communities, and expand access to healthy food throughout the country. Through this initiative, USDA integrates programs and policies that stimulate food- and agriculturally-based community economic development; foster new opportunities for farmers and ranchers; promote locally and regionally produced and processed foods; cultivate healthy eating habits and educated, empowered consumers; expand access to affordable fresh and local food; and demonstrate the connection between food, agriculture, community and the environment. As local and regional markets often provide farmers with a higher share of the food dollar, and money spent at a local business often continues to circulate within a community, this Initiative provides benefits not only for producers and consumers who are directly involved, but it contributes to broader economic development as well.

Farmers Market Promotion Program (FMPP) – MSD also administers FMPP, which is funded by the 2008 Farm Bill and provides grants targeted to establish, improve and expand domestic farmers markets, road side stands, community-supported agriculture programs, agro-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’s market authorities, and Tribal governments. In 2011, AMS competitively awarded grants to projects that develop producer-to-consumer market outlets, including but not limited to farmers markets, community supported agriculture, and road side stands. AMS continues to target 10 percent of grant funding toward new electronic benefits transfer (EBT) projects at farmers markets, but this year, priority status was also granted to those projects that expand healthy food choices in food deserts.

AMS conducted reviews of grant proposals for the 2011 FMPP grant cycle through a peer review process. Peer review allows open, public input by experts in a given field or discipline. Peer reviewers are vital in ensuring that the grantees will promote the domestic consumption of agricultural commodities. Reviewers include peers from agricultural cooperatives, producer networks, producer associations, non-profit corporations, public benefit corporations, economic development corporations, regional farmer’s market authorities, and employees of federal, state, local and tribal governments. Peer reviewers are expected to have a general knowledge of the operational aspects of locally based farm marketing programs, EBT projects, farmers markets, and other agricultural direct-marketing businesses, and apply their knowledge and expertise to score and comment on applications. Expertise is particularly sought from farmers who are direct marketers, and reviewers with substantive experience in implementing EBT projects. Individuals and/or their organizations that prepare or submit applications to FMPP (for the 2011 grant funding cycle) are not eligible to serve as reviewers. In addition, prospective reviewers are not selected to review certain proposals if they or their organizations (including subcontractors) have a conflict of interest.

In 2011, FMPP provided \$9.2 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 149 projects from 42 States and the District of Columbia were selected for funding out of the 397 proposals received from 49 States and the District of Columbia. The amount awarded included 17 new EBT projects, representing approximately 12.2 percent of total funding for 2011 (\$1.12 million). Synopses for the full portfolio of FMPP grant awards for 2011 can be viewed at <http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRDC5094639&acct=fmpp>.

FMPP Outreach, Education and Information Exchange:

MSD provided technical assistance and engaged with constituents through grant-writing workshops, conferences, webinars, and e-invitations across the country some outreach and education efforts include:

- Refugee Agricultural Partnership Program (Washington, DC, January 2011)
- Virginia State University (Petersburg, VA, March 2011). In addition to technical assistance on grant-writing, presented a second workshop on funding opportunities for direct-to-consumer marketing and local foods projects, staffed a resource table, and provided one-on-one consultations to farmers
- American Farmland Trust (April 2011) *How to Fund, Increase Awareness, and Grow Support for Your Farmers’ Market* webinar
- North Carolina AT&T State University (Greensboro, NC, May 2011)
- USDA Center for Faith-based and Neighborhood Partnerships (June 2011) Partners call on *Let’s Move!* and Farmers Markets
- Regarding information sharing and program highlights, FMPP placed 11 posts on various and widely-watched Federal government websites, including the USDA blog, the First Lady’s *Let’s Move!* blog, the USDA Know Your Farmer, Know Your Food blog, and the AMS Spotlights blog
- More than 1,200 e-invites were distributed to stakeholders and their respective networks around the country for application to the 2011 FMPP funding cycle, including to a substantial number of minority/ underserved farmers/ranchers and relevant nonprofits. Networks included:

- USDA Office of Tribal Relations for notification of members of the National Congress of American Indians, Tribal governments, and other prospective American Indian/Alaskan Native applicants
 - Hispanic Farmer Programs – College of Agriculture and Natural Resources – Michigan State University (distribution list of more than 150 Hispanic farmers/ranchers and more than 60 Hispanic-serving organizations across the U.S.)
 - Intertribal Agriculture Council (a coalition of 50+ reservation-based tribal farms and ranches across the U.S.)
 - National Association of RC&D Councils (375 members)
 - National Latino Farmers and Ranchers Trade Association
 - Rural Coalition
 - COMFOOD (a national list administered by Tufts University reaching more than 4,000 local food advocates and practitioners)
 - Farmers Market Coalition
 - Farmers Market Consortium
 - Food Routes
 - Women, Food and Agriculture Network
 - Wholesome Wave
 - All contacts within the MSD directory of farmers markets
- For the 2011 grants cycle, FMPP staff created or revised the following resources:
 - Farmers Market Promotion Program 2011 Guidelines
 - How to Apply for an FMPP Grant
 - Frequently Asked Questions (for applicants)
 - A directory of Funding Opportunities for Direct-to-Consumer Marketing & Local Foods was created by FMPP and distributed to all 2009 and 2010 grantees to facilitate project sustainability post-FMPP grant. This resource was additionally posted to the FMPP home page and heavily distributed – along with a link to the Know Your Farmer, Know Your Food portal for USDA grants, loans, and support – in response to all FMPP inquiries.
 - Performance Measurement and Evaluation guidance, developed by FMPP to help applicants and other direct-marketing agriculturalists with project design, evaluation (including logic model development), and reporting. This tool also introduces performance measurement principles currently or to-be mandated by OMB, and is intended to provide FMPP with a foundation for increased accountability in grant funding and greater alignment with AMS and Departmental goals.

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

- Food Access – Led the regional food hub subcommittee, chaired both the full task force and the smaller core tactical team, and oversaw the subcommittee’s primary short term programmatic deliverables.
- National Food Hub Collaboration – MSD played a leading role in establishing the National Food Hub Collaboration which is a partnership between USDA, Wallace Center at Winrock International, National Good Food Network, National Association of Produce Market Managers, and Project for Public Spaces. The Collaboration collects and analyzes the latest developments, research and activity related to food hubs, and is working to ensure the success of existing and emerging food hubs in the US. results include:
 - Food Hub Database – Developed an inventory of regional food hubs currently operating or in development in the U.S. The Collaboration has identified over 125 food hub operations in the U.S. and the information is available at www.ams.usda.gov/foodhubs
 - Food Hub Resource Guide – Drafted a resource guide to share lessons learned, promote the continued success of active regional food systems, and spur the development of new regional food systems. To accomplish this, the Collaboration conducted a focus group with key leaders in the wholesale market industry; carried out an online national survey of regional food hubs; and conducted follow up phone interviews with a sub-sample of food hub operators to determine their current challenges and opportunities. These findings have provided a baseline assessment of the

- scale and scope of regional food hub operations, and demonstrated the critical role that regional food hubs are playing in shaping the development of robust regional food systems.
- Food Hub Outreach – Carried out an extensive outreach campaign through regional and national conferences, training workshops, webinars, and conference calls to share the knowledge gained to a wide range of food hub stakeholders. AMS staff presented research findings and information on food hub resources on 20 plus occasions to a wide range of food hub stakeholders.
 - Hub Portal – Created a dedicated regional food hub page on the AMS Farmer Marketing Local Food Marketing website to make food hub resources more readily available and accessible to the wider public. Even though the food hub portal has only been in existence since April 2011, and was only officially announced to the general public via press release in early July, the site has already received well over 5,000 visits from users.
 - “Making Good Food Work” Conference in Detroit – Helped organize a committee that designed and delivered an action-oriented conference model in April 2011. The conference brought together over 200 participants with food systems and business expertise from across the U.S. to help catalyze thirteen local and regional food distribution and marketing initiatives and advance related research, policy, and community and economic development goals.
- National Farmers Market Directory – AMS, with cooperative research assistance from Michigan State University, improved the platform for interested market managers and organizers to submit their market information electronically. In 2011, the number of self-reported farmers’ markets increased by 17 percent from 6,132 to 7,175 exceeding the Department’s goal. Additional information available through the Directory includes:
 - enhanced the transparency of government data;
 - incorporated Google Maps;
 - captured multiple market locations; and
 - the availability of raw data which can now be shared with an expanded audience by publishing the dataset on Data.gov.

Facilities Design Projects/Studies:

- Menands, New York – Created two designs for the Capital District Farmers Market, A Food Hub Project to utilize a 30 acre site for the Capital District Farmers Market in Menands, New York and included a concept for a new vendor shed to accommodate 61 farmer vendors with linkages to a proposed aggregation warehouse and distribution facility.
- Headlands, Alabama – Created a design for the Wiregrass Region Distribution Facility, A Food Hub Project with a shared packing and chilling facility for a farmer cooperative where the hub serves as a centralized drop point for produce to be either packed or chilled and then shipped to both local markets and wholesale markets located further away. To assist the cooperative in their growth, AMS included second and third phases in the design that includes a Community Kitchen with a retail facility and a farmers market to create a local venue for locally grown produce, meat and dairy products.
- Chester, South Carolina – Work has started on the Chester County Agriculture Economic Development Center. AMS provided the technical assistance for the city of Chester, SC to make the Center possible. The project is funded by a USDA Rural Development Grant of \$125,000. The Center will function as a food hub which includes a Community Kitchen, indoor farmers market, and a covered open air farmer retail pavilion for the Catawba Region of South Carolina.
- USDA Farmers Market – Created a new layout for the 2011 USDA Farmers’ Market season. The work was coordinated with the operations staff to insure compliance with Departmental directives. The layout was also coordinated with the staff engineer of the People’s Garden. In consultation with other USDA agencies and a contractor, proposed renovations to the USDA cafeteria would ensure that the USDA Farmers Market becomes an integral component of the proposed cafeteria renovation plan.

Publications, Articles, and Reports:

- “Money and Mission: Moving Food with Value and Values”, Journal of Agriculture, Food Systems and Community Development, July 2011. The article describes the aggregation, distribution and marketing of diverse food value chains and highlight practical lessons about how they operate, the challenges they face, and how they take advantage of emerging opportunities for marketing food products.

- “Market Edge for the Wedge,” Rural Cooperatives magazine, July-August 2011. Describes the development of Coop Partners Warehouse, a regional organic food distributor in the Midwest owned by a retail grocery cooperative (The Wedge) in the Twin Cities.

Marketing Presentations, Training, and Webinars:

- USDA Regional Innovation Convening on Food Hubs, Portland, OR, March 2011
- Greater Philadelphia Food System Stakeholder meeting, Philadelphia, PA, May 2011
- School Food FOCUS annual meeting, Englewood, CO, June 2011
- Sustainable Agriculture & Food Systems Funders Forum, Minneapolis, MN, June 2011
- Role of Institutions in Future of Local Food conference, Airlie Center, Warrenton, VA, August 2011
- Regional Training for Community Development Financing Institutions on Mid-Tier Food Chains, Madison, WI, August 2011
 - Georgia Sustainable Agriculture Consortium – Provided keynote address on food hubs. The Consortium is comprised of leaders from the University of Georgia, Fort Valley State University, Georgia Dept. of Agriculture, Georgia Organics, Georgia Farm Bureau, USDA ARS and Georgia USDA NRCS. The Consortium recently released a statement announcing its commitment to form two regional food hubs, one focused on mid-size vegetable production and one focused on mixed animal species grazing systems
- Presentations or speeches at webinars:
 - Presentation about US agricultural marketing trends to visitor from Poland (at request of USDA/FAS), February 2011
 - USDA Regional Innovation Convening on Food Hubs, Portland, OR, March 2011
 - California Small Farm Conference, March 2011
 - Presentation to foreign delegation on AMS technical assistance services to small producers and agricultural businesses (at request of USDA/FAS), March 2011
 - 2011 Experimental Biology conference, Washington, DC, April 2011
 - Two webinars about the USDA National Farmers Market Directory (in partnership with American Farmland Trust and Food Routes), April 2011
 - Presentation on US agricultural marketing practices for visiting delegation from India (at request of State Department), May 2011
 - Webinar on “Food Hubs – Viable Regional Distribution Solutions,” hosted by the National Good Food Network, May 2011
 - Webinar about the USDA National Farmers Market Directory, hosted by the USDA Office of Faith-Based and Neighborhood Partnerships, June 2011
 - Forum on Local Food Data Gaps, Applied and Agricultural Economics Association, Pittsburgh, PA, July 2011
 - Presentation on US agricultural marketing system to visiting delegation from Italy (at request of USDA/FAS), August 2011
 - Role of Institutions in Future of Local Food conference, Airlie Center, Warrenton, VA, August 2011

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

audit results. AMS developed a MOU with the Food and Drug Administration to enhance communication and collaboration. In conjunction with the MOU, AMS began training program for AMS grading and inspection personnel to identify situations that need to be reported to FDA to protect the Nation’s food supply.

Selected Examples of Recent Progress:

Cotton Grading – AMS classified 17.2 million bales of cotton under the grower-classing program in FY 2011, with all cotton classed by the high volume instrument method. This represents a 33 percent increase above FY 2010 levels. In addition, the Cotton Program classified over 895,000 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 2011, the Cotton Program received requests for information on 38 million bales.

AMS developed and implemented a new instrument-based leaf grade for cotton to replace the long-standing, labor-intensive determination assigned by human graders. This new grading technique utilizes imaging technology and a comprehensive algorithm developed internally by AMS employees. The algorithm was pilot-tested in FY 2010-11 alongside the official manual grade for all cotton grown and graded in the U.S. The new algorithm and process was fully vetted by the cotton industry, which supported this progressive step forward. These highly accurate instrument measurements will equate to a leaf calculation used to market cotton worldwide. This new methodology will increase efficiency and reduce labor without sacrificing accuracy of the data.

Fees and Charges in Effect 2011:

<u>Service Performed</u>	<u>Fees</u>
Form 1 grading services	\$2.20 per sample ^{a/}
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).

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 2011, 60 million kilograms of tobacco were graded and pesticide testing was performed on 57.5 million kilograms of tobacco to ensure that pesticide residue levels were within tolerance.

Fees and Charges in Effect 2011:

<u>Service Performed</u>	<u>Fees Permissive</u>
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	0.54 per hundred kg
Domestic Tobacco Pesticide Testing and Certification	0.25 per hundred lbs
Retest Tobacco Pesticide Testing and Certification	220.00 per sample

Dairy Products Grading – Dairy products grading, laboratory analysis, and dairy 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.

Fees and Charges in Effect in 2011:

<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. AMS 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. The Dairy Grading Program implemented dairy export certification programs in Chile, Brazil, and Kazakhstan thus eliminating trade barriers resulting in increased exports. In 2011, the Dairy Grading program issued 20,500 export certificates which was a 28 percent increase over 2010. AMS Dairy Programs continues to look for ways to improve the certificate issuance program. To facilitate the issuance of these certificates, the Program is developing an online system to request certification. To date exporters can request certificates for the E.U., and generic sanitary certificates online.

Processed Fruit and Vegetable Grading – This program offers both grading and audit-based verification services for the food industry. During 2011, AMS graded approximately 15.8 billion pounds of processed fruits and vegetables at 381 processing plants, 14 field offices, and 13 inspection points. This represents a 15 percent increase above the 2010 level.

In addition, AMS conducted third-party quality, systems, and sanitation audits for food service organizations, processors, retailers, and state and federal government entities. Below is a listing of 2011 highlights:

- AMS provided verification audits under the Qualified Through Verification (QTV) program to meet the needs of the fresh-cut produce industry. AMS performed 13 QTV audits in 2011.
- Plant Systems Audit (PSA) program provides an unbiased, third-party audit of a processor's quality assurance system. In 2011, AMS performed 18 PSA audits for fruit and vegetable processors nationwide.
- AMS provided surveys from the Food Defense Survey System in support of USDA food purchases. In 2011, AMS performed 392 of these surveys. The reviews provide industry with information regarding product conformance to specifications.
- 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, continued to participate with the U.S. Department of Commerce Food Team 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 to ensure the quality of the food products purchased under Prime Vendor contracts. AMS auditors performed 10 DOD Produce Quality Audits. These audits verify that produce suppliers' facilities meet DOD's food safety requirements and that produce meets their specifications.
- AMS continued management of the Child Nutrition (CN) Labeling program, including training additional staff to review CN labels as needed based on label volume, performing outreach, and training to CN manufacturers and school food service professionals on program and policy changes. During 2011, AMS reviewed and approved 2,272 label applications.

Fees and Charges in Effect in 2011:

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

Fresh Fruit and Vegetable Grading – AMS grading services for fresh fruits and vegetables are available at shipping points and in receiving markets throughout the U.S. and Puerto Rico. 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 2011, AMS graded or supervised the grading of approximately 59.5 billion pounds of fresh fruits, vegetables, and specialty crops. Grading services were provided by approximately 1,500 Federally-licensed State employees at shipping points and cooperative market locations and by approximately 123 federal employees at 32 federal receiving markets.

AMS Fresh Products Branch's Good Agricultural Practices & Good Handling Practices program is an audit based activity 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. In 2011, approximately 2,800 audits were conducted

on over 90 different commodities in 49 states, Quebec, Ontario, and British Columbia. This represents a 17 percent increase above 2010 levels.

In November 2010, AMS, FDA, and Cornell University established a new Produce Safety Alliance, a three-year, \$1.15 million partnership funded by the FDA and USDA, and housed at Cornell University. The Alliance is charged with developing a national education and training program for farmers, packers, and regulatory personnel of fresh produce. Cornell's national Good Agricultural Practices program has been a leader in the development of materials on GAPs and in its dissemination of food safety knowledge to the agricultural community. The Alliance is governed by an Executive Committee that includes members from Cornell University, the Association of Food and Drug Officials, the National Association of State Departments of Agriculture, the FDA, AMS, and USDA's Natural Resources Conservation Service.

AMS conducted classes during 2011 to ensure service quality and uniform standard application of procedures. Specifics include:

- Five-three day refresher training classes which covered the Harmonized GAP Standard, the Standard, the Tomato Audit Protocol, and the Leafy Greens Marketing Agreement Audit.
- Two-three day new auditor training classes were held for federal and federal-state inspectors.
- Eight Live Meetings for commodity refresher training classes.
- Fifteen Live Meetings on Good Agricultural Practices and Good Handling Practices for fresh fruit and vegetable federal and state inspectors and auditors.
- Three industry training classes were held to cover inspection processes for various commodities and grading standards in conjunction with a formal agreement with United Fresh Produce Association.
- Six classes for the Food and Nutrition Service were held for over 190 state public school cafeteria officials.
- One comprehensive eight-week Market Inspector Training course was held for 19 new Federal and Federal/State inspectors.
- This course included four days of LiveMeeting training, five weeks of on-site training and a two-week on-the-job training assignment in the Hunts Point Market, Bronx NY.

Fees and Charges in Effect in 2011:

<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	\$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

Produce Safety Alliance

AMS, FDA, and Cornell University announced in November 2010, the establishment of a new Produce Safety Alliance, a three-year, \$1.15 million partnership funded by the FDA and USDA, and housed at Cornell University. The Alliance is a broad-based partnership charged with developing a national education and training program for farmers, packers, and regulatory personnel of fresh produce in anticipation of a new produce safety rule from the FDA. Cornell's national Good Agricultural Practices program has been a leader in the development of materials on GAPs and in its dissemination of food safety knowledge to the agricultural community.

In April 2011, the Produce Safety Alliance (PSA) announced the official launch of its website (www.producesafetyalliance.cornell.edu/) and issued a call for farmers, researchers, state officials, produce industry experts and others interested in produce safety to join an Alliance working committee. The committee members will assist in the development of a national Good Agricultural Practices education curriculum focused on understanding and implementing fresh fruit and vegetable food safety practices.

The Alliance has created ten working committees, each focused on a specific aspect of produce safety, ranging from production and post-harvest handling issues related to risk assessment and preventive practices through food safety plan writing to certification-related activities.

- Working committees will select a chair who will then serve on a Steering Committee for the Alliance. The Alliance's steering committee will play a leading role in bringing forward recommendations to the Alliance's Executive Committee on curriculum content as well as what education and outreach materials will be most effective in assisting farmers and packers in establishing or upgrading food safety systems for their operations.

The Alliance is governed by an Executive Committee that includes members from Cornell University, the Association of Food and Drug Officials, the National Association of State Departments of Agriculture, the FDA, AMS, and USDA's Natural Resources Conservation Service. The Executive Committee is charged with ensuring that educational outreach materials will be used in an effective and efficient manner.

Meat Grading and Verification – In July 2011, AMS announced the consolidation of the Livestock and Seed Program's Audit, Review and Compliance and Meat Grading and Certification Branches. The consolidation of the branches ensures that AMS will continue to provide marketing services to the livestock and meat industry in the most efficient and cost-effective manner possible. The merger will strengthen both branches and position the program to increase the availability of innovative value-adding services to meet the emerging needs of an industry that is critical to the nation's economy.

The restructured organization, named the Grading and Verification (GV) Division, is headquartered in the Denver, CO area. For those that rely on official USDA grading, auditing and certification services—from producer to consumer—the transition to the new Division will be seamless. The GV Division will continue to provide critical marketing services that communicate product attributes and differentiate products in the market place without interruption. The GV Division provides official USDA grading for over 20 billion pounds of beef and 108 million pounds of lamb each year through its highly skilled Meat Graders. In addition, GV Division-certified auditors provide internationally recognized verification services that facilitate the marketing of approximately \$27 billion of agricultural commodities in domestic and world markets each year to over 400 different commercial programs.

Meat Grading

During 2011, grading services were provided to approximately 1,080 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. A total of 31.4 billion pounds of meat and meat products were verified for specification, contractual or marketing program requirements. AMS graded 57 loads of pork bellies and 256 loads of beef cattle carcasses for the Chicago Mercantile Exchange and performed 30 worldwide food audits for Department of Defense prime vendor contracts.

Instrument grading has been successfully implemented at ten major beef harvesting facilities. A total of 20.8 billion pounds of red meat (beef, lamb, veal and calf) were graded, which represents approximately 95.5 percent of steers and heifers, 74.0 percent of lamb, and 32.3 percent of veal and calf commercially slaughtered in the U.S. Fees collected for these activities in 2011 totaled \$25.7 million, with a cost per pound of graded and verified product of \$0.000492. AMS oversaw the negotiation of a new agreement between labor (National Meat Graders' Council, AFGE, and AFL-CIO) and management.

- Beef Instrument Grading - Beef instrument grading was formally implemented on September 1, 2009. At this time, two equipment systems augment official beef grading activities in 17 facilities. The electronic systems are officially used in 10 facilities to augment grading operations for approximately 40 percent of the beef carcasses graded each day by USDA.
- Lamb Instrument Grading - Four data collection trials have been completed that involved a detailed hierarchal carcasses fabrication schema on a defined sample of 600 carcasses representing three

geographically different production locations. A calibration data set was distributed to the two instrument manufacturers to utilize in developing prediction equations.

Currently, an industry working group is reviewing the results and finalizing the performance elements and expected meat yield tolerances. Results reveal that the instruments are capable of providing more accurate estimates of yield in addition to other measures that better describe carcass merit and value

Fees and Charges in Effect in 2011:

<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

Verification Activities

During 2011, the Livestock and Seed Programs verification program provided services to approximately 1,080 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 through the Export Verification Program facilitated the export of beef, lamb, veal and pork in 2011 with a total export of 574,000 metric tons valued at \$3.6 billion.

Fees and Charges in Effect in 2011:

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

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 service is provided on a non-resident (lot grading) basis. During 2011, AMS provided resident service in 113 poultry plants, grading 6.58 billion pounds of poultry and 173 shell egg plants where 2.07 billion dozen shell eggs were graded. There was a 5.8 billion pound increase in the volume of chicken products received in official plants, and an additional 0.11 billion pound increase of turkey handled in official plants for a 0.91 billion pound total increases in poultry graded. Shell eggs certified in 2011 decreased by 0.15 billion pounds. Poultry grading services covered about 35 percent of the turkeys slaughtered, 23 percent of the broilers slaughtered, and 52 percent of the shell eggs produced in the U.S., excluding eggs used for breaking and hatching.

Currently, there are 9 qualified Process Verified Program auditors in Poultry Programs available to perform Process Verified Program audits. In addition, there are 15 facilities approved under the Program with claims such as all vegetarian diet, no animal by-products, humanely raised, antibiotic free, raised cage free, tenderness guaranteed, and no antibiotics ever. Due to recent growth of the Program and advertising campaigns made by Perdue Farms, Inc., in 2011, it is anticipated that approximately 5 to 10 additional facilities from the shell egg, egg products, and poultry industries will apply and meet the requirements of the program.

Fees and Charges in Effect in 2011:

<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 (PEV) – The PEV program was established as a result of a 1997 ban on U.S. poultry exports to the 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. In 2011, two successful surveillance PEV audits were completed and the auditors observed the processing plant operating in “EU mode”. The company shipped turkey products in 2009 and again in 2010. Although no turkey products were exported in 2011, the company remains committed to the program.

AMS initiated the development of a web-based egg and egg products export library (contains foreign country requirements for export, regulations and policies) to assist the U.S. egg industry which will facilitate the global trade of eggs and egg products.

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 2011, AMS issued 3,005 Seed Analysis Certificates. This represents a 20 percent increase in certification requests due to world-wide economic conditions resulting in more U.S. seed being shipped internationally. Most of the samples tested and certificates issued represent seed scheduled for export. Certificates containing the test results are issued upon completion of the testing. Also in 2011, the Seed Regulatory and Testing Division implemented a Seed Conditioning USDA Process Verified Program. This program allows for the verification of specified seed conditioning processes, including Refuge in the Bag.

Fees and Charges in Effect 2011:

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

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 2011, AMS approved the shipment of 150 million pounds of seed and approved 1,763 new varieties.

Fees and Charges in Effect 2011:

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

AMS Laboratory Division – The AMS Laboratory Division 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 2011, the laboratory conducted over 105,000 chemical, microbiological, bio-molecular, proximate, and organoleptic analyses on a wide variety of agricultural products and produced \$6 million in user fee revenue. The laboratory 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 and honey products, meats, milk and dairy products, military and emergency food rations, oils and spreads, olive oil, peanuts, rice, fish and seafood, organic foods and products, soybeans, tobacco, turf grass and others. The tests are performed to detect, identify, characterize and quantify dietary content, pathogen contamination, Aflatoxin, varietal identity, pesticide residue contamination, organoleptic properties and proximate characteristics.

In 2011, the AMS Laboratory Division provided analytical testing services to other Federal programs, including the NOP, FSIS testing of catfish for contaminants, FDA with the Family Smoking Act of 2009, ARS with honeybee colony collapse disorder testing, and Animal and Plant Health Inspection Service with the redistribution of pest control testing resulting from laboratory closures.

Fees and Charges in Effect 2011:

<u>Service Performed</u>	<u>Fees</u>
Aflatoxin	\$29.00 - \$102.00 per test
Olive Oil testing	83.00 per hour
Dairy	83.00 per hour
Citrus	78.00 per hour
Tobacco	290.50-539.50 per test
Voluntary/Other	83.00 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 and is the same as last year). In 2011, AMS received 530 applications for protecting new agricultural, floral, and seed plant varieties which is an 11 percent decrease over 2010. A total of 1,208 applications, including some from previous years, were pending action at the end of 2011. During the fiscal year, AMS conducted searches on 376 applications to determine whether the plant constituted a new variety. On the basis of those searches, the program issued 365 certificates of protection. At the end of the fiscal year, 4,993 certificates were in force while protection had expired on 272 different varieties.

In June 2011, the Program announced it was going paperless to reduce costs and streamline its workflow. Working with electronic documents will allow the office to speed up its efficiency and be more flexible, and program staff will be able to perform their essential tasks from various locations.

- For this change, all of the paper documents were scanned and Certificates of Protection made available on the Plant Variety Protection Office's (PVPO's) website. As new applications and correspondence are received, they also are scanned to make them available to the examining staff. While a fully electronic online filing process is not yet available, applicants may submit their application documents by email to pvpomail@usda.gov. With credit card payment and direct deposit availability, both of which have been authorized since 2005, applicants no longer need to send any paper documents to the PVPO.
- Certificates of Protection were previously printed on paper that was bound inside of a cover with a copy of the signed cover kept with the rest of the paper. For the new certificate, the application documents are not copied and bound inside of a cover with grommets and green ribbon. Instead, the issued certificate is a single sheet of paper signed by the Secretary of Agriculture and the PVPO commissioner. However, the former style of certificate is available for an additional fee.

NATIONAL SHEEP INDUSTRY IMPROVEMENT CENTER

The National Sheep Industry Improvement Center (Sheep Center) was initially authorized under the Consolidated Farm and Rural Development Act (Act). The Act, as amended, was passed as part of the 1996 Farm Bill. The purpose of the Sheep Center is to allow the industry to engage in coordinated programs of infrastructure development, production research, environmental stewardship efforts, and marketing. The Sheep Center's work has previously been critical in providing assistance to a declining U.S. sheep industry. In 2008, the Sheep Center was re-established under the 2008 Farm Bill, which provided a one-time appropriation to fund the National Sheep Program and for the funds to remain available until expended.

Selected Examples of Recent Progress:

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 was held January 19, 2011. The Sheep Center submitted its Strategic Plan (Plan) as required by the 2008 Farm Bill, and the Plan was approved by AMS on May 16, 2011. On August 5, 2011, the Sheep Center Board of Directors announced it was accepting grant proposals designed to improve the competitiveness of the U.S. sheep and goat industries.

AGRICULTURAL MARKETING SERVICE

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

Limitation on Administrative Expenses

Not to exceed [~~\$62,101,000~~] \$62,592,000 (from fees collected) shall be obligated during the current fiscal year for administrative expenses: *Provided*, That if crop size is understated and/or other uncontrollable events occur, the agency may exceed this limitation by up to 10 percent with notification to the Committees on Appropriations of both Houses of Congress.

Appropriations Act, 2012	\$62,101,000
Budget Estimate, 2013.....	<u>62,592,000</u>
Change from 2012 Appropriation.....	<u>+491,000</u>

The increase of \$491,000 in the limitation on administrative expenses is to fund inflation, which will allow for uninterrupted grading services in 2013.

AGRICULTURAL MARKETING SERVICE

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

Payments to States and Possessions

For payments to departments of agriculture, bureaus and departments of markets, and similar agencies for marketing activities under section 204(b) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623(b)), [~~\$1,198,000~~]
\$1,331,000.

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Lead-Off Tabular Statement

Appropriations Act, 2012.....	\$1,198,000
Budget Estimate, 2013.....	<u>1,331,000</u>
Change in Appropriation.....	<u>+133,000</u>

Summary of Increases and Decreases

(Dollars in thousands)

	2010	2011	2012	2013	2013
	Actual a/	Change	Change	Change	Estimate
Discretionary Appropriations:					
Payments to States and Possessions.....	\$1,334	-\$3	-\$133	+\$133	\$1,331
Total, Appropriation or Change.....	<u>1,334</u>	<u>-3</u>	<u>-133</u>	<u>+133</u>	<u>1,331</u>

a/ Excludes a \$350 thousand grant to the Wisconsin Department of Agriculture, Trade and Consumer Protection in 2010.

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Project Statement
(On basis of appropriations)
(Dollars in thousands)

Program	2010 Actual a/		2011 Actual		2012 Estimate		Change		2013 Estimate		
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	
Discretionary Appropriations:											
Payments to States and Possessions.....											
Possessions.....	\$1,334	-	\$1,331	-	\$1,198	-	+\$133	(1)	-	\$1,331	-
Subtotal.....	1,334	-	1,331	-	1,198	-	+133	-	-	1,331	-
Total Adjusted Approp.....	1,334	-	1,331	-	1,198	-	+133	-	-	1,331	-
Rescissions and Transfers (Net).....											
Transfers (Net).....	-	-	3	-	-	-	-	-	-	-	-
Total Appropriation.....	1,334	-	1,334	-	1,198	-	+133	-	-	1,331	-
Recission.....	-	-	-3	-	-	-	-	-	-	-	-
Total Available.....	1,334	-	1,331	-	1,198	-	+133	-	-	1,331	-
Total Obligations.....	1,334	-	1,331	-	1,198	-	+133	-	-	1,331	-

Project Statement
(On basis of obligations)
(Dollars in thousands)

Program	2010 Actual a/		2011 Actual		2012 Estimate		Change		2013 Estimate		
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	
Discretionary Obligations:											
Payments to States and Possessions.....											
Possessions.....	\$1,334	-	\$1,331	-	\$1,198	-	+\$133	(1)	-	\$1,331	-
Subtotal.....	1,334	-	1,331	-	1,198	-	+133	-	-	1,331	-
Total Obligations.....	1,334	-	1,331	-	1,198	-	+133	-	-	1,331	-
Total Available.....	1,334	-	1,331	-	1,198	-	+133	-	-	1,331	-
Recission.....	-	-	3	-	-	-	-	-	-	-	-
Total Appropriation.....	1,334	-	1,334	-	1,198	-	+133	-	-	1,331	-

a/ Excludes a \$350 thousand grant to the Wisconsin Department of Agriculture, Trade and Consumer Protection in 2010.

Justification of Increases & Decreases
Payments to States and Possessions

- 1) An increase of \$133,000 to restore the Federal-State Marketing Improvement Program to the 2011 grants funding level.

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

In 2011, State agencies were encouraged to submit proposals that reflect a collaborative approach between States, academia, and the farm sector that have regional or national significance. The program funded 25 projects in 19 states and the Commonwealth of Puerto Rico, with a grant average of \$53,000, to help create economic opportunities for American producers and businesses. Some of those projects involved: marketing and distribution strategies for locally grown produce (Georgia); expanding the use of barley (Idaho); fresh seafood marketing (Kentucky and Ohio) direct to consumer models (Minnesota); consumer preferences for local artisan (Missouri); regional food system (Nebraska); Good Agricultural Practices and improved packaging for farmers and retail markets (Texas); consumer preferences and new opportunities for value-added lumber (Virginia); and local food in public schools (Wyoming).

Base funding will continue to support an estimated 22 FSMIP projects. FSMIP grants directly support AMS' marketing mission and USDA's support for rural communities. The funds allocated to these projects put resources directly into communities nationwide. FSMIP 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. For example FSMIP projects: developed a value-added beef branding program that fostered the emergence of value chains to meet the demand of beef products to local and regional markets; installed automatic control systems to maintain optimal curing and storing conditions of potatoes to maintain optimal curing that reduced the postharvest losses caused by diseases and skinning; and utilized new methods of crop harvesting to introduce nutrient-dense specialty crops to low income consumers that resulted in an overall distribution increase of specialty crops including broccoli, cauliflower, and celery. These 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

Distribution of obligations by State is not available until projects have been selected. Projects for 2012 will be selected in the fourth quarter of 2012. Funds in 2010, 2011 and 2012 for the Federal-State Marketing Improvement Program total \$1,334,000, \$1,331,000, and \$1,198,000 respectively. A funding level of \$1,331,000 is proposed for 2013.

Geographic Breakdown of Obligations

(Dollars in thousands)

	<u>2010 Actual</u>	<u>2011 Actual</u>
Arkansas	-	\$61
Colorado.....	\$42	-
Connecticut	-	89
District of Columbia	-	80
Florida.....	119	-
Georgia	63	55
Idaho	-	67
Illinois	-	55
Kansas	-	144
Kentucky	39	49
Louisiana.....	61	-
Maine	-	64
Maryland.....	121	-
Massachusetts	39	25
Michigan	48	150
Minnesota	-	60
Mississippi.....	44	-
Missouri	-	61
Montana.....	142	-
Nebraska.....	68	-
New Jersey.....	51	-
New York	134	74
North Dakota.....	60	-
Ohio.....	54	-
Oklahoma	-	87
Oregon.....	56	-
South Carolina.....	109	-
Texas	-	78
Virginia	-	75
Wyoming	84	36
Puerto Rico	-	21
Total, Available or Estimate.....	1,334	1,331

AGRICULTURAL MARKETING SERVICE

Specialty Crop Block Grants

Annual funding of \$55,000,000 was provided in 2011 for the Specialty Crop Block Grant Program by the 2008 Farm Bill. Solicitation of grant applications was released on October 5, 2011. Applications were accepted through July 13, 2011 and awarded in September 2011. Obligations not awarded in grants were expended for administrative costs. This is a formula block grant program; 2012 amounts are based on the formula.

Geographic Breakdown of Obligations

(Dollars in thousands)

	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2012 Estimate</u>
Alabama	\$436	\$439	\$401
Alaska	197	197	195
Arizona	1,175	1,172	1,263
Arkansas	271	255	255
California	17,281	18,679	18,672
Colorado	774	712	681
Connecticut	445	430	404
District of Columbia	181	181	181
Delaware	252	242	244
Florida	4,797	4,386	4,476
Georgia	1,015	1,135	1,131
Hawaii	417	392	379
Idaho	1,038	1,016	929
Illinois	648	650	633
Indiana	400	408	398
Iowa	276	277	271
Kansas	283	274	258
Kentucky	273	264	261
Louisiana	353	341	351
Maine	421	399	402
Maryland	433	420	393
Massachusetts	503	451	439
Michigan	1,415	1,352	1,337
Minnesota	803	739	703
Mississippi	294	269	282
Missouri	343	354	351
Montana	293	297	328
Nebraska	354	346	332
Nevada	231	265	259
New Hampshire	260	250	238
New Jersey	840	792	815
New Mexico	396	459	515

AGRICULTURAL MARKETING SERVICE

Specialty Crop Block GrantsGeographic Breakdown of Obligations

(Dollars in thousands) (continued)

	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2012 Estimate</u>
New York	\$1,254	\$1,060	\$1,114
North Carolina	1,148	1,207	1,151
North Dakota	666	642	615
Ohio	675	703	642
Oklahoma	370	381	384
Oregon	1,764	1,724	1,488
Pennsylvania	1,069	1,043	1,028
Rhode Island	224	221	217
South Carolina	524	511	552
South Dakota	209	209	208
Tennessee	521	522	527
Texas	1,800	1,738	1,851
Utah	310	312	289
Vermont	229	230	224
Virginia	513	522	495
Washington	3,745	3,110	3,321
West Virginia	214	214	217
Wisconsin	1,056	977	882
Wyoming	206	205	206
American Samoa	-	218	216
Guam	183	183	183
Northern Mariana Islands.....	-	-	183
Puerto Rico	400	376	381
U.S. Virgin Islands	182	182	182
Subtotal, Grant Obligations	54,363	54,333	54,333
Administrative Expenses	577	642	667
Lapsing Balances.....	60	25	-
Total, Available or Estimate	55,000	55,000	55,000

STATUS OF PROGRAM

PAYMENTS TO STATES AND POSSESSIONS

Current Activities: The Federal-State Marketing Improvement Program (FSMIP) provides matching funds to State departments of agriculture and other State agencies for approximately 25 projects per year. 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 2011, 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. The program was appropriated \$1.3 million for competitive grants projects and these funds were allocated among 25 projects from 19 States.

FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM
FISCAL YEAR 2011 GRANTS

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
Arkansas	Investigate environmental benefits associated with rice varieties that emit lower levels of greenhouse gas during production.	\$60,660
Connecticut	Assist small and medium sized producers and processors of specialty food and wine, produce, shellfish, forest products, and fiber products in becoming export ready.	39,000
Connecticut	Improve the interactive features of the buy CTgrown.com website to benefit both producers and consumers and add new capacity to foster sales of local agricultural products to wholesale buyers such as chefs and food service operators.	50,320
Georgia	Implement new marketing and distribution strategies to increase available supplies of locally grown produce to meet growing demand.	55,373
Idaho	Expand the use of barley as an ingredient in food products designed to appeal to consumers in selected Asian and Latin American markets and to schoolchildren in the United States.	67,220
Illinois	Conduct a comprehensive grape-census and economic-impact study, explore and host training sessions for chefs, restaurateurs, and retailers in urban environments to explore untapped markets for Illinois wine.	55,000

Kansas	Develop certification guideline of pre-harvest beef cattle certified production and health management protocols to enhance post-harvest meet food safety and ensure animal welfare.	113,700
Kansas	Improve the accuracy of pre-slaughter grade determinations through an analysis of beef carcass data from 23 Midwest and Southeastern States.	\$30,500
Kentucky	Investigate the feasibility of creating a seafood marketing system using low to moderate investments for fresh/live seafood markets in Kentucky and Ohio, and the supply of aquaculture products from small-scale and seasonal growers.	49,000
Louisiana	Identify cost savings associated with alternative cotton harvest and transportation options to improve efficiency in the marketing supply chain for cotton in the mid-South.	56,815
Louisiana	Survey school lunch directors in pilot parishes to determine demand for locally produced agricultural and fishery products assess the capacity of local farmers and fishermen to fulfill the demand, and train local producers on the use of Louisiana Market Maker and other resources that will help them identify new institutional and direct marketing opportunities.	30,511
Maine	Compile a comprehensive consumer-oriented database of the Maine fiber sector, and develop training programs to improve the marketing skills of small fiber business operators.	64,145
Massachusetts	Assess the current volume, value and types of local ingredients used by craft brewers in Massachusetts, and facilitate increased use through a grower/brewer matchmaking educational session.	11,015
Massachusetts	Explore ways to effectively move local food products from farms and wholesale markets to inner-city corner stores while meeting the preferences and requirements of producers, store owners and target consumers.	13,625
Michigan	Utilize tracking technology to determine the images and text consumers view first and longest when looking at a display of ornamental and food-producing plants in order to understand how these factors relate to purchasing decisions.	36,750

Michigan	Develop and test a comprehensive beef traceability model that could be implemented by Michigan beef producers, processors, retailers, and food service operators.	113,351
Minnesota	Identify trends in consumer preferences and expectations toward improving marketing efforts of Minnesota farmers and ranchers who sell direct to consumers.	60,000
Missouri	Survey Missouri consumers and retailers about their preferences and willingness to pay for locally produced artisan cheese in order to foster development of the specialty dairy sector.	61,026
Nebraska	Foster development of regional food systems in Nebraska.	79,534
New York	Educate bed and breakfast operators about opportunities to feature locally produced food and agricultural products in meals and to measure the economic impact on producers of sales made through this specialized marketing channel.	73,824
Puerto Rico	Train meat, poultry and dairy producers and processors regarding food safety, quality protocols and best practices to assist them to develop comprehensive food safety plans in order to improve access to commercial markets.	21,000
Texas	Develop webinars and workshops to train producers of meat, dairy products, eggs and produce about Good Agricultural Practices and optimal packaging techniques to sell their products at farmers markets and to retail grocery stores.	42,588
Texas	Expand products marketed through farmers' markets from socially disadvantaged groups through business planning and marketing workshops	35,000
Virginia	Evaluate economic, cultural, regulatory, and social factors affecting the value chain of hardwoods in Asia and Europe, and to identify new opportunities for the U.S. hardwood lumber sector to supply valued-added products to countries that currently import unprocessed lumber.	75,150
Wyoming	Increase the quantity and variety of locally grown food and agricultural products in Wyoming public schools.	36,225
Total		\$1,331,332

SPECIALTY CROP BLOCK GRANT PROGRAM

Current Activities: 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 2008, the program was funded through appropriations.

The 2008 Farm Bill, Section 10109, extended the Specialty Crop Block Grant program through 2012 and provided Commodity Credit Corporation funding at the following levels: \$10 million in 2008, \$49 million in 2009, and \$55 million for 2010 through 2012. The Farm Bill also 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. Program regulations require 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.

Selected Examples of Recent Progress:

In October 2010, AMS conducted a free webinar to discuss grant opportunities offered by the USDA that would enhance the competitiveness of specialty crops. The webinar was offered to everyone who is currently engaged in, or interested in, the production, handling, sale, or research of specialty crops. The webinar addressed the Specialty Crop Block Grant Program, which AMS administers specifically to support the marketing potential of fruits, vegetables, tree nuts, dried fruits, horticulture, and nursery crops (including floriculture). The goal was to relay information about the grant program to as much of the industry as possible so that eligible applicants know how the program can benefit them and to offer helpful guidance about the general scope of the program and how to apply. AMS makes available audio recordings of this and previously offered webinars at www.ams.usda.gov/fruitandvegetable as part of an ongoing series to support industry members.

The 2011 Notice of Funding Availability was published in the January 4, 2011, *Federal Register* with a grant application deadline of July 13, 2011. During 2011, grant awards were made to the 50 States, District of Columbia, the Commonwealth of Puerto Rico, Guam, and the U.S. Virgin Islands, and American Samoa. The Commonwealth of the Northern Mariana Islands applied, but chose to withdraw their application prior to award. Grant awards totaled approximately \$55 million for 740 projects. Project awards were aimed 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

Lead-off Tabular Statement

Appropriations Act, 2012.....	\$10,495,000
Budget Estimate, 2013.....	<u>10,495,000</u>
Change from 2012 Appropriation.....	-

AGRICULTURAL MARKETING SERVICE

Summary of Increases and Decreases

(Dollars in thousands)

	2010 <u>Actual</u>	2011 <u>Change</u>	2012 <u>Change</u>	2013 <u>Change</u>	2013 <u>Estimate</u>
Mandatory Appropriations (from receipts):					
Perishable Agricultural Commodities Act..	\$6,534	+\$3,877	+\$84	-	\$10,495
Total, Appropriation or Change.....	<u>6,534</u>	<u>+3,877</u>	<u>+84</u>	<u>-</u>	<u>10,495</u>

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Project Statement
 (On basis of appropriation)
 (Dollars in thousands)

Program	<u>2010 Actual</u>		<u>2011 Actual</u>		<u>2012 Estimate</u>		<u>Change</u>		<u>2013 Estimate</u>	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Mandatory Appropriations:										
Appropriation (from receipts)..	\$6,534	78	\$10,411	75	\$10,495	77	-	-	\$10,495	77
Recoveries, Other.....	3	-	12	-	-	-	-	-	-	-
Balance Available, SOY.....	8,241	-	4,920	-	4,989	-	-\$215	-	4,774	-
Total Available.....	14,778	78	15,343	75	15,484	77	-215	-	15,269	77
Balance Available, EOY.....	-4,920	-	-4,989	-	-4,774	-	+283	-	-4,491	-
Total Obligations.....	9,858	78	10,354	75	10,710	77	+68	-	10,778	77

Project Statement
 (On basis of obligations)
 (Dollars in thousands)

Program	<u>2010 Actual</u>		<u>2011 Actual</u>		<u>2012 Estimate</u>		<u>Change</u>		<u>2013 Estimate</u>	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Mandatory Obligations:										
Total Obligations.....	\$9,858	78	\$10,354	75	\$10,710	77	+\$68	-	\$10,778	77
Balance Available, EOY.....	4,920	-	4,989	-	4,774	-	-283	-	4,491	-
Total Available.....	14,778	78	15,343	75	15,484	77	-215	-	15,269	77
Recoveries, Other.....	-3	-	-12	-	-	-	-	-	-	-
Balance Available, SOY.....	-8,241	-	-4,920	-	-4,989	-	+215	-	-4,774	-
Total Appropriation (from receipts).....	6,534	78	10,411	75	10,495	77	-	-	10,495	77

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act FundGeographic Breakdown of Obligations and Staff Years

(Dollars in thousands)

State/Territory	2010 Actual		2011 Actual		2012 Estimate		2013 Estimate	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
California	\$1,014	8	\$930	7	\$962	7	\$969	7
District of Columbia	6,191	49	6,938	50	7,176	52	7,221	52
Texas	1,304	10	1,298	9	1,342	9	1,351	9
Virginia	1,349	11	1,189	9	1,230	9	1,237	9
Total, Available or Estimate.....	9,858	78	10,354	75	10,710	77	10,778	77

STATUS OF PROGRAM

PERISHABLE AGRICULTURAL COMMODITIES ACT FUND

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

AMS' PACA program enforces these acts and is funded by license and user fees paid by commission merchants, dealers, and brokers handling fresh and frozen fruits and vegetables in interstate and foreign commerce. The law provides a forum for resolving contract disputes and a mechanism for the collection of damages from anyone who fails to meet contractual obligations. In addition, PACA provides for prompt payment of fruit and vegetable sellers and may place sanctions and/or civil 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 produce suppliers, sellers, or agents that have not been paid, to ensure they are paid in full.

In 2011, PACA adjusted its annual license fee for the first time since 1995, with the support of the Fruit and Vegetable Advisory Committee and other trade associations. The public was provided an opportunity for comment and consideration.

Fees and Charges in Effect in 2011:

<u>Service Performed</u>	<u>Cost</u>
Basic License	\$995.00 per year
Branch License	600.00 per location

Selected Examples of Recent Progress:

In 2011, AMS was contacted by members of the fruit and vegetable industry for assistance in resolving 1,563 commercial disputes which is a 4 percent increase over 2010 levels. These disputes involved approximately \$19.4 million. AMS resolved about 90 percent of these disputes informally within four months. Decisions and orders were issued in 427 formal reparation cases involving award amounts totaling approximately \$11 million. AMS initiated 17 disciplinary cases against firms for alleged violations of the PACA. AMS issued 19 disciplinary orders – either suspending or revoking a firm's PACA license, levying civil penalties, or issuing a finding of repeated and flagrant violations against produce firms for violations of the PACA.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income and Supply

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

Section 32

Funds available under Section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), shall be used only for commodity program expenses as authorized therein, and other related operating expenses, 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.

AGRICULTURAL MARKETING SERVICE

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

Permanent Appropriation, 2012	\$7,947,045,940
Prior Year Appropriation Available, start of year	259,953,417
Less Food and Nutrition Service (FNS) transfer from prior year funds for the Farm Bill	
Fresh Fruit and Vegetable Program <u>a/</u>	-117,000,000
Current Year Unavailable	-73,693,827
Less annual transfers to:	
Department of Commerce	-109,098,387
FNS, Child Nutrition Programs	-6,676,207,143
Total, Transfers	<u>-6,785,305,530</u>
Farm Bill Spending Authority, 2012	1,231,000,000
Less Rescission	-150,000,000
Less Current Year Unavailable, held for the Farm Bill Fresh Fruit and Vegetable Program <u>b/</u>	<u>-133,000,000</u>
Total Budget Authority, 2012	948,000,000
Less FNS transfer for the Farm Bill Fresh Fruit and Vegetable Program	<u>-20,000,000</u>
Total Available for Obligation, 2012	928,000,000
Budget Estimate, 2013:	
Annual Permanent Appropriation	8,990,116,825
Prior Year Appropriation Available, start of year	206,693,827
Less Food and Nutrition Service (FNS) transfer from prior year funds for the Farm Bill	
Fresh Fruit and Vegetable Program <u>b/</u>	-133,000,000
Prior Year Previously Authorized	-73,693,827
Less annual transfers to:	
Department of Commerce	-124,063,612
FNS, Child Nutrition Programs	-7,618,053,213
Total, Transfers	<u>-7,742,116,825</u>
Farm Bill Spending Authority, 2013	1,248,000,000
Less Current Year Unavailable, held for the Farm Bill Fresh Fruit and Vegetable Program <u>c/</u>	<u>-117,000,000</u>
Total Budget Authority, 2013	1,131,000,000
Less FNS transfer for the Farm Bill Fresh Fruit and Vegetable Program	<u>-39,076,000</u>
Agency Request, 2013	<u>1,091,924,000</u>
Change from Adjusted 2012 Base	<u><u>163,924,000</u></u>

a/ USDA appropriations for 2011 Budget, P.L. 112-10, General Provision Section 1287, directs the transfer on October 1, 2011, of 2011 funds made available under subsection (c) of Section 14222 of P.L. 110-246 to carry out section 19(i)(1)(c) of the Richard B. Russell National School Lunch Act.

b/ USDA appropriations for 2012 Budget, P.L. 112-55, General Provision Section 726 (15), directs the transfer on October 1, 2012, of 2012 funds made available under subsection (c) of Section 14222 of P.L. 110-246 to carry out section 19(i)(1)(c) of the Richard B. Russell National School Lunch Act.

c/ The Budget assumes that \$117 million of the July 1, 2013, transfer will not be made available until October 1, 2013.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income, and Supply (Section 32)Summary of Increases and Decreases

(Dollars in thousands)

	2010	2011	2012	2013	2013
	Actual	Change	Change	Change	Estimate
Mandatory Appropriations:					
Child Nutrition Program Purchases	\$641,000	-\$394,900	+\$218,900	-	\$465,000
Farm Bill Specialty Crop Purchases	144,600	+13,700	+17,300	+\$30,400	206,000
Emergency Surplus Removal	72,600	-72,600	+2,200	-2,200	-
Estimated Future Needs <u>a/</u>	184,908	-133,974	+173,979	+135,724	360,637
State Option Contract	5,000	-	-	-	5,000
Removal of Defective Commodities	2,500	-	-	-	2,500
Disaster Relief	5,000	-	-	-	5,000
Direct Payments	-	+550,000	-550,000	-	-
Commodity Purchases Services	22,336	+4,774	+621	-	27,731
Marketing Agreements and Orders	20,056	-	-	-	20,056
AMS Spending Authority	1,098,000	-33,000	-137,000	+163,924	1,091,924
FNS Transfer for Farm Bill Fresh Fruit and Vegetable Program <u>b/</u>	25,000	+8,000	-13,000	+19,076	39,076
AMS Budget Authority	1,123,000	-25,000	-150,000	+183,000	1,131,000

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

b/ Does not include amounts held for transfer on October 1 of the subsequent fiscal year.

AGRICULTURAL MARKETING SERVICE

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

(On basis of appropriations)

(Dollars in thousands)

Program	2010 Actual		2011 Actual		2012 Estimate		Change		2013 Estimate	
	Staff		Staff		Staff		Staff		Staff	
	Amount	Years	Amount	Years	Amount	Years	Amount	Years	Amount	Years
Mandatory Appropriations:										
Permanent Appropriation.....	\$8,061,101	162	\$6,605,946	160	\$7,947,046	164	+\$1,043,071	-	\$8,990,117	164
Transfers Out:										
Food and Nutrition Service (FNS),										
Child Nutrition Programs.....	-6,747,877	-	-5,277,574	-	-6,676,207	-	-941,846	-	-7,618,053	-
FNS Transfer from PY funds.....	-242,022	-	-76,000	-	-117,000	-	-16,000	-	-133,000	-
FNS, Fresh Fruit and										
Vegetable Program.....	-25,000	-	-33,000	-	-20,000	-	-19,076	-	-39,076	-
Department of Commerce.....	-113,371	-	-90,240	-	-109,098	-	-14,966	-	-124,064	-
Subtotal.....	-7,128,270	-	-5,476,814	-	-6,922,305	-	-991,888	-	-7,914,193	-
Rescission.....	-133,352	-	-	-	-150,000	-	+150,000	-	-	-
Prior Year Appropriation										
Available, SOY.....	375,269	-	122,127	-	259,953	-	-53,259	-	206,694	-
Recoveries.....	100	-	112	-	-	-	-	-	-	-
Offsetting Collections.....	12,850	-	13,257	-	-	-	-	-	-	-
Unavailable Resources, EOY.....	-122,127	-	-259,953	-	-206,694	-	+16,000	-	-190,694	-
Total Obligations.....	1,065,571	162	1,004,675	160	928,000	164	+163,924	-	1,091,924	164

AGRICULTURAL MARKETING SERVICE

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

Project Statement
(On basis of obligations)
(Dollars in thousands)

Program	2010 Actual		2011 Actual		2012 Estimate		Change		2013 Estimate	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Commodity Purchases:										
Child Nutrition Program Purchases..	\$614,131	-	\$466,067	-	\$465,000	-	-	-	\$465,000	-
Farm Bill Specialty Crop Purchases..	24,639	-	157,214	-	175,600	-	+\$30,400	-	206,000	-
Emergency Surplus Removal.....	300,888	-	56,115	-	2,200	-	-2,200	-	-	-
Estimated Future Needs.....	-	-	-	-	224,913	-	+135,724	-	360,637	-
Subtotal.....	939,658	-	679,396	-	867,713	-	+163,924	-	1,031,637	-
State Option Contract.....	-	-	-	-	5,000	-	-	-	5,000	-
Removal of Defective Commodities.....	-	-	-	-	2,500	-	-	-	2,500	-
Disaster Relief.....	282	-	4,321	-	5,000	-	-	-	5,000	-
Direct Payments.....	83,375	-	268,000	-	-	-	-	-	-	-
Prior Year Adjustment.....	178	-	141	-	-	-	-	-	-	-
Administrative Funds:										
Commodity Purchases Services.....	22,276	54	33,538	54	27,731	57	-	-	27,731	57
Marketing Agreements and Orders...	19,802	108	19,279	106	20,056	107	-	-	20,056	107
Subtotal.....	42,078	162	52,817	160	47,787	164	-	-	47,787	164
Total Obligations.....	1,065,571	162	1,004,675	160	928,000	164	+163,924	-	1,091,924	164
Recoveries.....	-100	-	-112	-	-	-	-	-	-	-
Offsetting Collections.....	-12,850	-	-13,257	-	-	-	-	-	-	-
Precluded from Obligation										
in Current Year.....	-76,853	-	-140,132	-	-213,741	-	+96,741	-	-117,000	-
Unavailable Resources, EOY.....	122,127	-	259,953	-	206,694	-	-16,000	-	190,694	-
Transfer to FNS.....	242,022	-	76,000	-	117,000	-	+16,000	-	133,000	-
Rescission.....	133,352	-	-	-	150,000	-	-	-	-	-
Prior Year Appropriation										
Available, SOY.....	-375,269	-	-122,127	-	-259,953	-	+53,259	-	-206,694	-
Total Appropriation.....	1,098,000	162	1,065,000	160	928,000	164	+163,924	-	1,091,924	164

AGRICULTURAL MARKETING SERVICE

Section 32 Administrative FundsGeographic Breakdown of Obligations and Staff Years

(Dollars in thousands)

State/Territory	2010 Actual		2011 Actual		2012 Estimate		2013 Estimate	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
California	\$1,080	4	\$1,105	3	\$1,000	3	\$1,000	3
District of Columbia	39,487	152	49,899	151	45,147	155	45,147	155
Florida	514	2	571	2	517	2	517	2
Oregon	794	3	1,044	3	944	3	944	3
Texas	203	1	198	1	179	1	179	1
Total, Available or Estimate.....	42,078	162	52,817	160	47,787	164	47,787	164

STATUS OF PROGRAM

SECTION 32 COMMODITY PURCHASES

Current Activities: AMS purchases meat, poultry, eggs and egg products, and 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, and conducts 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 USDA to purchase additional fruits, vegetables, and nuts (specialty crops) using Section 32 funds, 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 2008, \$393 million for 2009, \$399 million for 2010, \$403 million for 2011, and \$406 million for 2012 and each fiscal year thereafter. In 2011, AMS purchased over \$441.2 million of specialty crop products which is approximately 9.5 percent over the minimum purchase level.

Selected Examples of Recent Progress:

AMS restructured commodity procurement activities in 2011 to improve program efficiency and customer service. In January 2011, AMS consolidated its Livestock and Seed, Fruit and Vegetable, and Poultry programs' commodity procurement branches to form a new Commodity Procurement Division. In May 2011, the Commodity Procurement Division launched a website providing vendors and other interested parties streamlined access to information regarding USDA purchase programs. The new site, www.ams.usda.gov/commoditypurchasing, combines three purchasing web locations into a single standardized, integrated and user-friendly platform.

Before the consolidation of commodity procurement operations, visitors to the AMS website had to navigate three separate portals to get information on all of the various purchase requirements. This new, simplified site gives customers the ability to respond more quickly to our purchase requests. Vendors that want to sell meat, fish, fruit and vegetable products, poultry, and egg products to USDA can go to one source for:

- News about the Commodity Procurement Division;
- Searches for individual purchased commodities;
- Requirements for new vendors to participate in commodity purchase programs;
- Access to the Web-Based Supply Chain Management (WBSCM) system; and
- Links to other useful USDA resources.

Commodity Purchases Division – In 2011 AMS purchased \$628.6 million worth of non-price supported commodities with Section 32 funds. The Department of Defense purchased an additional \$50 million of fresh fruits and vegetables for the National School Lunch Program from Section 32 funds on behalf of AMS. Purchased commodities were used to fulfill the National School Lunch Program's commodity subsidy entitlement of 20.25 cents per meal and for emergency surplus removal to assist agricultural producers.

Under agreement, AMS also purchased an additional \$733 million (\$144.7 million in specialty crops) of commodities on behalf of FNS with funds appropriated to FNS for entitlement programs. In total, AMS purchased approximately 1.7 billion pounds (1.1 billion pounds in specialty crops) of commodities distributed by FNS through its nutrition assistance programs.

AMS implemented a fresh fruit and vegetable pilot program to enable States to use entitlement funding for the purchasing of produce through existing commercial distribution channels for distribution to the National School Lunch Program.

Surplus Removal – Surplus removal (or bonus buy) commodities are donated to schools and other institutions in addition to entitlements purchases. The following chart reports the commodities purchased under surplus removal and reflects the variety of producers that received assistance through bonus purchases in 2011:

2011 Contingency Fund Expenditures
for Surplus Removal
(Dollars in Thousands)

<u>Commodity</u>	<u>Amount</u>
Clingstone Peach Products	\$10,943
Dried Plums	4,930
Chicken Broiler Parts	39,542
Est. Freight Costs	<u>700</u>
Total	\$56,115

Disaster Assistance – A limited amount of Section 32 funds are available each fiscal year to purchase commodities for disaster assistance. The following chart reports the commodities purchased for such relief during 2011. The commodities are used by disaster stricken area to replenish warehouse inventories depleted in the immediate aftermath of a disaster, in this case Hurricane Irene which hit the Gulf Coast and the Eastern Seaboard in August 2011.

2011 Contingency Fund Expenditures
for Disaster Assistance (Dollars in
Thousands)

<u>Commodity</u>	<u>Amount</u>
Canned Pork	\$389
Canned Chicken	791
Canned Beef	1,200
Apple Juice	55
Orange Juice	76
Canned Vegetarian Beans	213
Canned Light Kidney Beans	200
Canned Green Beans	212
Canned Mixed Vegetables	233
Canned Pears	285
Canned Peaches (Cling)	350
Freight Costs to Puerto Rico	20
FSA Disaster Purchases	<u>297</u>
Total	\$4,321

Web-Based Supply Chain Management – Beginning in 2006, AMS was authorized the use of Section 32 funds to develop a new computer system to support the shared interests of USDA commodity purchase programs by replacing USDA’s aging Processed Commodity Inventory Management System procurement system. The WBSCM 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 in support of programs administered by the Foreign Agricultural Services (FAS) and the United States Agency for International Development (USAID). AMS, FSA, FNS and USAID have been working collaboratively over several years on system development. During 2008, the project team completed the planning and design phase for WBSCM and began the build phase. During 2009, the

project team completed a significant portion of the build phase, with the rest of the build phase completed in 2010. The system went “live” in 2010 with limited functionality. In 2011, WBSCM went “live” with full functionality and is now operational. Currently, the system is supporting 9,373 registered users.

Recently, an International WBSCM Team has been formed to review current international procurement process in WBSCM to determine if system changes can be made to improve the experience for the international user community. The team is reviewing specific issues and concerns of the user communities and is taking steps to address short and long term needs.

Farm to School – The U.S. Department of Agriculture conducted a free webinar for State agencies, school food service administrators, farmers and non-profit organizations which featured information about starting or expanding Farm to School efforts in communities. The webinar, entitled *Digging through Farm to School Resources*, on October 7, 2010, was developed to help participants find the supporting materials they need to assist them in their Farm to School efforts. Schools and communities may initiate and support a variety of Farm to School activities, including nutrition education, agriculture-related lessons and curriculum, school or community gardens, farm tours, taste testing, and parent/community educational sessions.

This initiative is an effort to connect schools with regional or local farms in order to serve healthy meals using locally produced foods. Farm to School activities may vary from community to community, but the basic goals remain the same: to meet the diverse needs of school nutrition programs in an efficient manner, to support regional and local farmers and thereby strengthen local food systems, and to provide support for health and nutrition education. For those unable to attend, the webinar was recorded and archived on the USDA Farm to School website at www.fns.usda.gov/cnd.

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 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.

Fruit and Vegetable Marketing Agreements and Orders help growers work together to solve marketing problems that they cannot solve individually. They help balance the availability of quality product with the need for adequate returns to producers and the demands of consumers.

Selected Examples of Recent Progress:

Dairy Program:

Mideast Milk Marketing Area – Assisted the dairy industry in addressing criteria needed for evaluating hearing proposals for the Mideast Milk Marketing Area.

Dairy Industry Advisory Committee (DIAC) – Submitted a final report to the Secretary from the DIAC containing 23 proposals related to dairy farmer profitability and price volatility. The Secretary completed or is actively working with the industry on five recommendations and has provided technical assistance to Congress in considering dairy policy changes.

Fruits and Vegetable Program:

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 2011, AMS processed 15 domestic marketing order violation cases, some of which required extensive document review. AMS successfully

prosecuted a raisin marketing order compliance case, resulting in a Court of Appeals decision leveraging more than \$700,000 in penalties against the violator. AMS investigated 588 cases related to Section 8e import compliance and issued seven stipulations and three official warning letters to importers. Through diligent efforts to enforce regulations consistently across all programs, the number of reported violations has declined as compared to previous years. AMS also approved 29 marketing order compliance plans and conducted 10 compliance, program, and internal control reviews, each of which ensure the integrity of the marketing programs.

Rulemaking – In response to industry recommendations and requests, AMS issued approximately 60 rulemaking actions for revisions to fruit, vegetable, and specialty crop marketing orders within established internal timeframes. An initiative aimed at reducing processing time resulted in the clearance of 75 percent of final rules with minimal review by the Office of General Counsel. This allowed the agency to be more responsive to industry needs for timely regulatory changes. Using new statutory authority provided by the 2008 Farm Bill, AMS pioneered the use of informal rulemaking to amend two marketing orders, paving the way for more expeditious response to industry needs and saving approximately \$24,000 in travel and transcription expenses related to hearings.

Continuance Referenda – Producers are given regular opportunities to indicate whether they believe AMS marketing order programs meet their needs by participating in continuance referenda. In 2011, AMS conducted continuance referenda among producers of seven regulated commodities. Producers in five of those industries voted to continue the marketing programs. The results of these referenda demonstrate that AMS programs continue to play a vital role in the success of U.S. agribusiness.

Order Terminations – When industries indicate that marketing order programs no longer meet their needs, AMS works closely with those industries to determine whether the programs can be revitalized or whether they should be terminated. In 2011, California nectarine and peach producers voted not to continue their marketing order programs. AMS cooperated with the industries to orchestrate an orderly dissolution of the administrative committees and their marketing programs. AMS completed the termination process for the Washington fresh prune program, which producers voted not to continue in 2010. Such actions ensure that available resources remain focused on those programs where AMS can have a beneficial impact.

Quality Factors Relating to Food Safety through Marketing Agreements and Orders – Based upon testimony and evidence provided in a 2009 series of seven public hearings, AMS published a Recommended Decision regarding a proposed national marketing agreement for Leafy Green Vegetables. More than 2,100 responsive comments were received from the public, including the affected industry and consumers. AMS carefully analyzed the comments which are currently under Departmental review. If implemented, the agreement would support industry efforts to minimize the risk of pathogenic contamination in leafy green vegetables. In addition, following *Salmonella* and *E. coli* outbreaks, the hazelnut industry conferred with AMS regarding possible amendments to the marketing order program to establish handling regulations that would reduce contamination risk in hazelnuts.

Pistachio Quality and Marketing – Following an inspection of Aflatoxin control systems in U.S. pistachios by the European Commission's Food and Veterinary Office, AMS modified its protocols for approved Aflatoxin testing laboratories to pave the way for improved pistachio marketing in important European markets. In response to industry requests, AMS added export regulatory authority to the pistachio marketing order, which will allow the establishment of Aflatoxin control measures for shipments to foreign markets. Working closely with the United States Trade Representative and the FAS, AMS published a proposal for new regulations that would require imported pistachios to meet the same quality requirements as domestic pistachios, including the requirement to test pistachios for Aflatoxin. If implemented, such regulations are expected to bolster consumer confidence in the quality of all pistachios on the domestic market.

Evolving Industry Needs – AMS programs help U.S. producers and handlers remain competitive in domestic and global markets. AMS responds to industry needs in a variety of ways:

- AMS met with representatives from the blueberry and catfish industries to explore the possibilities of developing new programs to bolster the marketing of those commodities.
- AMS met with representatives from the raisin, tart cherry, kiwifruit, and citrus industries to discuss broad scale regulatory changes responsive to recent trends in production volume and handling practices.

Additional Oversight Activities – In addition to administration of marketing order programs, AMS is tasked with providing guidance and assistance to certain other industries. In 2011, AMS convened a meeting of the U.S. Peanut Standards Board. Based upon public comments received during a Section 610 review, the Board discussed and recommended changes to the peanut handling and quality regulations. The Board also requested that AMS seek funding to continue the compliance program that is essential to enforcing the standards. AMS successfully secured funding to support the program through 2012.

Section 610 Reviews – AMS performs occasional reviews of marketing programs to determine their effectiveness in the evolving marketplace. In 2011, AMS finalized and published a review of the California table grape marketing order, which was found to have ongoing values as an important tool in the marketing of that commodity.

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.	Objective 1.1: Provide value-added services to strengthen marketing support to U.S. agriculture in an environment of rising cost pressures, increasing exports, competing imports, and changing market requirements.	<ul style="list-style-type: none"> • Grading and Certification Services • Audit Verification Services • Laboratory Services 	Key Outcome 1: 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.	Objective 2.1: Respond quickly and effectively to changing markets, marketing practices, and consumer trends. Objective 2.2: 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] 	Key Outcome 2: 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.	Objective 3.1: 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 	Key Outcome 3: 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. <u>Objective 4.2:</u> Institute an effective Country of Origin Labeling Program for all designated covered commodities. <u>Objective 4.3:</u> Apply a variety of dispute resolution approaches to facilitate commercial dispute resolution.</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. <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. <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.

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. Grading and certification services verify quality or other contract requirements. Audit Verification services make it possible for the agriculture industry to make various marketing claims about their products and to reduce costs. For example, 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 the Food and Drug Administration's (FDA) recommended practices for food safety, including Good Agricultural Practices and Good Handling Practices. For exports, 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.

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:

Cotton Grading – AMS developed and implemented a new instrument-based leaf grade for cotton to replace the long-standing, labor-intensive determination assigned by human graders. This new grading technique utilizes imaging technology and a comprehensive algorithm developed internally by AMS employees. The algorithm was pilot-tested in 2010-11 alongside the official manual grade for all cotton grown and graded in the U.S. The new algorithm and process was fully vetted by the cotton industry, which supported this progressive step forward. These highly accurate instrument measurements will equate to a leaf calculation used to market cotton worldwide. This new methodology will increase efficiency and reduce labor without sacrificing accuracy of the data.

Dairy Grading – International markets are increasing for U.S. dairy and related products. The Dairy Grading Program implemented dairy export certification programs in Chile, Brazil, and Kazakhstan thus eliminating trade barriers resulting in increased exports. In 2011, the Dairy Grading program issued 20,500 export certificates a 28 percent increase over 2010. To facilitate the issuance of these certificates, the Program is developing an online system to request certification.

Fruit and Vegetable Grading – In November 2010, AMS, FDA, and Cornell University established a new Produce Safety Alliance, a three-year, \$1.15 million partnership funded by the FDA and USDA, and housed at Cornell University. The Alliance is charged with developing a national education and training program for farmers, packers, and regulatory personnel of fresh produce. Cornell's national Good Agricultural Practices program has been a leader in the development of materials on GAPs and in its dissemination of food safety knowledge to the agricultural community. The Alliance is governed by an Executive Committee that includes members from Cornell University, the Association of Food and Drug Officials, the National Association of State Departments of Agriculture, the FDA, AMS, and USDA's Natural Resources Conservation Service.

Meat Grading and Verification Consolidation – In July 2011, AMS announced the consolidation of its Livestock and Seed Audit, Review and Compliance with Meat Grading and Certification. The consolidation of these branches ensures that AMS will continue to provide marketing services to the livestock and meat industry in the most efficient and cost-effective manner possible. The merger will strengthen both branches and position the program to increase the availability of innovative value-adding services to meet the emerging needs of an industry that is critical to the nation's economy. The restructured organization, which is headquartered in Denver, will continue to provide critical marketing services that communicate product attributes and differentiate products in the market place without interruption. AMS provides official USDA grading for over 20 billion pounds of beef and 108 million pounds of lamb each year, and certified auditors provide internationally recognized verification services that facilitate the marketing of approximately \$27 billion of agricultural commodities in domestic and world markets each year to over 400 different commercial programs.

Selected Accomplishments Expected at the 2013 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; provides commodity descriptions that are widely used by buyers and sellers of commodities throughout the agricultural industry for domestic and international trading, futures market contracts, and as a benchmark for purchase specifications in most private contracts; 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.

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 was projected in 2009 to increase from 5,274 to 6,300 by 2015. The number of self-reported farmers markets in the National Farmers Market directory exceeded the USDA goal by rising to 7,175 by 2012. AMS continues to strongly support development of farmers and other alternative markets.

Selected Past Accomplishments toward Achievement of the Key Outcome:

Market News – AMS developed new tools to enhance Livestock Mandatory Reporting data by developing a Cattle Dashboard in 2010 and Swine and Lamb Dashboards in 2011, all of which are available on the Market News Website. These data visualization tools are designed to allow users to view weekly volume and price information on direct slaughter cattle, swine, and lambs presented in the form of interactive graphs and tables that can be customized for viewing and downloaded for use in reports and presentations. AMS will be developing an interactive dashboard for boxed beef market information during 2012. To help customers use these dashboards and other features on the Market News website, AMS launched a Reference Room. This new site features three main tools to help users access and interpret Market News reports: a Glossary of Terms, a Tutorial section, and a Report Overview section.

As required by the Mandatory Price Reporting Act of 2010 (P.L. 111-239), USDA engaged in negotiated rulemaking on regulatory changes for mandatory wholesale pork reporting and drafted a final rule during 2011. To meet the requirement to establish an electronic reporting system for manufacturers of dairy products under the mandatory dairy product reporting program, AMS published a proposed rule on June 10, 2011, that included regulatory changes for implementing the provisions of the Act and transferring applicable data collection responsibilities from NASS to AMS. AMS has begun developing a web-based electronic reporting capability for dairy reporting which continues into 2012. Data collected through the program is used as the price discovery mechanism to establish minimum prices for the Federal milk order system.

To improve the information available to U.S. agriculture, the Market News program continued expanded reporting on organically-produced commodities and supported the development of foreign agricultural market information systems by providing technical expertise to other countries through a variety of programs conducted by AMS and

other U.S. agencies. AMS maintains a leadership role in the Market Information Organization of the Americas, a network of 32 countries in North, Central, South America, and the Caribbean.

Standardization – In 2011, AMS reviewed 83 commodity standards, began updates of shell egg standards, and proposed new or revised standards for five other commodities. AMS regularly reviews standards and proposes revisions or new standards as industry practices or consumer preferences change. These changes are only implemented after public comment to ensure that they will facilitate commerce. To help protect the interests of U.S. agricultural producers, AMS provides leadership in representing U.S. interests in development of international standards and promotion of U.S. inspection practices. AMS chaired committees and provided technical guidance to the following international standards organizations: United Nations Economic Commission for Europe, Codex Alimentarius, and International Organization for Standardization, and Organization for Economic Cooperation and Development.

Transportation and Market Development – In 2011, AMS supported agricultural market innovation, expansion, and transportation through studies, reports, and technical assistance, including providing online access to the Grain Transportation Report (GTR) data which reduced staff time in responding to information requests, improved stakeholder utility of the GTR, and increased the number of overseas subscribers by 25 percent. These changes facilitate grain marketing and enhance research. As part of the *Strategic Partnership Program Agro Terrorism Initiative*, which examines the Nation's food supply, AMS presented *Impacts of Mississippi River Closures* to the Quarterly Food and Agriculture Joint Sector Meeting. In support of the President's National Export Initiative, AMS initiated information collection on shipping containers from ocean carriers at select locations and published aggregated weekly data on AMS' Website for the use of U.S. exporters. AMS sponsored six agricultural shipper workshops to facilitate discussion of ocean, rail, and truck regulatory, rate, and service issues for U.S. agricultural exporters.

AMS played a leading role in establishing the National Food Hub Collaboration to analyze the latest developments, research, and activity related to food hubs. Project results include a Food Hub database, resource guide, outreach activities, a USDA web portal, and a Conference held in Detroit. The updated National Farmers Market Directory reported a 17 percent increase in farmers markets and provided additional information for market managers and organizers. Market facilities design projects and studies included sites in New York, Alabama, South Carolina, and South Carolina. In addition to marketing presentations, training, and webinar presentations across the country, AMS provided technical assistance for constituents through grant-writing workshops, conferences, and webinars.

Farmers Market Promotion Program – AMS received proposals from more than 397 applicants in 2011 from 49 States and the District of Columbia. Review by an external panel resulted in awards of \$9.2 million to 149 farmers market and other direct-to-consumer marketing projects in 42 states and the District of Columbia. Seventeen projects included new electronic benefits transfer (EBT) machines at farmers markets projects, representing approximately 12.2 percent of total funding for 2011 (\$1.12 million). In 2012, FMPP will award approximately \$10 million in grants to eligible applicants under this Farm Bill-funded program. 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.

Federal-State Marketing Improvement Program (FSMIP) – AMS awarded more than \$1.3 million in matching grant funds to 19 states for 25 projects. FSMIP grants support 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 projects focus on developing agricultural marketing strategies such as investigating environmental benefits associated with rice varieties that emit lower level of greenhouse gas during production, identifying cost savings associated with alternative cotton harvest and transportation option to improve efficiency in the marketing supply chain for cotton in the mid-South along with increasing the quantity and variety of locally grown food and agricultural products in Wyoming public school. In 2012, FSMIP funding was reduced 10 percent, which will reduce the number of funded projects by 2 or 3.

Pesticide Data Program (PDP) – PDP 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 2011, PDP tested more than 12,700 food and water samples, resulting in over 2 million

individual tests. 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. PDP added nine new commodities for the year – canned beets, baby food green beans, baby food pears, and baby food sweet potatoes, cherry/grape tomatoes, hot peppers, papayas, snap peas and tangerines – and reintroduced previously tested commodities, bringing the number of commodities surveyed to date to 103. Due to a budget reduction of almost 6 percent, PDP will reduce sampling and testing for selected commodities in 2012.

Microbiological Data Program (MDP) – administers a multi-state laboratory network that uses current methods and technology to test select domestic and imported fresh produce for the presence of disease-causing bacteria. MDP coordinates data collection through a network of cooperating State laboratories, working closely with the FDA, CDC, and state health and regulatory officials. During 2011, MDP performed over 35 thousand tests on over 17 thousand produce samples. Commodities tested included cantaloupe, cilantro, hot peppers, lettuce, spinach, sprouts, and tomatoes. The program shared the data generated with FDA and CDC. MDP data supports FDA regulatory actions and CDC/FDA outbreak investigations.

Commodity Purchases – AMS restructured commodity procurement activities in 2011 to improve program efficiency and customer service. In January, AMS consolidated its Livestock and Seed, Fruit and Vegetable, and Poultry programs' commodity procurement branches to form a new Commodity Procurement Division. In May, the Commodity Procurement Division launched a website providing vendors and other interested parties streamlined access to information regarding USDA purchase programs. The new site, www.ams.usda.gov/commoditypurchasing, combines three purchasing web locations into a single standardized, integrated and user-friendly platform. This new, simplified site gives customers the ability to respond more quickly to our purchase requests. Vendors that want to sell meat, fish, fruit and vegetable products, poultry, and egg products to USDA can go to one source for news about the program, searches for individual purchased commodities, procedures for new vendors to participate in commodity purchase programs, access to the WebSCM system, and links to other useful resources. The WebSCM system developed by AMS, FNS, and FSA to support USDA commodity purchase programs became fully functional in 2011. During 2012, a USDA team of experts will focus on international procurement processes in the system to determine whether system changes can be made to improve the experience for the international user community. The team is reviewing specific issues and concerns of the user communities and is taking steps to address their short and long term needs.

In 2011 AMS purchased \$633 million worth of non-price supported commodities with Section 32 funds. The Department of Defense purchased an additional \$50 million of fresh fruits and vegetables for the National School Lunch Program from Section 32 funds on behalf of AMS. Purchased commodities were used to fulfill the National School Lunch Program's commodity subsidy entitlement of 20.25 cents per meal and for emergency surplus removal to assist agricultural producers. Under agreement, AMS also purchased an additional \$733 million (\$144.7 million in specialty crops) of commodities on behalf of FNS with funds appropriated to FNS for entitlement programs. In total, AMS purchased approximately 1.7 billion pounds (1.1 billion of this was specialty crops) of commodities distributed by FNS through its nutrition assistance programs. During 2012, AMS will provide increased commodity purchasing and marketing 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.

Selected Accomplishments Expected at the 2013 Proposed Resource Level:

- Address the growing consumer demand for locally-grown produce by focusing additional Transportation and Market Development resources to improve local food access. AMS will conduct two new program initiatives focusing on outlets for local and regional products and creating new economic opportunities for small/medium producers. This proposal leverages AMS' program expertise with farmers markets, USDA food hubs, and other initiatives by better connecting consumers with local producers.
- Conduct a \$55 million grants program to award funds to State agencies for projects in support of specialty crops (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.
- Improve commodity purchase operations through on-going efforts to improve processes and data management.

- Expand pesticide data sampling and testing to include wheat and pork which will provide comprehensive residue data on high priority pesticides for 22 of the top 24 children's food commodities. 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. The requested resources will fund continued participation by all cooperating states and meet effective sampling and testing targets in PDP to present a more comprehensive picture of the risk from pesticide consumption, especially for children.

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). The goal is to maintain or increase this percentage.

Selected Past Accomplishments toward Achievement of the Key Outcome:

Research and Promotion – AMS strengthened its guidelines for oversight of all research and promotion programs. The new guidelines require industry boards to conduct annual financial audits in accordance with the Generally Accepted Government Auditing Standards and to document their decisions concerning the selection of contractors. Eighteen programs were active in 2011, collecting \$577 million in assessments. In addition, a new softwood lumber program was implemented to strengthen the position of softwood lumber in the marketplace, maintain and expand markets, and develop new uses within the U.S.

The dairy promotion program focused on improving child health and nutrition through the Fuel Up to Play 60 (FUTP60) program. FUTP60 combines the 2010 Dietary Guidelines with the star power of the National Football League (NFL) to encourage youth to consume nutrient-rich foods, including low-fat and fat-free dairy, and to have 60 minutes of physical activity every day. USDA, the Department of Education, the Department of Health and Human Services, National Dairy Council, Gen YOUth Foundation, and the NFL are all cooperating on this program. The FUTP60 program is now in more than 70,000 schools serving 36 million elementary, middle, and high schools students.

Marketing Agreements and Orders – Through diligent efforts to enforce regulations consistently, the number of reported fruit and vegetable marketing order violations has declined as compared to previous years. AMS processed 15 domestic fruit and vegetable marketing order violation cases and successfully prosecuted a marketing order compliance case resulting in more than \$700,000 in penalties against the violator. AMS also investigated 588 cases related to Section 8e import compliance and issued seven stipulations and three official warning letters to importers. To ensure the integrity of fruit and vegetable marketing programs, AMS approved 29 marketing order compliance plans and conducted 10 compliance, program, and internal control reviews. Producers voting in continuance referenda on seven regulated commodities elected to continue five of the marketing programs.

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 be maintained at 90 percent in 2013.

Selected Past Accomplishments toward Achievement of the Key Outcome:

National Organic Program (NOP) – During 2011, NOP published implementation requirements for periodic residue testing by certifying agents, a national rule on Access to Pasture for Ruminant Slaughter Stock, and a number of changes to the National List of Allowed and Prohibited Substances, as well as resource documents and policy guidance. The program strengthened enforcement activities by publishing three online notices of fraudulent certificates; investigating 181 complaints, which was a 15 percent increase from 2010; and reducing the average appeal processing time by 50 percent. To advance its accreditation program, the NOP led audits of 23 domestic and foreign certifying agents which resulted in removal of accreditation from 2 agents, issuance of one new accreditation, and verification of compliance by the California State Organic Program. A peer review by the National Institute of Standards and Technology identified areas for improvement in accreditation activities on which NOP has begun corrective actions. International activities included NOP representatives' assessment of the organic recognition agreement with the government of India. NOP assessed the European Union (EU) Commission's organic program as a preliminary step toward establishing an organic equivalency agreement with the EU, and facilitated the EU Commission's assessment of the NOP.

Organic Certification Cost-Share – In 2011, NOP expanded outreach efforts for organic certification cost-share programs through site visits, conference presentations, advertising in trade publications, direct mail, and email marketing. Approximately \$7 million was allocated to States to partially reimburse producers and handlers for the cost of organic certification through the National and Agricultural Marketing Assistance Organic Certification Cost Share Programs. Preliminary reports indicate that more than 8,000 certified organic operations received reimbursements during 2011.

Country of Origin Labeling Program (COOL) – In 2011, the COOL Program conducted 4,005 retail reviews and 1,190 follow-up retail reviews of the roughly 37,000 regulated retailers. AMS held six two-day training sessions on the COOL regulation and retail surveillance procedures with State cooperators which ultimately resulted in approximately 500 State reviewers certified to conduct COOL reviews in retail stores across the country. In addition, 307 products were audited through the supply chain. An automated database system - COOL FACTS - under development in 2011 is scheduled to go live in 2012. The new system will help the program capture and manage compliance information to target audits in facilities with the most violations, streamlining operations to reduce costs while maintaining its 96 percent compliance rate. Completion of system development and a streamlined retail review schedule will enable the program to absorb a 37 percent budget cut in 2012.

Federal Seed Act Program – During 2011, AMS conducted field tests on 1,042 seed samples to determine trueness-to-variety of seed in interstate commerce. AMS received 302 new complaints from 16 States, resulting in 384 cases. AMS tested 356 regulatory seed samples, which reflects a 4 percent increase above 2010 in the number of regulatory samples. The Program administratively settled 106 Federal Seed Act cases during the year, with penalty assessments totaling \$72,675 and individual assessments ranging from \$450 to \$21,775. To ensure uniform application of the regulations, AMS conducted seven training workshops for seed analysts and inspectors from 21 States.

Pesticide Recordkeeping Program (PRP) – During 2011, more than 250 State and Federal inspectors met with over 3,400 certified private applicators required to follow the Federal regulations. Also, 800 inspections of certified

private applicators were conducted in the States that have their own recordkeeping requirements that meet or exceeded the Federal requirements. More than 200 State and Federal inspectors completed web-based and regional training offered by the program, which provided updates on new policies and procedures for 2011. Due to budget reductions for 2012, PRP is reducing publications and focusing program activities only in the 27 States operating under Federal regulations. The program's goal is to inspect 3,000 private certified pesticide applicators in 2012.

Shell Egg Surveillance Program (SES) – In 2011, the SES program conducted a total of 2,485 inspections of shell egg handlers and 333 inspections of egg hatcheries, and found 95 percent of all egg operations in compliance with SES requirements. Follow-up visits resulting from violations decreased 5 percent from 2010.

Perishable Agricultural Commodities Act (PACA) Program – In 2011, AMS was contacted by members of the fruit and vegetable industry for assistance in resolving 1,563 commercial disputes, a 4 percent increase over 2010 levels. These disputes involved approximately \$19.4 million. AMS resolved 90 percent of these disputes informally within 4 months. Decisions and orders were issued in 427 formal reparation cases involving award amounts totaling approximately \$11 million. AMS initiated 17 disciplinary cases against firms for alleged violations of the PACA and issued 19 disciplinary orders – either suspending or revoking a firm's PACA license, levying civil penalties, or issuing a finding of repeated and flagrant violations against produce firms for violations of the PACA.

Plant Variety Protection Program – During 2011, AMS received 530 applications for certificates protecting intellectual property rights on new agricultural, floral, and seed plant varieties; an 11 percent decrease over 2010. AMS conducted searches on 376 applications to determine whether the plant constituted a new variety and issued 365 certificates of protection. At the end of 2011, 4,993 certificates were in force while protection had expired on 272 different varieties. The program went paperless in June 2011 to reduce costs and streamline workflow for improved customer service. All documents are now available on AMS' web-site.

Selected Accomplishments Expected at the 2013 Proposed Resource Level:

- The National Organic program will continue its efforts to strengthen program operations and develop agreements with international trading partners within current resources.
- The Country of Origin Labeling program will continue to ensure a high percentage of labeling compliance by retailers within reduced resources.

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:

- +\$1.0 million for Transportation and Marketing to enhance community capacity to improve local food access.
- +\$0.1 million will increase the availability of grant funds awarded by the Federal-State Marketing Improvement Program (FSMIP), with an emphasis on value-added projects that spotlight local and regional food marketing initiatives and are of practical use to the agricultural industry.
- -\$4.6 million for the termination of the Microbiological Data Program (MDP) in 2013. The Microbiological Data Program is not closely aligned with the core mission of AMS, which is to facilitate competitive and efficient marketing of U.S. agricultural products. This proposal helps to meet budget reduction goals.
- -\$2.4 million for termination of Pesticide Recordkeeping Program to focus resources on AMS' core mission and help meet budget deficit reduction goals.

These proposals will enable AMS to continue to support USDA efforts to enhance rural prosperity and support a sustainable and competitive agricultural system by increasing support for local food access 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:

- +\$0.9 million for the Pesticide Data Program to supports USDA's efforts to ensure America's children have access to safe, nutritious, and balanced meals by enabling the Pesticide Data Program (PDP) to generate pesticide residue data that is used to assess dietary risk for children and the general population. The requested funding level will allow the program to generate and report comprehensive data on 89 commodities, including data on 22 of the top 24 children's food commodities.

Key Performance Targets

Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Target	FY 2013 Target
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	35	35	35	35	34	38
Transportation and Market Development Program Funding (\$ millions)	\$6	\$6	\$6	\$6	\$6	\$7
Cumulative number of farmers markets established, increasing consumer access to local food	n/a	5,274	6,132	6,166	7,175	7,200
Farmers Market Promotion Program Funding (\$ millions)	\$4	\$5	\$5	\$10	\$10	1/
National Organic Program: Percentage of accredited certifying agents, both domestic and foreign, that are in full conformance with 90 percent of the NOP accreditation criteria	--	--	90%	90%	90%	90%
National Organic Program Funding (\$ millions)	\$3	\$4	\$7	\$7	\$7	\$7
Market News: Number of (annual) eViews for marketing and transportation information (millions)	56.7	56.8	56.0	55.2	55.7	55.7
Number of organic items covered (agricultural products reported by market news)	114	234	246	246	246	246
Market News Funding (\$ millions) ^{2/}	\$33	\$33	\$34	\$33	\$33	\$33
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	21	22	21	20	22
Comprehensive pesticide residue data available for dietary risk assessment (Priority 1 & 2 Compounds) - all commodities	90	91	91	89	90	90
PDP Funding (\$ millions)	\$15	\$15	\$15	\$15	\$15	\$15
Microbiological Data Program: Number of samples tested	n/a	15,172	18,600 ^{3/}	17,400	14,000	0
Number of commodities tested	n/a	6.35	8 ^{3/}	8	7	0
MDP Funding (\$ millions)	\$5	\$5	\$5	\$5	\$4	\$0

1/ Subject to reauthorization of the Farm Bill.

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 percent.

Agricultural Marketing Service					
Full Cost by Department Strategic Goal					
(Dollars in Thousands)					
DISCRETIONARY PROGRAMS	FY 2010 Actual	FY 2011 Actual	FY 2012 Estimate	Change	FY 2013 Estimate
USDA Goal 1: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving					
Market News	\$30,507	\$31,123	\$30,432	-	\$30,432
Indirect Costs	2,524	2,575	2,517	-	2,517
Total Costs	33,031	33,698	32,949	-	32,949
FTEs	265	256	246	-3	243
<u>Related Performance Data</u>					
Organic Market Reporting: Number products reported	246	246	246	-	246
Number (in millions) of (annual) eViews for market information	56.0	55.2	55.7	-	55.7
National Organic Program	6,244	6,097	6,390	-	6,390
Indirect Costs	517	507	529	-	529
Total Costs	6,761	6,630	6,919	-	6,919
FTEs	28	35	34	-	34
<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%	90%	-	90%
Transportation and Market Development	5,522	5,297	5,296	924	6,220
Indirect Costs	457	438	438	76	514
Total Costs	5,979	5,737	5,734	1,000	6,734
FTEs	35	35	35	4	39
<u>Related Performance Data</u>					
Cumulative number of farmers markets established	6,132	6,166	7,175	25	7,200
Number of publications and activities to improve local food access	35	35	34	4	38
Standardization	4,642	4,507	4,566	-	4,566
Indirect Costs	384	373	378	-	378
Total Costs	5,026	4,880	4,944	-	4,944
FTEs	35	33	35	-	35
Federal Seed	2,303	2,203	2,241	-	2,241
Indirect Costs	191	191	198	-	198
Total Costs	2,494	2,394	2,439	-	2,439
FTEs	21	18	18	-	18
Country of Origin Labeling Program	9,806	7,091	4,618	-	4,618
Indirect Costs	811	587	382	-	382
Total Costs	10,617	7,678	5,000	-	5,000
FTEs	16	16	16	-	16
<u>Related Performance Data</u>					
Percentage of retail stores in compliance with Country of Origin Labeling regulations	96%	96%	96%	-	96%
Pesticide Recordkeeping	2,745	2,545	1,691	-1,691	-
Indirect Costs	227	211	140	-140	-
Total Costs	2,972	2,756	1,831	-1,831	-
FTEs	8	7	6	-6	-
Federal/State Marketing Improvement Program	1,334	1,331	1,198	133	1,331
Indirect Costs	0	0	0	-	-
Total Costs	1,334	1,331	1,198	133	1,331
FTEs	-	-	-	-	-
Total Discretionary Costs for USDA Strategic Goal 1	\$68,214	\$65,104	\$61,014	-\$698	\$60,316
FTEs	408	400	390	-5	385

Agricultural Marketing Service					
Full Cost by Department Strategic Goal					
(Dollars in Thousands)					
DISCRETIONARY PROGRAMS	FY 2010 Actual	FY 2011 Actual	FY 2012 Estimate	Change	FY 2013 Estimate
USDA Goal 4: Ensure that all of America's children have access to safe, nutritious, and balanced meals					
Pesticide Data Program	14,693	14,193	14,159	0	14,159
Indirect Costs	1,215	1,174	1,171	0	1,171
Total Costs	15,908	15,367	15,330	0	15,330
FTEs	18	19	19	0	19
<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	20.0	2.0	22.0
Comprehensive pesticide residue data available for dietary risk assessment	91.0	89.0	90.0	-	90.0
Microbiological Data Program	4,691	4,235	4,016	-4,016	-
Indirect Costs	388	350	332	-332	-
Total Costs	5,079	4,585	4,348	-4,348	-
FTEs	9	6	4	-4	-
<u>Related Performance Data</u>					
Number of samples tested	18,600	17,431	14,000	-14,000	-
Number of commodities tested	8.0	11.0	7.0	-7.0	-
Shell Egg Surveillance	2,566	2,396	2,509	-	2,509
Indirect Costs	212	198	208	-	208
Total Costs	2,778	2,594	2,717	-	2,717
FTEs	18	16	17	-	17
Total Discretionary Costs for USDA Strategic Goal 4	\$23,765	\$22,546	\$22,395	-\$4,348	\$18,047
FTEs	45	41	40	-4	36
Total, Discretionary Appropriations	\$91,979	\$87,650	\$83,409	-\$5,046	\$78,363
MANDATORY PROGRAMS					
USDA Goal 1: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving					
Commodity Purchase Services - Agri. Support & Emergency (AS&E)	8,229	15,809	12,082	2,138	14,219
Indirect Costs	681	1,308	999	177	1,176
Goal Total, Administrative Costs	8,910	17,116	13,081	2,314	15,396
FTEs	22	28	25	4	29
Commodity Purchases Program Funds - AS&E	409,362	485,790	415,213	163,841	579,054
Marketing Agreements & Orders	18,289	17,806	18,524	51	18,575
Indirect Costs	1,513	1,473	1,532	4	1,536
Total Administrative Costs	19,802	19,279	20,056	55	20,111
FTEs	108	106	107	-	107
Total Mandatory Program Costs for USDA Strategic Goal 1	\$438,074	\$522,186	\$448,350	\$166,210	\$614,561
FTEs	130	134	132	4	136
USDA Goal 4: Ensure that all of America's children have access to safe, nutritious, and balanced meals					
Commodity Purchase Services - Child Nutrition Purchases (CNP)	12,345	15,167	13,531	-2,112	11,419
Indirect Costs	1,021	1,255	1,119	-175	945
Goal Total, Administrative Costs	13,366	16,422	14,650	-2,286	12,363
FTEs	32	26	28	-4	24
Commodity Purchases Program Funds - CNP	614,131	466,067	465,000	-	465,000
Total Mandatory Program Costs for USDA Strategic Goal 4	\$627,497	\$482,489	\$479,650	-2,287	\$477,363
FTEs	32	26	28	-4	24
Total, Mandatory Appropriations (Section 32)	\$1,065,571	\$1,004,675	\$928,000	\$163,923	\$1,091,924
Total, All Strategic Goals	\$1,157,550	\$1,092,325	\$1,011,409	\$158,877	\$1,170,287
Total, All Staff Years	615	601	590	-9	581