2008 Explanatory Notes
Foreign Agricultural Service

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FOREIGN AGRICULTURAL SERVICE

PURPOSE STATEMENT

FAS supports the Department's strategic goal to Enhance International Competitiveness of American Agriculture. FAS serves U.S. agriculture's interests by expanding and maintaining international export opportunities for U.S. agricultural, fish, and forest products, supporting international economic development and trade capacity building, and improving the global Sanitary and Phytosanitary (SPS) regulatory system to facilitate agricultural trade. The outcomes envisioned are increased export opportunities for U.S. agriculture, including a more level playing field for U.S. agricultural producers and exporters in the global marketplace and an expanded ability to sustain economic growth and trade capacity in developing and transitioning countries.

FAS' core objective is to expand overseas market opportunities for U.S. agriculture. In addition to a highly specialized Washington-based staff, the agency maintains a targeted and highly efficient network of overseas offices that serve as first responders in cases of market disruption, provide critical market and policy intelligence to support our strategic goals, and represent U.S. agriculture in consultations with foreign governments.

The Foreign Agricultural Service was established on March 10, 1953, by Secretary's Memorandum No. 1320, Supplement 1. Public Law 83-690, approved August 28, 1954, transferred the agricultural attaches from the Department of State to the Foreign Agricultural Service. Secretary's Memorandum No. 1020-39 dated September 30, 1993, transferred the functions of the former Office of International Cooperation and Development to the Foreign Agricultural Service.

Description of Agency Activities:

Market Access

Greater access to foreign markets for U.S. agricultural producers requires an aggressive trade policy to lower tariffs, reduce non-tariff barriers, eliminate export subsidies, and reduce trade-distorting domestic subsidies. In FY 2008, FAS will continue to work with the Office of the United States Trade Representative (USTR) to conclude and/or implement the agricultural negotiations under the Doha Round of the World Trade Organization (WTO), to negotiate and enforce bilateral and regional trade agreements, and to negotiate effective market access with countries seeking to join the WTO. FAS' market access activities include a country and/or regional approach to maximizing trade opportunities for U.S. agricultural exporters by providing market intelligence, in-country resolution of disruptions or potential disruptions to U.S. shipments, and regular contacts with foreign government agricultural and trade officials. FAS also ensures that U.S. agricultural positions are represented in international organizations, including the WTO, the Organization for Economic Cooperation and Development, and the United Nations Food and Agricultural Organization.

In FY 2008, through staff reallocation, we plan to expand resources devoted to monitoring and enforcement of trade agreements and ensuring the compliance of U.S. trading partners with other international trading rules. We will build on existing pilot projects to develop effective implementation and monitoring strategies for new agreements. We will improve training for overseas and Washington-based FAS employees in coordination with other USG agencies to strengthen our ability to monitor agreements, and will further develop the expertise needed for effective enforcement of our rights through dispute settlement.

FAS' agricultural market intelligence functions are fundamental to ensuring a reliable, fair, and transparent global trading environment for U.S. agricultural producers. FAS field offices and analysts in Washington will continue to work closely with the World Agricultural Outlook Board and other USDA agencies to ensure that accurate, timely, and unbiased estimates of global production, supply, trade, and use are developed and disseminated to the public.

Trade Development

FAS will continue to support U.S. private sector efforts to develop and expand commercial markets through trade-related programs such as the Market Access Program (MAP) and the Commodity Credit Corporation (CCC) Export Credit Guarantee programs. These programs help U.S. producers and exporters realize the benefits that will flow from trade reform and the resulting global market expansion.

The MAP helps U.S. producers, exporters, private companies, and other trade organizations finance promotional activities for U.S. agricultural products. The Foreign Market Development (FMD) Program, also known as the Cooperator Program, aids in the creation, expansion, and maintenance of long-term export markets for U.S. agricultural products. The Emerging Markets program (EMP) provides funding for technical assistance activities to promote exports of U.S. agricultural commodities and products to emerging markets. The Quality Samples Program (QSP) helps U.S. agricultural trade organizations provide small samples of their products to potential importers in new markets overseas. The CCC export credit guarantee programs provide payment guarantees for the commercial financing of U.S. agricultural exports. The Dairy Export Incentive Program (DEIP) and the Export Enhancement Program (EEP) help exporters compete with subsidized products from other countries through cash bonuses.

In order for food and agricultural prices to reflect supply and demand accurately, timely and unbiased estimates of production, supply, trade, and use must be available to both sellers and buyers. FAS' agricultural market intelligence is fundamental to ensuring a reliable, fair, and transparent global trading environment for U.S. agricultural producers.

Trade Related Technical Assistance

U.S. agriculture benefits from growth in global trade and a trading system that adheres to international rules and norms. Two-thirds of WTO members are developing countries, many of which lack the knowledge, expertise, and regulatory and policy frameworks to participate in the global trading system. FAS supports the U.S. trade agenda by providing technical assistance to help developing countries become better trading partners and achieve economic growth. In FY 2008, FAS will focus these trade capacity building activities on implementing U.S. commitments to assist developing countries under the WTO Doha Development Agenda, supporting U.S. free trade agreement negotiations with bilateral and regional trading partners, and promoting the development of regulatory and policy infrastructures that are transparent and scientifically based.

As a global leader in agriculture, USDA is involved in a wide range of international activities to support U.S. policy goals, such as collaborative efforts to control the spread of avian influenza. FAS plays the lead role within the Department in coordinating the linkage of U.S. agricultural expertise, including land grant universities, in support of U.S. international development activities. These international development activities, including those directly related to reconstruction and disaster recovery, have become increasingly important in achieving U.S. foreign and national security goals. FAS also carries out food assistance programs under Food for Progress, the McGovern-Dole International Food for Education and Child Nutrition Program, and section 416 (b) of the Agricultural Act of 1949.

SPS Issues Resolution

Unnecessarily restrictive regulations to address human and animal health (sanitary) and plant health (phytosanitary) risks are major impediments to U.S. market access and the expansion of global agricultural trade. As tariff barriers have been reduced, there has been a dramatic increase in non-tariff barriers to trade, particularly in the SPS area. In spite of the Sanitary and Phytosanitary (SPS) Agreement within the WTO, countries have relied increasingly on erecting SPS barriers as a means to protect domestic industries in the face of quickly growing global trade.

Given the increasing global interdependence in the flow of food and agricultural products, the ability of foreign countries to develop and implement sound science-based regulatory systems is also vital to the long-term safety of U.S. agriculture and our food supply. U.S. agriculture benefits greatly from the development of regulatory frameworks in other countries that can address SPS and technical barriers to trade (TBT) in a transparent and scientifically based manner. To encourage science-based SPS regulations, FAS is focusing its efforts in the following four areas: enforcing international SPS rules; strengthening the global SPS regulatory framework; encouraging adoption of international standards; and promoting two-way trade.

The Technical Assistance for Specialty Crops Program provides grants to the private sector to help address sanitary, phytosanitary or technical barriers that prohibit or threaten exports of U.S. specialty crops and it has been very successful. The Technical Issues Resolution Fund under the Emerging Markets Program addresses technical barriers to U.S. agricultural exports in emerging market countries.

Headquarters of the Service is in Washington, D.C. Work of the Service is also carried out in 77 posts around the world. As of September 30, 2006, FAS had 967 employees, of whom 753 were permanent full-time employees and 214 were other than permanent full-time employees. Of the 753 permanent full-time employees, 526 were located in headquarters and 227 were located in field locations abroad.

OIG/GAO Audit Activity - FY 2006

OIG Audits	Start/Issue Date	Subject
50801-6-At [a/]	Report Issued March 31, 1999	Food for Progress Program Private Voluntary Organization Grant Fund Accountability
07016-01-At	Report Issued March 15, 2006	Foreign Agricultural Service Private Voluntary Organization Grant Fund Accountability
50601-12-At	Audit Began January 2004	Foreign Agricultural Service Implementation of the Trade Title of the 2002 Farm Bill and the 2002 President's Management Agenda
50601-14-Te	Audit Began October 2005	USDA's Role in the Export of Genetically Engineered Agricultural Commodities
50601-3-Hy	Audit Began March 2006	Review of Trade Adjustment Assistance (TAA) for Farmers Program – Fiscal Years 2005 and 2006
07601-01-Hy	Audit Began August 2006	Trade Promotion Operations

[a/]Upon OIG requests, FAS continues to provide additional data.

GAO Audits	Start/Issue Date	Subject
GAO-06-167	Report Issued December 6, 2005	INTERNATIONAL TRADE: USTR Would Benefit from Greater Use of Strategic Human Capital Management Principals
GAO-06-162	Report Issued December 9, 2005	CHINA TRADE: U.S. Exports, Investment, Affiliate Sales Rising, but Export Share Falling
GAO-06-596	Report Issued April 30, 2006	WORLD TRADE ORGANIZATION: Limited Progress at Hong Kong Ministerial Clouds Prospects for Doha Agreement
GAO-06-737	Report Issued June 26, 2006	OVERSEAS STAFFING: Rightsizing Approaches Slowly Taking Hold but More Action Needed to Coordinate and Carry Out Efforts
320386	Audit Began December 2005	Review of Branding and Marketing of U.S. Assistance
320399	Audit Began March 2006	U.S. International Basic Education Efforts
320425	Audit Began May 2006	Improving Food Aid

FOREIGN AGRICULTURAL SERVICE

Available Funds and Staff Years
2006 Actual and Estimated 2007 and 2008

Item	Actual 2006 Amount	Actual 2006 Staff Years	Estimated 2007 Amount	Estimated 2007 Staff Years	Estimated 2008 Amount	Estimated 2008 Staff Years
Foreign Agricultural Service	147,901,000	693	146,150,000	734	168,209,000	734
Credit Reform Funds from Other Accounts:						
CCC Export Loans Program Account	3,440,000	43	3,406,000	43	4,985,000	50
P.L. 480 Program Account	168,000	2	--	--	--	--
Transfer from FSA	1,480,000	--	1,480,000 a/	7	--	
Total Credit Reform Funds	5,088,000	45	4,886,000	50	4,985,000	50
Subtotal, FAS	152,989,000	738	151,036,000	784	173,194,000	784
Rescission	-1,515,000	--	0	--	0	--
Total Available or Estimate, FAS	151,474,000	738	151,036,000	784	173,194,000	784
Obligations under other USDA appropriations:						
Commodity Credit Corporation for:						
MAP Evaluations	425,000	3	425,000	3	425,000	3
MAP Evaluations - Program Development	2,800,000		2,800,000		2,800,000	
Landsat data and support of export programs	1,500,000	2	1,500,000	2	1,500,000	2
IRM Activities	12,294,000	--	12,724,000	--	12,724,000	--
IRM Activities (Non-CCC)	4,500,000	--	4,400,000	--	4,400,000	--
Under Secretary Int'l travel for Trade Matters	400,000	--	450,000	--	450,000	--
Food Aid Information System (FAIS)	988,000	--	0	--	0	--
EBES/FEBES (Elec. Bid Entry Sys/Frt. Entry & Bid Eval Sys)	150,000	--	0	--	0	--
Emerging Markets Program	10,000,000	--	10,000,000	--	10,000,000	--
Support of and access to the USDA Satellite Imagery Library: NASS, RMA, ARS, NRCS, APHIS, FS, FSA	2,466,204	--	2,466,204	--	2,466,204	--
FODAG Office in Rome: APHIS, ARS, FS, NAL, NRCS	261,225	1	261,225	1	261,225	1
Capital Security Cost Share	1,289,961	--	3,429,424	--	3,208,873	--
Miscellaneous	641,599	--	346,662	--	347,000	--
Office of the Secretary: Congressional Relations	180,000	3	182,000	3	182,000	3
Trade Negotiations and Biotechnology Fund (OSEC)	1,014,000	--	1,467,311 b/	--	1,467,311	--
Avian Influenza (APHIS)	710,000	--	1,060,000	--	0	--
CCC Program Support	0	--	6,700,000	--	0	--
Provincial Reconstruction Team (OSEC)	0	--	0	--	12,500,000	--
Trade Adjustment Assistance Program - Administrative Fees	450,000	--	285,439	--	0	--
McGovern Dole Program - Administrative Fees	740,000	--	740,000	--	740,000	--
Total, Other USDA Appropriations	40,809,989	9	49,237,265	9	53,471,613	9
Total, Agriculture Appropriations	193,798,989	747	200,273,265	793	226,665,613	793
Other Federal Funds:						
U.S. Agency for International Development (USAID) and others for developmental assistance	64,351,889	211	64,352,000	211	64,352,000	211
Total, Foreign Agricultural Service	258,150,878	958	264,625,265	1,004	291,017,613	1,004

a/ Based on Oct. 1, 2005 transfer of staff years (7) from FSA to FAS. Transfer authority and funding for FAS to carryout GSM program activity.
b/ FY07 Apportionment

FOREIGN AGRICULTURAL SERVICE

Permanent Positions by Grade and Staff Year Summary

2006 Actual and Estimated 2007 and 2008

Grade	2006 Wash DC	2006 Field	2006 Total	2007 Wash DC	2007 Field	2007 Total	2008 Wash DC	2008 Field	2008 Total
Senior Executive Service	7		7	7		7	7		7
GS-15	59	--	59	71	--	71	71	--	71
GS-14	131	--	131	151	--	151	151	--	151
GS-13	193	--	193	198	--	198	198	--	198
GS-12	138	--	138	127	--	127	127	--	127
GS-11	15	--	15	13	--	13	13	--	13
GS-10	1	--	1	1	--	1	1	--	1
GS-9	15	--	15	24	--	24	24	--	24
GS-8	26	--	26	28	--	28	28	--	28
GS-7	30	--	30	23	--	23	23	--	23
GS-6	16	--	16	7	--	7	7	--	7
GS-5	2	--	2	0	--	0	0	--	0
GS-4	0	--	0	0	--	0	0	--	0
GS-3	0	--	0	0	--	0	0	--	0
GS-2	0	--	0	0	--	0	0	--	0
Other Graded Positions..............................	24	229	253	24	229	253	24	229	253
Total Permanent Positions..............................	657	229	886	674	229	903	674	229	903
Unfilled Positions end-of-year..........................	131	2	133	98	2	100	98	2	100
Total, Permanent Full-Time Employment, end-of-year.....................	526	227	753	576	227	803	576	227	803
Staff Year Estimate.................	738	220	958	784	220	1,004	784	220	1,004

Size, Composition and Annual Cost									
Agency:	**United States Department of Agriculture Foreign Agricultural Service**								
	Number of Vehicles by Type								
Fiscal Year	Sedans & Stationwagons (includes minivans)	Light Trucks 4x2	Light Trucks 4x4	Medium Trucks	Heavy Trucks	Ambulances	Buses	Total Vehicles	Annual Operating Costs
FY 2005	38	4	30	0	0	0	0	72	$226,368
Change	-10	-2	-2	0	0	0	0	-14	(25,995)
FY 2006	28	2	28	0	0	0	0	58	$200,373
Change*	-22	22	-2	0	0	0	0	-2	$6,950
FY 2007**	6	24	26	0	0	0	0	56	$207,323
Change*	0	0	0	0	0	0	0	0	$10,366
FY 2008***	6	24	26	0	0	0	0	56	$217,689

NOTES:

* This significant change for FY 2006 is a result of an audit of overseas post vehicles to ensure the type of vehicle has been properly recorded in its inventory. This exhibit includes the data previously entered into the FAST System for FY 2006 for FAS overseas vehicle inventory reported by vehicle type; therefore, the change of 22 vehicles results in a more accurate count for FY 2007 by vehicle type.

** Change in reporting results in the total number of vehicles to include 54 vehicles of all types owned by Foriegn Agricultural Service, and 2 vehicles (1 sedan and 1 4x2 light truck) leased from GSA. FAS tentatively plan to replace 2 SUV 4x4 and 2 Vans 4x2.

*** FAS tentatively plan to replace 3 SUV 4x4, 3 Vans 4x2, and 1 sedan/station wagon. Tentative vehicles to be replaced will be disposed of.

FOREIGN AGRICULTURAL SERVICE

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

Foreign Agricultural Service:

<u>For necessary expenses of the Foreign Agricultural Service, including carrying out title VI of the Agricultural Act of 1954 (7 U.S.C. 1761-1768), market development activities abroad, and for enabling the Secretary to coordinate and integrate activities of the Department in connection with foreign agricultural work, including not to exceed $158,000 for representation allowances and for expenses pursuant to section 8 of the Act approved August 3, 1956 (7 U.S.C. 1766), $168,209,000: Provided, That the Service may utilize advances of funds, or reimburse this appropriation for expenditures made on behalf of Federal agencies, public and private organizations and institutions under agreements executed pursuant to the agricultural food production assistance programs (7 U.S.C. 1737) and the foreign assistance programs of the United States Agency for International Development.</u>

FOREIGN AGRICULTURAL SERVICE

SALARIES AND EXPENSES

Estimate, 2007	$149,556,000
Budget Estimate, 2008	173,194,000
Increase in Appropriations	23,638,000

Adjustments in 2007:

Estimate, 2007	$149,556,000	
Activities transferred from the Farm Service Agency (FSA) a/	1,480,000	
Adjusted base for 2007		$151,036,000
Budget Estimate, 2008		173,194,000
Increase over adjusted 2007		22,158,000

a/ Reflects the transfer to FAS of $1,480,000 from the funds provided to FSA by the CCC Export Credit Guarantee Program Account administrative expenses appropriation.

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	2007 Estimated	Pay Costs	Program Changes	2008 Estimated
Market Access	$52,417,000	$1,972,000	$6,292,000	$60,681,000
Trade Development	49,075,000	740,000	2,581,000	52,174,000
Trade Related Technical Assistance	28,587,000	740,000	4,081,000	33,186,000
SPS Issues Resolution	20,957,000	1,479,000	5,162,000	27,153,000
Total Available	$151,036,000	$4,931,000	17,227,000	$173,194,000

PROJECT STATEMENT
(On basis of appropriation)

	2006 Actual		2007 Estimated		Increases or Decreases	2008 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Market Access	$50,927,000	295	$52,417,000	311	$8,264,000 (1)	$60,681,000	311
Trade Development	50,864,000	111	49,075,000	124	3,099,000 (2)	52,174,000	124
Trade Related Technical Assistance	29,096,000	111	28,587,000	116	4,599,000 (2)	33,186,000	116
SPS Issues Resolution	20,368,000	221	20,957,000	233	6,196,000 (3)	27,153,000	233
Unobligated Balance	219,000		0		0	0	
Total Available or Estimate	151,474,000	738	151,036,000	784	22,158,000	173,194,000	784
Credit Reform Funds from CCC Export Loans and P.L. 480 Program Accounts	-5,088,000	-45	-4,886,000	-50	99,000	-4,985,000	-50
Rescission	1,515,000		0		0	0	
Total, Appropriation	147,901,000	693	146,150,000	734	22,257,000	168,209,000	734

SALARIES AND EXPENSES BY FUNDING SOURCE
(Dollars in Thousands)

	Direct Appropriation	CCC Export Credit	Total
FY 2007 Estimate	$146,150	$3,406	$149,556
Transfer of Functions from FSA to FAS	0	1,480	1,480
Adjusted FY 2007 Estimate	146,150	4,886	151,036
FY 2008 Estimated			
Pay Cost	4,832	99	4,931
Overseas Operating Expense	8,137	0	8,137
ICASS	2,349	0	2,349
Capital Security Cost Share	5,241	0	5,241
Cochran Fellowship Program	1,040	0	1,040
Trade Capacity Building Activities	460	0	460
Total, FY 2008 Budget Estimate	$168,209	$4,985	$173,194

FOREIGN AGRICULTURAL SERVICE
FY 2008 PERFORMANCE AND RESOURCE PLAN

The FY 2008 budget reflects a total increase of $22,158,000. The increase of $22,158,000 is comprised of:

1. A total increase of $4,931,000 of which includes $2,114,000 and $2,817,000 for FY 2007 and FY 2008 pay costs respectively. Pay cost increases are non-discretionary and must be funded. Absorption of these costs in FY 2008 would primarily come from reductions in agency personnel levels. This would significantly affect FAS efforts to improve access to export markets for U.S. agriculture, to facilitate growth in global agricultural trade, and to address expanding restrictions on U.S. exports due to sanitary and phytosanitary (SPS) and other technical trade barriers.

2. An increase of $8,137,000 which includes $3,350,000 and $4,787,000 to fund higher overseas costs and overseas activities for FY 2007 and FY 2008 respectively. The requested $3,350,000 is to offset non-discretionary wage and price increases associated with the operation of our 76 overseas offices. Based on the Department of State current cost growth forecasts of 8.6%, we are estimating that our overseas operating costs for FY 2008 will increase by $4,287,000. This increase will fund higher overseas operating costs associated with maintaining FAS' offices overseas. FAS' overseas offices are critical to carrying out the Agency's mission and provide essential support to U.S. exporters, as well as to the wide range of international activities carried out by USDA. Without full funding for current overseas operations, the Agency would be required to reduce overseas staffing and close a number of existing offices.

   The increase in overseas operating costs also includes $500,000 for the Foreign Service Pay Modernization proposal. The Department of State has proposed legislation to amend the Foreign Service Act of 1980 to modernize the Foreign Service system to create a performance-based compensation system. The system is designed to recruit, retain, and reward high-performing Foreign Service members; ensure performance management that effectively communicates expectations and makes meaningful distinctions based upon relative performance; and institute a worldwide market pay system. By raising overseas pay rates to match domestic pay rates, the proposed changes will allow government agencies with Foreign Service personnel the opportunity to remain at the forefront of career choices for talented professionals seeking work in the international arena.

3. An increase of $2,349,000 for the International Cooperative Administrative Support Services (ICASS) payments which includes $1,126,000 and $1,223,000 for FY 2007 and FY 2008 respectively. FAS has no administrative staff overseas, and thus relies on the Department of State, which provides overseas administrative support for foreign affairs agencies through ICASS. The ICASS system is the principal means by which the U.S. Department of State (DOS) provides and shares the cost of common administrative support at its more than 200 diplomatic and consular posts overseas to FAS and other foreign affairs agencies. Under ICASS regulations, participating agencies are required to pay their portion of these "platform" costs. Although FAS has worked aggressively to reduce its ICASS charges overseas, ICASS costs continue to increase due to the higher costs of operating New Embassy Compounds, exchange rate losses, the continuing Overseas Infrastructure Initiative, growth in ICASS direct hire positions, wage increases, and overseas comparability pay.

   Total ICASS costs for FAS are estimated as follows:

	($000)
FY 2006	$13,092
FY 2007	$14,218
FY 2008	$15,441

4. An increase of $5,241,000 for the Capital Security Cost Sharing Program which includes $2,907,000 and $2,334,000 for FY 2007 and FY 2008 respectively. In FY 2005, DOS implemented the Capital

Security Cost Sharing Program to accelerate construction of new secure, safe, and functional diplomatic facilities. This plan is designed to generate a total of $17.5 billion to fund 150 new facilities over a 14-year period. Under the program, all agencies with an overseas presence in U.S. diplomatic facilities pay a proportionate share of the $17.5 billion program. These costs are allocated annually based on the number of authorized positions. The total FAS assessment started at $0.6 million in FY 2005. The assessment increased by $2.7 million in FY 2006 and $2.9 million in FY 2007. For FY 2008, the increase in the FAS assessment is estimated to total $2.3 million. Actual assessment levels are subject to change pending completion of an analysis of world-wide staffing levels by DOS. It is anticipated that the USDA assessment will increase annually in roughly $3.0 million increments until FY 2009 to a total assessed level of $17 million, and will remain at that level for the final 9 years of the program. FAS' overseas offices provide essential support to U.S. exporters, to the Agency's mission, as well as to the wide range of international activities carried out by USDA. Without full funding for current overseas operations, the Agency would be required to reduce overseas staffing and close a number of existing offices.

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For FY 2008, the budget activity structure for FAS salaries and expenses and the percentage allocations of total agency resources have been revised as follows:

FY 2007 Budget Activity Structure:

Goal 1:	Market Access, Intelligence, and Analysis	70%
Goal 2:	Trade Development	15%
Goal 3:	Agricultural Development for National Security	15%
	Total	100%

FY 2008 Budget Activity Structure:

Goal 1:	Market Access	40%
Goal 2:	Trade Development	15%
	Trade Related Technical Assistance	15%
Goal 3:	SPS Issues Resolution	30%
	Total	100%

The FY 2008 budget activities are aligned with the goals and objectives in the new USDA strategic plan. Market Access incorporates Market Access, Intelligence and Analysis, but excludes market access activities related to SPS issues. These are now included under SPS Issues Resolution, which supports the new USDA Strategic Objective 1.3: Improved SPS System to Facilitate Agricultural Trade.

USDA Objective 1.1: Expand and maintain international export opportunities
FAS Goal 1: Create a level playing field for U.S. agricultural trade

Project Statement by Program
(On basis of appropriation)
($000)

Program Activity	2006 Actual Amount	2006 Actual Staff Years	2007 Budget Amount	2007 Budget Staff Years	Increase or Decrease	2008 Estimated Amount	2008 Estimated Staff Years
Market Access							
Total, Goal 1	$50,927	295	$52,417	311	+$ 8,264 (1)	$60,681	311

Market Access

Greater access to foreign markets for U.S. agricultural producers requires an aggressive trade policy to lower tariffs, reduce non-tariff barriers, eliminate export subsidies, and reduce trade-distorting domestic subsidies. In FY 2008, FAS will continue to work with the Office of the United States Trade Representative (USTR) to conclude and/or implement the agricultural provisions of a Doha Round of World Trade Organization (WTO) multilateral negotiations, to negotiate and enforce bilateral and regional trade agreements, and to negotiate effective market access with countries seeking to join the WTO. FAS' market access activities include a country and/or regional approach to maximizing trade opportunities for U.S. agricultural exporters by providing market intelligence, in-country resolution of disruptions or potential disruptions to U.S. shipments, and regular contacts with foreign government agricultural and trade officials. FAS also ensures that U.S. agricultural positions are represented in international organizations, including the WTO, the Organization for Economic Cooperation and Development, and the United Nations Food and Agricultural Organization.

In FY 2008, through staff reallocation, we plan to expand resources devoted to monitoring and enforcement of trade agreements and ensuring the compliance of U.S. trading partners with other international trading rules. We will build on existing pilot projects to develop effective implementation and monitoring strategies for new agreements. We will improve training for overseas and Washington-based FAS employees in coordination with other U.S. Government agencies to strengthen our ability to monitor agreements, and will further develop the expertise needed for effective enforcement of our rights through dispute settlement.

FAS' agricultural market intelligence functions are fundamental to ensuring a reliable, fair, and transparent global trading environment for U.S. agricultural producers. FAS field offices and analysts in Washington will continue to work closely with the World Agricultural Outlook Board and other USDA agencies to ensure that accurate, timely, and unbiased estimates of global production, supply, trade, and use are developed and disseminated to the public.

Means and Strategies:

- Work with the Office of the U.S. Trade Representative to conclude and/or implement an agricultural agreement under the Doha Development Agenda of the World Trade Organization and pursue additional free trade agreements (FTAs);
- Provide analysis of strategic U.S. agricultural interests to support development of U.S. negotiating positions and trade policies to reduce trade barriers;
- Lead USDA participation in trade capacity building negotiating groups created to achieve successful bilateral and regional trade agreements;
- Lead USDA's efforts to develop strategic and tactical plans to address market access issues;
- Monitor country obligations under trade agreements on a comprehensive, timely, and transparent basis and provide legal and economic analyses to support U.S. interests in dispute settlement cases;
- Provide timely resolution of disruptions to U.S. shipments through intervention and advocacy by FAS overseas offices;
- Collect, analyze, and disseminate global market intelligence information on agricultural production and trade to facilitate U.S. export opportunities;
- Use global weather and satellite imagery to improve global crop condition assessments; and
- Support intelligence and analytical needs of FAS regulatory and policy-making activities related to global, regional, and country trade policy issues, and market access for U.S. food and agricultural products.

Key External Factors

Factors that may impede achieving this objective include introduction of new trade barriers in other countries, noncompliance of trading partners with trade agreements or international trade rules, expiration of Trade Promotion Authority and choice of trading partners for new FTAs, lack of resources to carry out FAS' overseas operations, or inadequate communication and information technology capabilities.

Justification of Increases and Decreases

1. An increase of $8,264,000 for Market Access ($52,417,000 available in 2007) for non-discretionary current service requirements consisting of:

   A. An increase of $1,972,000 to cover higher personnel compensation costs associated with the FY 2007 and anticipated FY 2008 pay raise;

   B. An increase of $3,995,000 for support of FAS overseas offices, including $940,000 to fund higher International Cooperative Administrative Support Services (ICASS) payments to DOS;

   C. An increase of $2,097,000 for the Capital Security Cost Sharing Program; and

   D. An increase of $200,000 to fund the Foreign Service Pay Modernization proposal.

Performance Measurement

USDA Strategic Objective	Performance Measure	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Target	2008 Target
1.1	Dollar value of agricultural trade preserved through trade agreement negotiation, monitoring and enforcement ($Millions)	$2,713	$3,950	$800	$14[1/]	$900	$900

[1/] USDA did not reach its performance goal of $900 million because of the failure of Costa Rica and the Dominican Republic to ratify and implement the CAFTA agreement and because of delays in finalization of the Peru and Colombia FTA agreements.

USDA Objective 1.2: Support International Economic Development and Trade Capacity Building
FAS Goal 2: Expand the Global Agricultural Trading System

Project Statement by Program
(On basis of appropriation)
($000)

Program Activity	2006 Actual Amount	2006 Actual Staff Years	2007 Budget Amount	2007 Budget Staff Years	Increase or Decrease	2008 Estimated Amount	2008 Estimated Staff Years
Trade Development	$50,864	111	$49,075	124	+$3,099 (2)	$52,174	124
Trade Related Technical Assistance	29,096	111	28,587	116	+ 4,599 (3)	33,186	116
Subtotal:	$79,960	222	$77,662	240	+$7,698	$85,360	240
Programs:							
P.L. 480, Title I	76,211	--	0	--	+ 0	0	--
McGovern-Dole FFE	99,000	--	98,260	--	0	100,000	--
Total, Goal 2	$255,171	222	$175,922	240	+$7,698	$185,360	240

Mandatory Programs That Contribute ($000):	FY 2006	FY 2007 ($000)	FY 2008
Market Access Program	$200,000	$200,000	$200,000
Dairy Export Incentive Program	0	3,000	3,000
Food for Progress - CCC Funded	131,000	151,000	163,000
Section 416(b) Donation:			
Ocean Freight and Overseas Distribution Costs	3,000	0	0
Foreign Market Development Program	34,500	34,500	34,500
Export Enhancement Program	0	28,000	28,000
Emerging Markets Program	10,000	10,000	10,000
Technical Assistance for Specialty Crops Program [a/]	2,000	2,000	2,000
Quality Samples Program	1,803	2,500	2,500
Export Credit Guarantee Programs	1,363,000	2,090,000	2,440,000
Subtotal	$1,745,303	$2,521,000	$2,883,000

[a/] An additional $0.6 million was provided for TASC activities through the FAS direct appropriations.

Trade Development

FAS will continue to support U.S. private sector efforts to develop and expand commercial markets through trade-related programs such as the Market Access Program (MAP) and the CCC's Export Credit Guarantee programs. These programs help U.S. producers and exporters realize the benefits that will flow from trade reform and the resulting global market expansion.

The MAP helps U.S. producers, exporters, private companies, and other trade organizations finance promotional activities for U.S. agricultural products. The Foreign Market Development (FMD) Program, also known as the Cooperator Program, aids in the creation, expansion, and maintenance of long-term export markets for U.S. agricultural products. The Emerging Markets Program (EMP) provides funding for technical assistance activities to promote exports of U.S. agricultural commodities and products to emerging markets. The Quality Samples Program (QSP) helps U.S. agricultural trade organizations provide small samples of their products to potential importers in new markets overseas. The CCC Export Credit Guarantee programs provide payment guarantees for the commercial financing of U.S. agricultural exports. The Dairy Export Incentive Program (DEIP) and the Export Enhancement Program (EEP) help exporters compete with subsidized products from other countries through cash bonuses.

In order for food and agricultural prices to reflect supply and demand accurately, timely and unbiased estimates of production, supply, trade, and use must be available to both sellers and buyers. FAS' agricultural market intelligence is fundamental to ensuring a reliable, fair, and transparent global trading environment for U.S. agricultural producers.

Means and Strategies

- Administer agricultural export programs designed to facilitate U.S. agricultural exports;
- Enhance customer service and improve program delivery by streamlining program administrative processes and expanding use of e-Government solutions to improve program effectiveness and efficiency, such as www.grants.gov; and
- Facilitate entry of companies into difficult markets through FAS' overseas offices.

Key External Factors

Factors that may impede achieving this objective include changes in economic conditions that affect import demand for U.S. products, increased competition from other countries, and trade promotion activities and marketing practices of foreign competitors. Decisions under the WTO may constrain use of certain programs, such as credit programs. Other factors include introduction of new trade barriers in other countries, noncompliance of trading partners with trade agreements, lack of resources to carry out FAS' overseas operations, or inadequate communication and information technology capabilities.

Justification of Increases and Decreases

2. An increase of $3,099,000 for Trade Development ($49,075,000 available in 2007) for non-discretionary current service requirements consisting of:

   A. An increase of $740,000 to cover higher personnel compensation costs associated with the FY 2007 and anticipated FY 2008 pay raise;

   B. An increase of $1,498,000 to support FAS overseas offices, including $352,000 to fund higher ICASS payments to DOS;

   C. An increase of $786,000 for the Capital Security Cost Sharing Program; and

   D. An increase of $75,000 to fund the Foreign Service Pay Modernization proposal.

Performance Measurement

Performance Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Target	FY 2008 Target
-- Export Multiplier Ratio [a/]	$111	$114	$117	$120	$127	$130
-- Long-term Net Default Rate – CCC Export Credit Guarantee Programs	-0.62%	-0.26%	-0.47%	-0.36%	NTE +/- 1.5%	NTE +/- 1.5%

[a/] Export Multiplier Ratio - Total exports for targeted markets divided by expenditures of market development programs, FAS administrative costs, and industry contributions.

Trade Related Technical Assistance

U.S. agriculture benefits from growth in global trade and a trading system that adheres to international rules and norms. Two-thirds of WTO members are developing countries, many of which lack the knowledge, expertise, and regulatory and policy frameworks to participate in the global trading system. FAS supports the U.S. trade agenda by providing technical assistance to help developing countries become better trading partners and to achieve economic growth. In FY 2008, FAS will focus these trade capacity building activities on implementing U.S. commitments to assist developing countries under the WTO Doha Development Agenda, supporting U.S. free trade agreement negotiations with bilateral and regional trading partners, and promoting the development of regulatory and policy infrastructures that are transparent and scientifically based.

As a global leader in agriculture, USDA is involved in a wide range of international activities to support U.S. policy goals, such as collaborative efforts to control the spread of avian influenza. FAS plays the lead role within the Department in coordinating the linkage of U.S. agricultural expertise, including land grant universities, in support of U.S. international development activities. These international development activities, including those directly related to reconstruction and disaster recovery, have become increasingly important in achieving U.S. foreign and national security goals. FAS also carries out food assistance programs under Food for Progress, the McGovern-Dole International Food for Education and Child Nutrition Program, and section 416 (b) of the Agricultural Act of 1949.

An increase of $1,500,000 for trade related technical assistance consisting of $1,040,000 to restore the Cochran Fellowship Program (CFP) to the full funding level and $460,000 for trade capacity building activities. FAS will encourage developing countries to participate more fully in the WTO and the international trading system by helping them to benefit from trade. Activities will focus on improving regulatory (e.g., cotton classification) systems. A portion of these funds will be made available to support activities to be carried out in support of the Agricultural Knowledge Initiative (AKI) with India. AKI is a Presidential initiative designed to strengthen the agricultural relationship between the United States and India by facilitating technology transfer, trade, and investment and by strengthening partnerships in agricultural research, education, and extension. In addition, FAS will also help countries newly acceding to the WTO to understand their new obligations and to become better trading partners. FAS will target countries that are engaged in on-going FTA negotiations with the USG (e.g., the Andean countries and Thailand) to be more forthcoming in, or meeting, their commitments under the FTAs. FAS will encourage countries to develop food and agriculture regulations that are transparent and scientifically-based, thus facilitating trade.

Means and Strategies

- Assist applicants and new members to the WTO to understand and implement WTO agricultural commitments;
- Implement trade capacity building activities to help FTA partners implement their trade commitments;
- Develop strategic and tactical plans for implementing trade capacity building programs in priority areas to have the greatest positive impact on U.S. agricultural exports such as regulatory capacity building and biotechnology;
- Work with nonprofit charitable organizations, cooperatives, and international organizations, which conduct school feeding and nutrition projects within recipient countries to ensure that the programs have no major implementation issues and outcomes are achieved and reported; and
- Coordinate USDA's international activities in support of the President's 2002 National Security Strategy and U.S. foreign and trade policy, including in post-conflict or post-disaster states.

Key External Factors

Factors that may impede achievement of this objective include lack of progress in completion of the Doha Round and bilateral free trade agreements, ability of foreign countries to implement policy and regulatory changes, global weather patterns and their impacts in major producing and importing countries, and political and economic developments overseas that will influence the need for and ability to provide foreign assistance.

Justification of Increases and Decreases

3. <u>An increase of $4,599,000 for Trade Related Technical Assistance ($28,587,000 available in 2007) consisting of:</u>

   A. An increase of $740,000 to cover higher personnel compensation costs associated with the FY 2007 and anticipated FY 2008 pay raise.

   B. An increase of $1,498,000 to support FAS overseas costs, including $352,000 to fund higher ICASS payments to DOS.

   C. An increase of $786,000 for the Capital Security Cost Sharing Program.

   D. An increase of $75,000 to fund the Foreign Service Pay Modernization proposal.

   E. An increase of $1,500,000 for Cochran Fellowship Program and TCB activities.

This increase will restore the CFP to the full funding level. This increase will also allow for TCB projects in countries ineligible for other sources of funding to help adopt SPS measures based on sound science and consistent with international standards. Funding will allow USDA to increase access for U.S. exports to targeted countries by harmonizing SPS regulations and systems with international standards. USDA will also be able to increase support for U.S. personnel to be placed in international standards setting and agricultural organizations. If not funded, projects will be dictated by U.S. Agency for International Development (USAID) and the State Department. Consequently, the expansion of U.S. agricultural markets will not be the priority.

Performance Measurement

Performance Measure	2003 Actual	2004 Actual	2005 Actual	FY 2006 Actual	FY 2007 Target	FY 2008 Target
-- Substantive improvements in national trade policy and regulatory frameworks that increase market access in recipient countries	N/A	N/A	N/A	6 countries	7 countries	8 countries

USDA Strategic Objective	Performance Measure	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Target	2008 Target
1.3	Food Aid Targeting Effectiveness Ratio	40-44%	40-44%	45% est.	45% est.	45%	45%
	Number of women and children assisted under McGovern-Dole FFE Program (millions)	2.5	2.0	3.4	3.3	2.5	2.5

USDA Objective 1.3: Improved SPS System to Facilitate Agricultural Trade
FAS Goal 3: Reduce Technical Trade Barriers and Restrictive SPS Measures

Project Statement by Program
(On basis of appropriation)
($000)

Program Activity	2006 Actual Amount	2006 Actual Staff Years	2007 Budget Amount	2007 Budget Staff Years	Increase or Decrease	2008 Estimated Amount	2008 Estimated Staff Years
SPS Issues Resolution	$20,368	221	$20,957	233	+$6,196 (4)	$27,153	233

SPS Issues Resolution

Unnecessarily restrictive regulations to address human and animal health (sanitary) and plant health (phytosanitary) risks are major impediments to U.S. market access and the expansion of global agricultural trade. As tariff barriers have been reduced, there has been a dramatic increase in non-tariff barriers to trade, particularly in the SPS area. In spite of the SPS Agreement within the WTO, countries have relied increasingly on erecting SPS barriers as a means to protect domestic industries in the face of quickly growing global trade.

Given the increasing global interdependence in the flow of food and agricultural products, the ability of foreign countries to develop and implement sound science-based regulatory systems is also vital to the long-term safety of U.S. agriculture and our food supply. U.S. agriculture benefits greatly from the development of regulatory frameworks in other countries that can address SPS and TBT in a transparent and scientifically based manner. To encourage science-based SPS regulations, FAS is focusing its efforts in the following four areas: enforcing international SPS rules; strengthening the global SPS regulatory framework; encouraging adoption of international standards; and promoting two-way trade.

The Technical Assistance for Specialty Crops Program provides grants to the private sector to help address sanitary, phytosanitary or technical barriers that prohibit or threaten exports of U.S. specialty crops. The Technical Issues Resolution Fund under the Emerging Markets Program addresses technical barriers to U.S. agricultural exports in low-income countries.

Means and Strategies

- Develop and implement coordinated USDA strategies to aggressively pursue the elimination of specific SPS barriers in key markets;
- Ensure that critical SPS barriers are addressed in conjunction with the negotiation of new bilateral trade agreements, including FTAs and WTO accessions;
- Monitor SPS/TBT notifications to ensure foreign regulations comply with WTO agreements and are least disruptive to trade;
- Maintain strong relationships with foreign regulatory officials through our overseas Attachė network to enable quick resolution of SPS issues on the ground;
- Increase USDA's capability to perform technical and legal analysis needed to evaluate potential enforcement options;
- Coordinate development of USDA strategies to advance U.S. interests in international bodies, including the adoption of science-based international standards of importance to agriculture; and
- Coordinate with industry on research and marketing efforts to support SPS objectives.

Key External Factors

Factors that may impede achieving this program activity include lack of resources to implement regulatory trade capacity building activities in targeted countries; noncompliance with agreements on SPS and TBT; lack of knowledge and resources in foreign countries to implement science-based regulatory systems; creation of new non-tariff trade barriers to U.S. market access; and trade promotion activities and marketing practices of foreign competitors.

Justification of Increases and Decreases

4. An increase of $6,196,000 for SPS Issues Resolution ($20,957,000 available in 2007) consisting of:

   A. An increase of $1,479,000 to cover higher personnel compensation costs associated with the FY 2007 and anticipated FY 2008 pay raise.

   B. An increase of $2,995,000 for support of FAS overseas offices, including $705,000 to fund higher International Cooperative Administrative Support Services (ICASS) payments to DOS.

   C. An increase of $1,572,000 for the Capital Security Cost Sharing Program.

   D. An increase of $150,000 to fund the Foreign Service Pay Modernization proposal.

Performance Measurement

USDA Strategic Objective	Performance Measure	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Target	2008 Target
1.3	Value of trade preserved through USDA staff intervention leading to resolutions of barriers created by SPS or TBT measures.)	NA [a/]	NA [a/]	$2.0B	$2.6B	$2.2B	$2.4B

[a/] For FYs 2003 and 2004, included in the data for USDA Strategic Objective 1.1.

Human Capital Management

Human Resources activities are provided to FAS through the Farm Service Agency, including activities associated with human capital management. As such, FSA work in this area encompasses the interests of FAS as well as FSA. Highlights of the FSA/FAS human capital plan as developed by FSA include:

-- concentration on effective workforce planning and organizational alignment, acquiring and developing staff whose size, skills, and deployment meet the agency's needs, leadership continuity and succession planning, and creating a diverse, results-oriented culture;

-- development, implementation and maintenance of a rolling, 5-year Workforce Analysis and Succession Plan, updated annually. Assessed data from the workforce/succession plan will be used to identify mission critical occupations (including leadership positions), identify skills gaps, and project long-term Recruitment / Retention and Training and Development Strategies, each with Annual Work Plans;

-- establishing organization structures that ensure operational efficiency and are optimized to ensure timely service and cost effectiveness in meeting programmatic goals. The number of managers, the organizational layers and the time to make decisions are taken into account whenever major organizational changes are considered, especially as a result of implemented e-government technologies; and

-- engaging in human capital initiatives intended to: 1) close identified skills needs (gaps) in Mission Critical Occupations, 2) recruit the right people with the right skills at the right time, 3) provide on-time training and development activities and tools, and 4) implement results-driven performance culture practices, policies or processes.

FOREIGN AGRICULTURAL SERVICE

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
2006 Actual and Estimated 2007 and 2008

	2006		2007		2008	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia	$105,631,039	504	$108,226,509	525	$129,100,224	525
Overseas	45,623,961	234	42,809,491	259	44,093,776	259
Subtotal, Available or Estimate	151,255,000	738	151,036,000	784	173,194,000	784
Unobligated Balance	219,000		0		0	
Total, Available or Estimate	151,474,000	738	151,036,000	784	173,194,000	784

FOREIGN AGRICULTURAL SERVICE

Classification By Objects
2006 Actual and Estimated 2007 and 2008

Personnel Compensation:	2006	2007	2008
Washington, D.C.	$47,878,779	$48,932,112	$50,546,872
Field	24,889,086	25,436,646	26,276,055
11 Total personnel compensation	72,767,865	74,368,758	76,822,927
12 Personnel benefits	23,657,606	24,178,074	24,975,950
13 Benefits for former personnel	745,475	42,000	42,000
Total pers. comp. & benefits	97,170,947	98,588,832	101,840,878
Other Objects:			
21 Travel	8,018,780	8,219,249	8,416,511
22 Transportation of things	417,063	427,490	437,750
23.2 Rental payments to others	5,503,679	5,641,271	5,776,661
23.3 Communications, utilities and miscellaneous charges	880,162	902,166	923,818
24 Printing and reproduction	539,455	552,941	566,212
25 Other Services	34,594,887	34,539,098	53,039,259
26 Supplies and materials	986,874	1,011,546	1,035,823
31 Equipment	2,992,979	1,000,000	1,000,000
41 Grants, Subsidies and Contributions	149,665	153,407	157,089
Total other objects	54,083,544	52,447,168	71,353,122
Total direct obligations	151,254,490	151,036,000	173,194,000

Position Data:

	2006	2007	2008
Average Salary, ES Positions	$137,633	$140,661	$144,880
Average Salary, FO Positions	$111,700	$114,157	$117,582
Average Salary, GS Positions	$83,275	$85,107	$87,660
Average Grade, GS Positions	12.8	12.8	12.8

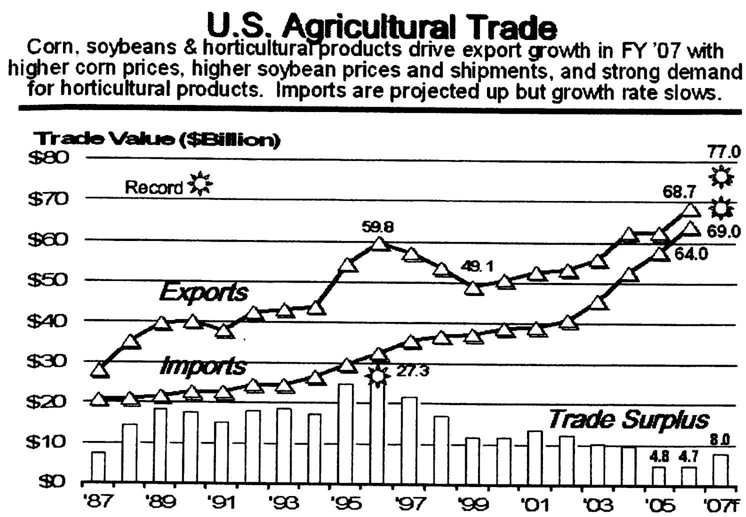
FOREIGN AGRICULTURAL SERVICE

STATUS OF PROGRAM

SUMMARY OF AGRICULTURAL TRADE

The Department's Fiscal Year (FY) 2007 trade forecast for agricultural products is set against the backdrop of tighter supplies and rising prices for corn and wheat, improved export outlooks for soybeans and beef, strong foreign demand, and a competitive dollar. At the same time, U.S. consumers are willing to buy more imported fresh and processed high-value foods and beverages. The value of U.S. agricultural exports and imports are forecast to reach record levels, and the trade surplus is expected to rise.

FY 2007 U.S. agricultural exports are forecast at a record $77 billion, up $8.3 billion from the previous record set in FY 2006. The export volume for major bulk commodities is forecast to rise, but remains considerably below the record-setting volumes set in the early-1980s. Overseas markets remain vitally important to U.S. farmers and an important source of income for food processing companies, transportation, and other related industries. Exports account for about one-fifth, on average, of domestic agricultural production on a volume basis. The current number of jobs, both on and off the farm in both rural and metro areas, supported by agricultural exports is estimated at just over 1 million.



Footnote: Forecasts are based on USDA's "Outlook for U.S. Agricultural Trade" published on November 22, 2006. The next release is scheduled for March 1, 2007. Source of trade data: the U.S. Bureau of the Census.

FY 2007 agricultural imports are forecast at a record $69 billion, up $5 billion from last year's record. A relatively large, affluent, and growing population; demand for year-round availability of fresh fruits and vegetables as well as a greater variety of processed foods and beverages; and a relatively open import regime, support the continued import expansion. Imported foods and beverages provide the variety and value year-round that U.S. consumers have come to enjoy.

The FY 2007 trade surplus is forecast to reach $8 billion, up $3.3 billion from the previous year. While the trade surplus in agricultural products is relatively small by historical standards, a breakdown of traded goods into bulk commodities verses high-value products provides additional insights. Reflecting the continued competitiveness of U.S. farmers, U.S. grains, oilseeds, cotton, and other bulk commodity exports are expected to exceed bulk imports by just over $20 billion. Over the past 15 years this surplus has ranged from $15-20 billion. On the other hand, the U.S. trade balance in fresh and processed high-value foods and beverages has remained negative for several years, and that deficit is growing larger. On a value basis, over 80 percent of U.S. agricultural imports consist of fresh and processed high-value products.

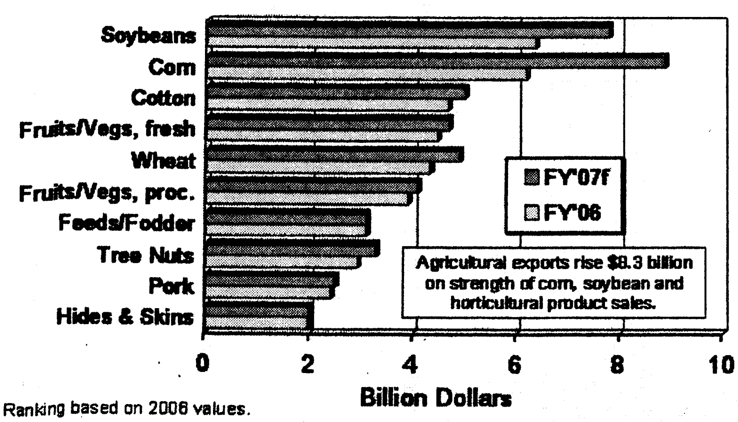
COMMODITY EXPORT HIGHLIGHTS

The overall increase in agricultural export value for FY 2007, compared to the previous year, mostly reflects large gains for corn, horticultural products, and soybeans with smaller but noteworthy increases for wheat, beef, and cotton. Corn exports are forecast to increase $2.7 billion due to higher prices, horticultural products are forecast to increase $1.7 billion supported by strong foreign demand, and soybeans are forecast to rise $1.4 billion due to higher volume and prices. Wheat is forecast to rise $620 million due to higher prices and volume, beef is up $450 million due to higher volume, and cotton rises $340 million due to higher prices despite some volume decline.

Bulk commodity exports are forecast to rise $5.3 billion to $31 billion in FY 2007. Increases are broad-based with values expected to rise for all major grains (except rice), soybeans, cotton, and tobacco. With increased soybean and wheat shipments more than offsetting declines for coarse grains and rice, the export volume for major bulk commodities is forecast to rise 3.8 million metric tons (mmt) to 124.9 million mt. Compared to the previous year, the highlights for FY 2007 are:

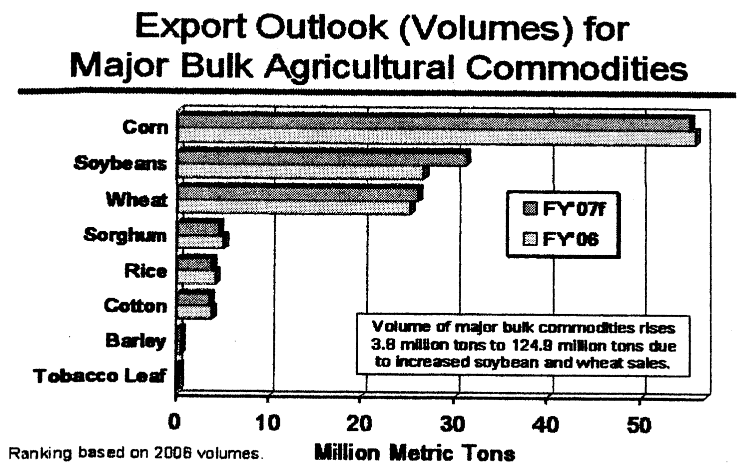
Grain supplies, both in the United States and overseas, were relatively abundant during the 2005/06 marketing year (MY). That situation is changing in MY 2006 for coarse grains and wheat as supplies tighten, strong demand continues, and prices rise. U.S. corn and sorghum shipments are forecast to slip about 600,000 mt and 500,000 mt to 55.5 million mt and 4.4 million mt, respectively. But, higher prices boost corn exports $2.7 billion to a near-record $8.9 billion, and raise the value of sorghum exports as well. Domestic use for corn in ethanol and overseas demand for feed use remain strong. Wheat exports are raised $620 million to $4.9 billion due to higher prices and shipments, the result of tighter world supply and reduced competition from Australia.

Export Outlook (Values) for Top 10 U.S. Agricultural Product Groups



Ranking based on 2006 values.

Soybean exports are forecast to rise 4.6 million mt and $1.4 billion to 31.2 million mt valued at $7.8 billion. The improved outlook for U.S. soybeans reflects expectations for higher prices, slowed production growth in South America, a record U.S. crop, and strong demand from China. China's 2006/2007 soybean imports from all sources jumps to an estimated record 32 million mt.



Cotton exports are expected to fall 200,000 tons to 3.5 million mt, but higher unit values raise export value to $5 billion. This outlook reflects a somewhat smaller U.S. crop in MY 2006/07, continued strong economic growth in China, and strong global demand for textiles. Much of this trade continues to rely on U.S. demand for textiles manufactured in China.

High-value product exports are expected to rise $3 billion to a record $46 billion in FY 2007. Horticultural exports, which include all fresh and processed fruits, vegetables, tree nuts, and wine, are up $1.7 billion from the previous year. In addition, beef exports are forecast to rise $450 million. Compared to the previous year, the highlights for FY 2007 are:

Horticultural product exports are forecast to rise $1.7 billion to a record $18.4 billion. A competitive U.S. dollar, strong foreign demand, and high prices for many products support this outlook. Forecast at $3.3 billion, tree nuts are up $400 million supported by large domestic almond and walnut crops and higher export volumes. Exports of fruits and vegetables, both fresh and processed, are expected to rise $400 million from the FY 2006 sales level to $8.8 billion. An improved outlook for Florida's grapefruit crop is largely offset by reduced prospects for California oranges. Normal apple and grape crops are expected. Fruit juice exports are forecast at $1 billion, up 12 percent for the year due to higher prices. The remaining increase of nearly $1 billion for the entire category is due to gains for wine and various miscellaneous food preparations.

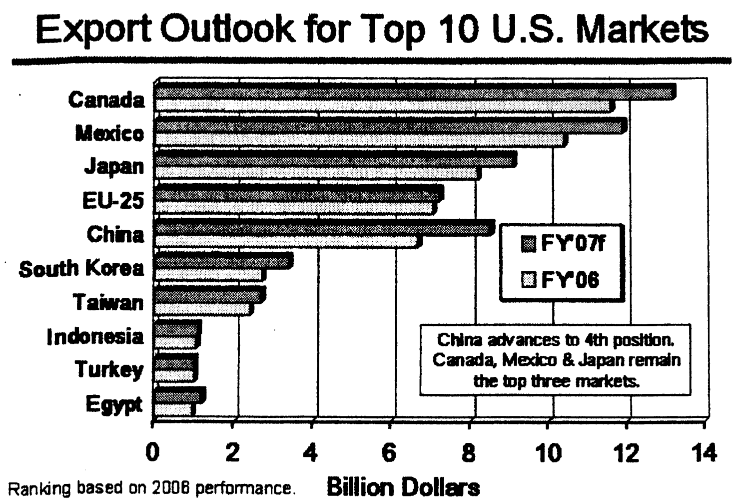
Beef and pork exports are forecast to rise due to increased volumes. Pork is up $50 million due to increased volume to a record 1.045 million mt valued at $2.5 billion due to expected sales growth to Russia and Mexico. Beef rises $450 million due to increased volume to 475,000 tons valued at $1.9 billion, mainly due to greater sales to Mexico and Canada. The outlook for beef also includes some expected sales of boneless beef from animals under 30 months of age to Korea, but uncertainty over rules governing the handling of restricted materials will likely hinder shipments.

TOP EXPORT MARKETS

Higher grain, soybean, and cotton prices; increased soybean, wheat, and red meat shipments; and an improved outlook for horticultural products means that most of the growth in exports is split between the Western Hemisphere and Asia regions. The largest gain is expected for China, raising it to our fourth largest market ahead of the European Union (EU) for the first time ever. Increases to Canada, Mexico, and Japan should also be sizable. Compared to the previous year, the highlights for FY 2007 are:

U.S. agricultural exports to our North American Free Trade Agreement (NAFTA) partners, *Canada* and *Mexico,* are forecast to reach $25.1 billion, up $3.1 billion from the FY 2006 record. If realized, this would raise U.S. exports in the *Western Hemisphere* to $32.2 billion or 42 percent of the total. U.S. exports to *Canada*, our largest overseas market, are forecast to rise $1.6 billion to a record $13.2

billion. Exports to Canada largely consist of a broad range of high-value consumer foods and beverages, especially horticultural products. Sales to *Mexico*, our second largest market, are forecast to rise $1.5 billion to a record $11.9 billion. Exports to that market are a mix of bulk grains, soybeans, and cotton, as well as high-value products like meats, dairy products, snack foods, and increasingly fruits. Canada, which replaced Japan as the top U.S. export market in FY 2002, continues to expand its lead (estimated at $4.1 billion) over Japan. Mexico overtook Japan as the second largest market for U.S. agricultural exports in FY 2005.



U.S. agricultural exports to *Asia* are expected to rise $3.3 billion to $28.3 billion or 37 percent of the total. Sales to *Japan*, our third largest market, are forecast to rise $900 million to $9.1 billion. Higher grain and oilseed prices account for most of this increase, but fruit and tree nut exports should rise as well. Sales to *China*, our fifth largest market in FY 2006, are forecast to rise $1.8 billion to a record $8.5 billion propelling China into fourth position. Most of this increase will come from higher soybean and cotton prices and increased soybean shipments, but prospects for animal hides and skins and a number consumer foods and beverages are also bright.

U.S. agricultural exports to the *EU-25* are forecast to increase only slightly to $7.2 billion, dropping that market to fifth place with under 10 percent of total exports. While some gains for a variety of high-value food and beverages are expected due to a competitive dollar, tree nuts and especially almond sales should rise sharply because California is the only supplier that can handle the volume and quality European consumers and food processors demand.

COMMODITY IMPORT HIGHLIGHTS

With 300 million of the world's most affluent consumers, the U.S. food market is second only to the EU in total food expenditures. Strong demographic fundamentals, combined with a demand for year-round availability of fresh fruits and vegetables, an outspoken appetite for greater diversity and luxury products, and a relatively open market make the United States a top priority for food manufacturers around the globe.

U.S. agricultural imports have risen steadily for the past 47 years. Since FY 2003, import value has grown on average 12 percent a year or roughly twice the historical rate. This rapid increase is due partly to higher unit values for imports, largely the result of a weaker U.S. dollar, higher energy costs, and strong U.S. consumer demand which shows little sensitivity to higher prices. U.S. agricultural import growth is expected to slow to 8 percent in FY 2007, a rate closer to longer-term historical trends, reflecting slower growth in the value of sugar and tropical product imports and stable livestock trade.

The overall import outlook for FY 2007 reflects continued strong U.S. consumer demand, with horticultural products accounting for nearly half of the total import value and 40 percent of the annual gain in value. Fresh and processed fruits and vegetables, wine, and beer drive most of this increase. Significant gains are expected for beef, a product whose long-term import growth exceeds the average. Cattle imports are expected to remain stable after recovering last year. Sugar and natural rubber imports are again expected to rise at above-trend rates, although considerably below the rate of growth in FY 2006. These two products are part of a larger tropical products group whose share of total imports is generally falling over the long run. Compared to the previous year, the highlights for FY 2007 are:

Horticultural product imports are forecast to rise $2 billion to a record $31.2 billion. Gains are expected for all product groups. Fresh fruit and vegetable imports lead with a gain of $600 million to a record $9.3 billion. Wine, forecast at $4.4 billion, and processed fruits and vegetables, forecast at $5.7 billion, follow with increases of $350 million each. Beer imports is not far behind, forecast at $3.5 billion in FY 2007. Nursery products and cut flowers are forecast to reach a record $1.5 billion. Mexico and other Latin American countries are the major suppliers of fruits, vegetables, and juices and Canada and China are important suppliers of processed vegetables. Canada, Colombia, and the Netherlands are the main suppliers of nursery products and cut flowers. The EU is the largest wine and beer supplier. Mexico has risen in a few short years to become a major supplier of beer with Corona the best selling foreign label.

Beef imports are forecast to rise due to higher volumes and prices to a record 1.07 mmt valued at $3.6 billion. For the most part, beef imports consist of lean, grass-fed product from Australia, New Zealand, Uruguay, and Canada. Drought conditions in Australia should raise the slaughter rate and increase beef supplies available for export to the United States and other countries.

Cattle and calf imports from Canada and Mexico are forecast to fall somewhat to 2.2 million head, but higher unit values due to the weaker U.S. dollar (vs. the Canadian dollar) calls for import value to remain unchanged at $1.6 billion. This contrasts with the rebound in imports last year following the removal of the ban on imports of Canadian cattle younger than 30-months of age.

Sugar and tropical product imports are forecast to rise $1.7 billion to $15.3 billion. Raw sugar and natural rubber imports are expected to see the largest value increases, but coffee beans are up as well. Sugar imports are forecast to climb $400 million to $1.8 billion, largely due to 500,000 tons (raw value) of Mexican sugar which can enter free of duty through December 2007. As for other tropical products, import gains are mostly due to higher import prices although price increases will be more moderate than in FY 2006.

TOP FOREIGN SUPPLIERS

Forecast to increase $3.7 billion to a record $37.4 billion in FY 2007, the Western Hemisphere accounts for just over half of the total import bill. Asia, with an expected increase of $700 million, rises to $10.1 billion or 15 percent of the total. Europe/Eurasia accounts for 21 percent of the total. In FY 2006, the top five suppliers in descending order were the EU-25, Canada, Mexico, Australia, and Brazil. In FY 2007, the forecast calls for the EU-25 and Canada to tie for first place. Mexico is solidly in third position. Australia and Brazil are tied for fourth place, and China and Indonesia are both contenders for fifth place. Compared with the previous year, the highlights for FY 2007 are:

Imports from the *EU-25* are forecast to rise $600 million to a record $14.6 billion. The major suppliers are Italy, France, and Germany and the major imports by a wide margin are wine and beer which have more than tripled in value since the early-1990s. Other major products include essential oils, bakery products, confectioneries, olive oil, pastas, cheeses, and processed fruits and vegetables. The U.S. agricultural trade deficit with the EU-25 has ballooned in recent years and is forecast at a record $7.4 billion in FY 2007.

Imports from *Canada* are expected to increase $1.4 billion to a record $14.6 billion, largely due to purchases of snack foods, beef and pork, fresh vegetables, processed fruits and vegetables, and vegetable oil. The forecast for *Mexico* is a record $10.3 billion, an increase of $1 billion over FY 2006. Mexico ships a wide range of high-value products and especially fresh fruits and vegetables, beer, and snack foods which are rising steadily.

Imports from *Australia* continue to grow and are forecast to reach a record $2.5 billion. Beef is driving most of the growth, but U.S. wine purchases are very strong as are dairy products. U.S imports from *Brazil* are also forecast at $2.5 billion, a country that supplies mostly raw coffee beans, tobacco, fruit juices, canned beef, and tree nuts. Imports from *China* and *Indonesia* are both forecast to reach $2.3 billion. China ships a number of high-value consumer foods, including processed fruits and vegetables, fresh vegetables, snack foods, apple juice, walnuts, and spices. Indonesia mainly supplies natural rubber, coffee and cocoa beans.

CURRENT ACTIVITIES

The revised activity structure reflects core agency priorities and areas of emphasis identified through the FAS organizational review. Additionally, the new structure incorporates the shift from implementing individual projects to coordinating international activities USDA-wide and greater emphasis on Sanitary and Phytosanitary (SPS) issues and trade capacity building, in line with the new USDA Strategic Plan and President's Trade Agenda.

MARKET ACCESS

Greater access to foreign markets for U.S. agricultural producers requires an aggressive trade policy to lower tariffs, reduce non-tariff barriers, eliminate export subsidies, and reduce trade-distorting domestic subsidies. FAS' market access activities include a country and/or regional approach to maximizing trade opportunities for U.S. agricultural exporters by providing market intelligence, in-country resolution of disruptions or potential disruptions to U.S. shipments, and regular contacts with foreign government agricultural and trade officials

-- **Bovine Spongiform Encephalopathy (BSE) Related Market Access Barriers Removed**. During FY 2006, USDA continued to succeed in opening a number of markets which had been closed to U.S. beef because of concerns about BSE. In FY 2003, 45 markets closed their borders to U.S. exports due to the discovery of one BSE case in Washington State. Trade affected by these closures was over $3.8 billion. Since FY 2003, USDA's efforts have resulted in a resumption of access to most of these markets with exports for FY 2006 of $1.5 billion. On January 20, 2006, after being open for only 45 days, Japan suspended import inspections of U.S. beef because one shipment did not comply with our bilateral agreement. After exhaustive work by USDA to demonstrate that the U.S. system could be trusted, this suspension was lifted on July 27, 2006. Other markets opened in FY 2006 include Colombia and Peru, recovering more than $4 million of exports. Russia and Vietnam also relaxed import restrictions coincident with bilateral negotiations related to their accession to the WTO. We have had success in reopening other key markets, such as Hong Kong and Taiwan, and in expanding products eligible to be exported to Mexico. Some markets, which are open to certain U.S. beef cuts, are either maintaining age-related restrictions on U.S. beef exports or bans on bone-in beef and beef offal or both. While Korea and China have agreed to reopen beef trade, we are negotiating with both countries over their technical requirements, which effectively prevent shipments from taking place.

-- **Implementation of the Dominican Republic (DR)-Central America Free Trade Agreement (CAFTA)**. USDA provided critical input and support during FY 2006 relating to the implementation of the DR-CAFTA agreement. USDA worked extensively with the Governments of El Salvador, Guatemala, Honduras, and Nicaragua to obtain their recognition that the U.S. food safety inspection system for red meats and poultry are equivalent to their domestic systems. This recognition eliminates the need for officials from these countries to inspect each U.S. establishment, ensuring that USDA approved facilities can export to the region with minimal cost and reasonable regulatory burdens. The DR is expected to implement the agreement soon. Costa Rica has not yet ratified the agreement. The DR-CAFTA countries already represent important markets for the United States, with the combined value of agricultural exports totaling over $1.8 billion in calendar year (CY) 2005. In CY 2006, U.S. agricultural exports in the 4 countries where the equivalence agreement is in effect, increased over 16 percent, an increase of over $110 million through August compared to a year earlier. By comparison, the total value of U.S. agricultural exports globally increased 12 percent over the January-August period. The American Farm Bureau Federation estimates that DR-CAFTA could boost annual U.S. agricultural exports by $1.5 billion when fully implemented. The trade benefit from these agreements is expected to be $48.8 million for poultry and $12.8 million for red meat.

-- **Trade Promotion Agreements Concluded with Colombia and Peru**. During FY 2006, USDA played a key role in the conclusion of Trade Promotion Agreements (TPAs) with two Andean countries: Colombia and Peru. Colombia is the largest South American market for U.S. agricultural products and, together with Peru, account for nearly $900 million in U.S. agricultural exports. More than half of this trade will be duty-free immediately upon entry into force of the agreement in the case of Colombia and almost 90 percent in the case of Peru. The United States already grants unilateral duty-free treatment to almost all products from these countries, so the agreements will provide improved access for U.S. agricultural exports with only minor changes in U.S. imports. Because both countries already have free trade agreements (FTAs) with U.S. competitors, the TPAs will allow U.S. exporters to compete on a level playing field. The agreements provide significant new export opportunities for products such as beef, pork, poultry, dairy, wheat, rice, corn, soybeans, processed foods, fruits and vegetables.

-- **Chinese Market Access Barriers Removed**. FAS provided critical input and support to the resolution of several Chinese market access issues during FY 2006 by utilizing the agricultural and SPS working groups of the 2006 U.S.-China Joint Commission on Commerce and Trade (JCCT). Issues that were resolved included: access for U.S. horticultural products to the seaport of Shenzhen (estimated trade value of $2-3 million); the relisting of 13 meat and poultry processing establishments (preserving swine and poultry product exports valued at more than $500 million in FY 2006); requirements for orchard and packing house lists for exports of horticultural products to China (estimated trade value of $1 million); and recognition of the U.S. national fruit fly trapping program (estimated trade value of $1 million). Each of these issues had been previously addressed in technical fora, but in most cases needed a political-level push through the JCCT process in order to reach final agreement. Engagement at the technical level by the Animal Plant and Health Inspection Service (APHIS), with support from FAS, also led to a market access agreement for California plums (estimated trade value $5 million) as well as resumption of the Alaska seed potato program (estimated trade value of $1 million).

-- **U.S. Rice Finally Available to the Korean Consumer**. FAS was instrumental in making U.S. rice directly available to the Korean consumer in FY 2006. While FAS worked closely with the USTR in 2004 to renew Korea's Minimum Market Access (MMA) agreement on rice imports, the agreement itself was not signed by Korea's National Assembly until November 2005. Thus Korea's 2005 rice import obligations did not occur until the first half of FY 2006. For the first time, the terms of the new MMA agreement require Korea to make at least 10 percent of the rice imported available to the retail sector. Under the new agreement, Korea purchased 56,402 metric tons of rice from the United States for processing purposes and 5,504 metric tons for retail distribution. The shipments were valued at $27 million and $2.8 million respectively.

-- **India Removes Restrictions on U.S. Almonds.** The United States and India reached a long-term solution regarding the importation of U.S. almonds to India, effectively resolving a 3-year trade dispute. India now allows fumigation of imported almonds with phosphine rather than ozone-depleting methyl bromide. Almonds are the largest U.S. agricultural export to India, with sales totaling $135 million in FY 2006, up nearly 10 percent from FY 2005.

-- **EU Commission Proposes 18-Month Extension on Wood Packaging Material Debarking Requirement.** USDA pressed the EU to adhere to the International Standard for Phytosanitary Measure (ISPM) No. 15 "Guidelines for Regulating Wood Packaging Material in International Trade." As a result, the EU Commission recommended an 18-month extension of its proposed debarking requirement scheduled to go into effect on March 1, 2006. This extension moves the implementation date of the new requirement to September 2007, allowing the issue to be evaluated by the International Plant Protection Convention (IPPC). It is estimated that the extension of this measure will have a net trade benefit for U.S. exporters of $1 billion.

-- **<u>Canada Reopens Market to Imports of U.S. Fresh Spinach as a result of FAS Intervention.</u>** In September 2006, following a highly publicized outbreak of E. coli 0157:H7 in the United States associated with fresh spinach, the Canadian Food Inspection Agency (CFIA) advised Canadians not to consume spinach from the United States. In addition, Canada issued a health hazard alert to identify the affected products for Canadian consumers, announced a recall of all affected products from California, and issued a border alert to prevent the entry of all imports of fresh spinach (including salad mixtures containing spinach) from the United States pending the outcome of a U.S. investigation into the source of the outbreak. These decisions immediately put the largest market in the world for U.S. spinach into jeopardy. When the investigation was completed, FAS officials participated in direct negotiations with Canadian health officials on specific requirements to reopen the Canadian market. This included a new origin identification program to verify that the product did not originate in San Benito, Santa Clarita, and Monterey counties. As a result of intense negotiations, on October 30, 2006 the CFIA eased the Canadian import restrictions, allowing imports of fresh spinach from the United States with the exception of the three California counties. The origin identification program will be suspended at the end of November, allowing fresh spinach trade to resume without restrictions to a market valued at approximately $39.8 million for the U.S. spinach industry.

-- **<u>Top U.S. Rice Markets Remain Open After Unapproved Rice Discovery.</u>** When an unapproved genetically engineered rice was found in the U.S. commercial rice supply, FAS quickly responded by leading the effort to gather, analyze, and deliver critical information and guidance to USDA, interagency and White House officials for timely and informed decision making. FAS effectively coordinated with technical experts, including U.S. regulators and Grain Inspection, Packers and Stockyards Administration officials, and with key private sector representatives to accurately present the rapidly evolving situation with significant dynamic policy and market implications. FAS also worked closely with representatives in Embassies overseas to quickly and thoroughly respond to key market concerns, mitigate negative reactions, and maintain market access for U.S. rice exports. As a result of FAS efforts, U.S. rice exporters continue to ship quality U.S. rice to Mexico, Japan, Haiti, Iraq, Canada, and Ghana which comprise six of the top seven markets for U.S. rice. Based on market year 2005 sales, the yearly value of these six markets totals $747.3 million.

-- **<u>Romania Persuaded to Allow Planting of Biotech Enhanced Soybeans in 2006</u>.** FAS' quick intervention in Romania led to reversal of measures that would have prohibited the planting of biotech enhanced soybean seeds for the 2006 planting year. After U.S. companies had produced and shipped seed for use by Romanian farmers, port authorities detained such shipments pending a new parliamentary decision on biotech seed planting control measures. If planting were prohibited, U.S. companies would have lost in excess of $2 million. With the end of the planting season rapidly approaching, USDA initiated several outreach activities that provided key regulators and parliamentarians information on biotechnology that resulted in adoption of more trade friendly measures.

-- **<u>July Forecast of Russian Grain Production Within 3 Percent of Final Output</u>.** FAS relied on satellite-derived vegetative indices to monitor 2006/2007 crop conditions in European and Siberian Russia. In early July, just prior to the beginning of the harvest campaign, FAS forecast total Russian grain production at 74.2 million tons – within 3 percent of final output. Vegetative indices have proven to be a reliable indicator of potential yield for winter and spring grains in Russia. In recent years, Russia has emerged as a major grain exporter in the Black Sea region, with 2006/2007 wheat exports likely to exceed 10 million tons.

-- **<u>August Forecast of Kazakhstan Grain Production Within 1 Percent of Final Output.</u>** Relying chiefly on satellite-derived vegetation indices, FAS analysts in early August estimated 2006/07 Kazakhstan total grain production at 13.9 million tons -- within 1 percent of final net production. The forecast was released by USDA nearly one month prior to the beginning of the harvest campaign. Kazakhstan is an exporter of high-quality milling wheat, with 2006/2007 wheat exports likely to reach 1 million tons.

-- **USDA's Global Reservoir Monitor Helps to Alert International Community about Manmade Drought on Lake Victoria.** Extremely low water levels on East Africa's Lake Victoria were detected via satellite by USDA's Global Reservoir Monitor and helped to determine if these low water levels were caused by a natural drought or by releasing too much water for power generation. Current and historical lake water height data collected by USDA on Lake Victoria helped several agencies from the United Nations to determine that Uganda had violated the Nile Treaty by releasing too much water for additional power generation. These low water levels on Lake Victoria affected ecosystems for spawning fish and forced ships to dock in deeper waters located away from the shores, disturbing inland water transport, agricultural markets, and trade between Uganda, Kenya, and Tanzania. The Global Reservoir Monitor continues to use satellites to monitor lake water heights every 10 days.

-- **FAS Partnership with Famine Early Warning Network (FEWS NET) Provides Timely and Accurate Estimate for Zimbabwe's 2006 Crop**. FAS and the United States Agency of International Development's (USAID) Famine Early Warning Network (FEWS NET) project performed a joint crop assessment survey in Zimbabwe during February 2006, which helped to estimate Zimbabwe's 2005/06 crop in mid-season and complemented estimates provided by satellite imagery, crop models, and agro-meteorological data collected by USDA. A ground crop assessment survey was required in Zimbabwe during 2006 because the national government no longer releases crop reports to the public and Zimbabwe's land reform after 2001 has radically changed agricultural production and potential. Although rainfall was good in Zimbabwe for the 2005/2006 season, crop production did not meet national demands due to lack of fertilizers and late delivery of seeds. The timely and accurate mid-season crop estimate provided by FAS helped decision-makers to target food-insecure regions and significantly reduced delays in humanitarian response planning.

TRADE DEVELOPMENT

FAS supports U.S. industry efforts to build, maintain, and expand overseas markets for U.S. food and agricultural products in a variety of ways. FAS administers several export development programs including the Foreign Market Development (Cooperator) Program, Market Access Program (MAP), Technical Assistance for Specialty Crops (TASC) Program, Quality Samples Program (QSP), and Emerging Markets Program (EMP). These programs provide funds to U.S. organizations to conduct a wide range of activities including market research, consumer promotion, trade servicing, capacity building, and market access support. Working with the State and Regional Trade Groups (SRTGs) and other industry organizations, FAS encourages outreach efforts that focus on facilitating export readiness for U.S. exporters. FAS' overseas offices also support industry efforts especially in developing markets by providing market intelligence and by helping to introduce U.S. exporters to potential foreign customers. In addition, FAS facilitates U.S. participation in a range of international trade shows and missions.

MARKET DEVELOPMENT PROGRAMS

-- **U.S. Wood Exporters Gaining Ground in China's Landscape Architecture.** As a result of MAP funded technical seminars and other FAS activities, U.S. wood product companies are gaining access to the growing landscape architecture market in China. After participating in the seminars, builders in the Suzhou Industrial Park, a development zone that is projected to house 750,000 residents by FY 2007, have constructed a boardwalk and a marina, as well as several timber bridges and gazebos. These projects have been constructed almost entirely with U.S. wood, utilizing over $2.3 million of U.S. wood products.

-- **Premium Alaska Salmon Gains New Growth Market in the United Kingdom (UK).** The Alaska Seafood Marketing Institute (ASMI), a MAP participant, successfully used retail promotions to help boost record sales of premium fresh and frozen salmon to the UK. Exports of wild Alaska salmon during the January-August period in FY 2006 totaled $7.5 million, up 70 percent compared to the same period in FY 2005. While the UK has long been a major export market for canned Alaska salmon, ASMI's promotional efforts have helped U.S. suppliers gain an important new market for fresh and frozen salmon – a very significant achievement in light of the dominance of farmed salmon in the UK retail sector.

-- **Japanese Consumers Reach Out for U.S. Beef Once Again.** The U.S. Meat Export Federation (USMEF) has used MAP, FMD, and industry funds to support the re-launch of U.S. beef in Japan with a consumer communication campaign that employs a "We Care" theme. The campaign highlights the fact that all sectors of the U.S. beef industry (producers, packers, exporters, etc.) are committed to the Japanese market, placing the same value on safety, family, inspections, and healthy lifestyle. The first shipment of U.S. beef to Japan since January 2006 began selling in Costco stores in August 2006. Interest among Japanese media and consumers was high. Japanese shoppers lined up for U.S. beef samples at the store, and many purchased multiple packs of the product. Industry forecasts predict that sales of U.S. beef will reach 242,000 MT by FY 2008.

-- **MAP Facilitates Reopening of Guatemalan Market for U.S. Cattle and Beef.** Following the FY 2003 detection of BSE in the United States, most countries banned imports of live U.S. cattle. In early 2006, U.S. Livestock Genetics Export, Inc. (USLGE), the Texas Department of Agriculture, and FAS jointly arranged for Guatemala's Vice Minister of Agriculture to visit Texas and meet with livestock contacts for advice on establishing a beef genetics improvement center in Guatemala. Soon after, USDA was able to renegotiate Guatemala's bovine health and protocol and, in March 2006, Guatemala announced the reopening of its borders to live U.S. cattle and bone-in beef. USLGE representatives visited Guatemala in May 2006 to offer technical advice to the Guatemalan Ministry. In July 2006, U.S. beef cattle arrived in Guatemala for the first time since FY 2003, a direct result of the successful matching of MAP, industry funds, and close coordination between FAS, USLGE, and the Texas Department of Agriculture.

-- **India is a Major Player in the U.S. Wool Market.** The American Sheep Industry Association (ASIA) has worked with buyers in India to develop long-term relationships and to encourage purchases of U.S. wool based on quality, and not solely on price. ASIA utilized MAP, FMD, and the QSP to send product samples, conduct processing trials, and host trade missions to introduce American wool to Indian mills. As a result of these efforts, India has become the third largest importer of U.S. wool behind China and Western Europe. U.S. sales of wool to India in FY 2006 (first 11 months) totaled $1.4 million, up from only $124,000 in FY 2002.

-- **Rebuilding a Wheat Market under Extraordinary Circumstances.** U.S. Wheat Associates, with the support of FAS, the State Department, U.S. wheat exporters, and other USDA cooperators has successfully reestablished the Iraqi market for U.S. wheat. U.S. Wheat Associates began a series of meetings with the Ministry of Trade and the Grain Board of Iraq (GBI), convincing Iraqi buyers to change unmanageable quality standards and tendering specifications. U.S. Wheat also sponsored a team of Iraqi buyers to attend a 2-week grain buying short course at the International Grains Program in Manhattan, Kansas. As a direct result of these efforts, U.S. wheat sales to Iraq grew from 245,000 tons in 2003/2004 to 2.24 million tons in 2005/2006.

-- **Encouraging Soft White Wheat Demand in Latin America.** U.S. Wheat Associates has opened new soft white wheat markets in Latin America, using market development funds to demonstrate to Central and South American processors the advantages of U.S. white wheat to meet a growing demand for Asian-style noodles. U.S. Wheat Associates also helped Guatemala and El Salvador import high quality white wheat by developing unconventional shipping configurations. As a result of these efforts, FY 2006 U.S. soft white wheat sales were more than three times the rapid pace set in FY 2005 – up $17.6 million. In 2004/2005, Latin American countries bought only 23,500 metric tons of white wheat. However, sales zoomed to 364,000 tons in 2005/2006—an increase of more than $50 million.

-- **U.S. Grains Council Finds New Markets for Distillers Dried Grains with Solubles (DDGS).** With the rapid expansion of the U.S. ethanol industry, the U.S. Grains Council (USGC) has focused on expanding awareness of DDGS (a co-product of ethanol production) beyond the traditional markets of Europe to new markets in Southeast Asia. Supported by FMD, MAP, and industry funds USGC introduced DDGS to Southeast Asian markets by educating importers and feed-millers on the availability, quality, and the proper use of DDGS in their feed rations. As a direct result of these promotional efforts, U.S. exports of DDGS to Southeast Asia have soared to $24.1 million in FY 2006, exceeding the FY 2005 export value by 69 percent.

-- **Bulk Containerized Shipments Are a Competitive Advantage for U.S. Soy.** High vessel ocean freight rates and the availability of empty shipping containers returning to Asia have created a unique opportunity for U.S. soybean exports. Bulk containerized shipment refers to the practice of exporting soybeans or soybean meal in 20-foot containers, a shipping advantage that is not generally available to U.S. competitors. The American Soybean Association (ASA) conducted several programs in Taiwan to develop trade awareness of this shipping option. As a result, Taiwan is now the largest market for container shipments, and one local importer is pursuing the possibility of receiving all of his soybean and corn imports by container. ASA also recently conducted a MAP-funded seminar for importers in China. As a result of the seminar, three Chinese importers purchased U.S. soybeans for container shipment with an estimated value of more than $12.5 million. Other markets that receive soybeans or soybean meal by container include Indonesia, Malaysia, the Philippines, and Vietnam. U.S. soybean exports shipped via bulk container have grown by an estimated 800 percent since FY 2002, reaching an estimated 719,000 metric tons valued at over $150 million in 2005.

-- **U.S. Dry Pea Exports to India Breaking Records Thanks to MAP Funds**: The U.S. Dry Pea and Lentil Council has used a series of complementary MAP-funded activities in India to build consumer demand for U.S. peas, lentils, and chickpeas. These activities included: a U.S. trade team visit to meet with key importers and provide product samples; technical trade servicing for Indian food processors on canning, freezing, and snack food production; and in-store generic promotions to educate potential buyers through recipe booklet giveaways, free samples, and cooking demonstrations. As a result, U.S. exports to India increased sharply to $12.5 million in 2005/2006, more than doubling the previous year's record of $5.6 million. At the same time, U.S. market share increased from less than one percent in 2003/2004 to more than 12 percent in 2005/2006.

-- **U.S. Parboiled Rice Exports to Mexico Increase Significantly**. With the support of USA Rice Federation sponsored seminars and promotions, one major restaurant chain and four culinary institutes agreed to increase the number of dishes using U.S. long grain parboiled rice served at their facilities. These partnerships, along with other market promotion efforts, contributed to a 176 percent increase in U.S. long grain parboiled rice exports over the last 5 years. This represents an increase in sales from approximately $2.9 million in FY 2000 to $8 million in FY 2006.

-- **U.S. Sunflower Kernels Catch On In Mexican Breads.** Using FMD funds, grower check-off and industry dollars, the National Sunflower Association (NSA) has aggressively pursued improved market opportunities in Mexico. NSA has promoted the use of confection sunflower kernel in bakery products in Mexico over the past 4 years. As a result of these efforts, the largest Mexican baker is using confection sunflower kernel in two of its breads. The breads are being distributed nationwide in all major supermarkets. The baker has imported 350 MT of confection sunflower kernel valued at $420,000 in the first 6 months of the marketing year. Sales of the breads are expected to double in the next year. As a result of these activities, the value of U.S. confection sunflower product exports to Mexico has increased from $1.8 million in FY 2001 to $7.4 million in FY 2006.

-- **Snacking On U.S. Sunflower Seeds Growing in Spain.** Spain is currently the largest export market for U.S. confection sunflower seed. The primary use of sunflower seeds in Spain is for snacks. Using MAP funds, grower check-off and industry dollars, and in partnership with key Spanish snack roasters, the NSA kicked off a national primary point of sale (POS) campaign to promote U.S. confection sunflower seeds. NSA developed and printed POS materials and our Spanish partners distributed and maintained them. The POS materials were placed at points of sale in supermarkets, kiosks, and nut shops throughout Spain. The display materials highlighted the fact that participating Spanish roaster products use USA confection sunflower products that are high quality and fun-to-eat, with a low cost. Red, white, and blue colors and the "Pipas USA" logo were used in all materials to show USA origin. Since the inception of the campaign, exports of U.S. confection sunflower seeds have grown from just over $13 million to more than $26 million in FY 2006 and now account for 52 percent of total U.S. confection sunflower seed exports.

-- **Asia–Pacific Economic Cooperation (APEC) Forum Promotes Agricultural Biotechnology in Key Export Markets.** In FY 2006, as Chair of the APEC High Level Policy Dialogue on Agricultural

Biotechnology (Policy Dialogue), FAS has helped secure and maintain access for U.S. agricultural exports by convening meetings of high level officials from throughout the APEC region to promote agricultural biotechnology as a tool to help increase agricultural productivity, enhance food security, and generate economic growth. More than half the APEC economies are also Cartagena Protocol on Biosafety (CPB) Parties. FAS has utilized the Policy Dialogue as a key forum to address CPB implementation, through meetings with high level officials and in workshops targeting regulatory and policy officials. As a result, APEC economies provided valuable leadership and direction at the third Meeting of the Parties to the CPB, with decisions taken at the meeting that acknowledge the importance of agricultural trade. The Policy Dialogue addresses other issues that directly impact U.S. agricultural exports to APEC economies. FAS is organizing the sixth meeting of the Policy Dialogue, to be held in January in Australia, the 2007 APEC Host Economy. Agenda topics include consumer perception and understanding of agricultural biotechnology and legal considerations related to the use of biotechnology in agriculture. U.S. corn and soybean exports to the 20 APEC economies exceeded US $8.5 billion annually.

-- **North American Biotechnology Initiative Produces Trilateral Arrangement that Benefits U.S. Corn, Soybean and Cotton Exporters.** As the U.S. Government lead, FAS has worked through the North American Biotech Initiative (NABI) to develop close working relationships with agricultural biotechnology policy and regulatory counterparts in Canada and Mexico. This partnership has led to the signing of a Trilateral Arrangement that facilitates agricultural trade in the products of biotechnology while allowing Mexico to meet its obligations under the Cartagena Protocol on Biosafety (CPB), to which it is a Party. Mexico then used the Trilateral Arrangement as the basis for an important intervention at the Third Meeting of the Parties to the CPB in support of international agricultural trade. The NABI framework has also contributed significantly to the expansion and maintenance of markets in North America for U.S. agricultural products that may be derived from biotechnology by providing a forum for information exchange on the three countries' agricultural biotechnology policies and regulations. The United States exports more than $3.1 billion in soybeans, soybean oil, cotton products and corn to Canada and Mexico annually.

-- **U.S.–Russia Bilateral Negotiations Yield a Brighter Future for U.S. Biotech Products.** The U.S. and Russia signed a bilateral market access agreement as part of Russia's WTO accession process. This agreement includes important provisions for agricultural biotechnology. FAS involvement on the biotech agenda in the negotiations, throughout FY 2006, led to agreement for Russia's development of trade-friendly legislation and policies on biotechnology, for re-establishment of a regulatory system that would oversee use of biotech feed products, and for U.S. involvement in the development of a permanent biotech regulatory system. Russia is an emerging market for U.S. soybean and corn commodities with a rapidly expanding economy and growing milling, livestock, and poultry sectors. In order for the U.S. to develop this market a functioning regulatory approval system for biotech enhanced commodities is needed. Since 2001, Russia's biotech regulatory system has either been stalled or has lacked timeliness and transparency in the approval process. This agreement significantly enhances prospects for U.S. exports of biotech products to this emerging market.

TRADE SHOWS AND MISSIONS

In FY 2006, over 935 U.S. companies participated in 31 FAS endorsed trade shows and missions overseas, making nearly 9,400 serious contacts, reporting sales totaling $210.2 million on-site, and projecting estimated sales of $728 million over the next 12 months. More than 2,500 new products were introduced in various markets. FAS direct costs in these events were $51,000. It is important to note that FAS has successfully completed the process of transferring management of U.S. pavilions at international food shows to private sector partners. This has allowed FAS to scale back significantly its own staff and financial commitments while still supporting high quality and effective trade events. Examples of show results follow:

-- **Dubai Show Tops Other Shows in Sales.** Held on February 19-22, 2006, the Gulf Food Show in Dubai, United Arab Emirates, is the Middle East's largest trade-only food and equipment show. Over

32,000 visitors from 140 countries attended. FAS organized a USA Pavilion with 55 companies exhibiting a broad range of fresh, frozen, canned, and dried foods. Exhibitors projected $104 million in on-site sales and an additional $130.5 million in 12-month sales, making this show one of the most successful trade events for U.S. exporters.

-- **ANUGA 2005 Delivers With $80 Million in Sales.** ANUGA, the world's largest food and beverage trade event, was held in Cologne, Germany, from October 8-12, 2005. Held biennially, ANUGA 2005 had 6,294 exhibitors and attracted 161,000 trade visitors from 160 countries, including senior executives and head buyers from the world's most important trade and catering companies. The USA Pavilion at ANUGA was a successful platform for its 140 participants, generating an estimated $8.2 million in on-site sales and over $80 million in 12-month projected sales. Visitors to the USA Pavilion saw an impressive range of products including general provisions, seasonings and sauces, dried fruits and vegetables, staple foods and bread, baked goods, beverages, meat, and poultry.

-- **$62.6 Million in Sales Projected in the Food Taipei Show.** During June 21-24, 2006, the Food Taipei show was held in Taipei, Taiwan. Taiwan is the United States' sixth largest export market in the world for food and agricultural products. Ninety U.S. companies exhibited in the USA Pavilion, and more than 50,000 Taiwanese food trade visitors attended the show. U.S. exhibitors reported $1 million of actual on-site sales and projected an additional $62.6 million in sales over the next 12 months. Products of interest included beverages, beef products, popcorn, organic products, pork and poultry products, and soybeans.

-- **$19 Million in Sales Projected at Sial China.** During May 29-31, 2006, Sial China was held in Shanghai, China. The USA Pavilion hosted 25 U.S. companies and cooperators, and more than 19,000 food trade visitors attended the show. In addition to $1.2 million of actual on-site sales, U.S. exhibitors projected sales of $19 million over the next 12 months. Products that generated the greatest interest included pork loin and boneless butt, cheese, raisins, almonds, walnuts, blueberries, canned vegetables, Medjool dates, bagel chips, potato chips, functional and health food, and coffee and tea drink mixes.

-- **Trade Mission to India Inks New Sales.** During the week of March 12-19, 2006, FAS sponsored a sales mission to New Delhi, Bangalore, and Mumbai, India. Eleven U.S. exporters participated, promoting such products as pet food, lentils, eggs, raisins, prunes, walnuts, pistachios, blueberries, New York wines, private label grocery products, dehydrated potatoes, and Washington apples. Ten of the companies were new to the Indian market. Participants toured grocery stores, listened to briefings, and held more than 250 one-on-one meetings with pre-qualified buyers from India and Bangladesh. On-sites sales were $190,000, and participants projected $8.7 million in sales over the next 12 months.

-- **Russian Food Show Generates over $4 Million in Sales for U.S. Companies.** World Food Moscow 2006, an international show and conference for importers, wholesalers, retailers, and food processors from Russia and neighboring countries, took place in Moscow, Russia during September 26-29, 2006. The show welcomed 1,100 exhibitors from 55 countries and attracted 50,000 visitors. FAS organized a successful venue for 23 exhibiting companies, generating over $4 million in 12 month projected sales. U.S. exhibitors offered a wide range of products including breakfast cereals, fresh fruit, canned vegetables, nuts, fish and seafood, shelf-ready meats, dried beans and lentils, snacks, and whey protein. The USAPEEC and the USMEF organized a meat/poultry pavilion with 21 exhibiting companies.

CCC EXPORT CREDIT GUARANTEE PROGRAMS

The primary objective of the CCC export credit guarantee programs is to improve the competitive position of U.S. agricultural commodities in international markets by facilitating the extension of export credit to middle income countries that do not have access to adequate commercial credit. These CCC programs primarily encourage U.S. lenders and exporters to extend credit terms on sales of agricultural commodities and products to overseas customers. The CCC credit guarantee programs support the involvement of foreign private sector banks and private sector importers in commercial trade transactions with the United States.

The GSM-102 program provides guarantees for export sales with repayment terms up to 3 years. The FY 2006 GSM-102 program provided credit guarantees which facilitated sales of about $1.4 billion of U.S. agricultural exports to 5 countries and 6 regions. The Supplier Credit Guarantee Program (SCGP) provides guarantees for export sales with repayment terms up to 180 days. The SCGP is currently not operational and is undergoing a review to identify possible program reforms that could be implemented to reduce the risk of default, improve the ability to collect on defaulted obligations, and provide alternative program mechanisms and forms of payment obligations.

SUMMARY OF FY 2006 EXPORT CREDIT GUARANTEE ACTIVITY
(Export Applications Received)
($ Millions)

COUNTRY	GSM 102
Caribbean Region	97.00
Central America Region	250.40
China/Hong Kong	17.30
Eurasia Region	176.10
Korea	199.80
Mexico	2.90
Russia	200.00
South America Region	41.80
Southeast Asia Region	127.20
Southeast Balkan Region	2.00
Turkey	248.80
TOTAL	$1,363.30

MARKET EXPANSION PROGRAMS

The Export Enhancement Program (EEP) and Dairy Export Incentive Program (DEIP) can facilitate the commercial sale of United States agricultural commodities in world markets at competitive prices when market conditions require such action. In addition, these programs are designed to promote market development in a market sensitive manner and to offset the adverse effects of unfair trade practices consistent with WTO guidelines. In FY 2006, no bonuses were awarded under either program.

TRADE RELATED TECHNICAL ASSISTANCE

Trade capacity-building (TCB), or trade-related technical assistance, helps strengthen developing countries' agricultural institutions and regulatory systems, encourages compliance with international norms, and fosters adoption of U.S. approaches to agricultural policy and regulatory procedures. TCB also supports the U.S. National Security Strategy by promoting free trade and open markets as a way to spread economic prosperity.

USDA's top trade policy priority – a successful conclusion to the Doha Round – recognizes the importance of trade to developing countries. TCB gives developing countries an incentive to participate in the Doha process. By helping countries that are joining the WTO understand and meet their new commitments, TCB strengthens the multilateral institution and builds markets for the future by fostering economic growth.

The United States is also concluding a growing number of free trade agreements (FTAs) with developing countries. In addition to promoting market access, FTAs encourage economic growth and closer political ties to countries important to U.S. national security objectives. Because of these linkages, technical assistance is now an integral part of the negotiating package.

TCB is also a critical tool to address the many technical barriers that impede access for U.S. agricultural products in markets throughout the world. By helping countries develop transparent, science-based regulations and by increasing understanding of the U.S. regulatory system, TCB can expand future access for U.S. agricultural products. Likewise, this assistance enables recipient countries to access other world markets. All countries gain from stronger infrastructure and regulatory systems, frameworks for monitoring and mitigating plant and animal diseases, and compliance with international norms. TCB can also assist international standards-setting bodies. Adoption of international laws and standards benefits U.S. agricultural exporters and enhances the ability of developing countries to trade. This leads to economic development and growth, and ultimately greater capacity to purchase U.S. products. Specific examples of recent progress include:

-- **U.S.-India Bilateral Initiative Fosters Improved Cooperation on Biotechnology.** The United States and India cooperated closely, in FY 2006, on biotechnology research and commercial linkages through the U.S.-Indo Agricultural Knowledge Initiative (AKI). FAS achieved bilateral agreement with the Government of India to collaborate on transfer of biotechnology research into production applications, thus enabling farmers and local markets to reap the benefits offered from biotechnology. In addition, TCB projects are designed to promote a more functional regulatory and policy environment for agricultural biotechnology in India. A jointly-conducted public workshop in India planned for November 2007 will strengthen the dialogue on the benefits of a transparent, science-based regulatory regime for international trade in agricultural biotechnology products, as well as the benefits of an open, predictable environment for attracting foreign direct investment.

-- **APEC Promotion of Transparent, Science-Based Approach to Biotechnology Benefits U.S. Agricultural Exporters.** FAS is actively coordinating and carrying out agricultural biotechnology capacity building activities through APEC. These activities serve to promote the adoption abroad of transparent, science-based regulatory systems for agricultural biotechnology. In FY 2006, FAS worked with USAID to present a weeklong workshop on CPB implementation. This workshop focused on the costs of different approaches to CPB implementation and provided APEC economies, more than half of whom are CPB Parties, with useful information regarding how CPB obligations can be met without unnecessarily impeding agricultural trade. FAS is also working through APEC to create a Biotechnology Investment Toolkit, a valuable resource for APEC economy officials interested in promoting the creation of a viable biotechnology sector. The Toolkit will stress the value and importance of a transparent, science-based and predictable regulatory system for agricultural biotechnology in attracting investment. Exports of U.S. corn and soybeans to APEC economies exceeded US $8.5 billion in calendar year 2005.

-- **Increasing U.S. Representation in International Organizations.** FAS also stepped up efforts to increase American representation to strengthen U.S. influence in international organizations. FAS has successfully identified and recommended candidates for key vacancies in international organizations which have responsibility for Agricultural Health and Food Safety (AHFS) and standards-setting bodies. The Inter-American Institute for Cooperation in Agriculture (IICA) has hired five Americans, including candidates recommended for the key positions of Deputy Director General, Director of Strategic Partnerships, and Director of AHFS. As a result of these efforts, the Secretary has recommended two candidates for anticipated key vacancies in Food and Agricultural Organization of the United Nations (FAO), including the Deputy Director-General and the Assistant Director General for the Economic and Social Department. Benefits include American influence in support of SPS and market access activities that advance U.S. interests.

-- **USDA Support of FAO- World Organization for Animal Health (OIE) Crisis Management Center for Transboundary Animal Diseases.** USDA leads the U.S. Government (USG) international efforts to augment and strengthen animal health infrastructure as well as governance and technical capacities of FAO, OIE, and other multilateral organizations involved in efforts to combat transboundary animal diseases like highly pathogenic H5N1 avian influenza (HPAI). In FY 2006, USDA spearheaded USG and international support for the FAO and OIE to launch a Crisis Management Center to coordinate and mount multilateral rapid-response missions to countries affected by HPAI. USDA's HPAI International Coordination Group has provided U.S. specialists to FAO-Rome to help develop for the Center an incident-command-system organizational structure, define critical functions, and draft standard operating procedures. The Center has already conducted several rapid response missions, including USDA-deployed specialists on three FAO led, rapid-response missions to affected countries in Africa (*i.e.,* Sudan and Cote d' Ivoire). In September 2006, USDA specialists initiated year-long assignments to the Center, where they will occupy three core positions: Deputy Manager of the Center, Veterinary Epidemiologist, and Deputy Manager of Emergency Operations. Although the Center's current priority is the HPAI crisis, USDA and FAO anticipate collaboration through the Center to address additional transboundary animal diseases and long-term investments in veterinary infrastructure to prevent and mitigate such diseases.

-- **Agricultural Extension to Afghan Universities.** USDA has promoted improved practices in watershed, nursery, and forest and rangeland management through a series of training workshops for over 200 Ministry of Agriculture staff from Kabul and 32 provinces in Afghanistan. Training programs were also conducted on identification, surveillance, and control of animal disease, including avian influenza. Additionally, a USDA advisor provided on-site technical and managerial advice to Afghanistan's Ministry of Higher Education for their use of $4 million of USDA monetized food aid proceeds for the rehabilitation of Kabul University classrooms and laboratories, and also on technical improvement for agricultural teaching, research, and extension. The impact of USDA activities on agricultural extension in Afghanistan will increase its ability to export products to nearby countries.

-- **Three Associate Professional Officers (APOs) To Support IPPC and Codex.** FAS has provided $500,000 to FAO to fund two APOs in the International Plant Protection Convention Secretariat (IPPC). FAS is seeking to leverage additional resources to further increase the IPPC budget so that it can produce more standards for trade in plant commodities and protection of agriculture and the natural environment, as well as build developing-country capacity through technical assistance, non-binding dispute settlement, workshops, and training. FAS has also provided $50,000 to continue funding for an APO in IICA to assist IICA members to participate in the Codex Committee for Latin American and the Caribbean. The benefits to the United States include expanded trade by developing countries implementing internationally agreed standards and trade integration.

-- **Natural Resources Conservation in Afghanistan.** USDA provides a key role in helping the Afghan Conservation Corps (ACC) provide massive employment of its citizens and achieve tangible, on-the-ground, conservation results. Starting with a six-month project that launched the ACC in 2003, USDA technical specialists trained 65 Afghan foresters from around the country to plan and manage ACC activities in their regions. Since then, with periodic technical assistance from USDA, the ACC has provided 600,000 labor days of employment, benefiting 15,000 families. More than one million trees have been planted, including 17 pistachio reforestation projects covering 166 hectares in seven provinces, 15 conifer reforestation projects over 132 hectares in five provinces, six biodiversity projects in five provinces and nine spring planting projects on 47 hectares in Kabul. Successful reconstruction of the agricultural sector is necessary for achieving a secure and stable Afghanistan.

COCHRAN FELLOWSHIP PROGRAM

The Cochran Fellowship Program provided short-term training in the United States for 551 international participants from 67 countries in FY 2006. Since its inception in 1984, the Program has provided training to 12,202 participants from over 100 countries. Cochran participants meet with U.S. agribusiness, attend policy and food safety seminars, and receive technical training related to short and long-term market development and trade capacity building. The following are examples of program benefits reported in FY 2006:

Mexico: After nearly losing meat export equivalence status in late 2003, Mexico made significant improvements in the administration of its meat inspection system during 2006. Continued CFP sponsorship of Mexican meat inspectors at FSIS training courses has been a key tool in raising the quality of in-plant inspection and ensuring that program administrators are familiar with the latest FSIS requirements. USDA training and guidance of Mexico's meat inspectors has helped demonstrate USDA's commitment to facilitating two-way trade in meat and meat products.

Indonesia: A General Manager for fresh produce at one of the biggest hyper-marts in Indonesia participated in the Produce Marketing and Handling Program. As a result, his stores have adopted misting technology to control humidity of perishable products, such as fish and vegetables. Next year his company will order about 25 containers of table grapes with an estimated value of $690,000 and 5 containers of apples per month, approximately $105,000.

Kosovo: The Hazard Analysis and Critical Control Point (HACCP) CFP is helping the newly established Kosovo Food Agency (KFA), a leading agency for control and inspection of food in Kosovo. The two sanitary inspectors and two veterinary inspectors who participated will use the experience gained in their work in KFA, not only in enforcing laws but also in providing input to the drafting of new food safety legislation. Kosovo inspectors learned food safety verification and validation procedures, and by visiting beef, swine, and poultry facilities, they learned how the industry sets critical control points, monitors slaughter and processing procedures, takes corrective actions, and what the role of government officials is in this process.

Kazakhstan: The Veterinary Service Program (VSP) focused on training Kazakhstan's veterinary officials on U.S. regulations and procedures, as well as veterinary practices for avoiding and localizing outbreaks of dangerous diseases. Former participants of VSP provided great support and assistance in the successful negotiations for lifting bans on imports of poultry meat from a few U.S. states that were imposed due to avian influenza (AI). Also, a number of former participants were involved in localizing the AI outbreaks in Kazakhstan in the fall of 2005 and preventing them from becoming more widespread. A summary of FY 2006 activity follows:

2006 Participants by Region and Funding Source

	Appropriation	USDA Emerging Markets Program (EMP)	Freedom Support Act (FSA)	ECAM*	Middle East Peace Initiative (MEPI)	FY 2006 Total
East Asia	125	0	0	0	0	125
Eurasia	17	0	74	0	0	91
Latin America & Caribbean	171	16	0	8	0	195
Non- EU Europe	30	0	0	0	0	30
North Africa & Middle East	12	4	0	0	24	40
South Asia	9	0	0	0	0	9
Sub- Saharan Africa	51	10	0	0	0	61
PROGRAM TOTAL	**415**	**30**	**74**	**8**	**24**	**551**

**ECAM is the USAID Central America and Mexico Regional Program*

BORLAUG FELLOWSHIP PROGRAM

Norman E. Borlaug International Agricultural Science and Technology Fellows Program (BFP). In its third year, the BFP has continued to expand, reaching nearly 100 Fellows in 2006. The program helps developing countries strengthen their agricultural practices through the transfer of new science and agricultural technologies, including those related to production, processing, and marketing. The program also addresses obstacles to the adoption of technology, such as ineffectual policies and regulations. New countries added in 2006 include Afghanistan, Algeria, Armenia, China, Guyana, India, Tunisia, and Yemen. The BFP continues to strive for diversity, selecting almost 50 percent female scientists. Selected accomplishments in FY 2006 include the following:

Morocco: The Borlaug Program assisted Morocco in its plant-disease diagnostic techniques using Polymerase Chain Reaction (PCR) to strengthen phytosanitary capacity and infrastructure and improve Morocco's ability to export to the United States. In doing so, the activity supports implementation of the U.S. – Morocco Free Trade Agreement.

Central America: To date 17 scientists from Central America have received Borlaug Fellows training. After returning to their home countries, they have begun to implement a number of key ideas resulting in positive outcomes. These include the following: development of new methods of pest control that will assist El Salvador in the Central American Free Trade Agreement, and identification of a wider genetic base for coffee to ensure future resistance to diseases and pests.

FOREIGN FOOD ASSISTANCE PROGRAMS

FAS also administered several food assistance programs to help developing countries with humanitarian crises, economic development, or transitioning from being food aid recipients to commercial markets. Programs administered by FAS consist of P.L. 480, Title I, Section 416(b), Food for Progress (FFP), and the McGovern-Dole International Food for Education and Child Nutrition Program (FFE). Fiscal year activities focused on helping countries to move toward graduation and to develop their agricultural economies. The programs featured a mixture of monetization and direct distribution to meet the specific needs of recipient countries.

FAS programmed more than 722,600 tons of food assistance with an estimated value of about $360 million. Of this amount, estimated commodity costs represented $232 million and estimated transportation and other non-commodity costs were $128 million. FAS provided more than 74 percent of the food assistance through donations, and the remaining commodities were supplied through concessional sales agreements. More than 37 countries received food assistance through FAS-administered programs.

FAS FOOD ASSISTANCE PROGRAM SUMMARY, FY 2006

	Millions [a/]	000 MT
P.L. 480 Title I Concessional Sales	$50.0	178.5
P.L. 480 Title I Funded FFP	73.1	212.4
CCC Funded Food for Progress	131.1	230.9
Section 416(b)	20.1	9.7
McGovern Dole Food for Education	86.3	91.1
TOTAL, Food Assistance	**$360.6**	**722.6**

[a/] Includes the costs of ocean freight, ocean freight differential, and other non-commodity costs.

P.L. 480 TITLE I PROGRAM

The objectives of this concessional sales component of the Title I program include providing food assistance to targeted developing countries in order to promote their economic growth. It is intended to promote the recipient country's transition to commercial trade by gradually reducing the concessionality of the program and eliminating ocean freight financing. In FY 2006, $50 million of commodity financing were provided under the Title I concessional sales agreement to finance the sale of about 178,500 metric tons of commodities to three countries: Jordan, Peru and the Philippines.

Title I funds may also be used to support the FFP program which is a grant program designed to assist countries working to make the transition to more market oriented economies. Under the FY 2006 Title I-funded FFP program, 10 countries received over 212,000 metric tons of commodities and related freight valued at nearly $73 million. All of these were government programs.

FY 2006 P.L. 480 TITLE I and TITLE I FUNDED/ FOOD FOR PROGRESS COUNTRY ALLOCATIONS
($ Millions)

	COUNTRY	TOTAL VALUE
TITLE I		
	Jordan	$20.0
	Peru	10.0
	Philippines	20.0
	Sub-Total	$50.0

TITLE I/FFP

Government Programs:	Afghanistan	$7.9
	Cameroon	5.2
	Dominican Republic	7.7
	Ecuador	7.0
	Guatemala	3.7
	Honduras	5.4
	Lebanon	9.2
	Mali	6.2
	Pakistan	11.9
	Yemen	8.9
	Sub-Total	$73.1
	TOTAL Title I & Title I FFP	**$123.1**

COMMODITIES PROGRAMMED IN FY 2006 UNDER TITLE I AND TITLE I/FFP

COMMODITY	000 MT
Wheat	200.4
Corn	36.0
Rice	48.4
Soybean Meal	78.5
Soybean Oil	11.1
Flour	4.5
Vegetable Oil	12.0
Total	390.9

CCC-FUNDED FOOD FOR PROGRESS

The FFP program assists developing countries in expanding private enterprise and making the transition to a market economy. FFP agreements with countries may be funded with CCC or, as noted above, P.L. 480, Title I resources. In FY 2006, CCC funding provided over 230,900 metric tons valued at $82 million, and $49 million of transportation and other non-commodity costs. USDA completed FFP programs with both private voluntary organizations (PVO) and foreign governments. These implementing partners usually monetize (sell on the local market) the commodities and use the sales proceeds to fund development projects. The countries receiving CCC-funded FFP assistance and the quantity of the commodities programmed are shown in the tables below:

FY 2006 CCC-FUNDED FOOD FOR PROGRESS
($000)

COUNTRY	TOTAL VALUE
Afghanistan	$14.2
Armenia	0.3
Bolivia	8.5
Central African Republic	3.7
Congo, Democratic Republic of	8.9
Congo, Republic of	6.3
Georgia	6.9
Guatemala	8.4
Honduras	7.0
Jamaica	6.8
Liberia	2.3

COUNTRY	TOTAL VALUE
Madagascar	2.9
Malawi	6.8
Mali	6.2
Mongolia	9.9
Mozambique	9.0
Nicaragua	4.5
Philippines	13.0
Sri Lanka	5.5
Total	131.2

COMMODITIES PROGRAMMED IN FY 2006 UNDER CCC-FUNDED FOOD FOR PROGRESS

COMMODITY	000 MTS
Beans	1.9
Bulgur	0.3
Canned Salmon	0.7
Flour	4.7
Lentils	7.7
NonFat Dry Milk	1.5
Peas	6.4
Rice	19.6
Soy Flour	0.1
Soy Protein Concentrate	0.1
Soybean Meal	68.0
Soybean Oil	16.6
Sunflower Oil	1.5
Tallow	2.0
Textured Soy Protein	0.3
Vegetable Oil	3.4
Wheat	96.1
Total	230.9

FY 2006 COMMODITIES PROGRAMMED UNDER SECTION 416(b)

Section 416(b) of the Agricultural Act of 1949 provides for the donation of commodities owned by the CCC to assist needy people overseas. During FY 2006, USDA provided about 9,700 metric tons of nonfat dry milk valued at $17 million, and associated freight and administrative costs, valued at $3 million. These donations alleviated humanitarian crises, supported agricultural development, and funded HIV/AIDS awareness and prevention programs.

FY 2006 SECTION 416(b)
($millions)

COUNTRY	TOTAL VALUE
Guatemala	$1.0
Kazakhstan	11.9
Pakistan	5.2
Georgia	2.0
Total	$20.1

COMMODITIES PROGRAMMED IN FY 2006
UNDER SECTION 416(b)

COMMODITY	000 MTS
Nonfat Dry Milk	9.7

MCGOVERN-DOLE INTERNATIONAL FOOD FOR EDUCATION AND CHILD NUTRITION PROGRAM

The FFE program is intended to administer preschool and in-school food for education programs in foreign countries and nutrition programs for women, infants, and children under age 5. The program was authorized through the Farm Security and Rural Investment Act of 2002 and the program started operating in FY 2003. About $86.3 million of assistance was made available through the program in FY 2006. Approximately 47 percent of the total program cost was allocated for commodity expenses. The remainder of the funding was allocated as follows: 22 percent for freight and 32 percent for providing administrative expenses and other non-commodity costs. USDA provided over 91,000 metric tons of commodities to support programs implemented by the WFP and PVOs in 15 countries. More than 2.5 million children and mothers benefited from the FY 2006 program.

FY 2006
MCGOVERN-DOLE FOOD FOR EDUCATION
($millions)

COUNTRY	TOTAL VALUE
Afghanistan	$21.3
Bangladesh	7.4
Benin	2.4
Bolivia	1.7
Cambodia	3.3
Chad	3.9
Congo, Republic of	7.1
Guatemala	11.6
Guinea-Bissau	3.3
Honduras	1.8
Kenya	8.7
Laos	3.4
Nicaragua	0.8
Pakistan	7.1
Senegal	2.5
Total	$86.3

COMMODITIES PROGRAMMED IN FY 2006
UNDER MCGOVERN-DOLE FOOD FOR EDUCATION

COMMODITY	000 MTS
Barley	0.8
Buckwheat	0.5
Bulgur	6.4
Canned Salmon	0.9
Corn	1.0
Flour	2.3
Non Fat Dry Milk	0.7
Peas/Beans/Lentils	15.6
Rice	13.9
Sorghum	1.6

COMMODITY	000 MTS
Soybeans & Soy Products	7.8
Soybean Oil	3.7
Vegetable Oil	19.2
Wheat	16.6
Total	91.1

SPS ISSUES RESOLUTION

Agricultural trade is unique with respect to the risks associated with transfer of pest and diseases. However, as tariff barriers have been reduced, the prominence of non-tariff barriers to trade – particularly in the SPS area – has increased. In spite of the WTO Agreement on the Application of SPS Measures, countries have relied increasingly on SPS barriers to protect domestic industries as global trade expands. Unnecessarily restrictive regulations to address human and animal health (sanitary) and plant health (phytosanitary) risks are major barriers to expansion of global agricultural trade. FAS works to improve market access for U.S. agricultural products resulting from sanitary, phytosanitary, and technical regulations by monitoring and enforcing international SPS rules, working to strengthen the global SPS regulatory framework, and encouraging adoption of international standards.

While we do not generally negotiate new SPS commitments in the texts of new trade agreements, they do provide the incentive for our trading partners to more quickly bring problematic SPS measures into line with international standards. For example, with our new free trade partners in Latin America we have been able to overcome long-standing restrictions and to secure access for our beef and poultry.

FAS Agricultural Counselors, Attaches, and Officers covering over 130 countries report routinely on SPS and technical regulations in foreign countries and work to resolve market access issues relating to these measures.

-- **Scientific Cooperation Research Program (SCRP).** The SCRP continues to collaborate with a diverse group of U.S. institutions to build long-lasting international research partnerships. Projects link U.S. scientists with researchers worldwide and make practical use of biotechnology and other tools to help solve trade, food, and agricultural problems. A number of SCRP projects have directly supported the objectives of free trade initiatives with Latin America. A joint research project with Mexico is working to reduce aflatoxin contamination of corn, a food safety and trade related concern. A project in Guatemala is helping to reduce pesticide use on snow peas exported to the United States, and in Costa Rica researchers are using Geographic Information Systems to enhance phytosanitary conditions with small ornamental growers and improve the quality of ornamental exports to the United States. A project linking scientists in Uruguay and Bolivia with university researchers in Minnesota is working to control Johne's disease that impacts international marketing of cattle and cattle products and costs dairy producers nearly $200 million annually. This project strengthens national capacity to control animal diseases and complements other USDA regulatory, research, and domestic extension programs.

-- **Strengthening Developing Countries' SPS Capacity.** FAS provided leadership in negotiating increases in international organizations' budgets for Agricultural Health and Food Safety (AHFS) and for standards-setting bodies. As a result, the AHFS budget for the Inter-American Institute for Cooperation in Agriculture (IICA) for 2007 was increased by 12 percent from $5.3 million to $5.9 million, and the Food and Agricultural Organization (FAO) budget for the International Plant Protection Convention was also increased by 12 percent from $4.2 million to $4.7 million. These increases are particularly noteworthy, given the budget constraints and reform efforts undertaken in the last terms of the IICA and FAO Directors General. Benefits to the United States include expanded trade by developing countries implementing internationally agreed standards.

-- **Standardized SPS Standards for Afghanistan.** Under an interagency agreement with USAID, USDA is providing technical assistance to enable the government of Afghanistan to develop more standardized sanitary and phytosanitary standards (SPS) for trade in agricultural products. The development of effective SPS standards is seen as a key element in assisting Afghanistan to re-establish what was once a thriving export industry in dried and fresh-market horticultural products. Improvement in Afghanistan's SPS institutional capacity is critical for expanding agricultural and agribusiness income levels and will facilitate Afghanistan's transition to a market-based economy. Rural stability and employment are considered fundamental to meet U.S. national security interests in Afghanistan.

-- **SPS Enquiry Points for Yemen, Bahrain, and United Arab Emirates.** FAS led a team of USDA experts for three back-to-back workshops in Yemen, Bahrain, and the United Arab Emirates on national SPS Enquiry Points. Host-government officials learned about the U.S. system of interagency coordination and communication with the private sector. Establishment of fully functioning national Enquiry Point authority is required for all WTO-member countries, as it is an important administrative tool that encourages transparency and supports free trade. All three countries are part of the Middle East Free Trade Initiative.

-- **International Standards Met for Meat Processing in Armenia.** With USDA support to the Armenian meat processing industry, seven slaughterhouses are using modern processing technology and sanitary techniques, resulting in products that now meet international sanitary standards. Improving Armenia's institutional food-safety capacity is essential to building its foundation as an international trading partner. This necessary step builds domestic and international confidence that Armenia's domestic and exported food products can take advantage of international trade agreements and market liberalization.

-- **West Bank/Gaza Food Safety Technical Assistance.** FAS, in cooperation with the USAID/West Bank and Gaza Mission, trained over 200 Palestinian meat and dairy regulators and producers on food pathogens and implementation of food safety plans in their facilities. The program increased local knowledge of HACCP, assisted local producers in writing and implementing HACCP plans compliant with U.S. and international standards, and promoted regional cooperation.

PROGRAM ASSESSMENT RATING TOOL (PART)

FAS undertook a PART assessment of its export credit guarantee and a reassessment of the foreign food assistance programs in the FY 2006 budget process. The Food Aid Programs administered by USDA include the P.L. 480 Title I Program, Food For Progress Program, Section 416(b) Commodity Donation Program, Bill Emerson Humanitarian Trust, and McGovern-Dole International Food For Education and Child Nutrition Program. The Export Credit Guarantee Programs include GSM-102 program and the Supplier Credit Guarantee Program. Under the PART assessment, each review received a "Moderately Effective" rating. For the FY 2008 budget process, FAS carried out a PART assessment of its Dairy Export Incentive (DEIP) and Export Enhancement (EEP) programs. This review also received a "Moderately Effective" rating.

As a result of these PARTs, FAS has undertaken a number of steps to address program weaknesses. For the food aid programs, FAS developed and continues to refine a new annual performance measure for food aid targeting effectiveness. FAS has also provided baseline data, made improvements in program financial management areas, and taken the lead in an interagency review of food and information technology systems that will lead to further program efficiencies. In FY 2006, FAS obtained CCC Section 11 funding for $988,000 to begin development of the Food Aid Information System, a new database system for USDA's food aid programs. In FY 2007, FAS will continue system development and testing. This system is expected to improve program accountability by providing ready access to food aid shipments at various stages, on-line access for PVOs to file reports and cost information on commodities and transportation.

For the export credit guarantee programs, FAS developed long-term and annual performance measures and baselines, and demonstrated program administration cost efficiencies and effectiveness. In FY 2005, the new GSM-online data system became available, and exporters and U.S. bankers who are registered were "authenticated" as part of the system's security function. Also, in FY 2005, FAS began steps to improve claims recoveries by contracting with a private collection agent and these efforts continued in FY 2006. In FY 2007, we expect to engage local law firms in several countries and recovery/restructuring firms. With respect to an independent review, in FY 2006, USDA's Office of the Inspector General stated in its business plan that it would conduct a review of the Export Credit Guarantee Program. For future years, FAS will work to contract, using FAS S&E funds, with USDA/ERS, OIG or another independent party to conduct an independent review of the program prior to FY 2010. The DEIP/EEP programs have not been operational for several years. While these programs were found to be helpful in advancing U.S. trade policy objectives to counter and eliminate export subsidies through multilateral negotiation, they were not successful in permanently expanding exports or building U.S. market share globally.

FAS undertook a PART assessment of its foreign market development programs in the FY 2007 budget process. There are five foreign market development programs administered by USDA with the related purposes of maintaining and expanding markets for U.S. agricultural commodities: the Market Access Program and the Foreign Market Development Cooperator Program are the two largest programs accounting for 93 percent of the FY 2005 actual funding; the Quality Samples Program; the Technical Assistance for Specialty Crops program; and the Emerging Markets Program. Under the PART assessment, the five foreign market development programs were reviewed collectively and received a "Moderately Effective" rating.

In preparation for the PART, FAS developed a logic model to construct good performance measures for the foreign market development programs. The logic model provides FAS with a road map for collecting and documenting baseline data, annual and long-term performance goals and performance indicators. By defining the *inputs-outputs-outcomes* relationships in the logic model, FAS has a performance management tool to adequately measure and monitor program effectiveness.

Prior to the development of the logic model and the PART assessment, FAS had collected significant amounts of data related to program performance. However, some of the data did not align with the new performance measures or was not collected in a manner that made it easy to aggregate. FAS is modifying and enhancing its web-based management information system to meet the collection and reporting requirements for FAS' improved performance measures. FAS is now tracking exports in targeted markets by country income level, the ratio of exports to relative funding levels, export sales for small companies, number of small companies making their first export sale, and number of small companies with increased export sales greater than 20 percent. In addition, FAS is implementing a consistent process across all divisions responsible for reviewing and evaluating the achievements of all program participants. Finally, FAS is developing a consistent and systematic approach for independent program evaluations.

TRADE ADJUSTMENT ASSISTANCE FOR FARMERS PROGRAM

The TAA program underwent a PART assessment as part of the FY 2007 budget process. OMB requires 5 years of data before a program can be analyzed under PART. As TAA has been operational only 3 years, OMB stated that FAS could only expect a rating of "Results Not Demonstrated" because 5 years of historical data hasn't yet been collected. Nevertheless, prior to PART, the Cooperative State Research, Education, and Extension Service (CSREES), the USDA agency which conducts most of the technical assistance training under the program, had already initiated a review of program participants as part of the TAA participation agreement with FAS. Information compiled as part of the CSREES survey was used to establish a baseline and performance targets for eight specific performance measures for the TAA program. Only after 5 years of operation can the TAA program be expected to receive a fully successful PART assessment, and every analysis of the TAA program indicates it will be so evaluated.

FOREIGN AGRICULTURAL SERVICE

Summary of Budget and Performance
Statement of Agency Goals and Objectives

The Foreign Agricultural Service has three strategic goals and ten strategic objectives that contribute to one of the Department's Strategic Goals and three of the Department's Strategic Objectives

USDA Strategic Objective	**Agency Strategic Goal/Objective**	**Agency Budget Activity (BA)**	**Programs that Contribute**	**Key Outcome**
USDA Strategic Objective 1.1: Expand and Maintain International Export Opportunities	**Agency Goal 1:** Create a level playing field for U.S. agricultural trade: Objective 1.1 eliminate barriers to agricultural trade through negotiations of trade agreements; Objective 1.2 enforce U.S. rights under existing trade agreements; and Objective 1.3 build support for open trade by developing strategic relationships with foreign governments.	**BA # 1**: Market Access	Market Access Program (MAP); Technical Assistance for Specialty Crops (TASC); Emerging Markets Program (EMP); and Cochran Fellowship Program (CFP)	**Key Outcome 1:** Increased access to global markets for U.S. agricultural producers and exporters
USDA Strategic Objective 1.2: Support International Economic Development and Trade Capacity Building	**Agency Goal 2:** Expand the global agricultural trading system: Objective 2.1 facilitate U.S. commercial trade through market-related programs, market intelligence, and overseas services; Objective 2.2 support the U.S. trade policy agenda through trade capacity building activities; and Objective 2.3 coordinate and lead USDA international assistance and development activities to support U.S. national security and foreign policy goals.	**BA # 2:** Trade Development **BA # 3:** Trade Related Technical Assistance	MAP, TASC; EMP; Foreign Market Development (FMD) Program; Quality Samples Program (QSP); Export Enhancement Program (EEP); Dairy Export Incentive Program (DEIP); GSM-102; Supplier Credit Guarantee Program (SCGP); and Facility Guarantee Program (FGP); MAP; TASC; EMP; CFP; Borlaug Fellowship Program, (BFP); P.L. 480 Title I; Section 416(b); McGovern Dole International Food for Education and Child Nutrition Program (FFE); and Food for Progress	**Key Outcome 2**: Improved ability in developing countries to sustain economic growth and benefit from international trade

USDA Strategic Objective 1.3: Improved Sanitary and Phytosanitary (SPS) System to Facilitate Agricultural Trade	**Agency Goal 3:** Reduce technical trade barriers and restrictive SPS measures: Objective 3.1 monitor and enforce WTO SPS and TBT Agreement commitments; Objective 3.2 address SPS and technical trade barriers through bilateral discussions; Objective 3.3 support development and adoption of science-based international standards; and Objective 3.4 support development and adoption of science-based SPS regulatory systems.	**BA # 4:** SPS Issues Resolution	MAP; TASC; and EMP	**Key Outcome 3:** An improved global SPS system for facilitating agricultural trade

FOREIGN AGRICULTURAL SERVICE

STRATEGIC OBJECTIVE 1.1: Expand and Maintain International Export Opportunities

STRATEGIC OBJECTIVE 1.2: Support International Economic Development and Trade Capacity Building

STRATEGIC OBJECTIVE 1.3: Improved Sanitary and Phytosanitary System to Facilitate Agricultural Trade

Strategic Objective and Funding Matrix
(On basis of appropriation)

	2006 Actual		2007 Estimated		Increase or Decrease	2008 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Strategic Objective 1.1							
Market Access	$50,927,000	295	$52,417,000	311	$8,264,000	$60,681,000	311
Strategic Objective 1.2							
Trade Development	50,864,000	111	49,075,000	124	3,099,000	52,174,000	124
Trade Related Technical Assistance	29,096,000	221	28,587,000	116	4,599,000	33,186,000	116
	79,960,000	332	77,662,000	240	7,698,000	85,360,000	240
Strategic Objective 1.3							
SPS Issues Resolution	20,368,000	111	20,957,000	233	6,196,000	27,153,000	233
Unobligated Balance	219,000		0		0	0	
Total, Available	151,474,000	738	151,036,000	784	22,158,000	173,194,000	784

Selected Accomplishments Expected at the FY 2008 Proposed Resource Level:

Strategic Objective 1.1:
- Estimated $0.9 billion of trade will be preserved through trade agreement negotiations, monitoring and enforcement

Strategic Objective 1.2:
- Estimated 8 countries that will make substantive improvements in national trade policy and regulatory frameworks that increase market access
- Estimated 2.5 million mothers, infants, and school children will receive daily meals and take home rations

Strategic Objective 1.3:
- Estimated $2.4 billion of trade will be preserved through staff interventions leading to resolutions of barriers created by SPS or technical barriers to trade measures
- Estimated 24 developing countries for which technical assistance and training on WTO, Codex, International Plant Protection Convention (IPPC) and World Organization for Animal Health standards and processes will be provided

FOREIGN AGRICULTURAL SERVICE

Summary of Budget and Performance
Key Performance Outcomes and Measures

Key outcomes and performance measures under each of the agency's strategic goals as outlined below:

Goal 1: Create a level playing field for U.S. agricultural trade:

Key Outcome: Increased access to global markets for U.S. agricultural producers and exporters.

Key Performance Measure:

- Dollar value of agricultural trade preserved through trade agreement negotiations, monitoring, and enforcement

Key Performance Target:

Performance Measure #1	**2003 Actual**	**2004 Actual**	**2005 Actual**	**2006 Actual**	**2007 Target**	**2008 Target**
-- Dollar value of agricultural trade preserved through trade agreement negotiation, monitoring, and enforcement. -- Includes both SPS and Non-SPS activities -- Non-SPS activities ($ millions)	$2,713	$3,950	$800	$14 1/	$900	$900

1/ USDA did not reach its performance goal of $900 million because of the failure of Costa Rica and the Dominican Republic to ratify and implement the CAFTA agreement and because of delays in finalization of the Peru and Colombia FTA agreements.

Goal 2: Expand the global agricultural trading system:

Key Outcome: Improved ability in developing countries to sustain economic growth and benefit from international trade.

Key Performance Measures:

- Long-Term Net Default Rate for the CCC Export Credit Guarantee Programs
- Number of countries that make substantive improvements in national trade policy and regulatory frameworks that increase market access
- Food Aid Targeting Effectiveness Ratio
- Number of women and children assisted under the McGovern-Dole International Food for Education and Child Nutrition Program

Key Performance Target:

PART Performance Measure	**2003 Actual**	**2004 Actual**	**2005 Actual**	**2006 Actual**	**2007 Target**	**2008 Target**
-- Long-Term Net Default Rate for the CCC Export Credit Guarantee Programs	-0.62%	-0.26%	-0.47%	-0.36	NTE +/- 1.5%	NTE +/- 1.5%
Food Aid Targeting Effectiveness Ratio	40-45%	40-44%	45% est.	45% est.	45%	45%

Performance Measure #2	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Target	2008 Target
a. No. of women and children assisted under McGovern-Dole (millions)	2.5	2.0	3.4	3.3	2.5	2.5
b. Substantive improvements in national trade policy and regulatory frameworks that increase market access in recipient countries	N/A	N/A	N/A	6 countries	7 countries	8 countries

Goal 3: Reduce technical trade barriers and restrictive SPS measures.

Key Outcome: An improved global SPS system for facilitating agricultural trade.

Key Performance Measures:

- Value of trade preserved annually through USDA staff intervention leading to resolutions of barriers created by SPS or technical barriers to trade measures.

Key Performance Target:

Performance Measure #3	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Target	2008 Target
--Value of trade preserved through USDA staff intervention leading to resolutions of barriers created by SPS or TBT measures.	N/A a/	N/A a/	$2.0B	$2.6B	$2.2B	$2.4B

a/ For FYs 2003 and 2004, included in the data for USDA Strategic Objective 1.1.

FOREIGN AGRICULTURAL SERVICE

Full Cost by Agency Strategic Goal

Agency Goal 1: Create a level playing field for U.S. Agricultural Trade

PROGRAM	PROGRAM ITEMS	2006 AMOUNT ($000)	2007 AMOUNT ($000)	2008 AMOUNT ($000)
Market Access				
	DISCRETIONARY PROGRAM			
	Salaries and Expenses:			
	Direct Costs	43,288	44,554	51,579
	Indirect Costs	7,639	7,863	9,102
	Subtotal	50,927	52,417	60,681
	MANDATORY PROGRAM			
	Total Costs	0	0	0
		50,927	52,417	60,681
	FTE's	295	311	311
	Performance Measures:			
	--Dollar value of agricultural trade preserved through trade agreement negotiation, monitoring and enforcement	$14,000	$900,000	$900,000

Agency Goal 2: Expand the Global Agricultural Trading System

PROGRAM	PROGRAM ITEMS	2006 AMOUNT ($000)	2007 AMOUNT ($000)	2008 AMOUNT ($000)
Trade Development				
	DISCRETIONARY PROGRAM			
	Salaries and Expenses:			
	Direct Costs	43,234	41,714	44,348
	Indirect Costs	7,630	7,361	7,826
	Subtotal	50,864	49,075	52,174
	MANDATORY PROGRAM			
	Market Access Program	200,000	200,000	200,000
	Dairy Export Incentive Program	0	3,000	3,000
	Foreign Market Development Program	34,500	34,500	34,500
	Export Enhancement Program	0	28,000	28,000
	Emerging Markets Program	10,000	10,000	10,000
	Technical Assistance for Specialty Crops Program	2,000 [a/]	2,000	2,000
	Quality Samples Program	1,803	2,500	2,500
	Export Credit Guarantee Programs	1,363,300	2,090,000	2,440,000
	Subtotal	1,611,603	2,370,000	2,720,000
	Total Costs	1,662,467	2,419,075	2,772,174
	FTE's	111	124	124
	Performance Measure:			
	--Long-Term Net Default Rate	NTE - 0.36%	NTE +/- 1.5%	NTE +/- 1.5%
	--Export Multiplier Ratio [b/]	120	127	130

[a/] An additional $0.6 million was provided for TASC activities through the FAS direct appropriations.

[b/] Export Multiplier Ratio -Total exports for targeted markets divided by expenditures of market development programs, FAS administrative costs, and industry contributions.

FOREIGN AGRICULTURAL SERVICE

Full Cost by Agency Strategic Goal

Agency Goal 2: Expand the Global Agricultural Trading System

PROGRAM	PROGRAM ITEMS	2006 AMOUNT ($000)	2007 AMOUNT ($000)	2008 AMOUNT ($000)
Trade Related Technical Assistance				
	DISCRETIONARY PROGRAM			
	Salaries and Expenses:			
	Direct Costs	24,732	24,299	28,208
	Indirect Costs	4,364	4,288	4,978
	Subtotal	29,096	28,587	33,186
	Programs:			
	P.L. 480 Title I	76,211	0	0
	McGovern-Dole International Food for Education and Child Nutrition Program	98,260	98,260	100,000
	Total, Discretionary Costs	203,567	126,847	133,186
	MANDATORY PROGRAMS			
	Food for Progress (CCC-Funded)	131,100	151,473	162,562
	Section 416(b) Donations	20,100	0	0
	Total, Mandatory Programs	151,200	151,473	162,562
	Total, Costs	354,767	278,320	295,748
	FTE's	111	116	116
	Performance Measures:			
	McGovern Dole:			
	--Number of mothers, infants, and school children receiving daily meals and take-home rations (millions)	3.3	2.5	2.5
	--Food Aid Targeting Effectiveness Ratio	45% Est.	45%	45%

Agency Goal 3: Reduce Technical Trade Barriers and Restrictive SPS Measures

PROGRAM	PROGRAM ITEMS	2006 AMOUNT ($000)	2007 AMOUNT ($000)	2008 AMOUNT ($000)
SPS Issues Resolution				
	DISCRETIONARY PROGRAM			
	Salaries and Expenses:			
	Direct Costs	17,313	17,813	23,080
	Indirect Costs	3,055	3,144	4,073
	Subtotal	20,368	20,957	27,153
	MANDATORY PROGRAM	0	0	0
	Total Costs	20,368	20,957	27,153
	FTE's	221	233	233
	Performance Measure:			
	--Value of U.S. agricultural trade expended and maintained annually.	2,600,000	2,200,000	2,400,000

FOREIGN AGRICULTURAL SERVICE

McGovern-Dole International Food for Education and Child Nutrition Program
Purpose Statement

Section 3107 of the 2002 Farm Bill authorizes the President to provide U.S. agricultural commodities and financial and technical assistance for (a) preschool and school food for education programs in foreign countries to improve food security, reduce hunger, and improve literacy and (b) for maternal, infant and child nutrition programs for pregnant women, nursing mothers, and infants and children. The statute authorizes appropriations for each of fiscal years 2005 through 2008. It also authorizes the Food and Nutrition Service to provide technical advice on the establishment of programs and on implementation of the programs in the field in recipient countries.

Available Funds
2006 Actual and Estimated 2007 and 2008

Item	Actual 2006 Amount	Estimated 2007 Amount	Estimated 2008 Amount
McGovern-Dole Program	$100,000,000	$98,260,000	$100,000,000
Rescission	-1,000,000	0	0
Total Available or Estimate, McGovern-Dole Program	99,000,000	98,260,000	100,000,000
Other Federal Funds:			
Maritime Administration (MARAD)	2,000,000	3,100,000	8,000,000
Total, McGovern-Dole Program	101,000,000	101,360,000	108,000,000

Foreign Agricultural Service

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

MCGOVERN-DOLE INTERNATIONAL FOOD FOR EDUCATION
AND CHILD NUTRITION PROGRAM GRANTS

For necessary expenses to carry out the provision of section 3107 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 1736o-1), [$98,260,000] $100,000,000, to remain available until expended: Provided, That the Commodity Credit Corporation is authorized to provide the services, facilities, and authorities for the purpose of implementing such section, subject to reimbursement from amounts provided herein.

FOREIGN AGRICULTURAL SERVICE

McGOVERN-DOLE INTERNATIONAL FOOD FOR EDUCATION AND CHILD NUTRITION PROGRAM

Estimate, 2007	$98,260,000
Budget Estimate, 2008	100,000,000
Increase in Appropriations	1,740,000

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

Item of Change	2007 Estimated	Program Changes	2008 Estimated
McGovern-Dole Program	$98,260,000	$1,740,000	$100,000,000

Project Statement
(On basis of adjusted appropriation)

2006 Actual and Estimated 2007 and 2008

	2006 Actual	2007 Estimated	Increase	2008 Estimated
McGovern-Dole Program	$100,000,000	$98,260,000	$1,740,000	$100,000,000
Total, Available or Estimate	99,000,000	98,260,000	1,740,000	100,000,000
Rescission	1,000,000	0		
Total Appropriation	99,000,000	98,260,000		

Classification by Objects
2006 Actual and Estimated 2007 and 2008

Other Objects:	2006	2007	2008
41 Grants	$99,000,000	$98,260,000	$100,000,000

Geographic Breakdown of Obligations
2006 Actual and Estimated 2007 and 2008

	2006 Amount	2007 Amount	2008 Amount
District of Columbia	$99,000,000	$98,260,000	$100,000,000

Public Law 480

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PUBLIC LAW 480

PURPOSE STATEMENT

Under programs authorized by the Agricultural Trade Development and Assistance Act of 1954 (P. L. 480), as amended, U.S. agricultural commodities are exported to developing countries as food assistance. No commodity is available for donation if it would reduce the domestic supply below that which is needed to meet domestic requirements including exports, and adequate carryover, unless the Secretary determines that some part of the supply should be used for urgent humanitarian purposes. No commodities may be made available except upon determination that adequate storage facilities are available in the recipient country at the time of exportation to prevent spoilage or waste and that the distribution will not be a substantial disincentive to the recipient country's domestic production. In carrying out this program, emphasis is placed on assistance to those countries that are determined to help themselves by improving their agricultural production and economic development.

No agreements may be made with the government of any country which engages in a consistent pattern of gross violations of internationally recognized human rights or other flagrant denial of the right to life, liberty, and personal security unless the use of the commodities themselves or proceeds from their sale is targeted to the neediest people of that country and is made available through channels other than the government.

Facilities and funds of the Commodity Credit Corporation (CCC) are, by law, used in carrying out programs for exporting agricultural commodities. The law also authorizes making appropriations to cover costs of such programs. When funds for Title I ocean freight differential and Title II become available, advances are made to the Corporation for estimated costs. If the amounts appropriated are greater than actual costs, the excess is carried forward for use in future years.

The following activities are carried out under P.L. 480, as amended:

1. P.L. 480 Title I- Financing sales of agricultural commodities to developing countries or private entities for dollars on credit terms, or for local currencies (including for local currencies on credit terms) for use under section 104; and for furnishing commodities to carry out the Food for Progress Act of 1985, as amended.

All sales of commodities are made pursuant to agreements concluded under Title I authority, using funds appropriated for P.L. 480. Title I agreements are intended to expand international trade and encourage economic development in recipient countries.

P.L. 480 Title I sales are made to developing countries as defined in section 402(4) of P.L. 480 and must not displace expected commercial sales (sections 403(e) and (h)). Agreements with private entities as well as foreign governments are authorized (sections 101-102).

Repayments for agricultural commodities sold under Title I, with interest at a concessional rate as determined by the Secretary, may be made either in U.S. dollars or in local currencies on credit terms up to 30 years, with a grace period of up to five years. Interest is charged from the date of last delivery in each calendar year. Payments received under fiscal year 1992 and subsequent agreements are deposited in a financing account for use by the U.S. Treasury to offset U.S. Government outlays.

Under the Food for Progress Act of 1985, CCC may provide agricultural commodities on a grant basis or may finance the sale and exportation of agricultural commodities on credit terms to support developing countries and countries that are emerging democracies and have made commitments to introduce or expand free enterprise elements in their agricultural economies. For commodities furnished on a grant basis, the Corporation may pay, in addition to acquisition costs and ocean transportation, such related commodity and delivery charges as specified for commodities supplied under Title II.

For most sales agreements under Title I, CCC will pay ocean freight charges only to the extent of the difference between U.S.-flag rates and foreign-flag rates when U.S.-flag vessels are required to be used by authority of the Merchant Marine Act. This difference in rates is known as the ocean freight differential. In limited cases, full transportation costs to port of entry or point of entry abroad may be included with the cost of the commodity in the amount financed by CCC to ensure that U.S. food aid will reach the neediest recipients.

Section 411 of P.L. 480 authorizes the President to waive payments of principal and interest under dollar credit sales agreements for countries which are least developed and either (1) have an International Monetary Fund standby agreement or a structural adjustment program of the International Bank for Reconstruction and Development in effect; or (2) do not have an agreement in effect but are pursuing a policy to promote democratic, market-oriented and long-term economic development. If such authority is used to waive payments, no new Title I assistance may be provided for that country for two years following the date of the authorized waiver unless the President provides prior written justification to the Congress.

2. P.L. 480 Title II- Commodities supplied in connection with dispositions abroad. Commodities are supplied without cost to developing countries to combat malnutrition, to foster sustainable development, to meet famine and other emergency requirements, to promote sound environmental practices and to support donation activities of The World Food Program. CCC pays ocean freight on shipments under this title and may also pay overland transportation costs to a landlocked country, as well as internal storage and distribution costs in emergency situations.

Commodities requested may be furnished from the Corporation's inventory acquired under price support programs or purchased from private stocks. Commodities furnished from the Corporation's inventory which are acquired under a domestic price support program are valued at a price not greater than the export market price at the time of delivery for purposes of determining the reimbursement due the Corporation.

Title II is administered by the U.S. Agency for International Development (USAID). Local commodity distribution is usually made by nonprofit voluntary agencies, including foreign voluntary agencies when no United States agency is available, as well as by the World Food Program of the United Nations. Funding for administrative, management and personnel support and internal transportation and distribution costs of sponsoring agencies are authorized to be between 5 and 10 percent of the annual Title II program level.

3. Technical assistance to developing countries, middle-income countries, and emerging markets to increase farm production and farmer incomes (Farmer-to-Farmer). The Farmer-to-Farmer program, authorized by Title V of P.L. 480, provides farmer-to-farmer assistance between the United States and eligible countries. This assistance is intended to increase food production and distribution, and improve the effectiveness of farming and marketing operations of farmers.

The program utilizes U.S. farmers, agriculturalists, land grant universities, private agribusinesses, and nonprofit farm organizations to work in conjunction with farmers and farm organizations in eligible countries, on a voluntary basis, to facilitate the improvement of farm and agribusiness operations and agricultural systems in such countries.

Up to 0.5 percent of the amounts made available for P.L. 480 is used to fund the Farmer-to-Farmer program. Funds available for this program may be augmented through the use of local currencies accrued from the sale of agricultural commodities under P.L. 480 and from local currencies generated from other types of foreign assistance activities within the country where the program is being conducted.

Public Law 480
Available Funds
2006 Actual and Estimated 2007 and 2008

Item	Actual 2006	Estimated 2007	Estimated 2008
Title I Program Account:			
Title I Credit Level	$39,268,626	0	0
Title I Food for Progress	96,817,858	$39,000,000	0
Appropriation	68,425,000	0	0
Rescission	-684,250	0	0
Farmer to Farmer transfer	-321,948	0	0
Offsetting collections	11,072,781	0	0
Change in Unobligated Balance	87,817,775	39,467,723	$500,000
Total Title I Subsidy and Grants	166,309,358	39,467,723	500,000
Administrative Expenses	3,351,150	2,651,000	2,761,000
Total Title I Administrative Expenses	3,351,150	2,651,000	2,761,000
Title I Ocean Freight Differential Grants:			
Appropriation	11,940,000	0	0
Rescission	-119,400	0	0
Farmer to Farmer transfer	-59,103	0	0
Unobligated balance permanently reduced	-35,000,000	0	0
Change in Unobligated Balance	37,230,998	16,709,690	26,000,000
Maritime Administration Reimbursements	21,210,824	19,000,000	18,800,000
Total Title I Ocean Freight Differential	35,203,319	35,709,690	44,800,000
Total Title I	204,863,826	77,828,412	48,061,000
Title II Grants:			
Appropriation	1,500,000,000	1,223,100,000	1,219,400,000
Rescission	-11,500,000	0	0
Farmer to Farmer transfer	381,051	0	0
Change in Unobligated Balance	50,688,347	80,000,000	80,000,000
Recoveries	93,364,381	0	0
Maritime Administration Reimbursements	220,509,956	82,000,000	124,000,000
Total Title II Grants	1,853,443,735	1,385,100,000	1,423,400,000
Total PL 480	2,058,307,561	1,462,928,412	1,471,461,000

PUBLIC LAW 480

The estimates include appropriation language for this item as follows (new language underscored):

Public Law 480 Title I Direct Credit and Food for Progress Program Account

(Including Transfers of Funds)

<u>For administrative expenses to carry out the credit program of title I, Public Law 83–480, $2,761,000 to be transferred to and merged with the appropriation for "Farm Service Agency, Salaries and Expenses".</u>

Public Law 480 Title II Grants

<u>For expenses during the current fiscal year, not otherwise recoverable, and unrecovered prior years' costs, including interest thereon, under the Agricultural Trade Development and Assistance Act of 1954, for commodities supplied in connection with dispositions abroad under title II of said Act, $1,219,400,000, to remain available until expended: Provided, That if the Administrator of the United States Agency for International Development determines it to be appropriate, up to 25 percent of the funds appropriated under this heading may be used, notwithstanding any other provision of law, for the local or regional purchase and distribution food to assist people threatened by a food security crisis.</u>

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Title I Program and OFD Account

Estimate, 2007	$2,651,000
Budget Estimate, 2008	2,761,000
Increase in Appropriation	110,000

Title II Grants

Estimate, 2007	$1,223,100,000
Budget Estimate, 2008	1,219,400,000
Decrease in Appropriation	-3,700,000

Total PL 480

Estimate, 2007	$1,225,751,000
Budget Estimate, 2008	1,222,161,000
Decrease in Appropriation	-3,590,000

Summary of Increases and Decreases
(On basis of adjusted appropriation)

Item of Change	2007 Estimated	Pay Costs	Program Changes	2008 Estimated
Title I Food for Progress	$39,000,000		-$39,000,000	0
Title I Administrative Expense	2,651,000	$110,000		$2,761,000
Title II Grants	1,223,100,000	0	-3,700,000	1,219,400,000
Total Available	1,225,751,000	110,000	-3,700,000	1,222,161,000

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Project Statement by Program
(On basis of appropriation)

	2006 Actual	2007 Estimated	Increase or Decrease		2008 Estimated
PL 480 Title I Credit Level	$39,268,626	0	0		0
Title I Food for Progress	96,817,858	$39,000,000	-$39,000,000		0
Title I Credit Subsidy/Food for Progress Grants	67,740,750	0	0		0
PL 480 Title I Ocean Freight Differential	11,820,600	0	0		0
PL 480 Title II Donations	1,488,500,000	1,223,100,000	-3,700,000	(1)	$1,219,400,000
Administrative Expenses	3,351,150	2,651,000	110,000	(2)	2,761,000
Total Available or Estimate	1,571,412,500	1,225,751,000	-3,590,000		1,222,161,000

Project Statement by Program
(On basis of available funds)

	2006 Actual	2007 Estimated	Increase or Decrease	2008 Estimated
PL 480 Title I Credit Level	$39,268,626	0	0	0
Title I Food for Progress	96,817,858	$39,000,000	-$39,000,000	0
Title I Credit Subsidy/Food for Progress Grants	166,309,358	39,467,723	-38,967,723	$500,000
PL 480 Title I Ocean Freight Differential	35,203,319 a/	35,709,690	9,090,310	44,800,000
Title I Administrative Expenses				
FSA	3,184,830	2,651,000	110,000	2,761,000
FAS	166,320	0	0	0
Total Title I Administrative Expenses	3,351,150	2,651,000	110,000	2,761,000
Total Title I	204,863,826	77,828,412	-29,657,412	48,061,000
PL 480 Title II Donations	1,853,443,735 a/	1,385,100,000	38,300,000	1,423,400,000
Total	2,058,307,561	1,462,928,412	8,642,588	1,471,461,000

a/ Includes MARAD reimbursements, and recoveries of prior year obligations.

Justification of Increases and Decreases

(1) A decrease of $3,700,000 for Title II ($1,223,100,000 available in FY 2007).

The budget proposes a decrease in funding for the Title II donations program due to budgetary constraints and the need to fund other, high priority programs.

(2) An increase of $110,000 in Administrative Expenses ($2,651,000 available in FY 2007).

The increase provides for increased pay costs and necessary administrative operating expenses and reflects more accurately the actual costs of administering the Title I programs.

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Classification by Objects
2006 Actual and Estimated 2007 and 2008

Object Class		2006	2007	2008
Title I				
25.3	Purchases of goods and services	3,351,150	2,651,000	2,761,000
41	Grants, subsidies and contributions	201,512,676	75,177,412	10,500,000
	Total Title I	204,863,826	77,828,412	13,261,000
Title II				
41	Grants, subsidies and contributions	1,853,443,735	1,385,100,000	1,423,400,000
	Total Direct Obligations	2,058,307,561	1,462,928,412	1,436,661,000