

2009 Explanatory Notes  
Foreign Agricultural Service

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## FOREIGN AGRICULTURAL SERVICE

## PURPOSE STATEMENT

FAS' mission to create economic opportunity for American agriculture by expanding global markets 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; supporting international economic development and trade and science capacity building; and improving the Sanitary and Phytosanitary (SPS) system for facilitating agricultural trade. The outcomes envisioned are increased access to global markets for U.S. agricultural producers and exporters, an improved ability in developing countries to sustain economic growth and benefit from international trade, and an improved global SPS system for facilitating agricultural trade.

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. FAS reorganized November 13, 2006, realigning functions and personnel to address significant changes in the world agricultural trade picture and new challenges.

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 2009, FAS will continue to work with the Office of the United States Trade Representative (USTR) to conclude and/or implement the agricultural provisions of the Doha Round of World Trade Organization (WTO) multilateral negotiations, negotiate and enforce bilateral and regional trade agreements, and 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 Agriculture Organization.

FAS' agricultural market intelligence functions are fundamental to ensuring a reliable, fair, and transparent global trading environment for U.S. agricultural producers. In order for food and agricultural prices to reflect supply and demand accurately, timely and unbiased estimates of global production, supply, trade, and use must be available to both sellers and buyers. FAS overseas personnel and analysts in Washington D.C. will continue to work closely with the World Agricultural Outlook Board and other USDA agencies to ensure such information is 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 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) helps exporters compete with subsidized products from other countries through cash bonuses.

### **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 2009, FAS will focus these trade and science 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 and the McGovern-Dole International Food for Education and Child Nutrition Program.

### **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. In addition to a highly specialized Washington-based staff, the agency maintains a targeted and highly efficient network of 101 offices around the world 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. As of September 30, 2007, FAS had 717 permanent full-time employees, including 523 in headquarters and 194 were located in field locations.

**USDA Office of Inspector General and U.S. Government Accountability Office Audit Activity  
Fiscal Year 2007**

<b>OIG Audits</b>	<b>Status/Date</b>	<b>Subject</b>
07601-01-Hy	Report Issued February 2007	Foreign Agricultural Service Trade Promotion Operations
50601-12-At	Report Issued March 2007	Foreign Agricultural Service Implementation of the 2002 Farm Bill and the 2002 President's Management Agenda
50901-01-IR	Report Issued September 2007	Departmental Regulation 1051-002 International Activities and Agreements of USDA Agencies

<b>GAO Audits</b>	<b>Status/Date</b>	<b>Subject</b>
GAO-07-201	Report Issued December 18, 2006	TRADE ADJUSTMENT ASSISTANCE: New Program for Farmers Provides Some Assistance, but Has Had Limited Participation and Low Program Expenditures
GAO-07-379	Report Issued March 5, 2007	WORLD TRADE ORGANIZATION: Congress Faces Key Decisions as Efforts to Reach Doha Agreement Intensify
GAO-07-523	Report Issued March 30, 2007	FOREIGN ASSISTANCE: Enhanced Coordination and Better Methods to Assess the Results of US International Basic Education Are Needed
GAO-07-560	Report Issued April 13, 2007	FOREIGN ASSISTANCE: Various Challenges Impede the Efficiency and Effectiveness of US Food Aid
GAO-07-1209	Report Issued September 27 2007	U.S. Trade Preference Programs: An Overview of Use by Beneficiaries and U.S. Administrative Reviews
GAO-07-1268	Report Issued September 28 2007	PREMIUM CLASS TRAVEL: Internal Control Weaknesses Governmentwide Led to Improper and Abusive Use of Premium Class Travel
GAO-08-39	Report Issued November 6, 2007	STABILIZATION AND RECONSTRUCTION: Actions Are Needed to Develop a Planning and Coordination Framework and Establish the Civilian Reserve Corps
GAO-08-59	Report Issued November 7, 2007	INTERNATIONAL TRADE: An Analysis of Free Trade Agreements and Congressional and Private Sector Consultations Under Trade Promotion Authority
320490	Audit Began April 2007	Review of U.S. Policy and Objectives in the Democratic Republic of the Congo
320503	Audit Began April 2007	U.S. efforts toward Reducing Global Food Insecurity

## FOREIGN AGRICULTURAL SERVICE

Available Funds and Staff Years  
2007 Actual and Estimated 2008 and 2009

Item	Actual 2007		Estimated 2008		Estimated 2009	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Foreign Agricultural Service.....	156,220,000	707	159,470,000	759	168,043,000	759
Credit Reform Funds from Other Accounts:						
CCC Export Loans Program Account.....	3,432,600	43	4,985,000	50	4,985,000	50
P.L. 480 Program Account.....	166,320	--	--	--	--	--
Transfer from FSA.....	1,485,000 <sup>a/</sup>	7	--	--	--	--
Total Credit Reform Funds.....	5,083,920	50	4,985,000	50	4,985,000	50
Subtotal, FAS.....	161,303,920	757	164,455,000	809	173,028,000	809
Rescission.....	0	--	-1,151,185	--	0	--
Transfer to DA Office of Ethics.....	0	--	-74,000 <sup>b/</sup>	--	-1,000	--
Total Available or Estimate, FAS.....	161,303,920	757	163,229,815	809	173,027,000	809
Obligations under other USDA appropriations:						
Commodity Credit Corporation for:						
MAP Evaluations.....	425,000	3	450,000	3	450,000	3
MAP Evaluations - Program Development.....	167,558	--	200,000	--	200,000	--
Landsat data and support of export programs.....	1,500,000	3	1,750,000	3	1,750,000	3
IRM Activities.....	12,724,000	--	13,746,462	--	15,144,692	--
IRM Activities (Non-CCC).....	4,400,000	--	4,400,000	--	4,500,000	--
Under Secretary Int'l travel for Trade Matters.....	450,000	--	350,000	--	350,000	--
Food Aid Commodity Study.....	500,000	--	0	--	0	--
Emerging Markets Program.....	3,612,230	9	4,563,000	9	0	--
Support of and access to the USDA Satellite Imagery						
Library: NRCS, APHIS, ARS, RMA, NASS, FS.....	996,944	1	1,000,000	1	1,000,000	1
FODAG Office in Rome: APHIS, FS, NAL, ARS.....	177,855	1	261,225	1	261,225	1
Capital Security Cost Share.....	3,429,424	--	2,749,925	--	2,800,000	--
Visiting Scientist Program.....	1,206,364	2	1,210,000	2	1,210,000	2
Codex.....	599,024	1	600,000	1	600,000	1
Miscellaneous.....	502,393	1	500,000	1	500,000	1
Office of the Secretary: Congressional Relations.....	180,000	1	180,000	1	180,000	1
Trade Negotiations and Biotechnology Fund (OSEC).....	1,102,000	8	1,100,000	8	1,100,000	8
Avian Influenza (APHIS).....	11,630,094	10	3,000,000	7	3,000,000	7
CCC Program Support.....	6,700,000	--	10,000,000	--	0	--
Provincial Reconstruction Team (OSEC).....	0	--	0	--	12,500,000	--
Trade Adjustment Assistance Program - Admin Fees.....	235,439	--	60,000	--	0	--
McGovern Dole Program - Admin Fees.....	1,000,000	--	1,000,000	--	1,000,000	--
Total, Other USDA Appropriations.....	51,538,325	40	47,120,612	37	46,545,917	28
Total, Agriculture Appropriations.....	212,842,245	797	210,350,427	846	219,572,917	837
Other Federal Funds:						
U.S. Agency for International Development (USAID) and others for developmental assistance.....	58,928,057	158	59,000,000	158	59,000,000	167
Total, Foreign Agricultural Service.....	271,770,302	955	269,350,427	1,004	278,572,917	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/ Beginning in 2008, the Department will transfer and consolidate all Ethics activities under the Office of Ethics in Departmental Administration (DA). On a comparable basis the full annual cost of the activity is \$74,000 for 2009.

## FOREIGN AGRICULTURAL SERVICE

Permanent Positions by Grade and Staff Year Summary2007 Actual and Estimated 2008 and 2009

Grade	2007			2008			2009		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
Senior Executive Service	7	0	7	7	0	7	7	0	7
Senior Foreign Service	6	14	20	6	14	20	6	14	20
GS-15	65	0	65	65	0	65	65	0	65
GS-14	153	0	153	151	0	151	151	0	151
GS-13	205	1	206	204	1	205	204	1	205
GS-12	118	0	118	119	0	119	119	0	119
GS-11	14	0	14	14	0	14	14	0	14
GS-10	1	0	1	1	0	1	1	0	1
GS-9	30	0	30	32	0	32	32	0	32
GS-8	29	1	30	26	1	27	26	1	27
GS-7	23	0	23	25	0	25	25	0	25
GS-6	6	0	6	6	0	6	6	0	6
GS-5	0	0	0	0	0	0	0	0	0
GS-4	0	0	0	0	0	0	0	0	0
GS-3	0	0	0	0	0	0	0	0	0
GS-2	0	0	0	0	0	0	0	0	0
Other Graded Positions.....	9	202	211	9	200	209	9	200	209
Total Permanent Positions.....	666	218	884	665	216	881	665	216	881
Unfilled Positions end-of-year.....	143	24	167	--	--	--	--	--	--
Total, Permanent Full- Time Employment, end-of-year.....	523	194	717	665	216	881	665	216	881
Staff Year Estimate.....	720	235	955	769	235	1,004	769	235	1,004

<b>Size, Composition and Annual Cost</b>									
<b>Agency:</b>	<b>United States Department of Agriculture Foreign Agricultural Service</b>								
<b>Number of Vehicles by Type</b>									
Fiscal Year	Sedans & Stationwagons (includes minivans)	Light Trucks 4x2	Light Trucks 4x4	Medium Trucks	Heavy Trucks	Ambulances	Buses	Total Vehicles	Annual Operating Costs
FY 2006	28	2	28	0	0	0	0	58	\$200,373
<b>Change from 2006</b>	-22	22	-2					-2	\$6,950
FY2007	6	24	26	0	0	0	0	56	\$207,323
<b>Change from 2007</b>	0	0	0					0	\$10,366
FY 2008	6	24	26	0	0	0	0	56	\$217,689
<b>Change from 2008</b>	17	-19	-1					-3	(\$9,108)
FY 2009*	23	5	25	0	0	0	0	53	\$208,581
<b>NOTES:</b>									
<p>The mission of FAS is to create economic opportunity for American agriculture by expanding global markets. The FAS mission requires the use of official vehicles to carry out crop assessment trips to gather agricultural data, provide official travel to other countries within regional coverage, provide transportation to local government offices, provide travel to official functions that include representational events with agribusiness organizations, provide transportation of official visitors, and provide mail/messenger courier services. FAS acquires and assigns official U.S. Government vehicles to overseas stations for the express purpose of carrying out the official business in the performance of FAS' mission. The criteria considered annually for assigning a vehicle to an overseas post consists of the purpose of the vehicle, the availability of other means of transportation and related costs, the security of FAS personnel, and the authorized ceiling by Congress and USDA. There has been no significant changes in FAS overseas vehicle fleet since the beginning of this current administration.</p>									
<p>* Budget constraints may play a major role in the consideration of either repairing or replacing a vehicle overseas. The significant change for FY 2009 reflects the manner of reporting vehicle types. Sedan, stationwagons and minivans were reported as one vehicle type. An audit of overseas posts was conducted to ensure the type of vehicle each overseas post has in its inventory; the reduction of 19 vehicles from light trucks (4X2) are actually a combination of sedans, stationwagons, minivans, and light trucks (4X2). This report reflects the data entered into the Federal Automotive Statistical Tool system for FAS overseas vehicle inventory by vehicle type. Total number of vehicles includes vehicles of all types owned by FAS, and 2 vehicles (1 sedan and 1 4x2 light truck) leased from GSA. Estimated annual operating cost is adjusted for inflation and foreign currency exchange rates.</p>									

## FOREIGN AGRICULTURAL SERVICE

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

Salaries and Expenses (including transfers of funds):

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), [~~\$159,470,000~~] \$168,042,000: 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: Provided further, That funds made available for the cost of agreements under title I of the Agricultural Trade Development and Assistance Act of 1954 and for title I ocean freight differential may be used interchangeably between the two accounts with prior notice to the Committees on Appropriations of both Houses of Congress.

FOREIGN AGRICULTURAL SERVICE

SALARIES AND EXPENSES

Appropriations Act, 2008.....	\$164,455,000
Budget Estimate, 2009.....	<u>173,027,000</u>
Increase in Appropriations.....	+ <u>8,572,000</u>
Adjustments in 2008:	
Appropriations Act, 2008.....	\$164,455,000
Rescission under P.L. 110-161 <sup>a/</sup> .....	-1,151,000
Transfer to Departmental Administration Office of Ethics <sup>b/</sup> .....	<u>-74,000</u>
Adjusted base for 2008.....	163,230,000
Budget Estimate, 2009.....	<u>173,027,000</u>
Increase over adjusted 2008.....	+ <u>9,797,000</u>

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

b/ Beginning in 2008, the Department will transfer and consolidate all Ethics activities under the Office of Ethics in DA. On a comparable basis the full annual cost of the activity is \$74,000 for 2009.

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

Item of Change	2008		Program Changes	2009 Estimated
	Estimated	Pay Costs		
Market Access.....	\$55,607,000	\$904,000	\$3,015,000	\$59,526,000
Trade Development.....	52,620,000	339,000	1,131,000	54,090,000
Trade Related Technical Assistance.....	31,128,000	339,000	1,130,000	32,597,000
SPS Issues Resolution.....	23,875,000	678,000	2,261,000	26,814,000
Total Available.....	<u>\$163,230,000</u>	<u>\$2,260,000</u>	<u>\$7,537,000</u>	<u>\$173,027,000</u>

PROJECT STATEMENT

(On basis of appropriation)

	2007 Actual		2008 Estimated		Increases or Decreases	2009 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Market Access.....	\$54,837,000	300	\$55,607,000	321	\$3,919,000	\$59,526,000	321
Trade Development.....	52,331,000	119	52,620,000	127	1,470,000	54,090,000	127
Trade Related Technical Assistance.....	30,839,000	113	31,128,000	119	1,469,000	32,597,000	119
SPS Issues Resolution.....	23,297,000	225	23,875,000	242	2,939,000	26,814,000	242
Total Available or Estimate.....	161,304,000	757	163,230,000	809	9,797,000	173,027,000	809
Credit Reform Funds Transfer from CCC Export Loans Program Accounts.....	-5,084,000	-50	-4,950,000	-50	-35,000	-4,985,000	-50
Rescission.....	0		1,116,000		-1,116,000	0	
Total, Available Funds.....	<u>\$156,220,000</u>	<u>707</u>	<u>\$159,396,000</u>	<u>759</u>	<u>\$8,646,000</u>	<u>\$168,042,000</u>	<u>759</u>

SALARIES AND EXPENSE BY FUNDING SOURCE

(Dollars in Thousands)

	Direct Appropriation	CCC Export Credit	Total
FY 2008 Enacted.....	\$158,280,000	\$4,950,000	\$163,230,000
FY 2009 Estimated Changes			
Pay Cost.....	2,225,000	35,000	2,260,000 (1)
Overseas Operating Expense.....	2,049,000	0	2,049,000 (2)
ICASS.....	2,308,000	0	2,308,000 (3)
Capital Security Cost Share.....	2,500,000	0	2,500,000 (4)
Afghanistan Security Detail.....	680,000	0	680,000 (5)
Total, FY 2009 Estimated.....	<u>\$168,042,000</u>	<u>\$4,985,000</u>	<u>\$173,027,000</u>

**FOREIGN AGRICULTURAL SERVICE  
FY 2009 Performance And Resource Plan**

The FY 2009 budget includes a total increase of \$9,797,000 above the 2008 level as follows:

1. An increase of \$2,260,000 to cover higher personnel compensation costs associated with the anticipated FY 2009 pay raise. Pay cost increases are mandated and must be funded. Absorption of these costs in FY 2009 would primarily come from an immediate hiring freeze and possibly reductions in Agency personnel levels. This could necessitate voluntary early retirement and buyout authority and/or a reduction-in-force be undertaken. This would significantly affect FAS's efforts to improve access to export markets for U.S. agriculture, facilitate growth in global agricultural trade, and address expanding restrictions on U.S. exports due to sanitary and phytosanitary (SPS) and other technical trade barriers.
2. An increase of \$2,049,000 to fund higher overseas costs and activities for FY 2009. The increase is to offset non-discretionary wage and price increases associated with the operation of our 101 overseas offices and is based on the Department of State (DOS) current cost growth forecasts of 8.3%, adjusted to reflect our overseas presence in increasingly high inflation posts. The increase will fund higher overseas operating costs associated with maintaining FAS's offices overseas at current levels. FAS's overseas presence is critical to carrying out the Agency's mission and providing essential support to U.S. exporters, as well as to the wide range of international activities carried out by USDA. Overseas staff contribute by providing vital intelligence to USDA decision-makers, representing the interests of U.S. agriculture overseas, and implementing initiatives in the field. FAS overseas personnel also play an important role in supporting major Administration priorities in Afghanistan and Iraq. Without full funding for current overseas operations, the Agency would be required to reduce overseas staffing and close a number of existing offices.
3. An increase of \$2,308,000 for the International Cooperative Administrative Support Services (ICASS). FAS has no administrative staff overseas, and thus relies on the DOS, which provides overseas administrative support. The ICASS system is the principal means by which the 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.

The major cost drivers in FY 2009 are the inclusion of Iraq into the ICASS system, increased pay allowances for danger pay in high threat posts, rapidly increasing costs of operating New Embassy Compounds, anticipated exchange rate losses, growth in ICASS direct hire positions, wage increases, and overseas comparability pay. Total ICASS costs for FAS are estimated as follows:

	(\$000)
FY 2007	\$14,218
FY 2008	\$15,384
FY 2009	\$17,692

4. An increase of \$2,500,000 for the Capital Security Cost Sharing (CSCS) program for FY 2009. In FY 2005, DOS implemented the CSCS program to accelerate construction of new secure, safe, and functional diplomatic facilities. This plan is designed 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 globally authorized personnel positions.

The costs are phased in over a 5-year period from FY 2005 to FY 2009. The total FAS assessment started at \$0.6 million in FY 2005. The assessment increased by \$2.7 million in FY 2006, \$2.9 million in FY 2007, and \$2.3 million in FY 2008. For FY 2009, the estimated increase in the FAS assessment is \$2.5 million. Actual assessment levels are subject to change pending completion of an analysis of world-wide staffing levels by DOS. The FY 2009 assessment will remain in effect until FY 2018 with

the caveat that DOS will review the costs in 3-year intervals and determine any increases or decreases. The next review will take place in FY 2011.

5. An increase of \$680,000 in overseas operating costs to fund Private Security Details in Afghanistan.  
The DOS, Diplomatic Security Office, has provided all agencies with the estimated costs of high threat detail protection teams for overseas operations in Afghanistan. In FYs 2006 and 2007, DOS received supplemental funding for "Afghan Security Details" that covered costs for all agencies. For FY 2008 it is assumed that DOS will again cover these costs. However, for FY 2009, FAS will be required to meet the costs of the security details and therefore additional resources will be needed. This estimate includes security costs for transportation to and from the airport in Kabul at \$2,500 each way; \$30,000 for supervisory travel costs for the FAS officer located in Pakistan, who covers Afghanistan; \$60,000 for in-country staff or the provincial reconstruction team coordinator to attend biweekly Foreign Ministry in-town meetings which cost \$2,500 each for a 2-hour engagement; and \$600,000 for monthly two-day trips to areas outside of Kabul that cost \$50,000 each. These costs

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For brevity and clarity, a single line reference to the FY 2009 requirements discussed above is included for each budget activity on the following pro-rated basis:

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

**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	2007 Actual		2008 Budget		Increase or Decrease	2009 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Market Access							
Total, Goal 1	\$54,837	300	\$55,607	321	+\$3,919 (1)	\$59,526	321

**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 2009, FAS will continue to work with 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, negotiate and enforce bilateral and regional trade agreements, and negotiate effective market access with countries seeking to join the WTO. FAS's 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 Agriculture Organization.

FAS's agricultural market intelligence functions are fundamental to ensuring a reliable, fair, and transparent global trading environment for U.S. agricultural producers. FAS overseas personnel 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 USTR to conclude and/or implement an agricultural agreement under the Doha Development Agenda of the WTO 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 and science capacity building (TSCB) 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 personnel;
- 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, choice of trading partners for new FTAs, lack of resources to carry out FAS's overseas operations, or inadequate communication and information technology capabilities.

#### Justification for Increases and Decreases

1. An increase of \$3,919,000 for Market Access (\$55,607,000 available in 2008) consisting of:
  - A. An increase of \$904,000 to cover higher personnel compensation costs associated with the anticipated FY 2009 pay raise;
  - B. An increase of \$2,743,000 for support of FAS overseas offices, including \$923,000 to fund higher ICASS payments to DOS and \$1,000,000 for the Capital Security Cost Sharing program;
  - C. An increase of \$272,000 to fund Private Security Details in Afghanistan;

#### Performance Measurement

Performance Measure	2007 Actual	2008 Target	2009 Target
Dollar value of agricultural trade preserved annually through trade agreement negotiation, monitoring, and enforcement (\$Millions)	\$670	\$900	\$900

**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	2007 Actual		2008 Budget			2009 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
Trade Development Trade Related	\$52,331	119	\$52,620	127	+ \$1,470 (2)	\$54,090	127
Technical Assistance	30,839	113	31,128	119	+ 1,469 (3)	32,597	119
Subtotal:	\$83,170	232	\$83,748	246	+ \$2,939	\$86,687	246
Programs:							
McGovern-Dole FFE	99,000	--	99,300	--	+ 700	100,000	--
Total, Goal 2	\$182,170	232	\$183,048	246	+\$3,639	\$186,687	246

Mandatory Programs That Contribute (\$000):	FY 2007	FY 2008 (\$000)	FY 2009
Market Access Program .....	\$200,000	\$91,000	\$200,000
Dairy Export Incentive Program .....	0	0	3,000
Food for Progress - CCC Funded .....	147,236	277,000	340,000
Foreign Market Development Program .....	34,500	15,742	0 a/
Emerging Markets Program .....	3,612	4,563	0 a/
Technical Assistance for Specialty Crops Program.....	1,433	913	0 a/
Quality Samples Program.....	1,348	2,500	2,500
Export Credit Guarantee Programs.....	1,445,000	2,274,000	2,675,000
Total .....	\$1,833,129	\$2,665,718	\$3,220,500

a/ 2009 program level expected to be established in the new Farm Bill.

**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 Export Credit Guarantee program. These programs help U.S. producers and exporters realize the benefits that 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 program provides payment guarantees for the commercial financing of U.S. agricultural exports. The Dairy Export Incentive Program (DEIP) helps 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's 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](http://www.grants.gov); and
- Facilitate entry of companies into difficult markets through FAS's 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's overseas operations, or inadequate communication and information technology capabilities.

### Justification for Increases and Decreases

2. An increase of \$1,470,000 for Trade Development (\$52,620,000 available in 2008) consisting of:
  - A. An increase of \$339,000 to cover higher personnel compensation costs associated with the anticipated FY 2009 pay raise;
  - B. An increase of \$1,029,000 for support of FAS overseas offices, including \$346,000 to fund higher ICASS payments to DOS and \$375,000 for the Capital Security Cost Sharing program; and
  - C. An increase of \$102,000 to fund Private Security Details in Afghanistan.

Program Assessment Rating Tool (PART) reviews were completed for the Foreign Market Development, CCC Export Credit Guarantee, and Export Subsidy programs and all reviews received a score of "Moderately Effective." The following performance measures were developed in conjunction with the PART reviews.

### Performance Measurement

Performance Measure	2007 Actual	2008 Target	2009 Target
Export Multiplier Ratio <sup>a/</sup>	\$127	\$130	\$132
Long-term Net Default Rate – CCC Export Credit Guarantee Program	-.79%	NTE +/-1.5%	NTE +/-1.5%

<sup>a/</sup> 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 2009, FAS will focus these trade and science 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 and the McGovern-Dole International Food for Education and Child Nutrition Program.

### **Means and Strategies**

- Assist applicants and new members to the WTO to understand and implement WTO agricultural commitments;
- Implement trade and science capacity building activities to help FTA partners implement their trade commitments;
- Develop strategic and tactical plans for implementing trade and science 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 for Increases and Decreases**

3. An increase of \$1,469,000 for Trade Related Technical Assistance (\$31,128,000 available in 2008) consisting of:
  - A. An increase of \$339,000 to cover higher personnel compensation costs associated with the anticipated FY 2009 pay raise;
  - B. An increase of \$1,028,000 for support of FAS overseas offices, including \$346,000 to fund higher ICASS payments to DOS and \$375,000 for the Capital Security Cost Sharing program; and

- C. An increase of \$102,000 to fund Private Security Details in Afghanistan.

A PART review and update was completed for USDA Food Aid programs and received a score of "Moderately Effective." The food aid targeting effectiveness ratio was developed in conjunction with this review.

### Performance Measurement

Performance Measure	FY 2007 Actual	FY 2008 Target	FY 2009 Target
Substantive Improvements in national trade policy and regulatory frameworks that increase market access in recipient countries	13 countries	8 countries	8 countries

Performance Measure	2007 Actual	2008 Target	2009 Target
Food Aid Targeting Effectiveness Ratio	38%	35%	36%
Number of women and children assisted under McGovern-Dole Program (Appropriated funding)	3.2 million	2.5 million	2.0 million

### 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	2007 Actual		2008 Budget		Increase or Decrease	2009 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
SPS Issues Resolution	\$23,297	225	\$23,875	242	+\$2,939 (4)	\$26,814	242

#### 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 on 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 SPS 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 emerging market 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 Attaché 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 objective include lack of resources to implement regulatory trade and science capacity building activities in targeted countries; noncompliance with agreements on SPS and TBT issues; 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 \$2,939,000 for SPS Issues Resolution (\$23,875,000 available in 2008) consisting of:
  - A. An increase of \$678,000 to cover higher personnel compensation costs associated with the anticipated FY 2009 pay raise;
  - B. An increase of \$2,057,000 for support of FAS overseas offices, including \$693,000 to fund higher ICASS payments to DOS and \$750,000 for the Capital Security Cost Sharing program;
  - C. An increase of \$204,000 to fund Private Security Details in Afghanistan;

### Performance Measurement

Performance Measure	2007 Actual	2008 Target	2009 Target
Value of trade preserved through USDA staff intervention leading to resolutions of barriers created by SPS or TBT measures.	\$2.5 billion	\$2.0 billion	\$2.2 billion

## FOREIGN AGRICULTURAL SERVICE

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS  
2007 Actual and Estimated 2008 and 2009

	2007		2008		2009	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia.....	\$112,989,828	720	\$113,466,403	769	\$121,770,495	769
Overseas.....	48,314,172	235	49,763,597	235	51,256,505	235
Total, Available or Estimate.....	161,304,000	955	163,230,000	1,004	173,027,000	1,004

## FOREIGN AGRICULTURAL SERVICE

Classification By Objects2007 Actual and Estimated 2008 and 2009

Personnel Compensation:	<u>2007</u>	<u>2008</u>	<u>2009</u>
Washington, D.C.....	\$41,886,088	\$43,131,164	\$44,249,839
Field.....	31,976,912	33,032,150	34,122,211
11 Total personnel compensation.....	73,863,000	76,163,314	78,372,050
12 Personnel benefits.....	24,635,000	25,402,218	26,138,882
13 Benefits for former personnel.....	180,000	184,000	184,000
Total pers. comp. & benefits.....	98,678,000	101,749,532	104,694,932
Other Objects:			
21 Travel.....	8,852,000	8,418,600	8,564,000
22 Transportation of things.....	615,000	630,000	630,000
23.2 Rental payments to others.....	9,512,000	9,094,785	9,740,000
23.3 Communications, utilities and miscellaneous charges.....	3,497,000	3,581,000	3,581,000
24 Printing and reproduction.....	553,000	566,000	566,000
25 Other Services.....	35,375,000	35,022,898	41,084,068
26 Supplies and materials.....	1,980,000	2,000,000	2,000,000
31 Equipment.....	1,000,000	895,000	895,000
41 Grants, Subsidies and Contributions.....	1,242,000	1,272,000	1,272,000
Total other objects.....	62,626,000	61,480,283	68,332,068
Total direct obligations.....	161,304,000	163,229,815	173,027,000

Position Data:

Average Salary, ES Positions.....	\$159,630	\$164,419	\$169,187
Average Salary, FO Positions.....	\$100,202	\$103,208	\$106,201
Average Salary, GS Positions.....	\$85,142	\$87,696	\$90,239
Average Grade, GS Positions.....	11.9	11.9	11.9

## FOREIGN AGRICULTURAL SERVICE

### STATUS OF PROGRAM

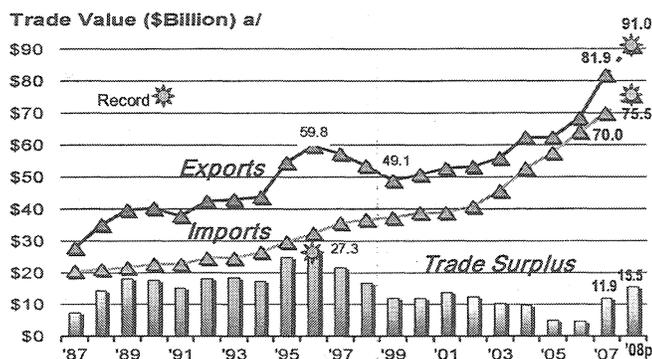
#### SUMMARY OF AGRICULTURAL TRADE

The Department's Fiscal Year (FY) 2008 trade forecast is supported by continued strong demand, tight markets, and high prices for grains and oilseeds. But high-value animal and horticultural products make positive contributions as well, signaling strong foreign demand and the benefits of a very competitive dollar. As a backdrop to the current outlook, global real gross domestic product growth remains robust at just over 3 percent. The dollar, now at an inflation adjusted 30-year low, dramatically improves export competitiveness and is fueling the export boom. 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 2008 U.S. agricultural exports are forecast at a record \$91 billion. If the forecast is realized, exports would rise \$9.1 billion above the previous record set in FY 2007 and an unprecedented \$22.5 billion in 2 years. Bulk commodities account for about three-fourths of the overall gain in agricultural export value. The export volume for major bulk commodities is forecast to rise 6.1 million metric tons (mmt) to 130.8 mmt, not much lower than the record 136.4 mmt set in 1980. So while higher prices are driving most of the increase in total bulk export value, about one-quarter of the increase in value is due to higher export volume. Overseas markets remain vitally important to U.S. farmers and an important source of income for food processing companies, transportation, and other related industries. It is not uncommon for exports to account for one-third or more of domestic production (on a volume basis) for many agricultural products. The number of jobs, both on and off the farm in both rural and metro areas, supported by agricultural exports is currently estimated at 970,000 in FY 2007 and 1.08 million in FY 2008.

#### U.S. Agricultural Trade

All major commodity groups reach record export sales in 2008. Bulk commodity unit values generally higher & export volumes rise for nearly every group except oilseeds. Import growth continues faster pace.



a/ Forecasts are based on USDA's "Outlook for U.S. Agricultural Trade" published on November 30, 2007. The next release is scheduled for February 21, 2008. Source of trade data: the U.S. Bureau of the Census.

FY 2008 agricultural imports are forecast at a record \$75.5 billion, up \$5.5 billion from last year's record. Imports continue to expand supported by a relatively large, affluent, and growing population; demand for year-round availability of fresh fruits and vegetables; a greater variety of processed foods and beverages; and a relatively open import regime. Imported foods and beverages provide the variety and value year-round that U.S. consumers have come to enjoy. The FY 2008 trade surplus is forecast to reach \$15.5 billion, up \$3.6 billion from the previous year and the highest in a decade.

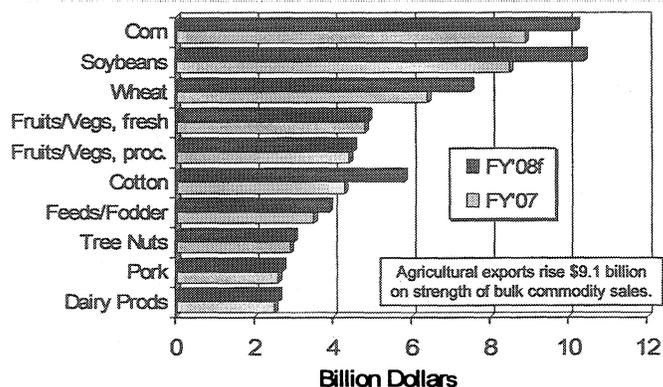
## COMMODITY EXPORT HIGHLIGHTS

The overall increase in agricultural export value for FY 2008, compared to the previous year, mostly reflects large gains for coarse grains, wheat, soybeans, and cotton with smaller but noteworthy increases for animal and horticultural products. Bulk commodities account for three-fourths (or \$6.74 billion) of the annual increase in total value, while the remaining one-quarter is due to increased sales of high-value products.

Bulk commodity exports are forecast to rise \$6.7 billion to \$39.4 billion in FY 2008. Increases are broad-based with export value expected to rise for all major grains, soybeans, and cotton. Bulk export volumes are forecast to rise with only a few exceptions; wheat and tobacco volumes are unchanged from FY 2007 and soybean volume is lower. The export volume for major bulk commodities is forecast to rise 6.1 mmt to 130.8 mmt. Compared to the previous year, the highlights for FY 2008 are:

Grain markets remain tight, demand is strong, and prices are high or are rising further. U.S. supplies are ample, adequately covering both increased domestic and foreign demand. U.S. coarse grain exports are forecast to rise 8.9 mmt to 68 mmt due to less competition and increased demand from the European Union (EU), boosting export value 19 percent to \$11.7 billion. A record corn crop supports expanding exports and domestic ethanol production. Wheat export volume is forecast to remain at 28.7 mmt, but sharply higher unit value boosts wheat export value 17 percent to \$7.5 billion. Tighter stocks in the United States, Australia, and other major exporters are expected to pressure prices higher.

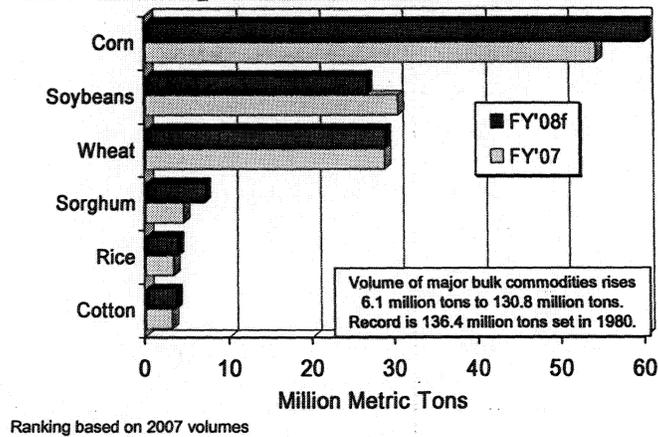
### Export Outlook (Values) for Top 10 U.S. Agricultural Product Groups



Ranking based on 2007 values

Soybean export volume is forecast to fall 13 percent to 26.5 mmt, but higher unit values boost export value \$1.9 billion to a record \$10.4 billion. U.S. exportable supply is largely reduced due to the smaller crop, a result of last year's acreage shift favoring grains. Markets are tighter and prices are rising due to increased demand from China and the EU as well as increased domestic demand. China's soybean imports should set a new record, the EU biodiesel market adds new demand on top of traditional uses, and domestic crush is higher with some soybean oil being converted to biodiesel and shipped to Europe.

### Export Outlook (Volumes) for Major Bulk Agricultural Commodities



*Cotton* export volume is forecast to rise 16 percent to 3.6 mmt. This volume increase coupled with somewhat higher unit value boosts cotton export value 35 percent to a record \$5.8 billion. A record U.S. exportable surplus and the largest carry-over stocks in 40 years supports this outlook. China, the largest market by a wide margin, transforms this cotton into textiles which are shipped to the United States and other markets.

*High-value product exports* are forecast to rise \$2.3 billion to a record \$51.6 billion in FY 2008, signaling strong foreign demand and a very competitive dollar. Animal product exports are forecast to rise on sales increases for beef, pork and dairy products. Horticultural exports, which include all fresh and processed fruits, vegetables, tree nuts, and wine, are up as well but sales growth is somewhat slower than recent years. Compared to the previous year, the highlights for FY 2008 are:

*Animal product* exports are forecast at a record \$17.1 billion, up \$800 million from the previous year. Beef export value is forecast to rise \$460 million to \$2.4 billion due to a shipment increase of 100,000 mt to 545,000 mt. Sales gains are expected to Mexico, Canada, Japan, and Taiwan. Pork rises \$120 million to a record \$2.7 billion on record sales volume. U.S. pork is very competitive due to record-large hog slaughter, lower hog prices, and a weaker dollar. Dairy exports are expected to rise \$120 million to a record \$2.6 billion on higher volume and unit prices. Global markets for dairy products are tighter because major suppliers are not keeping pace with demand. Exports of other animal products are forecast to rise as well including hides and skins, live animals, poultry meat, and processed foods containing meat and dairy products.

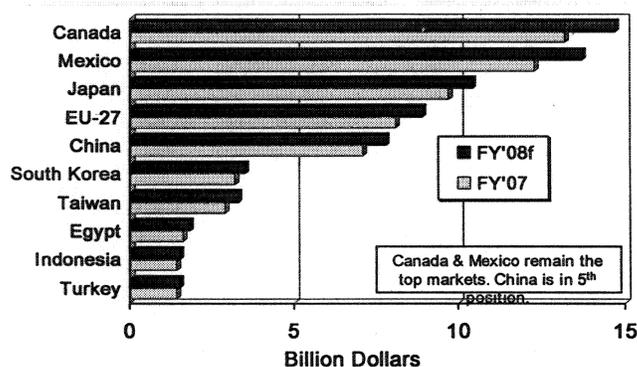
*Horticultural product* exports are forecast to rise \$700 million to a record \$18.6 billion. A competitive U.S. dollar and strong foreign demand support this outlook. Fresh and processed fruit, vegetable, and tree nut exports are forecast to rise a combined \$325 million accounting for nearly half the gain for the entire category. The remainder is due to increased sales of other horticultural products, a group dominated by "other food preparations." After 5 years of rapid increase, horticultural export growth is slowing mainly due to lower unit values for almonds. Record-large almond crops have pressured prices lower.

#### TOP EXPORT MARKETS

The top five markets account for nearly 60 percent of the expected increase in agricultural exports in FY 2008. The largest gains are forecast for Canada and Mexico, but sales increases for Japan, the EU, and China are also large. The largest markets in descending order are Canada, Mexico, Japan, the EU, and China. China has risen rapidly through the ranks in recent years to become the fifth largest market for U.S. agricultural goods. Compared to the previous year, the highlights for FY 2008 are:

U.S. agricultural exports to our North American Free Trade Agreement (NAFTA) partners, *Canada* and *Mexico*, are forecast to reach \$28.4 billion, up \$2.9 billion from the FY 2007 record. If realized, this would raise U.S. exports in the *Western Hemisphere* to \$37.1 billion or 41 percent of the total. U.S. exports to *Canada*, our largest overseas market, are forecast to rise \$1.5 billion to a record \$14.7 billion. Exports to Canada 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 \$1.4 billion to a record \$13.7 billion. Exports to this 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 \$4.3 billion) over Japan. Mexico overtook Japan as the second largest market for U.S. agricultural exports in FY 2005.

### Export Outlook for Top 10 U.S. Markets



Ranking based on 2007 values

U.S. agricultural exports to *Asia* are expected to rise \$2.9 billion to \$32.2 billion or 35 percent of the total. Sales to *Japan*, our third largest market, are forecast to rise \$700 million to \$10.4 billion. Higher grain and oilseed prices account for most of this increase, but beef and horticultural product exports should rise as well. Sales to *China*, our fifth largest market, are forecast to rise \$750 million to a record \$7.8 billion. Most of this increase will come from higher soybean and cotton unit values and increased cotton shipments, but prospects for animal hides and skins and a number of consumer foods and beverages are also bright.

U.S. agricultural exports to the *EU-27*, our fourth largest market, are forecast to increase \$850 million to \$8.9 billion or just under 10 percent of total exports. Gains are expected for soybeans and products largely due to higher unit value and increased demand for biodiesel. Gains are also expected for a variety of high-value food and beverages due to the weak dollar.

### 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 4 decades. Since FY 2003, import value has grown at 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 global demand for products the United States also imports. Strong U.S. consumer demand shows little sensitivity to higher prices. Import volume growth is expected to slow only slightly despite some further depreciation in the dollar and a somewhat slower economy.

*The overall import outlook for FY 2008* reflects continued strong U.S. consumer demand, with horticultural products accounting for nearly half of the total import value and 50 percent of the annual gain in value. Fresh and processed fruits and vegetables, wine, and beer drive most of this increase. An unusually large \$1.4-billion increase in the value of grains, oilseeds, and processed products made from grains and oilseeds like crackers, pasta and vegetable oils is forecast due to higher unit values and volume increases. Tropical product imports are again expected to rise at above-trend rates. Compared to the previous year, the highlights for FY 2008 are:

*Horticultural product* imports are forecast to rise \$2.8 billion to a record \$35.2 billion. Gains are expected for all product groups. Fresh fruit and vegetable imports lead with a gain of \$850 million to a record \$10.4 billion. Large increases are also forecast for wine imports, forecast at a record \$4.8 billion, and processed fruit and vegetable imports, forecast at a record \$7.4 billion. Beer imports are not far behind, forecast at a record \$4 billion in FY 2008. Nursery products and cut flowers are forecast to reach a record \$1.6 billion.

*Grain, feed, and processed grain product* imports are forecast to rise \$600 million to a record \$6.6 billion. About half of this increase is due to processed retail products, but import value is also up for durum wheat, as well as barley and other coarse grains in tight supply. The outlook for *oilseeds and processed products* calls for an \$800-million increase to a record \$4.8 billion, with nearly all this increase due to vegetable oils, including olive oil. Higher unit values and volumes are driving most of this increase.

*Sugar and tropical product* imports are forecast to rise \$850 million to \$15 billion. After the brief spike in 2006, the annual value of cane and beet sugar imports has settled down at just under \$1 billion. The major tropical products imported and their estimated values in FY 2008 are coffee beans and products (\$3.8 billion), cocoa and chocolate (\$2.7 billion), natural rubber (\$2.2 billion), and sugar confections (\$1.3 billion).

### **TOP FOREIGN SUPPLIERS**

Forecast to increase \$2.4 billion to a record \$39.5 billion in FY 2008, the Western Hemisphere accounts for 52 percent of the total import bill. Asia, with an expected increase of \$1.8 billion, rises to \$12.6 billion or 17 percent of the total. Europe/Eurasia, with an expected increase of \$900 million, rises to \$21.7 billion or 22 percent of the total. In FY 2008, the top five suppliers in descending order are the EU-27 and Canada tied for first place, Mexico is in third place, China is fourth, and Australia and Brazil are tied for fifth. Compared with the previous year, the highlights for FY 2008 are:

Imports from the *EU-27* are forecast to rise \$700 million to a record \$15.7 billion. U.S. demand remains very strong for European products despite the very strong euro and higher product prices. 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 has ballooned in recent years and is forecast at a record \$6.8 billion in FY 2008.

Imports from *Canada* are expected to increase \$1 billion to a record \$15.7 billion. Canada ships a wide variety of high-value products including 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 \$400 million over FY 2007. 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 *China* are forecast to rise \$600 million to a record \$3.4 billion. China ships a number of high-value consumer foods, including processed fruits and vegetables, fresh vegetables, snack foods, apple juice, walnuts, and spices. Imports from *Australia* continue to grow and are forecast to reach a record \$2.7 billion. U.S. purchases of beef and wine from Australia are large. Imports from *Brazil*, a

supplier of raw coffee beans, tobacco, fruit juices, canned beef, and tree nuts, are also forecast at \$2.7 billion.

### **CURRENT ACTIVITIES**

The FAS budget activity structure reflects core agency priorities and areas of emphasis identified through the FAS organizational review. Additionally, this 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 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. In FY 2009, FAS will continue to work with the United States Trade Representative (USTR) to conclude and/or implement the agricultural provisions of the Doha Round of World Trade Organization (WTO) multilateral negotiations, negotiate and enforce bilateral and regional trade agreements, and negotiate effective market access with countries seeking to join the WTO. FAS's 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.

FAS's agricultural market intelligence functions are fundamental to ensuring a reliable, fair, and transparent global trading environment for U.S. agricultural producers. FAS analysts, from both field offices and 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.

- **Implementation of the Central America-Dominican Republic-United States Free Trade Agreement (CAFTA-DR)**. USDA provided key input and support during FY 2007 relating to the phased implementation of the CAFTA-DR agreement. On March 1, 2007, the agreement formally entered into force with the DR, which followed similar actions with El Salvador, Guatemala, Honduras, and Nicaragua over the course of FY 2006. On October 7, 2007, Costa Rican voters ratified the CAFTA-DR agreement by popular referendum with implementation of the agreement expected to occur in the near term. The CAFTA-DR countries represent increasingly important markets for U.S. agricultural products, with the combined value of exports totaling a record \$2.23 billion in CY 2006. U.S. exports to the CAFTA-DR partners were up 24 percent through the first 8 months of CY 2007 from the comparable period in the preceding year to total \$1.69 billion. The American Farm Bureau Federation estimates that CAFTA-DR could boost annual U.S. agricultural exports by \$1.5 billion upon full implementation.
- **Free Trade Agreement (FTA) Concluded with Korea**. During FY 2007, USDA played a key role in the successful conclusion of the Korea-U.S. Free Trade Agreement (KORUS FTA). The KORUS FTA will provide America's farmers, ranchers, food processors, and businesses they support with improved access to the Republic of Korea's 49 million consumers. If approved by Congress, the KORUS FTA would represent the most economically significant trade agreement for the U.S. agricultural sector in 20 years. Korea presently ranks as the sixth largest export market for U.S. agricultural products, with shipments in CY 2006 valued at \$2.85 billion. The KORUS FTA will enable the United States to better compete against Korea's other major agriculture suppliers, such as China and Australia, in this \$12 billion market, and remain on a level playing field with Korea's future and current free trade partners, such as Chile. The KORUS FTA provides immediate elimination of duties for more than 60 percent of current U.S. exports and gives U.S. exporters improved access to the Korean market for

many of the products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea would increase by a minimum of \$1.9 billion upon full implementation of the agreement.

- **Trade Promotion Agreement (TPA) Concluded with Panama.** During FY 2007, the United States and Panama signed the U.S.-Panama TPA, where USDA played a key role in concluding the agreement's agricultural component. The agreement has been approved by Panama's legislature and now awaits approval by the U.S. Congress. The U.S.-Panama TPA will make duty-free trade a two-way street, and is another key building block in the U.S. strategy to advance free trade within the Western Hemisphere.
- **U.S. Prevails in WTO Rice Dispute with Turkey.** In September 2007, the WTO Dispute Settlement Body released its final panel report regarding Turkey's discriminatory import practices against U.S. rice, a \$50 million annual value. The report found in favor of the United States and recommended that Turkey bring its import policies in line with WTO commitments. USDA played a key role in helping to bring this case to its successful conclusion.
- **Vietnam Accedes to the WTO.** USDA provided critical input and support in helping to conclude the agreement which led to Vietnam's accession to the WTO on January 11, 2007, making that country the 150<sup>th</sup> member. The terms of Vietnam's accession agreement include a range of market access concessions on key agricultural products of interest to the United States. Through the first 8 months of CY 2007, U.S. agricultural exports to this increasingly important market totaled nearly \$243 million, up 85 percent from the comparable period in the preceding year.
- **China Renews Safety Certificates for Biotechnology Soybeans, Cotton, and Corn.** In FY 2007, USDA intervention with the Government of China facilitated the renewal of agreed-upon safety certificates for a series of biotech events due to expire in February 2007. In December 2006, China renewed acceptance of safety certificates covering biotech crops for processing. The Chinese safety certificate for a food crop, such as soybeans, is valid for 3 years and that for a non-food crop, like cotton, is valid for 5 years. In the absence of this extension, U.S. exports of these crops to China, valued at \$4.5 billion in FY 2006, would have been adversely affected.
- **Japan Modifies Labeling Guidelines on Imported Pork.** During FY 2007, USDA worked closely with the U.S. pork industry in successfully ensuring that the new labeling requirements developed by Japan would not hinder U.S. access to that market. Japan had been considering policies that would only allow its domestic pork to be labeled on the basis of geographic, genetic, or production methods. In FY 2006, U.S. pork exports to Japan were valued at \$5.4 million.

### **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 (FMD) Program, Market Access Program (MAP), Technical Assistance for Specialty Crops (TASC) Program, Quality Samples Program (QSP), and Emerging Markets Program (EMP). These programs provide matching 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 Regional Trade Groups and other industry organizations, FAS encourages outreach efforts that focus on facilitating export readiness for U.S. exporters. FAS's 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.

### **MARKET DEVELOPMENT PROGRAMS**

- **China Soybean Trade Promotion Delegation a Success.** In May 2007, the American Soybean

Association (ASA), in cooperation with the China Chamber of Commerce for Import and Export of Foodstuffs, Native Produce, and Animal By-Products organized a trade promotion delegation and U.S. soybean industry tour for 28 delegation members. The group, representing 14 Chinese companies, signed 27 purchasing agreements and contracts with 8 U.S. soybean exporters for a total quantity of nearly 8 million metric tons and a total value of \$2.8 billion. The mission was partially supported by MAP and FMD funds.

- **MAP and FMD Funded Activities Help Middle East Soy Processors Improve Quality.** The ASA, supported with MAP and FMD program funds, assisted several Middle Eastern soybean processors by conducting a series of plant visits, seminars, and conferences in FY 2007. The support was designed to help processors improve the quality of their finished products by streamlining processes, eliminating downtime and bottlenecks, and addressing other issues that affect soyoil quality. Positive plant modifications and other improvements resulted in a processor placing an order for another 25,000 metric tons of U.S. soybeans immediately after receiving and processing a similar test shipment. Further, the owners of the company decided to increase the capacity of their new crushing plant from 1,000 metric tons/day to 1,500 metric tons/day. A corresponding increase in refining capacity should result in stronger future demand for U.S. soybeans.
- **MAP Funded Short Courses in Indonesia Lead to U.S. Wheat Exports.** Although the Australian Wheat Board had long maintained a dominant position in Indonesia, U.S. Wheat Associates laid the foundation for future U.S. wheat sales by systematically conducting technical short courses for the Indonesian flour milling industry and large Indonesian biscuit manufacturers. The Indonesian industry subsequently adopted flour specifications favoring U.S. soft white and other U.S. white wheat subclasses. When a tight Australian wheat supply situation emerged in 2006/2007, U.S. suppliers were well positioned to capitalize on the opportunity and increased U.S. wheat exports to Indonesia by nearly 500 percent, including an additional 18.4 million bushels (500,000 metric tons) of soft white wheat compared to the previous year. U.S. soft white sales to date in 2007/2008 are on a much faster pace as the millers and end-users now recognize the value U.S. wheat classes bring to their operations.
- **Middle East Grain Buying Seminars Yield Returns.** In the spring of 2007, U.S. Wheat Associates supported with FAS program funds, working collaboratively with FAS and other U.S. grain associations, hosted two seminars in Egypt that laid the foundation for increased U.S. wheat exports to the region. The first seminar on grain purchasing and risk management attracted 95 participants from 14 Arabic-speaking countries representing flour mills, feed mills, oil crushing plants, and a trading firm. The second course was tailored specifically to the needs of the Grains Board of Iraq. Buyers learned to write specifications for the U.S. marketing system. As a result, just five months into the marketing year, purchases of U.S. wheat are roughly doubled compared to this time last year. Iraq has purchased nearly 2 million metric tons so far compared to 700,000 metric tons last year. Egypt has purchased 1.6 million metric tons more than at the same time in 2006/07; Yemen has doubled its purchases; and the United Arab Emirates, at nearly 125,000 metric tons, has imported ten times more U.S. wheat compared to last year.
- **Trade Service Activities in Vietnam Equal Big Gains in U.S. Poultry Exports.** With the assistance of MAP funding, the U.S. Poultry and Egg Export Council (USAPEEC) has conducted a range of trade servicing activities, participated in foods shows, and offered educational cooking workshops in Vietnam to promote U.S. poultry products. As a result, the value of U.S. exports of poultry meat to Vietnam rose from \$2.2 million in FY 2006 to nearly \$17.8 million in FY 2007. Although Vietnam was badly hit by bird flu last year, USAPEEC's marketing efforts gave Vietnamese consumers confidence in the quality and safety of U.S. poultry, and they responded by buying even more U.S. products.
- **U.S. Apple Export Council Reaps Benefits of CAFTA-DR.** Member states of the U.S. Apple Export Council (USAEC) are already seeing the early benefits of CAFTA-DR implementation. A MAP-funded trade mission in 2006 to the Dominican Republic provided face-to-face meetings between buyers and U.S. shippers, resulting in the first-ever shipments of apples to the Dominican Republic for

several USAEC members. One container load (roughly 9,460 boxes valued at \$250,000) was exported by a Pennsylvania shipper who had never shipped to the DR before. The shipment was received by a DR importer who had never received an USAEC-member product. New York State growers, in particular, recorded nearly \$1 million in sales to the CAFTA-DR region in FY 2007.

- **MAP and EMP Funding Results in Record Setting Year for California Almonds.** The Almond Board of California (ABC) made good use of MAP and EMP funding to stimulate consumer demand and product innovation in the emerging markets of India, China, and Russia. Consumer and trade education efforts by the ABC helped broaden consumer awareness of the many uses and nutritional benefits of almonds. The result was record almond exports to these markets totalling \$1.8 billion for the 2006/2007 crop year.

### **TRADE SHOWS AND MISSIONS**

In FY 2007, over 800 U.S. companies participated in 26 FAS-endorsed trade shows, making more than 9,000 serious trade contacts, reporting on-site sales totaling \$45 million, and projecting 12-month sales of \$737 million. More than 3,600 new products were introduced in various markets. FAS direct costs in support of these events totaled approximately \$30,000. During the past year, FAS has successfully transferred overall management of U.S. pavilions at most shows to the private sector, while shifting FAS focus to those inherently-governmental aspects, such as negotiation with trade show partners and providing market information and trade contacts to U.S. exhibitors. As a result, FAS has reduced by half the staff time needed for show support compared to previous years. Examples of show results follow:

- **SIAL Paris Generates \$56 Million in Sales.** SIAL Paris, one of the world's largest food and beverage expositions, took place October 22-26, 2006, in Paris, France. Held biennially, SIAL Paris welcomed 5,300 exhibiting companies and 136,000 visitors from 99 countries. The USA Pavilion was highly successful with 122 participants, 41 of whom were new to SIAL. Exhibitors in the USA Pavilion reported close to \$1 million in on-site sales and projected \$56 million in sales over the next 12 months. Visitors to the USA Pavilion saw an impressive range of products including alcoholic and non-alcoholic beverages, confectionery, dietetic, health foods, ethnic and regional products, dried fruits, as well as meat, fish, and poultry products. The USA Pavilion featured a New Products Showcase and a "California Kitchen" that had cooking demonstrations highlighting California products and cuisine.
- **Dubai Show Tops Other Shows in Sales.** The Gulfood Show held February 19-22, 2007, in Dubai, United Arab Emirates, the Middle East's largest trade-only food and equipment show, attracted over 37,700 visitors from 140 countries. FAS Dubai and FAS/Washington partnered with the Dubai World Trade Center to organize a USA Pavilion with 72 companies exhibiting a broad range of fresh, frozen, canned, and dried foods. U.S. exhibitors reported nearly \$8 million in on-site sales and projected an additional \$50 million in 12-month sales, making Gulfood one of the most successful trade shows for U.S. food exports.
- **Mexico Retail Show- \$16.2 Million in 12-month Sales for U.S. Companies.** ANTAD 2007, one of the largest retail shows in Latin America, was held in Guadalajara, Mexico, on March 14-16, 2007. Over 15,000 trade visitors attended the show, and U.S. companies reported \$145,000 on-site sales and projected an additional \$16 million in 12-month sales. FAS partnered with Agricultural Trade Office (ATO) Mexico and 45 U.S. companies exhibiting a broad range of products such as drinkable yogurt, baking powder, cheese, deli meats, rice pudding, nacho products, poultry, onions, beef, popcorn, ice cream, energy drinks, snacks, soups, pies, non-refrigerated cheese snacks, and rice products.

### **COUNTRY STRATEGY SUPPORT FUND**

The Country Strategy Support Fund (CSSF), formerly called Annual Marketing Plan (AMP), provides funds to support country strategies and focuses on the activity level to help open markets for U.S. exports. Fund use is no longer limited to market promotion and has been expanded to include projects that are in

line with new FAS strategic priorities, including market access, communications and other inherently-governmental activities. Overseas posts define activities within eight areas of work, which cover all of the functional areas of the new FAS structure. These include: Trade Policy/Market Access, Sanitary and Phytosanitary/Technical Barriers to Trade, Market Knowledge and Intelligence, Trade Facilitation, Trade Capacity Building, Strategic Communication, Export Programs, and Unscheduled Events. In 2007, the total amount of CSSF (formerly AMP) funding was \$1.9 million.

Examples of such projects funded by the CSSF follow:

- **FAS/Japan Media Study Session Reaches the Masses.** In an effort to moderate the sensationalist and negative media coverage of food safety issues in Japan – most notably regarding U.S. beef – FAS/Japan hosted 2 Media Study Sessions in FY 2007. Ten Japanese journalists were invited on November 15, 2006, and another 12 were asked to assemble on September 18, 2007, to listen as noted speakers presented the case for science-based and balanced reporting. Following the September meeting, the Mainichi Newspaper, a mainstream publication with daily circulation of 4 million, published an article questioning the Government of Japan's Bovine Spongiform Encephalopathy (BSE) prevention policies. Although the market for U.S. beef partially reopened in July 2006, there is still concern among consumers. Articles like the one published by Mainichi favorably influence public attitudes towards U.S. imports. Moving Japan away from its current policy would not only serve to expand market access in the Japanese market, but could have multiple effects as many other countries look to Japan when they set their own food safety policies.
- **Russian Media Tour Helps Change Perceptions of U.S. Products.** In July 2007, the Domashniy TV broadcasted a series that was filmed in the United States during a media tour, organized with the help of the FAS/ATO, and several American trade associations. The shows portrayed unique aspects of American lifestyles from the Russian point of view while using product placement techniques to advertise American products, most of which can be found in Russian stores. The shows ran twice a week for almost 5 months. The station estimates that about 10 million viewers in Russia and the Commonwealth of Independent States have seen this series.
- **Training Brings More Efficient Inspection in Saudi Arabia.** FAS/Riyadh, along with other USDA agencies and the Food and Drug Administration (FDA), sponsored a training program on sampling procedures and pesticide analysis for Saudi Arabia's Ministry of Commerce and Industry (MOCI) officials in Damman, Saudi Arabia, on March 11-13, 2007. The MOCI is responsible for inspecting and testing imported foods. Unfortunately, lack of experience in the MOCI delayed imports from the United States, which raised costs and decreased demand for these items. The workshop trained 30 MOCI inspectors on how to use their new chemical residue testing equipment and educated them about U.S. food safety laws and regulations, including responsibilities of various U.S. agencies. FAS's Riyadh office indicated they have received 40 percent fewer calls since the seminar and projects an increase of \$3 million in high-value imports by the end of 2007.

#### **COMMODITY CREDIT CORPORATION (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 2007 GSM-102 program provided credit guarantees which facilitated sales of about \$1.4 billion of U.S. agricultural exports to 5 countries and 5 regions. Under the GSM-102 program, sales of U.S. agricultural products to the Central American Region increased by 20 percent from \$250 million in FY 2006 to \$300

million in FY 2007. In the South American Region, sales jumped from \$42 million in FY 2006 to \$140 million in FY 2007, a 235 percent increase that was attributed to a surge in sales of U.S. feed grains and wheat. There also was a first-time sale to India under the GSM-102 program for \$30,000 in pulses.

**SUMMARY OF FY 2007 EXPORT CREDIT GUARANTEE ACTIVITY**  
(Export Applications Received)  
(\$ Millions)

<u>COUNTRY</u>	<u>GSM 102</u>
Caribbean Region	\$112.30
Central America Region	300.00
Eurasia Region	165.90
India	0.03
Korea	126.90
Mexico	10.80
Russia	249.70
South America Region	139.89
Southeast Asia Region	86.40
Turkey	<u>253.40</u>
TOTAL	\$1,445.32

As a result of credit program guarantees, CCC is obligated to make payments when there are defaults. These defaulted payments are either restructured or recovery efforts are made outside of a restructuring agreement. At the start of FY 2007, there was an outstanding balance of \$1.7 billion in rescheduling and default claims, such debt dating back approximately 10 years. During the past year, FAS expended \$175,000 in legal and investigator fees and was able to collect \$1.8 million in claim recoveries. In addition, FAS and FSA worked in close collaboration with the Department of State and the Treasury Department to collect \$809.3 million from our rescheduling agreements, thereby reducing our outstanding balance of GSM defaults and rescheduling to \$1.0 billion in principal. As a result, these collection efforts resulted in an approximate drop of 48 percent in the receivable balance.

**MARKET EXPANSION PROGRAMS**

The Export Enhancement Program (EEP) and Dairy Export Incentive Program (DEIP) 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 2007, no bonuses were awarded under either program, due to world market conditions and the enhanced competitiveness of U.S. agricultural exports.

**IMPORT AND TRADE SUPPORT PROGRAMS**

- **United States and Mexico Settle Long-Standing Sweetener Dispute.** During FY 2007, FAS officials worked with their Mexican counterparts to successfully implement the historic July 2006 Sweeteners Agreement. Effective January 1, 2007, Mexico eliminated its prohibitive tax on beverages containing sweeteners other than cane sugar. Prior to this, U.S. exporters of high fructose corn syrup (HFCS) had been shut out of the Mexican market. FAS officials also were instrumental in establishing a U.S.–Mexico joint industry and government Sweeteners Task Force which convened in May 2007 and helped convince Mexico to drop its tariff on U.S. sugar from \$360 per metric ton to \$35 per metric ton in May 2007. The two parties subsequently also agreed on the reciprocal acceleration of duty-free trade for commercially significant volumes of sweeteners for the period October-December 2007. FAS officials assisted with the establishment, implementation, and monitoring of those tariff-rate quotas (TRQs). FAS officials also established an ongoing government-to-government Sweeteners Working Group which has promoted information exchange on the two countries' respective policies and programs relevant to sugar and HFCS production and trade. Additionally, this group is working to improve the accuracy and timeliness of sweetener supply and demand data, along with forecasts for the

United States and Mexico.

### **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:

### **COCHRAN FELLOWSHIP PROGRAM**

The Cochran Fellowship Program (CFP) provided short-term training in the United States for 730 international participants from 71 countries in FY 2007. Since its inception in 1984, the program has provided training to 12,932 participants from over 100 countries. Cochran participants meet with U.S. agribusinesses, 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 2007:

*Colombia:* Two Colombian Agricultural Institute (ICA) professionals from the National Laboratory for Farming Inputs were trained in laboratory techniques for the detection and control of residues of veterinary medicines in meat and dairy products. This training is framed within the recently signed FTA between Colombia and the United States. Improving the capability of Colombia's testing laboratories will strengthen the quality of U.S. meat exports to Colombia as well as food safety levels for potential exports of Colombian meat products.

*Philippines:* The Philippine Department of Agriculture (DA) has used CFP training in developing its human capacity to more effectively deal with a variety of regulatory issues facing the Agency. The annual training by USDA's Food Safety and Inspection Service (FSIS) on meat and poultry inspection has been instrumental in the development of Philippine food safety regulations that mirror the United States' and are in line with the DA's thrust to ensure food safety in the Philippines. The training on U.S. Food Regulations and Rule-Making Process has helped improve the consultative process during the development of food policies and regulations. Using the knowledge gained from the Quarantine, Inspection, and Customs Clearance training programs, the DA is now developing more consistent

WTO food regulations. Overall, the CFP has been instrumental in building a positive working relationship between the DA and FAS/Manila which, in turn, has helped in resolving key market access issues, such as maintaining the market in the Philippines for U.S. beef and the recent lifting of the temporary ban on U.S. beef offal.

*Bulgaria:* CFP training on Wine Production was held for Bulgarian wine importers. The participants consisted of highly ranked wine importers, distributors, promoters, an enologist, and a wine journalist. As a result, the first import from Merryvale Vineyards in Napa Valley, California, took place and Bulgarian importers are negotiating with other U.S. vineyards for imports in 2007. An issue of Bulgaria's *Bacchus* magazine was dedicated to the CFP trip to California, with information on wine brands and vineyards the team visited, which is helping to increase knowledge of California wines in Bulgaria.

*China:* A Chinese distributor, who was one of the participants in the Produce Development team, reported that, in addition to purchases of over \$1 million of U.S. fruits during the visit last summer, the distributor has recently developed additional relationships from the visit and placed an order for 13 containers of table grapes and red delicious and gala apples, with a value of over \$350,000. The supplier is one of the packinghouses, exporters, and growers that the team visited in Washington State as part of the CFP.

*Malaysia:* Three CFP Fellows received visas to return to the United States to select breeding swine for their first pallet, which should lead to additional sales. This is thought to be the first sale of U.S. breeding swine to peninsular Malaysia in 10 years.

#### FY 2007 Participants by Region and Funding Source

	Appropriation	Freedom Support Act (FSA)	Middle East Peace Initiative (MEPI)	FY 2007 Total
Asia	164	29	0	193
Eastern Europe And Eurasia	107	42	0	149
Latin America & Caribbean	224	0	0	224
Africa and the Middle East	155	0	9	164
<b>Program Total</b>	<b>650</b>	<b>71</b>	<b>9</b>	<b>730</b>

#### **BORLAUG FELLOWS PROGRAM**

In its fourth year, the Norman E. Borlaug International Agricultural Science and Technology Fellows Program (BFP) has continued to expand, training some 300 fellows since the program's inception and nearly 100 Fellows in 2007. The program helps developing countries strengthen 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 2007 include Bahrain, Malawi, Mozambique, and Niger. The BFP continues to strive for diversity, selecting almost 50 percent female scientists. Accomplishments in FY 2007 include the following:

- **High-Pressure Food Processing in India.** In June 2007, as a result of the Borlaug Fellows Program with India in conjunction with the Agriculture Knowledge Initiative (AKI), a Workshop on High-Pressure Food Processing was organized in Punjab, India, by a mentor from The Ohio State University and the Borlaug Fellow. High-pressure food processing is critical to food safety for U.S. consumers of

ethnic foods from India. This activity thus strengthens trade capacity building.

- **Improving Awareness of Biotechnology in Poland.** The Borlaug Fellows program enabled two Polish scientists to better understand U.S. biotechnology guidelines, regulations, and consumer education for biotechnology crops. Such capacity-building, scientific exchanges will positively influence the biotechnology debate in Poland and ultimately U.S.-European Union agricultural trade.
- **Assisting Avian Influenza Research in Algeria.** In January 2007, a Borlaug mentor from USDA's Animal and Plant Health Inspection Service in Salem, Oregon, visited a Borlaug Fellow in Animal Disease Control in Algeria to discuss Avian Influenza (AI) issues with government agencies. The mentor reviewed regulations and laws in place for the eradication, control and response to livestock and poultry diseases, as well as field data management techniques, and GIS mapping software. A practice exercise was conducted for response preparedness to highly pathological avian influenza in a poultry operation. Important lessons were learned that strengthen Algeria's capacity to mount a true response in the future.

### **SCIENTIFIC COOPERATION EXCHANGE PROGRAM (SCEP)**

In 1978, USDA signed a cooperative agreement with the Ministry of Agriculture (MOA) of the People's Republic of China to exchange scientific teams and technical information in the fields of agriculture, forestry, and water and soil conservation. Since its inception, the SCEP has facilitated the exchange of more than 1,700 American and Chinese scientists. The exchange program is an effort to enhance overall relations between the two countries and create a positive atmosphere for trade. Several SCEP programs have directly supported the objective of developing trade with China.

- **China Biomass Energy Technology Team.** A five-member team from the Chinese Academy of Agricultural Engineering and Department of Science, Technology, and Education under the Ministry of Agriculture visited the University of Minnesota and Agricultural Utilization Research Institute, the University of California at Davis, Chicago Board of Trade, and ethanol plants near Chicago to learn more about U.S. biomass energy technology. As a result, several U.S. privately owned ethanol companies in the Illinois area are collaborating with Chinese counterparts.
- **U.S. Plant Protection Technology.** Five scientists from the Ministry of Agriculture, National Agro-Technology and Service Center, China Agriculture of Academy of Sciences, Nanjing Agricultural University, and a provincial plant protection station learned about U.S. quarantine regulations, standards, policies, and practical operation methods during visits to USDA's Agricultural Research Service, Texas A&M University, the University of Missouri-Columbia, Monsanto Company, and the University of California at Davis. A better appreciation of U.S. quarantine regulations, standards, and policies by the Chinese will promote bilateral agricultural trade and reduce unnecessary trade restrictions imposed upon U.S. exports.
- **USDA and U.S. Department of Energy Collaboration with China on Biofuels.** USDA's Economic Research Service and the U.S. Department of Energy collaborated with China to help meet the demand for agricultural commodities used to produce biofuels. China and the United States are the two largest producers of corn, the primary raw material for biofuels to date, and are also exploring non-grain materials for the production of biofuels. Recent high-level delegations traveling between China and the United States have begun a dialogue to determine areas of joint interest and pursue ways to collaborate on the development of technologies in these areas.

### **SCIENTIFIC COOPERATION RESEARCH PROGRAM (SCRIP)**

The SCRIP 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. Following are examples of outcomes from USDA investments in this mutually-beneficial, competitive grants program.

- **Biotechnology Research with Mexico Improves the Common Bean.** Beans are a critical food protein source in developing countries and a priority issue for trade with Mexico. USDA, University of Minnesota, and Mexican scientists initiated an SCRP project in 2005 that uses biotechnology to improve the quality, stress tolerance, and yield of the common bean. This ongoing project has already helped advance genomic sciences in Mexico by improving the skills of scientists who are applying biotechnology in transforming beans. Further benefits from the joint effort include enhancing food security and food quality, increasing profitable and sustainable crop production, reducing fertilizer inputs by farmers, and improving water quality.
- **Joint Biotechnology Research with China Helps Detect and Monitor Avian Influenza.** Auburn University and University of Hong Kong scientists initiated research using a recently developed biotechnology test to quickly detect avian influenza in wild and backyard birds in 2004. SCRP helped support the first use of the new test to monitor avian influenza viruses from non-commercial poultry in the southeastern United States and Hong Kong. Valuable information on the types of viruses circulating in bird populations has been shared in China and with USDA staff coordinating domestic and international avian influenza efforts. This long-term scientific cooperation with China helps build international support for open trade through the use of collaborative research, agricultural education, capacity building and biotechnology.
- **Collaboration with India on Mango Irradiation.** An SCRP project responded to a request to help spur action towards the resolution of a long-standing U.S.–India plant-health, trade issue: mangoes and the seed weevil that limits trade. Tuskegee University and FAS staff collaborated with Indian scientists and government officials to initiate research in 2004 on safety and other characteristics, such as taste and texture, when irradiating mangoes to meet USDA Animal and Plant Health Inspection Service import requirements. Research progress and results from irradiation at different levels were shared with regulatory agencies in both countries to encourage decisions based on sound, science-based observations. President Bush and the Vice Chancellor of ANGR Agricultural University in Hyderabad, India discussed this joint project in March 2006 during a visit when the U.S. agreed to import irradiated mangoes within 18 months. In May 2007, the first lot of irradiated mangoes was imported into the United States.

#### **FOREIGN FOOD ASSISTANCE PROGRAMS**

FAS administers several food assistance programs to help developing countries with humanitarian crises, economic development, and the transition from being food aid recipients to commercial markets. Programs administered by FAS consist of P.L. 480, Title I; Food for Progress (FFP); and the McGovern-Dole International Food for Education and Child Nutrition Program (FFE). Fiscal year activities focused on helping countries 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 342,600 tons of food assistance with an estimated value of about \$263 million. Of this amount, estimated commodity costs represented \$156 million and estimated transportation and other non-commodity costs were \$107 million. FAS provided all of the food assistance through donations, with no concessional sales agreements in FY 2007. More than 25 countries received food assistance through FAS-administered programs.

#### **FAS FOOD ASSISTANCE PROGRAM SUMMARY, FY 2007**

	\$ Millions <sup>a/</sup>	000 MT
P.L. 480 Title I Funded/FFP	16.7	23.2
CCC Funded/FFP	147.2	250.6
McGovern Dole Food for Education	98.6	68.8
<b>TOTAL, Food Assistance</b>	<b>\$262.5</b>	<b>342.6</b>

<sup>a/</sup> Includes the costs of ocean freight, ocean freight differential, and other non-commodity costs.

<sup>b/</sup> Includes \$58 million of commodities procured for agreements carried over from the prior year.

**P.L. 480 TITLE I PROGRAM**

Objectives of the concessional sales component of the Title I program include providing food assistance to targeted developing countries in order to promote economic growth. It is intended to promote the recipient country's transition to commercial trade by gradually reducing the concessional nature of the program and eliminating ocean freight financing. During FY 2007, no programming was done under the concessional sales component of the Title I program.

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 2007 Title I-funded FFP program, two countries received over 23,200 metric tons of commodities and related freight valued at over \$16 million. Both of these were government programs.

**FY 2007 P.L. 480 TITLE I FUNDED/  
FOOD FOR PROGRESS COUNTRY ALLOCATIONS**  
(\$ Millions)

<u>COUNTRY</u>	<u>TOTAL VALUE</u>
Afghanistan	\$9.5
Ethiopia	7.2
Subtotal	\$16.7

**COMMODITIES PROGRAMMED IN FY 2007 UNDER TITLE I/FFP**

<u>COMMODITY</u>	<u>000 MT</u>
Soybean Oil	8.2
Wheat	15.0
Subtotal	23.2

*Afghanistan:* In western Afghanistan livestock, perennial-horticultural products, and potatoes have the most potential for generating income for poor farmers living in remote areas. Improvements are needed in technology, land and water management, marketing, and agricultural infrastructure. There is also an urgent need to divert farmers from opium poppy production. In FY 2007, USDA signed a Food for Progress agreement with the Government of Afghanistan to provide 8,210 metric tons (MT) of soybean oil valued at \$9.5 million, including ocean transportation. The sale of the soybean oil in Afghanistan will generate support for agricultural education, agricultural research and extension, plant and animal disease diagnostics and control, food safety, and natural resource management. This monetization will further strengthen the commercial bidding process introduced through previous USDA food aid programs. Sales proceeds will also fund 10 Norman E. Borlaug International Agricultural Science and Technology Fellowships.

**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 2007, CCC funding provided over 250,630 metric tons valued at \$97 million, and \$50 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 2007 CCC-FUNDED FOOD FOR PROGRESS**  
**(\$000)**

<u>COUNTRY</u>	<u>TOTAL VALUE</u>
Armenia	\$1.6
Azerbaijan	3.4
Bolivia	6.3
El Salvador	5.1
Georgia	5.1
Kenya	17.4
Liberia	8.1
Madagascar	11.2
Malawi	6.8
Mozambique	21.8
Nicaragua	6.9
Niger	14.2
Tanzania	8.0
Prior Year Agreements	<u>33.1</u>
Subtotal	\$147.2

**COMMODITIES PROGRAMMED IN FY 2007 UNDER  
CCC-FUNDED FOOD FOR PROGRESS**

<u>COMMODITY</u>	<u>000 MT</u>
Lentils	0.1
Rice	18.0
Sorghum	12.0
Soy Fortified Bulgur	1.6
Soybean Oil	4.5
Vegetable Oil	1.0
Wheat	211.6
Wheat Flour	<u>1.8</u>
Subtotal	250.6

Specific examples of success in FY 2007 under Food for Progress include the following:

*Bolivia:* Farming families in the municipalities of Anzaldo/Sacabamba and Aiquile/Pasorapa have extremely high degrees of poverty, lack renewable natural resources, and suffer from malnutrition. Because of poor basic services and limited access to natural resources like water, forage, and productive land, many local residents see emigration to the country's more productive areas as their only option for survival. To help farming families in these areas, USDA and Food for the Hungry launched a Food for Progress agreement in FY 2007. Food for the Hungry received 11,500 MT of wheat for monetization and will use the proceeds over 3 years to develop Bolivian agriculture. The project will include technical assistance for supply chains of higher value products, development of producer associations and micro-enterprises, training for increased agricultural productivity and post-harvest system efficiency, improved access to financial services, and support for strategic alliances with public and private sector organizations in Bolivia. This program will benefit 2,500 farmers directly and 12,500 household members indirectly.

*Liberia:* With a population of roughly 3.2 million, Liberia is finally emerging from a decade-long civil war that destroyed the country's infrastructure, devastated its agriculture sector, and created over 800,000 displaced persons and refugees. Prior to the war, the country imported only 30 percent of its food needs. Today, it imports 70 percent. USDA is providing 10,000 metric tons of commodities to Agricultural Cooperative Development International and Volunteers in Overseas Cooperative Assistance (ACDI/VOCA), a PVO, under the FY 2007 Food for Progress program. Proceeds from the sale of these commodities will be used to revitalize cocoa production in the country. Activities include farmer training, distribution of cocoa seedlings and rehabilitation of cocoa trees, strengthening of farmer organizations, and credit training. Approximately 5,600 smallholder cocoa farmers will benefit.

*Madagascar:* As a food-insecure country with a rural-based economy, Madagascar qualifies for USDA's Food for Progress program based upon its low per-capita income and significant levels of malnutrition. Much of the agricultural sector, including dairy, is struggling to provide sufficient production to meet the country's needs. Three key constraints affecting development of the dairy sector are low milk-production and animal-productivity, poor milk-quality, and inefficient marketing systems. To ensure that farmers get the necessary resources, USDA signed an FY 2007 Food for Progress agreement with Land O'Lakes, Inc. (LOL), a PVO working in Madagascar. The agreement will provide approximately 12,450 tons of wheat for monetization. Over a period of approximately 2 years, LOL will use the proceeds to implement a program for on-farm dairy management; animal nutrition and breeding; group marketing and purchasing; dairy processing; business, cooperative, and organizational development; and consumer research. About 10,000 farmers are expected to benefit from this program.

*Mozambique:* Poultry offers a significant economic opportunity for thousands of Mozambique's farmers and for alleviating poverty in rural communities. Growth in the poultry industry would also have a direct benefit for the corn farming industry, which supplies poultry feed. To aid in capacity building, USDA signed an FY 2007 Food for Progress agreement with TechnoServe, a PVO working in Mozambique. The agreement will provide approximately 21,060 tons of wheat for monetization and use the proceeds to expand capacity for poultry farmers and large-scale poultry producers; train poultry industry and related government agencies in bio-security and disease prevention; provide marketing services; build capacity of government ministries in improving analysis of policy, regulatory, and administrative issues impacting the poultry industry; and provide matching grants to large-scale processors to help upgrade facilities. About 460,000 individuals in the community are expected to benefit from this program.

*Nicaragua:* Access to credit is among the most pressing problems facing micro- and small-scale producers in Nicaragua, severely limiting their capacity to incorporate new technologies or diversification tactics that would enhance agricultural livelihood opportunities. Lack of credit options in rural and remote areas also prevents low-income Nicaraguans from building upon small business to progress economically. FINCA International received 15,000 metric tons of wheat and 1,000 metric tons of crude degummed soybean oil under an FY 2007 Food for Progress agreement and, over approximately 3 years, will use the proceeds from the sale of these commodities to increase loan capital and microfinance services to micro-entrepreneurs in agriculture-related businesses in Nicaragua. This program will benefit 8,415 farmers directly and 37,867 family members indirectly.

*Niger:* The Food and Agriculture Organization of the United Nations (FAO) estimates the cereal deficit of Niger at 278,350 metric tons, the largest shortfall in 20 years due to locusts and drought. USDA signed an FY 2007 Food for Progress agreement with International Relief and Development, Inc. (IRD), a PVO, for the donation of 5,600 metric tons of agricultural commodities, including rice and soy fortified bulgur. IRD will sell the rice in Niger and use the proceeds to help pastoralists reconstitute goat herds, expand water sources for animals, develop pasture reserves, increase vegetable production, and build the capacity of local non-governmental offices. This program also includes a Food for Work component, in which 1,600 tons of soy-fortified bulgur will be distributed to workers participating in the water-source expansion and pasture-development activities. Twenty thousand people will benefit from this program.

*Tanzania:* Tanzania's economy depends heavily on agriculture, which accounts for almost half of the gross domestic product and provides 85 percent of exports and employment for 80 percent of the workforce. Basic consumption requirements, as well as caloric and nutritional demand, surpass available food supplies, and increasing food production is critical. USDA signed an FY 2007 Food for Progress agreement with FINCA, to provide approximately 20,000 metric tons of wheat with a combined commodity and freight value of about \$8 million. FINCA will sell the wheat and use the proceeds to introduce and expand microfinance services to micro-entrepreneurs working in agriculture-

related businesses in Tanzania. This program will benefit 15,000 people directly and 90,000 family members indirectly.

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

The FFE program supports preschool and in-school food for education programs in foreign countries and nutrition programs for women, infants, and children under age five. The program was authorized through the Farm Security and Rural Investment Act of 2002 and the program started operating in FY 2003. About \$98.6 million of assistance was made available through the program in FY 2007. Approximately 42 percent of the total program cost was allocated for commodity expenses. The remainder of the funding was allocated as follows: 24 percent for freight and 34 percent for providing administrative expenses and other non-commodity costs. USDA provided over 68,780 metric tons of commodities to support programs implemented by the World Food Programme (WFP) and PVOs. More than 2.5 million children and mothers benefited from the FY 2007 program.

**FY 2007**  
**MCGOVERN-DOLE FOOD FOR EDUCATION**  
**(\$millions)**

<u>COMMODITY</u>	<u>TOTAL VALUE</u>
Benin	\$ .3
Cambodia	10.4
Congo, Republic of	6.0
Guatemala	11.6
Guinea	12.1
Guinea-Bissau	4.4
Kenya	9.9
Liberia	2.3
Madagascar	5.4
Malawi	5.4
Mali	14.0
Mozambique	5.4
Nicaragua	.7
Pakistan	8.7
Senegal	<u>2.0</u>
Subtotal	\$98.6

**COMMODITIES PROGRAMMED IN FY 2007**  
**UNDER MCGOVERN-DOLE FOOD FOR EDUCATION**

<u>COMMODITY</u>	<u>000 MTS</u>
Beans	1.1
Bulgur	3.3
Corn-Soy Blend	9.3
Cornmeal	2.8
Peas/Beans/Lentils	15.9
Rice	22.6
Soybeans & Soy Products	4.8
Soybean Oil	.5
Vegetable Oil	5.9
Wheat-Soy Blend	<u>2.5</u>
Subtotal	68.7

**The following are examples of McGovern-Dole Food for Education Agreements Signed in FY 2007:**

*Cambodia:* The universal poverty and low level of food security in some areas of Cambodia has contributed to poor human development. An analysis of the education situation reveals significant disparities amongst regions and between genders. Less than 15 percent of adults living in rural areas of the three Northern provinces (Adamaoua, North and Extreme North) complete school. To help families in this area, USDA signed a Food for Education agreement with the WFP to donate 2,260 metric tons of peas and 870 tons of vegetable oil, with a combined commodity and freight value of \$3.1 million. WFP will directly distribute these commodities to 600,000 students, girls, and teachers in food-insecure zones of Cambodia.

*Guatemala:* Guatemala is a post-conflict, poor and multi-ethnic nation with a population of more than 12 million. According to the Guatemalan Ministry of Education (MOE), chronic malnutrition among first grade students averaged 72.8 percent in 2001 in some areas where SHARE currently implements its FFE program. USDA signed an FFE agreement with Share Guatemala, for the donation of 400 metric tons of wheat-soy blend; 260 tons of vegetable oil; 520 tons of dark-red kidney beans; 520 tons of milled rice; and 4,800 tons of soybean meal, with a combined commodity and freight value of approximately \$3.5 million. SHARE will monetize the soybean meal and use the remainder of commodities to provide daily meals for 62,000 teachers and children. Take-home rations will benefit another 16,000 students. In addition to food provisions, the program will provide training for teachers, educational materials, infrastructure improvements, and health initiatives such as de-worming.

*Guinea:* The proportion of the population living below the poverty line in Guinea increased from 40 percent in 1996 to 49 percent in 2004, with extreme poverty affecting 19.1 percent of inhabitants. Poverty is particularly marked in rural areas, where 60 percent are affected. The regions hardest hit are Upper Guinea, where the poverty ratio is 67.5 percent and Middle Guinea, where the figure is 55.4 percent. USDA signed an FFE agreement with the WFP to donate 1,900 metric tons of peas; 8,690 metric tons of milled rice; and 870 metric tons of vegetable oil. WFP will directly distribute these commodities to 190,000 students, girls, and teachers in food-insecure zones of Guinea. Additionally, WFP will be implementing programs to establish school gardens, de-worm, develop water resources, and improve hygiene.

*Kenya:* The arid and semi-arid land areas of Kenya have the lowest school enrollment and attendance rates in the country. The net primary enrollment rate was 72 percent for boys and 67 percent for girls in 2005, compared to a net national rate of 92 percent for both boys and girls. The rates are particularly low in the pastoral North-Eastern Province, and are lowest in the Wajir district, with only 7 percent of girls enrolled in formal schools. To increase relief in this region, USDA signed an FFE agreement with the WFP to donate 400 metric tons of corn-soy blend; 3,350 metric tons of bulgur, 5,000 metric tons of milled rice; 5,000 metric tons of peas; and 600 metric tons of vegetable oil. WFP will directly distribute these commodities to 1 million students, girls, and teachers in food-insecure zones of Kenya. WFP will use other donor funds to improve school infrastructure and health initiatives.

*Madagascar:* Poor nutrition may contribute to the low level of academic achievement seen in the Malagasy population. Adult literacy rates are 71 percent and youth literacy is 70 percent. In both cases, literacy rates among females are lower than those of males. At the primary school level, 30 percent of students repeat one or more grades and 45 percent of students complete all 5 grades. USDA signed an FFE agreement with Cooperative for Assistance and Relief Everywhere Inc. (CARE), a PVO, for the donation of 380 metric tons of beans; 510 metric tons of soybean oil, 1,620 metric tons of milled rice; and 680 metric tons of corn-soy blend. CARE will use these commodities in Madagascar to provide daily meals for 15,000 teachers and students and take-home ration baskets for 15,500 students, teachers, and tutors. In addition, CARE will use program funds to provide training for teachers, educational materials, capacity building for parent associations, and installation of community fish ponds, vegetable gardens, and woodlots benefiting another 8,500 farmers, teachers, and family members.

*Mali:* According to FAO, 29 percent of the Malian population is undernourished, a figure which has increased since the early 1990's. Limited natural resources, environmental degradation, and weak institutional capacity thwart economic growth. USDA signed an FFE agreement with Catholic Relief Services (CRS), a PVO, for the donation of 2,770 metric tons of milled rice; 2,770 metric tons of cornmeal; 1,120 metric tons of vegetable oil; and 720 metric tons of peas, with a combined commodity and freight value of approximately \$6.2 million. CRS will use these commodities in Mali to provide daily lunch to approximately 83,000 students, cooks, and their families and take-home rations for 10,000 girls as an incentive to stay in school. CRS will also use program funds to improve student health, school infrastructure, and capacity building activities.

*Malawi:* The 2002 Education Data Survey indicates that only 60 percent of primary school students who entered grade one could be expected to reach grade five, with or without repetition, and only 39 percent of those who entered grade one could be expected to reach grade eight. Poverty and poor-quality school environment are among major causes of high drop-out rates. USDA signed an FFE agreement with the WFP to donate 8,280 metric tons of corn-soy blend. WFP will directly distribute these commodities to 153,000 students, including girls and orphans in food-insecure zones of Malawi.

*Mozambique:* Mozambique has more than 1.5 million orphans, close to 400,000 of whom are AIDS orphans. Many of these children face grave difficulties in surviving, often making school attendance impossible, because they are needed for income generation, food production, or care for their siblings. USDA signed a FFE agreement with Joint Aid Management (JAM), a PVO, for the donation of 2,100 metric tons of wheat-soy blend and 3,790 metric tons of milled rice. JAM will use the commodities to provide a daily nutritional meal to 113,000 students and take-home rations to 16,000 girls and 2,200 cooks. This program also has training seminars and infrastructure development.

### 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.

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.

- **United States and Canada Reach Agreement on Carbadox.** In 2001, the Canadian government banned the sale of carbadox, an antimicrobial commonly used for swine, as a result of concerns with its carcinogenicity and a domestic misuse case. Additionally, Canada's residue testing protocol limits the amount of carbadox to nearly undetectable amounts in imported meat. Over the years, Canada and the United States were unable to come to agreement. Starting in October 2006, Canada threatened to make the use of carbadox illegal in any hogs sold in Canada. In July 2007, working with USTR and FSIS, FAS brokered an agreement that allows Canada to maintain its "zero use" policy for carbadox, yet allow U.S. farmers to use it. On the U.S. side, carbadox will be tested as part of the National Residue Program. In the event of a positive U.S. finding, Canada will test all product from that plant. After five clean shipments, Canada will revert to its normal surveillance for that plant. Also, in the case of a positive, (either in the United States or Canada) it appears that that Canadian Food Inspection

Agency (CFIA) will consult with Health Canada to determine whether a recall is warranted, considering the amount of product that is most likely still in the market. This will be a 1 year program. This agreement saved a market worth \$431 million for pork and pork products in 2006.

- **BSE Related Market Access Barriers Removed.** During FY 2007, USDA succeeded 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, affecting over \$3.8 billion in trade. Since FY 2003, USDA's efforts have resulted in a resumption of access to more than 40 of these markets, with exports for FY 2007 of more than \$2.4 billion, up from \$1.9 billion in FY 2006. New access in FY 2007 included reopening of the Korean market for boneless beef from animals under 30 months of age (which was closed again in September 2007), Malaysia, and Ukraine.
- **Thailand Repeals Onerous Food Labeling Requirements.** In October 2006, Thailand notified the WTO of its proposed labeling system for snack foods, which required that certain snack foods be labeled with a green, yellow, or red light based on the caloric, fat, sugar, and sodium content of the food. Aside from the ramifications within Thailand, there was considerable concern that the proposal could potentially be adopted by other countries in the region. USDA was instrumental in working with the Thai Food and Drug Administration, and enlisting the support of the Thai domestic food processing industry against the proposed requirements. In addition, USDA raised the issue in multilateral forums in Geneva, including the March 2007 WTO Committee on Technical Barriers to Trade. If new labeling requirements had been implemented, they could have threatened over \$10 million in U.S. exports to Thailand. In August 2007, Thailand notified the WTO of an addendum to the measure, withdrawing the proposed traffic light labeling, in line with U.S. comments on the proposed requirement. The August addendum was a positive step, but does not clarify the scientific justification for the food groups targeted, and includes new mandatory warning statement provisions. Work on the issue is ongoing through the WTO TBT process. In October 2007, FAS submitted comments on the addendum to Thailand's WTO TBT inquiry point, and also raised the issue November 7 at the WTO TBT Committee meeting in Geneva.
- **Maintaining Access of U.S. Grapes and Apples to Indonesia.** In March 2006, Indonesia implemented new fresh fruit import regulations under Decree 37 that no longer recognized pest free areas in the United States and threatened access for U.S. grapes and apples. Decree 37 subjects U.S. fresh fruit to unwarranted pest mitigation measures prior to export to Indonesia. In November 2006 exports of U.S. table grapes resumed after a technical team from Indonesia verified pest free areas in California, protecting over \$15 million in annual trade. In July 2007, Indonesia agreed to in-transit cold treatment that effectively allowed U.S. apple exports to continue, protecting over \$20.8 million in trade.
- **FAS Advocacy Achieves Japanese Approval of a Biotech Corn Event.** Due in large part to FAS advocacy and representations to the Japanese Government, Japan approved a new biotech corn event (Agrisure) for import in August 2007, before the 2007 U.S. corn crop was harvested. This action helped to preserve annual U.S. corn exports of 15-16 million metric tons or about \$2.0 billion.
- **Philippine Government Accepts Testing Standards for Biotech Rice.** In 2007, FAS and Manila worked closely with the U.S. rice industry to persuade the Philippine government to accept testing standards for the low level presence of Liberty Link biotech rice events that are approved in the U.S. but not yet approved in the Philippines. These efforts prevented the cancellation of a 44,000 metric tons, \$20 million P.L. 480 Title I rice sale to the Philippines.
- **European Commission Delays Implementation on Special Measures for Aflatoxin Testing on U.S. Exports to the European Union.** FAS led successful negotiations that postponed the EU implementation of special measures for aflatoxin testing on U.S. almond exports. The delay allowed the U.S. almond industry to employ a Voluntary Aflatoxin Sampling Program (VASP), which included

a system of USDA-approved laboratories, to assist in the control of aflatoxin. FAS efforts and perseverance helped to convince the European Commission to delay implementation of the special measures until September 1, 2007, and to prepare for future discussions on the negotiation of a pre-export certification program for U.S. almond exports, once the VASP demonstrates a sufficient level of effectiveness in controlling aflatoxin. The special measures support a reduced level of inspection upon arrival in the EU when consignments are shipped under the VASP. Exports of U.S. almonds to the EU were valued at more than \$973 million in CY 2006.

- **European Commission Approves Pre-Export Certification Program for U.S. Peanut Exports to the European Union.** FAS, the Agricultural Marketing Service, and the U.S. peanut industry successfully negotiated for U.S. peanuts to become the first commodity to be granted pre-export approval under the EU food and feed controls legislation. Under the agreement, which went into effect December 1, 2007, the United States will conduct pre-export checks on raw, shelled, and in-shell peanuts to determine the presence of aflatoxin. Currently, peanut exports to the EU are subject to further inspection at EU ports before gaining entry. With this decision, the frequency of physical checks on the consignments will be significantly reduced. USDA and the U.S. peanut industry will continue to work with the EU to finalize the process for issuing pre-export certifications with each lot, which are similar to the aflatoxin certification currently generated by USDA and its approved laboratories. The EU is the second largest export market for U.S. peanuts at \$59 million in 2006.
- **Removal of China's Import Restrictions on California Citrus.** On June 13, 2006, China informed the Animal and Plant Health Inspection Service (APHIS) that all imports of citrus fruit produced or packed in Fresno County, California, were prohibited due to recent detections of Peach fruit fly (PFF). This was a significant departure from actions taken by other countries that imposed trade restrictions only on the quarantine area identified by APHIS, not by county or political boundary. The area of Fresno County is over 6,000 square miles and includes a significant level of citrus production. In December 2006, after continued pressure from FAS, China removed the restrictions, re-establishing over \$20 million in citrus exports to China.
- **SPS Enquiry Point/National Notification Authority.** In 2007, the Enquiry Point/National Notification Authority has handled over 300 U.S., and almost 800 foreign notifications. The U.S. has commented on about 70 foreign notifications.
- **Inter-agency Effort Averts Trade Disruption over Liberty Link 601 Biotech Rice.** At the peak of 2006 U.S. rice harvest, valued at nearly \$2 billion, an unapproved biotechnology event, Liberty Link 601 (LL601), was found in the U.S. rice supply. While safety was not a critical issue, significant marketing disruptions to international commercial and food aid markets were certain. An inter-agency effort that included FAS, working closely with the Grain Inspection, Packers and Stockyards Administration (GIPSA), the USTR, and the biotechnology industry developed a range of testing protocols that were successful in maintaining approximately \$1 billion of threatened U.S. rice exports. Despite the potential for sharp declines in rice exports as a result of the unintended biotechnology presence, U.S. rice exports dipped only 3.6 percent in value to \$1.28 billion during the August-July 2006/2007 period from \$1.33 billion during the August-July 2005/2006 period.

#### **TRADE ADJUSTMENT ASSISTANCE FOR FARMERS PROGRAM**

The Trade Adjustment Assistance (TAA) for Farmers program provides technical assistance and cash benefits to farmers and fishermen whose price has been negatively affected by imports of "like" or "directly" competitive products. The purpose of the program is to assist farmers and fishermen to successfully adjust to import competition through the provision of technical assistance, cash payments (not to exceed \$10,000), and eligibility for certain Department of Labor (DOL) retraining benefits, including tuition reimbursements for up to 2 years. At a minimum, the technical assistance incorporates alternative marketing strategies, diversification of enterprises, and ways to improve production efficiencies to decrease costs.

The program is funded up to a maximum of \$90 million per year from FY 2002 through FY 2007 and has an annual cash benefit limit of \$10,000 per person. In FY 2007, no petitions were certified or re-certified, so no new benefits of cash payments or training were delivered.

### **PROGRAM ASSESSMENT RATING TOOL (PART)**

The TAA for Farmers program received a "Results Not Demonstrated" score during a recent PART review. Specifically, the program was faulted for being too costly to administer and the Department needed to establish more ambitious baselines and targets.

The Department developed an action plan to address these specific concerns. New performance benchmarks were established based on the results of a survey conducted by the Cooperative State Research, Education, and Extension Service (CSREES). With these benchmarks in place, FAS has established reasonable and attainable performance targets. To meet these targets, FAS has begun Intensive Technical Assistance for producers who intend to compete with imports. Additional changes are expected to upgrade the technical assistance provided to every applicant. These include offering producers a choice of training options instead of the one-day, all-purpose seminar and providing instruction in languages other than English when appropriate. Annual surveys will be conducted to track performance.

FAS also undertook a PART review 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 Facility Guarantee Program. In FY 2008, FAS continues to examine PART assessment for its foreign market development programs. There are five foreign market development programs that are 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; the Quality Samples Program; the Technical Assistance for Specialty Crops program; and the Emerging Markets 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 began development of the Food Aid Information System (FAIS), a new database system for USDA's food aid programs. In FY 2007, FAS completed the design phase of the FAIS and is ready to undertake the build phase. This system will improve program accountability by providing ready access to food aid shipments at various stages, on-line access for Cooperating Sponsors to file reports, and cost information on commodities and transportation. The Foreign Market Development (FMD) Programs PART improvement plan includes several initiatives. FAS will add three FMD-related performance measures to the revised USDA Strategic Plan, which should be completed by March 31, 2008. In addition, FAS will continue to work on changes to the FMD programs processing procedures to ensure that funds are targeted to those groups that would benefit the most. Currently, FAS has further simplified the processing procedures, linking the process more closely to the PART review and incorporating similar terminology and structure to aid in the allocation of funds. Finally, FAS will continue to work on upgrades and enhancements of the Unified Export Strategy (UES) system to further improve the program application processing procedures.



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

	2007 Actual		2008 Estimated		Increase or Decrease	2009 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
<b><u>Strategic Objective 1.1</u></b>							
Market Access.....	\$54,837,000	300	\$55,607,000	321	\$3,919,000	\$59,526,000	321
<b><u>Strategic Objective 1.2</u></b>							
Trade Development.....	52,331,000	119	52,620,000	127	1,470,000	54,090,000	127
Trade Related Technical Assistance.....	30,839,000	113	31,128,000	119	1,469,000	32,597,000	119
Total, Strategic Objective 1.2	83,170,000	232	83,748,000	246	2,939,000	86,687,000	246
<b><u>Strategic Objective 1.3</u></b>							
SPS Issues Resolution.....	23,297,000	225	23,875,000	242	2,939,000	26,814,000	242
Total, Available.....	161,304,000	757	163,230,000	809	9,797,000	173,027,000	809

**Selected Accomplishments Expected at the FY 2009 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 2.0 million mothers, infants, and school children will receive daily meals and take home rations

**Strategic Objective 1.3:**

- Estimated \$2.2 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 negotiation, monitoring, and enforcement

Key Performance Target:

Performance Measure #1	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Target	2009 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)	\$3,950	\$800	\$14 <sup>1/</sup>	\$670 <sup>2/</sup>	\$900	\$900

<sup>1/</sup> USDA did not reach its performance goal of preserving \$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.

<sup>2/</sup> USDA did not reach its performance goal of preserving \$900 million largely because not all successfully negotiated FTAs have been implemented.

**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
- Food Aid Targeting Effectiveness Ratio
- Number of women and children assisted under the McGovern-Dole International Food for Education and Child Nutrition Program
- Number of countries that make substantive improvements in national trade policy and regulatory frameworks that increase market access

Key Performance Target:

PART Performance Measure	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Target	2009 Target
-- Long-Term Net Default Rate -- CCC Export Credit Guarantee Program	-0.26%	-0.47%	-0.36%	-0.79%	NTE +/- 1.5%	NTE +/- 1.5%

-- Food Aid Targeting Effectiveness Ratio	40-44%	30-35%	30-35%	38%	35%	36%
<b>Performance Measure #2</b>	<b>2004 Actual</b>	<b>2005 Actual</b>	<b>2006 Actual</b>	<b>2007 Actual</b>	<b>2008 Target</b>	<b>2009 Target</b>
a. No. of women and children assisted under McGovern-Dole (millions)	2.0	3.4	3.3	3.2	2.5	2.0
b. Substantive improvements in national trade policy and regulatory frameworks that increase market access in recipient countries	N/A	N/A	6 countries	13 countries	8 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:

<b>Performance Measure #3</b>	<b>2004 Actual</b>	<b>2005 Actual</b>	<b>2006 Actual</b>	<b>2007 Actual</b>	<b>2008 Target</b>	<b>2009 Target</b>
-- Value of trade preserved through USDA staff intervention leading to resolutions of barriers created by SPS or TBT measures. (billions)	N/A <sup>a/</sup>	\$2.0	\$2.6	\$2.5	\$2.0	\$2.2

a/ FY 2004 actual 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	2007 AMOUNT (\$000)	2008 AMOUNT (\$000)	2009 AMOUNT (\$000)
<b>Market Access</b>				
<b>DISCRETIONARY PROGRAM</b>				
Salaries and Expenses:				
	Direct Costs	46,611	47,266	50,597
	Indirect Costs	8,226	8,341	8,929
	Subtotal	54,837	55,607	59,526
<b>MANDATORY PROGRAM</b>				
	Total Costs	0	0	0
	Total Costs	54,837	55,607	59,526
	FTE's	300	321	321
Performance Measures:				
	--Dollar value of agricultural trade preserved through trade agreement negotiation, monitoring and enforcement	670,000	900,000	900,000
<b>Agency Goal 2: Expand the Global Agricultural Trading System</b>				
PROGRAM	PROGRAM ITEMS	2007 AMOUNT (\$000)	2008 AMOUNT (\$000)	2009 AMOUNT (\$000)
<b>Trade Development</b>				
<b>DISCRETIONARY PROGRAM</b>				
Salaries and Expenses:				
	Direct Costs	44,481	44,727	45,977
	Indirect Costs	7,850	7,893	8,114
	Subtotal	52,331	52,620	54,090
<b>MANDATORY PROGRAM</b>				
	Market Access Program	200,000	91,000	200,000
	Dairy Export Incentive Program	0	0	3,000
	Foreign Market Development Program	34,500	15,742	0 a/
	Emerging Markets Program	3,612	4,563	0 a/
	Technical Assistance for Specialty Crops Program	1,433	913	0 a/
	Quality Samples Program	1,348	2,500	2,500
	Export Credit Guarantee Programs	1,445,000	2,274,000	2,675,000
	Subtotal	1,685,893	2,388,718	2,880,500
	Total Costs	1,738,224	2,441,338	2,934,590
	FTE's	119	127	127
Performance Measure:				
	--Long-Term Net Default Rate	-.79%	NTE +/- 1.5%	NTE +/- 1.5%
	--Export Multiplier Ratio <sup>b/</sup>	127	130	132
<sup>a/</sup> 2009 program level expected to be established in the new Farm Bill.				
<sup>b/</sup> 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	2007 AMOUNT (\$000)	2008 AMOUNT (\$000)	2009 AMOUNT (\$000)
<b>Trade Related Technical Assistance</b>				
<b>DISCRETIONARY PROGRAM</b>				
Salaries and Expenses:				
	Direct Costs	26,213	26,459	27,707
	Indirect Costs	4,626	4,669	4,890
	Subtotal	30,839	31,128	32,597
Programs:				
	McGovern-Dole International Food for Education and Child Nutrition Program	99,000	99,300	100,000
	Total, Discretionary Costs	129,839	130,428	132,597
<b>MANDATORY PROGRAMS</b>				
	Food for Progress (CCC-Funded)	147,236	277,000	340,000
	Total, Mandatory Programs	147,236	277,000	340,000
	Total, Costs	277,075	407,428	472,597
	FTE's	113	119	119
Performance Measures:				
McGovern Dole:				
	--Number of mothers, infants, and school children receiving daily meals and take-home rations (millions)	3.2	2.5	2.0
	--Food Aid Targeting Effectiveness Ratio	38%	35%	36%
<b>Agency Goal 3: Reduce Technical Trade Barriers and Restrictive SPS Measures</b>				
PROGRAM	PROGRAM ITEMS	2007 AMOUNT (\$000)	2008 AMOUNT (\$000)	2009 AMOUNT (\$000)
<b>SPS Issues Resolution</b>				
<b>DISCRETIONARY PROGRAM</b>				
Salaries and Expenses:				
	Direct Costs	19,802	20,294	22,792
	Indirect Costs	3,495	3,581	4,022
	Subtotal	23,297	23,875	26,814
<b>MANDATORY PROGRAM</b>				
	Total Costs	0	0	0
	Total Costs	23,297	23,875	26,814
	FTE's	225	242	242
Performance Measure:				
	--Value of U.S. agricultural trade expended and maintained annually.	2,500,000	2,000,000	2,200,000

## FOREIGN AGRICULTURAL SERVICE

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

Section 3107 of the Farm Security and Rural Investment Act of 2002 (Public Law 107-171) 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  
2007 Actual and Estimated 2008 and 2009

<u>Item</u>	<u>Actual 2007</u> <u>Amount</u>	<u>Estimated 2008</u> <u>Amount</u>	<u>Estimated 2009</u> <u>Amount</u>
McGovern-Dole Program	\$99,000,000	\$100,000,000	\$100,000,000
Rescission	<u>0</u>	<u>700,000</u>	<u>0</u>
Total Available or Estimate, McGovern-Dole Program	99,000,000	99,300,000	100,000,000
<u>Other Federal Funds:</u>			
Maritime Administration (MARAD)	<u>0</u>	<u>5,000,000</u>	<u>8,000,000</u>
Total, McGovern-Dole Program	99,000,000	104,300,000	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), \$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

Appropriations Act, 2008.....	\$100,000,000
Budget Estimate, 2009.....	100,000,000
Increase in Appropriations.....	<u>0</u>

## Adjustments in 2008:

Appropriations Act, 2008.....	100,000,000
Rescission under P.L. 110-161 a/.....	<u>-700,000</u>

Adjusted base for 2008.....	99,300,000
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Budget Estimate, 2009 .....	<u>100,000,000</u>
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Increase over adjusted 2008 .....	+700,000
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a/ The amount is rescinded pursuant to Division A, Title VII, Section 752 of P.L. 110-161.

SUMMARY OF INCREASES AND DECREASES

(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>2008 Estimated</u>	<u>Program Changes</u>	<u>2009 Estimated</u>
McGovern-Dole Program	\$99,300,000	\$700,000	\$100,000,000

Project Statement  
(On basis of adjusted appropriation)

2007 Actual and Estimated 2008 and 2009

	<u>2007 Actual</u>	<u>2008 Estimated</u>	<u>Increase</u>	<u>2009 Estimated</u>
McGovern-Dole Program	\$99,000,000	\$99,300,000	\$700,000	\$100,000,000
Total, Available or Estimate	<u>99,000,000</u>	<u>99,300,000</u>	<u>700,000</u>	<u>100,000,000</u>
Rescission	<u>0</u>	<u>700,000</u>		
Total Appropriation	<u>99,000,000</u>	<u>100,000,000</u>		

Classification by Objects

2007 Actual and Estimated 2008 and 2009

Other Objects:	<u>2007</u>	<u>2008</u>	<u>2009</u>
41 Grants	\$99,000,000	\$99,300,000	\$100,000,000

Geographic Breakdown of Obligations  
2007 Actual and Estimated 2008 and 2009

	<u>2007</u> Amount	<u>2008</u> Amount	<u>2009</u> Amount
District of Columbia.....	\$99,000,000	\$99,300,000	\$100,000,000

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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 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.

Administered by USAID, 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

2007 Actual and Estimated 2008 and 2009

Item	Actual 2007	Estimated 2008	Estimated 2009
<u>Title I Program Account:</u>			
Title I Credit Level	0	0	0
Title I Food for Progress	0	0	0
Unobligated balance carried forward start of year	39,468,000	11,774,000	0
Transfer from Title I OFD Account	8,000,000	26,124,000	7,200,000
Unobligated balance carried forward end of year	-11,774,000	0	0
Total Title I Subsidy and Grants	35,694,000	37,898,000	7,200,000
Administrative Expenses	3,373,000	2,661,000	2,761,000
Total Title I Administrative Expenses	3,373,000	2,661,000	2,761,000
<u>Title I Ocean Freight Differential Grants:</u>			
Appropriation	0	0	0
Rescission	0	0	0
Unobligated balance carried forward start of year	16,710,000	19,724,000	0
Transfer to Title I Program Account	-8,000,000	-26,124,000	-7,200,000
Unobligated balance carried forward end of year	-19,724,000	0	0
Maritime Administration Reimbursements	16,124,000	6,400,000	7,200,000
Total Title I Ocean Freight Differential	5,110,000	0	0
Total Title I	44,177,000	40,559,000	9,961,000
<u>Title II Grants:</u>			
Appropriation	1,664,711,000	1,219,400,000	1,225,900,000
Rescission	0	-8,536,000	0
Unobligated Balance carried forward start of year	80,010,000	269,916,000	110,000,000
Transfer from Others	30,000,000	0	0
Farmer to Farmer transfer	0	0	0
Unobligated Balance carried forward end of year	-269,916,000	-110,000,000	-110,000,000
Offsetting collections receivable	0	0	0
Recoveries	136,452,000	0	0
Maritime Administration Reimbursements	128,904,000	105,000,000	132,000,000
Total Title II Grants	1,770,161,000	1,475,780,000	1,357,900,000
Total PL 480	1,814,338,000	1,516,339,000	1,367,861,000

## PUBLIC LAW 480

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

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

(Including Transfers of Funds)

- For administrative expenses to carry out the credit program of title I, Public Law 83-480, and the food for Progress Act of 1985, [~~\$2,680,000~~] \$2,761,000 to be transferred to and merged with the
- 1 appropriation for "Farm Service Agency, Salaries and Expenses": Provided, That funds made available for the cost of agreements under title I of the Agricultural Trade Development and Assistance Act of 1954 and for title I ocean freight differential may be used interchangeably between the two accounts with prior notice to the Committees on Appropriations of both Houses of Congress. (7 U.S.C. 1691, 1701-04, 1731-36g-3, 2209b).

## Public Law 480 Title II Grants

- 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,
- 2 including up to \$6,500,000 for costs for services provided by the Farm Service Agency, which shall be available in addition to other funds available for such purpose, [~~\$1,219,400,000~~] \$1,225,900,000 to
  - 3 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 of food.

The first change requests authority to transfer funds between Title I accounts with prior notice to Congressional Committees. Identical authority is provided in the fiscal year 2007 Consolidated Appropriation Act as a proviso within the Foreign Agricultural Service Salaries and Expenses appropriations provision.

The second change provides funding for the Title II program to reimburse the Farm Service Agency for certain of that agency's costs in providing commodity procurement, budget, financial management, and related services to the Title II program.

The third change provides authority for the United States Agency for International Development to use up to 25 percent of appropriated funds for local and regional purchases.

## PUBLIC LAW 480

**Title I Program and OFD Account**

Appropriation Act, 2008.....	\$2,680,000
Budget Estimate, 2009.....	2,761,000
Increase in Appropriation.....	<u>81,000</u>

## Adjustment in 2008:

Appropriations Act, 2008.....	\$2,680,000
Rescission under P.L. 110-161 <u>a/</u>	<u>-19,000</u>

Adjusted base for 2008.....	2,661,000
Budget Estimate, 2009.....	2,761,000
Increase from adjusted 2008.....	<u>100,000</u>

**Title II Grants**

Appropriation Act, 2008.....	\$1,219,400,000
Budget Estimate, 2009.....	1,225,900,000
Increase in Appropriation.....	<u>6,500,000</u>

## Adjustment in 2008:

Appropriations Act, 2008 <u>b/</u> .....	\$1,219,400,000
Rescission under P.L. 110-161 <u>a/</u>	<u>-8,536,000</u>

Adjusted base for 2008.....	1,210,864,000
Budget Estimate, 2009.....	1,225,900,000
Increase from adjusted 2008.....	<u>15,036,000</u>

**Total PL 480**

Appropriation Act, 2008.....	\$1,222,080,000
Budget Estimate, 2009.....	1,228,661,000
Increase in Appropriation.....	<u>6,581,000</u>

## Adjustments in 2008:

Appropriations Act, 2008.....	\$1,222,080,000
Rescission under P.L. 110-161 <u>a/</u>	<u>-8,555,000</u>

Adjusted base for 2008.....	1,213,525,000
Budget Estimate, 2009.....	1,228,661,000
Increase from adjusted 2008.....	<u>15,136,000</u>

a/ Rescinded pursuant to Division A, Title VII, Section 752 of P.L. 110-161.

b/ Excludes \$350,000,000 included in the FY 2008 Budget amendments for the Global War on Terror.

Summary of Increases and Decreases

(On basis of adjusted appropriation)

Item of Change	2008 Estimated	Pay Costs	Program Changes	2009 Estimated
Title I Administrative Expense	\$2,661,000	\$100,000	\$0	\$2,761,000
Title II Grants	1,210,864,000	0	15,036,000	1,225,900,000
Total Available	<u>1,213,525,000</u>	<u>100,000</u>	<u>15,036,000</u>	<u>1,228,661,000</u>

## PUBLIC LAW 480

Project Statement by Program  
(On basis of appropriation)

	<u>2007 Actual</u>	<u>2008 Estimated</u>	<u>Increase or Decrease</u>	<u>2009 Estimated</u>
PL 480 Title I Credit Level	0	0	0	0
Title I Food for Progress	0	0	0	0
Title I Credit Subsidy/Food for Progress Grants	0	0	0	0
PL 480 Title I Ocean Freight Differential	0	0	0	0
PL 480 Title II Donations	\$1,664,711,000	\$1,210,864,000	\$15,036,000 (1)	\$1,225,900,000
Administrative Expenses	3,373,000	2,661,000	100,000 (2)	2,761,000
Total Available or Estimate	<u>1,668,084,000</u>	<u>1,213,525,000</u>	<u>15,136,000</u>	<u>1,228,661,000</u>
Rescission	0	8,555,000		
Total Appropriation	<u>1,668,084,000</u>	<u>1,222,080,000</u>		

Project Statement by Program  
(On basis of available funds)

	<u>2007 Actual</u>	<u>2008 Estimated</u>	<u>Increase or Decrease</u>	<u>2009 Estimated</u>
PL 480 Title I Credit Level	0	0	0	0
Title I Food for Progress	\$35,694,000	\$37,898,000	-\$30,698,000	\$7,200,000
Title I Credit Subsidy/Food for Progress Grants	35,694,000	37,898,000	-30,698,000	7,200,000
PL 480 Title I Ocean Freight Differential	5,110,000 a/	0	0	0
Title I Administrative Expenses				
FSA	3,207,000	2,661,000	100,000	2,761,000
FAS	166,000	0	0	0
Total Title I Administrative Expenses	<u>3,373,000</u>	<u>2,661,000</u>	<u>100,000</u>	<u>2,761,000</u>
Total Title I	<u>44,177,000</u>	<u>40,559,000</u>	<u>-30,598,000</u>	<u>9,961,000</u>
PL 480 Title II Donations	1,770,161,000 a/	1,247,780,000	61,120,000	1,357,900,000
Total	<u>1,814,338,000</u>	<u>1,288,339,000</u>	<u>30,522,000</u>	<u>1,367,861,000</u>

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

Justification of Increases and Decreases(1) An increase of \$15,036,000 for Title II (\$1,210,864,000 available in FY 2008).

This increase provides for the restoration of the FY 2008 funding level prior to rescission of \$8,535,800 and an increase of \$6,500,000 for the costs of the Farm Service Agency in providing commodity procurement, budget and financial management services in support of the Title II program.

(2) An increase of \$100,000 for Title I (\$2,661,000 available in FY 2008).

This increase reflects pay cost increases and restoration of the FY 2008 funding level prior to rescission.

## PUBLIC LAW 480

Classification by Objects  
2007 Actual and Estimated 2008 and 2009

<u>Object Class</u>		<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Title I</u>				
25.3	Purchases of goods and services	3,373,000	2,661,000	2,761,000
41.0	Grants, subsidies and contributions	40,804,000	37,898,000	7,200,000
	Total Title I	<u>44,177,000</u>	<u>40,559,000</u>	<u>9,961,000</u>
<u>Title II</u>				
25.3	Purchases of goods and services	0	0	6,500,000
41.0	Grants, subsidies and contributions	1,770,161,000	1,247,780,000	1,351,400,000
	Total Title II	<u>1,770,161,000</u>	<u>1,247,780,000</u>	<u>1,357,900,000</u>
	Total Direct Obligations	<u><u>1,814,338,000</u></u>	<u><u>1,288,339,000</u></u>	<u><u>1,367,861,000</u></u>

