

2016 Explanatory Notes
Agricultural Marketing Service

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AGRICULTURAL MARKETING SERVICE

Purpose Statement

The mission of the Agricultural Marketing Service (AMS) is to facilitate the strategic marketing of agricultural products in domestic and international markets, while ensuring fair trading practices and promoting a competitive and efficient marketplace to the benefit of producers, traders, and consumers of U.S. food and fiber products.

AMS carries out a wide range of programs under the authorization of the Agricultural Marketing Act of 1946 as well as over 50 other statutes. More than half of the funds needed to finance AMS activities (excluding commodity purchase program funds) are derived from voluntary user fees. AMS also provides services for private industry and State/Federal agencies on a reimbursable basis. In addition, AMS conducts several appropriated program activities through cooperative arrangements with State Departments of Agriculture and other agencies.

1. Market News Service:

The Market News program is authorized by the following statutes:

Agricultural Marketing Act of 1946
Agricultural and Food Act of 1981 (as amended by the Food Security Act of 1985)
The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill)
Cotton Statistics and Estimates Act of 1927
The Mandatory Price Reporting Act of 2010
Peanut Statistics Act
Naval Stores Act
Tobacco Inspection Act of 1935
U.S. Cotton Futures Act

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

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

2. Shell Egg Surveillance and Standardization:

These programs are authorized by the following statutes:

Egg Products Inspection Act
Agricultural Marketing Act of 1946

- a. Shell Egg Surveillance: AMS supports egg marketing by ensuring that cracked, leaking, or other types of “loss” (restricted) eggs are diverted from table egg consumption and by verifying that marketed eggs have a quality level of at least U.S. Consumer Grade B. AMS conducts this program, in cooperation with State Departments of Agriculture, to ensure that shell egg handling operations are inspected at least four times annually and hatcheries are inspected at least once each year to control the disposition of certain types of under grade and restricted eggs. This program diverts eggs that are not at least U.S. Consumer Grade B--

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and which cannot be sold in shell form--to egg breaking plants, which reassures buyers and supports efficient markets.

- b. Standards Development: AMS develops, reviews, and maintains agricultural commodity standards that describe product quality attributes such as taste, color, texture, yield, weight, and physical condition for use in the trading of agricultural commodities. These standards provide a common language for buyers and sellers of commodities and are widely used by the agricultural industry in domestic and international trading, futures market contracts, and as a benchmark for purchase specifications in most private contracts. AMS grade standards are the basis for AMS Market News reports, grading services for cotton, milk and dairy products, eggs, fresh and processed fruits and vegetables, livestock, meat, olive oil, peanuts, poultry, rabbits, tobacco, and Federal commodity procurement. To support international markets, AMS provides technical expertise to international standards organizations to protect the interests of U.S. agricultural producers.

3. Market Protection and Promotion Programs:

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

In the administration of market protection and promotion activities, AMS operates under the following authorities:

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

- a. Pesticide Data Program (PDP): Established under authority of the Agricultural Marketing Act of 1946 and the 1996 Food Quality Protection Act, PDP develops and communicates comprehensive, statistically-reliable information on pesticide residues in food to improve Government dietary risk assessments. This program provides data on a continual basis to the Environmental Protection Agency (EPA) for use in the pesticide registration process and to other Federal and State agencies for use in determining policies intended to safeguard public health. The program particularly focuses on the foods most likely consumed

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by children in addition to pesticide residue data for population-wide dietary risk assessments. The pesticide residue data collected by the program enhances the competitiveness of farm economies by supporting the use of safer crop protection methods and supports marketing by providing information that can be used to re-assure consumers concerned about pesticides. To ensure integrity and the high degree of quality required for dietary risk assessment procedures, PDP's standard operating procedures parallel EPA's Good Laboratory Practice guidelines. Information on significant findings is reported to the Food and Drug Administration (FDA) for further action. This program is a cooperative effort between Federal agencies and is conducted by AMS through agreements with State agencies that provide sampling and testing services.

- b. National Organic Program (NOP): This program is authorized by the Organic Foods Production Act of 1990, which requires USDA to develop and maintain national standards governing the production and handling of agricultural products labeled as organic. AMS provides support to the National Organic Standards Board, reviews materials for the national list of allowed synthetic materials, and coordinates the enforcement and appeals process. The legislation also requires the program to examine and accredit State and private certifying agents who in turn ensure producers and handlers are in compliance with the national organic standards. AMS accredits foreign agents who certify products labeled organic for export to the U.S., and foreign governments that operate an organic accreditation program for organic exports to the U.S. which must be approved under a recognition agreement granted by USDA. This nationwide program increases the efficiency and enhances the competitiveness of domestic agricultural marketing for organic products. The 2014 Farm Bill amended the Organic Foods Production Act to provide funding to modernize NOP database and technology systems.

NOP administers the organic certification cost-share programs. The National Organic Certification Cost-Share Program was authorized by the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 6523(d)) and funded annually through 2018 by the Agricultural Act of 2014 (2014 Farm Bill), Sec. 10004(c) to offset up to 75 percent or \$750 of the certification costs incurred by organic producers and handlers. The Agricultural Management Assistance Program (7 U.S.C. 1524(b)) provides cost-share support for organic producers in 16 states which are: Connecticut, Delaware, Hawaii, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia and Wyoming.

- c. Federal Seed Program: The Federal Seed program is authorized by the Federal Seed Act and regulates agricultural and vegetable seed moving in interstate commerce. The program prohibits false labeling and advertising of seed, as well as the shipment of prohibited noxious-weed seed into a State. State seed inspectors are authorized to inspect seed subject to the Act and samples are routinely drawn by State seed inspectors to monitor seed sold commercially. Although intrastate infractions are subject to State laws, the violation is referred to AMS by the cooperating State agency should an inspection reveal infractions of the Federal Act. Based on the results of tests and investigations, AMS attempts to resolve each case administratively. For cases that cannot be resolved, AMS can initiate appropriate legal action.
- d. Country of Origin Labeling (COOL): The COOL Act requires retailers to notify their customers of the country of origin of covered commodities. Labeling requirements for fish and shellfish became mandatory during FY 2005, and AMS established an audit-based compliance program the following year to ensure that the public receives credible and accurate information on the country of origin of the fish and shellfish they purchase. In January 2009, USDA issued a final rule on mandatory COOL for all other covered commodities that became effective on March 16, 2009. The COOL Act requires country of origin labeling for muscle cuts of beef (including veal), lamb, and pork; ground beef, ground lamb, and ground pork; farm-raised fish and shellfish; wild fish and shellfish; perishable agricultural commodities; peanuts, goat, chicken, ginseng, macadamia and pecan nuts. The law also requires method of production information (farm-raised or wild caught) for fish and shellfish to be noted at the final point of sale to consumers. The regulation outlines the labeling requirements for covered commodities and the recordkeeping requirements for retailers and suppliers. The program conducts retail surveillance reviews through cooperative agreements with state agencies. AMS trains Federal and State employees on enforcement responsibilities;

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responds to formal complaints; conducts supply chain audits; and develops educational and outreach activities for interested parties.

- e. Commodity Research and Promotion Programs: AMS provides oversight and direction to industry-funded and managed commodity research and promotion programs. The various research and promotion acts authorize the collection of an assessment from identified segments of the marketing chain which is used to broaden and enhance national and international markets for various commodities. Assessments to producers are most common; however, some programs assess processors, feeders, packers, handlers, importers, exporters, or other entities. These assessments are used to carry out research and promotional activities for cotton, dairy, fluid milk, beef, lamb, pork, soybeans, sorghum, eggs, blueberries, Hass avocado, honey, mango, mushrooms, peanuts, popcorn, potatoes, processed raspberries, softwood lumber, watermelon, paper and paper-based packaging. AMS reviews and approves the budgets and projects proposed by the research and promotion boards to ensure that proposals comply with the regulation and statute. Each research and promotion board reimburses AMS for the cost of implementing and overseeing its program.
- f. Sheep Production and Marketing Grant Program: The 2014 Farm Bill amends the Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.) to establish a competitive grant program to strengthen and enhance the production and marketing of sheep and sheep products in the U.S. The Farm Bill makes funding available for a grant to one or more national entities whose mission is consistent with the purpose of the program.

4. Transportation and Marketing:

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

Agricultural Marketing Act of 1946
Agricultural Adjustment Act of 1938
Agricultural Trade and Assistance Act of 1954
Rural Development Act of 1972
International Carriage of Perishable Foodstuffs Act of 1982
The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill)
Farmer to Consumer Direct Marketing Act of 1976
American Taxpayer Relief Act of 2012

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

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

Farmers Market and Local Food Promotion Program: This program was created through amendments of the Farmer-to-Consumer Direct Marketing Act of 1976. The 2008 Farm Bill made resources available for the Farmers Market Promotion Program through 2012 to provide grants targeted to help improve and expand domestic farmers markets, roadside stands, community-supported agriculture programs, agritourism activities,

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and other direct producer-to-consumer market opportunities. The 2014 Farm Bill expanded the program to assist in the development of local food business enterprises and funded the expanded program through 2018. The purpose of the Farmers Market and Local Food Promotion Program is “...to increase domestic consumption of and access to locally and regionally produced agricultural products, and to develop new market opportunities for farm and ranch operations serving local markets...” Entities eligible to apply for grants include agricultural cooperatives, producer networks, producer associations, local governments, nonprofit corporations, public benefit corporations, economic development corporations, regional farmers’ market authorities, Tribal governments, and local and regional food business enterprises.

5. Payments to States and Possessions:

- a. Federal-State Marketing Improvement Program (FSMIP): FSMIP is authorized by the Agricultural Marketing Act of 1946, which gives USDA the authority to establish cooperative agreements with State departments of agriculture or similar State agencies to improve the efficiency of the agricultural marketing chain. AMS provides matching funds on a competitive basis to State departments of agriculture, State agricultural experiment stations, and other State agencies, to assist in exploring new market opportunities for U.S. food and agricultural products, and to encourage research and innovation aimed at improving the efficiency and performance of the agriculture commodities marketing system. State agencies may perform the work or contract with others, but must contribute at least one-half of the cost of the projects. This program has made possible many types of projects, such as electronic marketing and agricultural product diversification. For 2014, USDA requested proposals that involve collaboration among states, academia, producers and other stakeholders, and have state, multi-state or national significance.
- b. Specialty Crop Block Grant Program (SCBGP): Section 101 of the Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621) authorized USDA to provide State assistance for specialty crops and the 2014 Farm Bill funds the program. AMS administers this program by awarding grants to State departments of agriculture to enhance the competitiveness of fruits and vegetables, tree nuts, nursery crops (including floriculture), and horticulture. AMS provides guidance and assistance to States in developing plans; submitting applications; and meeting the administrative, reporting, and audit requirements involved in managing a funded project. AMS also establishes internal review and evaluation procedures for applications and State plans, and participates in workshops, conferences, and other forums to facilitate interaction among States, USDA representatives, and industry organizations. After a grant is awarded, AMS reviews annual performance reports, final reports, audit results, and final financial statements; posts final performance reports on the SCBGP website; and disseminates project findings at appropriate meetings and conferences.

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

These programs are authorized by the following statutes:

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

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

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agricultural commodities for which developed standards are available. AMS certification services provide assurance to buyers that the products they receive are the quantity and quality specified in their contract with the seller. AMS provides acceptance and condition inspection services for all agricultural commodities upon request. These services facilitate efficient marketing by permitting purchasers to buy commodities without having to personally inspect them and by providing an impartial evaluation of the quality of products prior to their sale. AMS certificates are also used as evidence of quality and condition in a court of law to settle commercial disputes. AMS offers production and quality control system audits (audit verification services) that reduce costs and assist the industry in making various marketing claims about their products, and export certification services on a number of commodities, including seed. Grading, certification, and audit verification activities are performed by Federal employees or Federally-supervised State employees on a fee-for-service basis.

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

7. Perishable Agricultural Commodities Act Program:

This program is carried out under the Perishable Agricultural Commodities Act (PACA) and the Produce Agency Act (PAA) and is funded by license fees. These Acts are designed to: (1) protect producers, shippers, distributors, and retailers from loss due to unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products handled for others. Commission merchants, dealers, and brokers handling fresh and frozen fruits and vegetables in interstate and foreign commerce must obtain a PACA license and abide by the fair trading practices established by the PACA. Traders who have been found to have committed unfair trade practices face license suspension or revocation and may be required to post surety bonds before resuming operations. To increase protection and avert financial losses to growers and licensed firms, the PACA was amended in 1984 to create a statutory trust. Sellers of fruits and vegetables who have not been paid are secured under this legislation until full payment is made. Complaints of violations are investigated and resolved through: (1) informal agreement between the two parties; (2) formal decisions involving payments to injured parties; (3) suspension or revocation of license; and (4) publication of the facts. Any interested party or group may request AMS assistance in settling disputes under the PACA.

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

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

- a. Commodity Purchases and Diversions: AMS purchases non-price supported commodities such as meats, fish, fruits, vegetables, poultry, and egg products in order to stabilize market conditions pursuant to Section 32, and in support of entitlement program needs within USDA. The 2002 and 2008 Farm Bills established minimum levels of specialty crop purchases. All purchased commodities are distributed by FNS to schools, as part of the entitlement for the National School Lunch Program, or to other domestic nutrition assistance programs. AMS also provides purchasing services to FNS to supply food to recipients in nutrition assistance programs and is reimbursed for the administrative costs associated with these purchases (Economy Act, 31 U.S.C. 1535).

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

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

Marketing agreements and orders: (1) establish minimum prices that handlers pay to dairy producers; (2) regulate the quality and quantity of fruits and vegetables sold in commercial channels; and (3) provide for market development and promotion (including paid advertising). A majority of the currently active Federal marketing order programs for fruits and vegetables include minimum grade requirements. The standards used by our programs include characteristic qualities as well as criteria related to food safety (e.g., lack of mold, insects, foreign material, etc.). Presently, there are 38 active specialty crop marketing agreement and order programs covering 28 commodities, and 10 milk marketing orders. Proposed orders are subject to approval by producers of the regulated commodity. Section 32 funds authorized annually through the Appropriations Bill, are used by AMS for administering the Marketing Agreements and Orders Program at the national level, and to conduct public hearings and referenda to determine producer sentiment concerning new programs and proposed revisions of marketing orders already in effect. Program activities and administration at the local level are financed through handler assessments.

Geographic Dispersion of Offices and Employees:

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

As of September 30, 2014, AMS had 2,434 employees, of whom 1,794 were permanent full-time and 640 were other than permanent full-time employees. Approximately 80 percent of AMS' employees are assigned to field offices. Of the 1,912 employees assigned to field office locations, 1,285 were permanent full-time and 627 were other-than permanent full-time employees.

Schedule A (Milk Market Administrator) employees as of September 30, 2014, totaled 358, of which 320 were permanent full-time and 38 were other than permanent full-time employees.

OIG Audits – In Progress:

#01601-001-41
#50601-002-23

AMS Procurement & Inspection of Fruits & Vegetables
Evaluation of USDA Process Verified Programs

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Available Funds and Staff Years (SY)

(Dollars in thousands)

Item	2013 Actual		2014 Actual		2015 Enacted		2016 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Agricultural Marketing Service								
Marketing Services, Discretionary	\$78,863	402	\$79,914	363	\$81,192	416	\$83,121	412
Payments to States and Possessions, Discretionary	1,331	-	1,363	1	1,235	1	1,235	1
Rescission.....	-2,171	-	-	-	-	-	-	-
Sequestration.....	-2,345	-	-	-	-	-	-	-
Adjusted Appropriations, Discretionary	75,678	402	81,277	364	82,427	417	84,356	413
Congressional Relations Transfer In.....	102	-	102	-	-	-	-	-
Working Capital Fund Transfer Out.....	-250	-	-200	-	-	-	-	-
Total Available, Discretionary	75,530	402	81,179	364	82,427	417	84,356	413
Farm Bill Initiatives:								
Farmers Market Promotion Program.....	-	-	15,000	2	15,000	-	15,000	-
Local Foods Promotion Program.....	-	-	15,000	2	15,000	-	15,000	-
Specialty Crop Block Grants.....	52,195	2	72,500	3	72,500	8	72,500	8
Modernization Technology Upgrade - Organic.....	-	-	5,000	-	-	4	-	4
Organic Production & Marketing Data	-	-	3,500	-	-	-	-	-
Sheep Production and Marketing.....	-	-	1,500	-	-	-	-	-
National Organic Cost Share.....	-	-	11,500	-	11,500	-	11,500	-
AMA Organic Cost Share, Mandatory.....	1,500	-	1,500	-	1,000	-	1,000	-
Sequestration.....	-76	-	-4,068	-	-8,395	-	-	-
Total, Farm Bill Initiatives, Mandatory.....	53,619	2	121,432	7	106,605	12	115,000	12
Permanent Appropriations, Mandatory:								
Funds for Strengthening Markets, Income,								
and Supply (Sec. 32)	8,990,117	160	9,211,183	149	9,714,923	172	10,316,645	172
Rescission	-109,608	-	-189,000	-	-121,094	-	-292,020	-
Sequestration.....	-40,392	-	-79,703	-	-81,906	-	-	-
Recoveries of Prior Year Obligations	4,016	-	2,283	-	-	-	-	-
Offsetting Collections	20,184	-	14,779	-	-	-	-	-
Available Authority from Previously Precluded								
Balances, Start of Year	219,286	-	313,530	-	187,486	-	122,000	-
Transfers Out ^{a/}	-8,002,403	-	-8,299,713	-	-8,658,409	-	-9,176,645	-
Unavailable Resources, End of Year	-313,530	-	-187,486	-	-122,000	-	-125,000	-
Subtotal, Permanent Appropriations, Mandatory.....	767,670	160	785,873	149	919,000	172	844,980	172
Total, AMS Appropriations.....	896,819	564	988,484	520	1,108,032	601	1,044,336	597
<u>Obligations Under Other USDA Appropriations:</u>								
Food & Nutrition Service for Commodity								
Procurement Services (Sec. 32).....	1,308	9	1,309	9	1,288	9	1,301	9
Miscellaneous Reimbursements.....	-	-	-	-	-	-	-	-
Total, Other USDA.....	1,308	9	1,309	9	1,288	9	1,301	9
Total, Agricultural Marketing Service Appropriations.....	898,127	573	989,793	529	1,109,320	610	1,045,637	606
<u>Non-Federal Funds:</u>								
Perishable Agricultural Commodities Act Fund, Mandatory								
Reimbursable work:								
Research and Promotion Boards.....	3,954	23	3,953	24	4,445	27	4,473	27
Fees for Grading of Cotton and Tobacco	40,904	382	43,090	331	60,709	421	60,982	421
Grading of Farm Products for Producers, Processors, and								
Municipal, State and Federal Agencies	150,743	1,318	158,334	1,243	153,911	1,338	155,357	1,351
Wool Research, Development, and Promotion	2,135	-	2,203	-	2,086	-	2,250	-
Total, Non-Federal Funds	207,511	1,794	217,615	1,661	231,329	1,863	233,341	1,876
Total, Agricultural Marketing Service	1,105,638	2,367	1,207,408	2,190	1,340,649	2,473	1,278,978	2,482
Schedule A Staff Years		366		348		359		359

^{a/} Includes the transfers to the Food and Nutrition Service (FNS), the Commerce Department, and the Fresh Fruit and Vegetable Program administered by FNS.

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Permanent Positions by Grade and Staff Year Summary

Item	2013 Actual			2014 Actual			2015 Enacted			2016 Estimate		
	Wash.		Total	Wash.		Total	Wash.		Total	Wash.		Total
	D.C.	Field		D.C.	Field		D.C.	Field		D.C.	Field	
SES.....	9	1	10	11	1	12	11	1	12	11	1	12
GS-15.....	46	4	50	41	3	44	42	3	45	42	3	45
GS-14.....	75	38	113	86	34	120	86	34	120	86	34	120
GS-13.....	151	102	253	152	98	250	151	100	251	151	100	251
GS-12.....	90	163	253	99	160	259	136	163	299	136	163	299
GS-11.....	36	161	197	39	155	194	31	101	132	31	101	132
GS-10.....	2	12	14	2	12	14	3	12	15	3	12	15
GS-9.....	23	482	505	26	459	485	26	483	509	26	483	509
GS-8.....	10	255	265	10	259	269	10	258	268	10	258	268
GS-7.....	16	161	177	12	155	167	10	176	186	10	177	187
GS-6.....	6	55	61	7	62	69	6	60	66	6	60	66
GS-5.....	5	38	43	5	49	54	6	38	44	6	38	44
GS-4.....	2	8	10	2	8	10	2	9	11	2	9	11
GS-3.....	1	2	3	-	-	-	-	-	-	-	-	-
Ungraded Positions.....	-	8	8	-	7	7	-	8	8	-	8	8
Total Perm. Positions without Schedule A.....	472	1,490	1,962	492	1,462	1,954	520	1,445	1,965	520	1,446	1,966
Unfilled, EOY.....	-	170	170	-	160	168	-	-	-	-	-	-
Total, Perm. Full-Time Employment, EOY.....	472	1,320	1,792	492	1,302	1,794	520	1,445	1,965	553	1,446	1,966
Staff Year Est.....	632	1,735	2,367	632	1,558	2,190	660	1,813	2,473	663	1,819	2,482
Schedule A Staff Years.....	12	354	366	12	336	348	12	347	359	12	347	359

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SIZE, COMPOSITION AND COST OF MOTOR VEHICLE FLEET

The estimated number of passenger motor vehicles available for 2016 is the minimum necessary to maintain essential services of AMS programs. These vehicles are used to provide necessary services such as: 1) traveling to places which in most cases are not accessible by common carriers, such as farms, market terminals, offices of product dealers and truckers, processing plants, canneries, stockyards, cotton gins, and compress operators; 2) carrying special grading and testing equipment used for inspecting and grading commodities and for performing other work required under the Agricultural Marketing Act of 1946; U.S. Cotton Standards Act; Cotton Statistics and Estimates Act; Tobacco Inspection Act; and Dairy and Tobacco Adjustment Act; and 3) carrying boxes of cotton standards types to use in classing work and demonstration at farmers' meetings. AMS only replaces passenger vehicles that have mileage of at least 60,000 or are six or more years of age, in accordance with standards prescribed by the General Services Administration (GSA). Additional passenger vehicles are requested when the forecasted workload is of such a nature and volume that the number of existing passenger vehicles will not be adequate for program needs.

Changes to the motor vehicle fleet. AMS does not anticipate increasing the fleet of passenger motor vehicles for 2016.

Replacement of passenger motor vehicles. AMS plan to replace two of the 253 passenger motor vehicles in operation in 2016.

Impediments to managing the motor vehicle fleet. There are no identified impediments to managing the motor vehicle fleet in a most cost-effective manner.

Size, composition and cost of agency motor vehicle fleet as of September 30, 2014, are as follows:

Number of Vehicles by Type *									
Fiscal Year	Sedans & Station Wagons	Light Trucks, SUVs and Vans		Medium Duty Vehicles	Ambulances	Buses	Medium size Vehicles	Total Number of Vehicles	Annual Operating Costs ** (\$ in thou.)
		4X2	4X4						
2013 Actual	174	74	2	0	0	0	3	253	\$1,354
Change	0	0	0	0	0	0	0	0	-93
2014 Actual	174	74	2	0	0	0	3	253	1,261
Change	0	0	0	0	0	0	0	0	0
2015 Est.	174	74	2	0	0	0	3	253	1,261
Change	0	0	0	0	0	0	0	0	0
2016 Est.	174	74	2	0	0	0	3	253	1,261

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

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

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

Marketing Services

For necessary expenses of the Agricultural Marketing Service, [~~\$81,192,000~~] \$83,121,000: *Provided*, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building.

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

Lead-Off Tabular Statement

Budget Estimate, 2016.....	\$83,121,000
2015 Enacted.....	81,192,000
Change in Appropriation	1,929,000

Summary of Increases and Decreases
(Dollars in thousands)

Program	2013 Actual	2014 Change	2015 Change	2016 Change	2016 Estimate
Discretionary Appropriations:					
Market News	\$31,102	+\$2,068	+\$805	+\$350	\$34,325
Surveillance and Standards	7,232	+476	-18	-399	7,291
Market Protection and Promotion	29,752	+2,091	-554	+152	31,441
Transportation and Market Development	6,357	+836	+1,045	+1,826	10,064
Total	74,443	+5,471	+1,278	+1,929	83,121

AGRICULTURAL MARKETING SERVICE

Marketing Services

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2013 Actual		2014 Actual		2015 Enacted		Inc. or Dec.		2016 Estimate		
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Appropriations:											
Market News Service.....	\$31,102	233	\$33,170	213	\$33,975	239	+\$350	(1)	-	\$34,325	239
Shell Egg Surveillance and Standardization:											
Shell Egg Surveillance.....	2,565	15	2,732	8	2,614	8	-444	(2)	-4	2,170	4
Standardization.....	4,667	30	4,976	32	5,076	35	+45	(3)	-	5,121	35
Total, Surveillance and Standardization.....	7,232	45	7,708	40	7,690	43	-399		-4	7,291	39
Market Protection and Promotion:											
Federal Seed Act.....	2,302	16	2,455	14	2,354	18	+25	(4)	-	2,379	18
Country of Origin Labeling.....	4,720	16	5,015	16	4,766	16	+25	(5)	-	4,791	16
Pesticide Data.....	14,471	19	15,347	15	15,020	17	+30	(6)	-	15,050	17
Microbiological Data.....	-	1	-	-	-	-	-		-	-	-
National Organic Standards.....	6,531	33	9,026	35	9,149	43	+72	(7)	-	9,221	43
Pesticide Recordkeeping.....	1,728	4	-	-	-	-	-		-	-	-
Total, Market Protection and Promotion.....	29,752	89	31,843	80	31,289	94	+152		-	31,441	94
Transportation and Market Development:											
Development.....	6,357	35	7,193	30	8,238	40	+1,826	(8)	-	10,064	40
Total Adjusted Appropriation.....	74,443	402	79,914	363	81,192	416	+1,929		-4	83,121	412
Rescissions and Sequestration (Net).....	4,420	-	-	-	-	-	-		-	-	-
Total Appropriation.....	78,863	402	79,914	363	81,192	416	+1,929		-4	83,121	412
Transfers In:											
Congressional Relations.....	102	-	102	-	-	-	-		-	-	-
Transfers Out:											
Working Capital Funds.....	-250	-	-200	-	-	-	-		-	-	-
Rescission.....	-2,135	-	-	-	-	-	-		-	-	-
Sequestration.....	-2,285	-	-	-	-	-	-		-	-	-
Total Available.....	74,295	402	79,816	363	81,192	416	+1,929		-4	83,121	412
Lapsing Balances.....	-816	-	-1,067	-	-	-	-		-	-	-
Total Obligations.....	73,479	402	78,749	363	81,192	416	+1,929		-4	83,121	412

AGRICULTURAL MARKETING SERVICE

Marketing Services

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2013 Actual		2014 Actual		2015 Enacted		Inc. or Dec.		2016 Estimate		
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Obligations:											
Market News Service.....	\$30,817	233	\$32,566	213	\$33,975	239	+\$350	(1)	-	\$34,325	239
Shell Egg Surveillance and Standardization:											
Shell Egg Surveillance.....	2,513	15	2,719	8	2,614	8	-444	(2)	-4	2,170	4
Standardization.....	4,496	30	4,959	32	5,076	35	+45	(3)	-	5,121	35
Total, Surveillance and Standardization.....	7,009	45	7,678	40	7,690	43	-399		-4	7,291	39
Market Protection and Promotion:											
Federal Seed Act.....	2,159	16	2,225	14	2,354	18	+25	(4)	-	2,379	18
Country of Origin Labeling.....	4,702	16	5,000	16	4,766	16	+25	(5)	-	4,791	16
Pesticide Data.....	14,545	19	15,346	15	15,020	17	+30	(6)	-	15,050	17
Microbiological Data.....	92	1	-	-	-	-	-		-	-	-
National Organic Standards....	6,245	33	8,947	35	9,149	43	+72	(7)	-	9,221	43
Pesticide Recordkeeping.....	1,635	4	-	-	-	-	-		-	-	-
Total, Market Protection and Promotion.....	29,378	89	31,518	80	31,289	94	+152		-	31,441	94
Transportation and Market Development:											
Development.....	6,275	35	6,987	30	8,238	40	+1,826	(8)	-	10,064	40
Total Obligations.....	73,479	402	78,749	363	81,192	416	+1,929		-4	83,121	412
Lapsing Balances.....	816	-	1,067	-	-	-	-		-	-	-
Total Available.....	74,295	402	79,816	363	81,192	416	+1,929		-4	83,121	412
Transfers In:											
Congressional Relations.....	-102	-	-102	-	-	-	-		-	-	-
Transfers Out:											
Working Capital Funds.....	250	-	200	-	-	-	-		-	-	-
Rescission.....	2,135	-	-	-	-	-	-		-	-	-
Sequestration.....	2,285	-	-	-	-	-	-		-	-	-
Total Appropriation.....	78,863	402	79,914	363	81,192	416	+1,929		-4	83,121	412

AGRICULTURAL MARKETING SERVICE

Marketing Services

Justifications of Increases and Decreases

(1) An increase of \$350,000 for Market News (\$33,975,000 and 239 staff years available in 2015).

Base funds for Market News will continue to fund unbiased statistics, price, and sales information to assist in the orderly marketing and distribution of agricultural commodities. Continued availability of market information is necessary to increase agricultural opportunities by creating new markets and support a competitive agricultural system. Stoppages or cutbacks in the program will interrupt information needed across the agricultural industry. The agriculture industry made its concerns known to the Department during the recent lapse in budgetary funding. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- AMS reports encompass a wide variety of domestic and international market data that enable producers to respond to changing market conditions. Data is disseminated within hours of collection and made available through distribution channels with a high degree of transparency.
- The Market News Program provides data on cotton, dairy, fruits, vegetables, specialty crops, livestock, grain, and poultry.

Base funding supports ongoing services and continued efforts to enhance and expand the information products that the Program provides to the public, as well as improving the ways in which information and data products are stored and delivered. Expanded coverage of local and regional markets is underway, and coverage of the organic sectors and other specialized systems, such as grass fed beef, will be expanded or added. AMS is developing a digital database to provide large sets of multi-year market news data to users in a common format. The Agency will continue to harmonize and merge several market news information databases into one unified database and data capture system, which will simplify public access to and maintenance of market news data. These efforts require innovation in the way vital market information is captured and disseminated. AMS is developing new strategies to collect and report information and explore ways to repackage its current data to be even more useful to industry partners and data users.

The Agency will partner with other key USDA data agencies, as well as with key stakeholders and secondary disseminators such as the Market Information Organization of the Americas, to identify ways to more efficiently and reliably capture data and make this data publically available in the manner that best meets the needs of customers. Cooperative agreements with states and other institutions will be used to capture local, farm gate, and retail data and make this data available to the public on a regional and national level. This will provide important information about the value of food in local and regional food systems and will help producer's access appropriate risk management and other resources. AMS will review and adapt emerging tools to capture market information "on the ground" (e.g., via hand-held devices at wholesale markets and auctions) and explore the increased usage of mobile devices to better meet customers' information needs. The Agency will develop the most effective means to collect data for small direct marketers and make this data publically available. The staff year increase will be funded from base funding.

Funds will be used for salaries and benefits for 240 staff years, site travel, outreach, and data management systems necessary to collect, analyze, and make available large quantities of information, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports the AMS objective to increase market opportunities for American agriculture through analysis of domestic and international market information and data and the USDA strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The funding change is requested for the following items:

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- a. An increase of \$319,000 for pay costs (\$63,000 for annualization of the 2015 pay increase and \$256,000 for the 2016 pay increase).
 - b. An increase of \$31,000 for expanded coverage under the Federal Employee Health Benefits Program (FEHB).
- (2) A decrease of \$444,000 and 4 staff years for the Shell Egg Surveillance (\$2,614,000 and 8 staff years available in 2015).

The Shell Egg Surveillance Program inspects registered shell egg facilities and monitors the disposition of restricted eggs to limit the number of restricted eggs in consumer channels. Stoppages in the program could disrupt markets for this product and endanger customer health. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- It prevents eggs not meeting minimum U.S. standards from entering the consumer marketplace so that only eggs fit for human consumption are available to consumers.
- As outlined by Congress upon passage of the Egg Products Inspections Act (EPIA), the “lack of effective regulation for the handling or disposition of unwholesome, otherwise adulterated, or improperly labeled or packaged egg products and certain qualities of eggs is injurious to the public welfare and destroys markets for wholesome, not adulterated, and properly labeled and packaged eggs and egg products and results in sundry losses to producers and processors, as well as injury to consumers.”

AMS' Shell Egg Surveillance Program monitors the disposition of restricted eggs (eggs that are cracked, dirty, incubator rejects, inedible, leaking, or otherwise unfit for human consumption) through inspection of packing plants a minimum of four times annually and hatcheries once annually. Inedible eggs constitute a small proportion of all shell eggs and are most often used in animal feed; the remaining eggs are destroyed.

Funds will be used for salaries and benefits for 4 staff years, supervisory travel, and agreements with cooperating State agencies or for AMS inspectors. Costs were estimated by using 2015 as a base, modified by the use of cross-utilized grading personnel to conduct inspections where State personnel are not available.

These funds support the AMS objective to safeguard the quality and wholesomeness of agricultural products and the USDA strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The funding change is requested for the following items:

- a. An increase of \$5,000 for pay costs (\$1,000 for annualization of the 2015 pay increase and \$4,000 for the 2016 pay increase).
- b. A decrease of \$449,000 and 4 staff years due to organizational changes and improved compliance at shell egg facilities.

Over time, industry consolidation has reduced the number of Shell Egg Surveillance (SES) registered facilities that need inspection through the program. The number of SES registered facilities has decreased by 28 percent, from 1,023 facilities in 2000 to 734 facilities in 2013. As a result, the number of inspections conducted to meet EPIA requirements has also decreased by 28 percent. The number of compliance actions resulting from inspection has decreased by almost 70 percent in this timeframe.

AMS can reduce the resources needed to meet the mandated number of inspections, while still providing adequate oversight and information to run a successful program. AMS will continue to meet the regulatory requirements by inspecting packing plants a minimum of four times annually and hatcheries once annually. This change will have little impact on regulated entities, and the rate of compliance is expected to remain

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the same. AMS will continue to conduct this program in cooperation with State Departments of Agriculture and will cross-utilize grading personnel in order to maintain the current inspection levels.

(3) An increase of \$45,000 for Standardization (\$5,076,000 and 35 staff years available in 2015).

Base funds for Standardization will fund continued development, review, and maintenance of agricultural commodity standards that describe product quality attributes for trade purposes. Standards describe product quality attributes such as taste, color, tenure, yield weight, and physical condition. AMS continually reviews the effectiveness of standards in domestic trading and provides technical guidance on standards to several international organizations. Stoppages or cutbacks in the program could interrupt domestic and international markets. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- Agricultural commodity standards and product descriptions provide a common language for buyers and sellers of commodities.
- USDA standards are widely used by the agricultural industry in trading, futures market contracts, and in purchase specifications in most private contracts.
- AMS' Standardization Program supports the development of international standards to facilitate trade of agricultural commodities and protect the interests of American agricultural producers.
- Access to international markets helps build financial sustainability for U.S. producers.

Funds will be used for salaries and benefits for 35 staff years, customer outreach, participation in international standards-setting forums, rent, utilities, communications, and indirect AMS and USDA costs.

A fundamental element of the agricultural marketing infrastructure, AMS Standardization supports AMS' objective to develop international and domestic commodity standards to facilitate global trade and economic growth and USDA's strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The funding change is requested for the following item:

- a. An increase of \$45,000 for pay costs (\$9,000 for annualization of the 2015 pay increase and \$36,000 for the 2016 pay increase).

(4) An increase of \$25,000 for the Federal Seed Act Program (\$2,354,000 and 18 staff years available in 2015).

The Federal Seed Program will continue to administer Federal Seed Act (Act) regulations on the interstate shipment of agricultural and vegetable seed. Stoppages or cutbacks to the program will interrupt compliance monitoring and investigation of seed in interstate commerce, harming growers. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- The program protects growers by enforcing regulations on labeling of seed shipped in interstate commerce that supply information for seed buyers and truthful advertising pertaining to seed, and by monitoring shipments of prohibited noxious weed seed into a State.
- The program helps promote uniformity among State laws and fair competition within the seed trade.

The Federal Seed Program collaborates with State seed inspectors who are authorized to inspect seed subject to the Act. Samples are routinely drawn by State inspectors to monitor seed sold commercially. They refer apparent violations of the Act to AMS' Federal Seed Program for investigation and appropriate action. AMS tests seed samples and resolves violations administratively or initiates legal action. AMS trains cooperators on

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violations of interstate shipments, provides expert advice, and implements seed testing procedures and technology. Funds will be used for salaries and benefits for 18 staff years, cooperator training, seed testing, cooperative agreements, data management, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports AMS' objective to safeguard the quality and wholesomeness of agricultural products and USDA's strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The funding change is requested for the following item:

- a. An increase of \$25,000 for pay costs (\$5,000 for annualization of the 2015 pay increase and \$20,000 for the 2016 pay increase).

(5) An increase of \$25,000 for the Country of Origin Labeling (\$4,766,000 and 16 staff years available in 2015).

The Country of Origin Labeling (COOL) program will continue to conduct reviews of retail stores and suppliers to ensure a high level of compliance with labeling provisions for covered commodities. Stoppage or cutbacks in this program could result in reduced information for consumers. Any changes to the administration of the COOL program based on World Trade Organization (WTO) decision will require Congressional action and will relate only to muscle cuts of beef and pork. The WTO case does not impact other covered commodities. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- The audit-based COOL compliance program ensures that the public receives credible, accurate information regarding the source of specific foods to enable more informed choices.
- COOL provisions of the Agricultural Marketing Act of 1946 require retailers to notify their customers of the country of origin of covered commodities.
 - Covered commodities are identified as muscle cuts of beef (including veal), lamb, and pork; ground beef, lamb, and pork; farm-raised fish and shellfish; wild fish and shellfish; perishable agricultural commodities; peanuts, goat, chicken, venison, ginseng, macadamia and pecan nuts.
 - The law also requires method of production information (farm-raised or wild caught) for fish and shellfish to be noted at the final point of sale to consumers.

AMS works in collaboration with all 50 States to conduct retail surveillance activities for the COOL program. The program provides training to State cooperators and outreach to retailers and stakeholders. These funds will be used for salaries and benefits for 16 staff years, supervisory travel, cooperative agreements with cooperating State agencies, compliance data tracking, outreach, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports AMS' objective to safeguard the quality and wholesomeness of agricultural products and USDA's strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The funding change is requested for the following item:

- a. An increase of \$25,000 for pay costs (\$9,000 for annualization of the 2015 pay increase and \$20,000 for the 2016 pay increase).

(6) An increase of \$30,000 for the Pesticide Data Program (\$15,020,000 and 17 staff years available in 2015).

The Pesticide Data Program (PDP) will continue to test food commodities for pesticide residues and report program findings to support pesticide regulations and the marketing of U.S. commodities. PDP will deliver data for 21 of the top 24 children's commodities and continue to include the 10 States currently cooperating in

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the program. Sampling by the 10 States currently covers 48 percent of the U.S. population. Stoppages or cutbacks in the program would reduce the data available for pesticide regulation and for consumers, and could disrupt international marketing. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- PDP develops and communicates comprehensive, statistically-reliable information on pesticide residues in food to improve Government dietary risk assessments.
- PDP is a trusted, expert source for data that the Environmental Protection Agency (EPA) depends upon when looking at dietary pesticide exposure, and is a critical component to verifying that all sources of exposure to pesticides meet U.S. safety standards.
- Because PDP's mission is to focus on testing foods, particularly foods most likely consumed by infants and children, to improve Government's ability to protect human health from pesticide risk, PDP plays a critical role in ensuring that America's children have access to safe, nutritious, and balanced meals.
- PDP also supports the global marketing of U.S. products, since pesticide data results are used in promoting exports of U.S. commodities.

The PDP manages the collection, analysis, and reporting of pesticide residues on agricultural commodities in the U.S. food supply, with an emphasis on commodities consumed by infants and children, through cooperation with State Departments of Agriculture and other Federal agencies. This program provides data on a continual basis to the EPA for use in the pesticide registration process and to other Federal and State agencies for use in determining policies intended to safeguard public health. Ultimately, if the EPA determines a pesticide is not safe for consumers, it is removed from the market. Over 99 percent of the products sampled through PDP had residues below the EPA tolerances. The PDP is not designed for enforcement of EPA pesticide residue tolerances, however AMS informs the U.S. Food and Drug Administration (FDA), which is responsible for enforcing EPA tolerances, if residues detected exceed the EPA tolerance or have no EPA tolerance established. The PDP pesticide residue results are reported monthly to FDA and EPA. In instances where a PDP finding is extraordinary and may pose a safety risk, FDA and EPA are immediately notified. This system of checks and balances provides Americans with the safest food supply in the world.

The PDP tests a wide variety of domestic and imported foods using a sound statistical program and the most current laboratory methods. The PDP works with State agencies representing all regions of the country and approximately half of the U.S. population. These funds will be used for salaries and benefits for 17 staff years, agreements with cooperating State and Federal agencies for sampling and testing services, specialized testing equipment, data management, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports AMS' objective to increase market opportunities for American agriculture through analysis of domestic and international market information and data, and the USDA strategic goal to ensure that all of America's children have access to safe, nutritious, and balanced meals.

The funding change is requested for the following item:

- a. An increase of \$30,000 for pay costs (\$6,000 for annualization of the 2015 pay increase and \$24,000 for the 2016 pay increase).
- (7) An increase of \$72,000 for the National Organic Program (\$9,149,000 and 43 staff years available in 2015).

The National Organic Program (NOP) will continue to support the development and maintenance of national standards governing the production and handling of agricultural products labeled as organic. Because NOP assures consumers that organically produced products meet consistent standards and facilitates the expansion of organic markets, stoppages or cutbacks in the program would reduce consumer confidence in organic agricultural products and disrupt marketing nationally and internationally. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to

AGRICULTURAL MARKETING SERVICE

carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- The USDA Organic seal is well-known by consumers, and organic certification gives producers an opportunity to receive a premium for their products.
- AMS is central to the success of the program, which depends on the integrity of the seal through standards enforcement.
- Organic agriculture creates jobs and expands opportunities for farms and businesses, and domestic consumer sales of organic products continue to exponentially increase.

AMS continues to expand market access for organic farms and businesses. Today, the industry encompasses over 18,000 certified organic businesses and has grown to \$35 billion in annual U.S. retail sales. AMS ensures the integrity of organic agricultural products through consistent compliance enforcement and increased transparency. With accredited certifying agents worldwide, organic producers and processors can maintain their compliance with organic regulations. To expand marketing opportunities for both domestic producers and international partners, AMS evaluates and establishes recognition and equivalency agreements with foreign governments.

To increase the number of certified organic operations, USDA supports research and education to enable organic production, reduce overlapping requirements, and eliminate other obstacles. AMS collaborates with certifying agents and other USDA agencies to make organic certification more accessible, attainable, and affordable to U.S. producers. The Program will provide greater assistance to small and new farmers and businesses with entry into the organic market, especially those located in states included in USDA's Strike Force for rural growth and opportunity initiative. Clear standards, sound and sensible certification, and greater organic literacy will facilitate market access and reliable international trade partnerships.

The program accomplishes its mission by examining and accrediting State and private certifying agents who ensure producers and handlers are in compliance with the National Organic Standards. AMS also accredits foreign governments that operate an organic accreditation program, as well as foreign agents who certify products labeled organic for export to the U.S. The staff year increase will be funded from base funding.

These funds will be used for salaries and benefits for 46 staff years, core travel related to international agreements and site visits, a data management system, outreach, two meetings a year for the National Organic Standards Board, technical resources for National List reviews, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports AMS' objective to create jobs and expand opportunities for farms and businesses by supporting organic agriculture, and USDA's strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The funding change is requested for the following item:

- a. An increase of \$72,000 for pay costs (\$14,000 for annualization of the 2015 pay increase and \$58,000 for the 2016 pay increase).
- (8) An increase of \$1,826,000 for Transportation and Market Development (\$8,238,000 and 40 staff years available in 2015).

AMS will continue to promote producer access to local and regional markets, including direct-to-consumer and other emerging opportunities, and play a crucial role in bringing locally-sourced agricultural products to communities in need. AMS will also continue to serve as an expert source for economic analysis on agricultural transportation from farm to markets, which helps agricultural shippers and government policymakers make informed decisions. Stoppages or cutbacks in the program would reduce activities that greatly benefit small to medium agricultural producers and rural communities.

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A new Transportation and Market Development effort will identify existing local and regional agricultural resources so localities and agribusiness can leverage available services and partner to enhance their local food efforts. Access to such information will also improve organizations' ability to develop more holistic strategies to address issues related to the availability of local food, including developing applications to the Farmers Market and Local Foods Promotion Program.

In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- Increasing consumer demand for locally-produced food is creating new opportunities for farmers, ranchers, and small businesses – local food is a multibillion-dollar market and growing, and there has been large growth in farmers markets, community-supported agriculture, and food hubs just in the last few years.
- Each year, AMS helps hundreds of agricultural food businesses – including farmers' markets, food hubs, wholesale markets, retailers, state agencies, community planning organizations, and other agri-food focused groups – enhance their local food marketing efforts to support prosperous, self-sustaining, and economically thriving communities.
- As part of USDA's effort to assist the agricultural community to create prosperity, Market Development works in cooperation with other USDA agencies to assess innovative and cost-efficient options that help producers, distributors, and planners by identifying and developing alternative market outlets that help meet growing consumer demand for local and regional foods.
- Through its Transportation and Market Development Program, AMS promotes producer access to local and regional markets, including direct-to-consumer and other emerging opportunities, and plays a crucial role in bringing locally sourced agricultural products to communities in need.
- By providing relevant, current transportation data and analysis, AMS helps to ensure equal access to domestic and international markets, build financial sustainability for producers, and enhance global food security.

AMS conducts regular data collection and analysis on farmers' markets and direct-to-consumer marketing to help stakeholders understand evolving influences on market performance and profitability. The National Farmers Market Directory connects consumers to producers at over 8,000 farmers' markets by providing location and operation information. Food hubs and other aggregation models inform retail, commercial, and institutional customers who are seeking local and regional food products. Wholesale markets and facility design provide targeted site assessment and design services for food market planners, managers, and community stakeholders to improve the efficiency of permanent food market facilities.

AMS' increased emphasis on regional food systems supports economic growth for tribal, state, county, community, non-profit, and private sector partners as well as small farmers. These new market opportunities develop and revitalize the infrastructure necessary for vibrant regional food systems and support innovation and proven business approaches such as cooperatives. AMS can help improve access to healthy, locally produced foods that focus on food production and distribution at traditional and non-traditional retail options. Increased access to locally grown fruits, vegetables, and other nutritious food through electronic benefit transfer and other technology will enable greater assistance to communities in need. These activities equip local producers to distribute and market healthy foods and develop additional farmers markets to promote healthier communities.

With the funding provided in fiscal year 2015, AMS plans to establish two cooperative agreements each year to develop comprehensive system-level assessments of the existing resource base, including production capacity, existing local and regional markets, distribution networks used by local buyers and sellers, market size and demographics, and other important attributes that affect the success of local food systems. Cooperators will include Federal and State agencies, Land-Grant Universities, Regional Planning Commissions, and other appropriate entities.

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AMS will conduct surveys of local food businesses and facilitate SWOT (Strengths, Weaknesses, Opportunities, and Threats) analyses to provide educational, outreach, and technical assistance to support the growth of local food systems. AMS will also initiate cooperative agreements that invest in the research of food value chains (i.e. strategic alliances between producers and supply chain partners) and provide travel funds to facilitate stakeholder engagement and technical assistance to rural businesses.

These funds will be used for salaries and benefits for 40 staff years, cooperative agreements for market development support, market and transportation studies, site travel, outreach, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports AMS' objectives to improve access to healthy, locally produced foods while developing market opportunities and to increase market opportunities through analysis of domestic and international market information and data. It supports USDA's goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The funding change is requested for the following items:

a. An increase of \$1,771,000 to support local and regional markets for U.S. agricultural products.

The requested level of funding will enable the program to build upon local and regional support efforts by expanding the number of State assessments conducted by four to six each year. Information concerning State and regional food needs is not readily available to food system developers and investors who need to gain a better understanding of the opportunities and challenges that exist for agricultural food systems across the country. A comprehensive assessment of the resources available to address food system development will establish a baseline and allow for trend analysis so that States can become partners in local and regional food system development. AMS is requesting States can better engage and facilitate the development of local food systems.

AMS will target some States as initial partners based on a combination of USDA priorities such as StrikeForce, Promise Zones, and Low Food Access/Low Food Income Areas. Cooperators will be asked to prepare an assessment using GIS technology of the local food systems in their State, using layers to represent the resources currently in place. The assessment shall include a discussion of successes and potential challenges in the resource allocation identified by the mapping exercise. For example, the same farm production capacity being relied upon to supply multiple farmers markets, CSAs (Community Supported Agriculture), food hubs, retailers, institutions, and restaurants could pose a challenge to adequately meeting demand and create risk for some of the entities. By working with partners at the State or regional level, AMS can encourage efficient and high-impact use of Federal programs that support local foods and help inform better planning at the local level.

This effort will help states understand where their local and regional agricultural resources are so that state policies and initiatives for local and regional food system development can be enhanced. It will facilitate opportunities for local and regional producers and buyers to discover marketing opportunities and establish new market connections. It will also complement the Farmers' Market and Local Foods Promotion Programs authorized and funded by the Agricultural Act of 2014. Through these programs, AMS will award grants to increase domestic consumption of agricultural products and to develop market opportunities for farm and ranch operations serving local markets, by developing, improving, expanding, and providing outreach, training, and technical assistance to, or assisting in the development, improvement and expansion of: (1) domestic farmers' markets and other direct producer-to-consumer market opportunities; and (2) local and regional food business enterprises (including those that are not direct producer-to-consumer markets) that process, distribute, aggregate, and store locally or regionally produced food products; this would include food hubs.

b. An increase of \$55,000 for pay costs (\$11,000 for annualization of the 2015 pay increase and \$44,000 for the 2016 pay increase).

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Marketing Services

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	2013 Actual		2014 Actual		2015 Enacted		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Alabama	\$155	1	\$120	1	\$175	1	\$175	1
Arizona	550	3	478	2	621	3	621	3
Arkansas	315	2	75	-	355	2	355	2
California	3,843	21	3,878	18	4,341	22	4,341	22
Colorado	474	3	469	2	535	3	535	3
Connecticut.....	-	-	23	-	-	-	-	-
District of Columbia	40,278	220	46,897	216	43,705	224	45,634	224
Florida	1,354	7	1,604	7	1,529	8	1,529	8
Georgia	1,303	7	1,254	6	1,471	8	1,471	7
Idaho	508	3	493	2	574	3	574	3
Illinois	344	2	227	1	388	2	388	2
Iowa	1,795	10	1,416	7	2,027	10	2,027	10
Kansas	230	1	249	1	260	1	260	1
Kentucky	186	1	128	1	210	1	210	1
Louisiana	143	1	90	-	162	1	162	1
Maryland.....	225	1	238	1	254	1	254	1
Massachusetts	427	2	373	2	481	2	481	2
Michigan	1,649	9	1,653	9	1,862	10	1,862	9
Minnesota	319	2	196	1	360	2	360	2
Mississippi	157	1	-	-	178	1	178	1
Missouri	582	3	586	3	657	3	657	3
Montana	262	1	71	-	295	2	295	1
Nebraska	99	1	100	1	112	1	112	1
New Mexico	208	1	182	1	235	1	235	1
New York	2,256	12	2,541	12	2,547	13	2,547	13
North Carolina	1,957	11	1,851	9	2,210	11	2,210	11
Ohio	987	5	1,001	5	1,115	6	1,115	6
Oklahoma	334	2	348	2	377	2	377	2
Oregon	377	2	255	1	425	2	425	2
Pennsylvania	547	3	663	3	617	3	617	3
South Carolina	172	1	189	1	194	1	194	1
South Dakota	191	1	199	1	216	1	216	1
Tennessee	3,028	17	3,330	15	3,418	18	3,418	17
Texas	2,332	13	2,148	10	2,634	13	2,634	13
Virginia	2,824	15	2,421	11	3,188	16	3,188	16
Washington	1,622	9	1,535	7	1,831	9	1,831	9
Wisconsin	1,369	7	1,392	6	1,546	8	1,546	8
Wyoming	77	-	76	-	87	-	87	-
Obligations	73,479	402	78,749	363	81,192	416	83,121	412
Lapsing Balances	816	-	1,067	-	-	-	-	-
Total Available.....	74,295	402	79,816	363	81,192	416	83,121	412

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Marketing Services
Classification by Objects
(Dollars in thousands)

		2013	2014	2015	2016
		<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
Personnel Compensation:					
	Washington, D.C.....	\$18,335	\$17,436	\$19,144	\$19,365
	Field.....	14,851	14,123	15,505	15,684
11.0	Total personnel compensation.....	33,186	31,559	34,649	35,049
12.0	Personnel benefits.....	10,458	9,990	11,159	11,301
13.0	Benefits for former personnel.....	371	111	419	436
	Total, personnel comp. and benefits.....	44,015	41,660	46,227	46,785
Other Objects:					
21.0	Travel and transportation of persons.....	1,020	1,176	1,286	1,290
22.0	Transportation of things.....	16	19	18	18
23.1	Rental payments to GSA.....	59	165	1,253	1,253
23.2	Rental payments to others.....	1,074	1,184	1,213	1,263
23.3	Communications, utilities, and misc. charges.....	1,489	2,294	1,678	1,678
24.0	Printing and reproduction.....	279	144	331	335
25.2	Other services from non-Federal sources.....	15,747	15,815	17,314	17,430
25.3	Other purchases of goods and services from Federal sources.....	8,122	13,829	10,000	11,155
25.7	Operation and maintenance of equipment.....	113	33	127	132
26.0	Supplies and materials.....	488	631	551	574
31.0	Equipment.....	1,050	1,795	1,186	1,200
42.0	Insurance Claims and Indemnities.....	7	4	8	8
	Total, Other Objects.....	29,464	37,089	34,965	36,336
99.9	Total, Marketing Services.....	73,479	78,749	81,192	83,121
Position Data:					
	Average Salary (dollars), ES position.....	\$158,715	\$160,242	\$163,447	\$166,716
	Average Salary (dollars), GS position.....	\$74,385	\$75,873	\$77,390	78,164
	Average Grade, GS position.....	11	11	12	12

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Status Of Programs

Marketing Services

Market News

Current Activities: The Market News Service (Market News) provides current, unbiased information on supply, demand, prices, movement, location, quality, condition, and other market data on agricultural products in specific markets and marketing areas – both domestic and international. This information is supplied to buyers and sellers, producers and handlers, transportation and logistics companies, insurance and lending institutions, and others in the marketing chain, including consumers. The information reported by Market News provides a high level of market transparency that contributes to the orderly marketing of agricultural commodities and helps to promote fair trade for all market participants. The market information also supports government policy makers and is widely used for value determinations, such as in courts and mediation.

All market information is reported to the Agricultural Marketing Service (AMS) on a voluntary basis with the exception of Mandatory Price Reporting for specified livestock, meat, and dairy product information. The agricultural sector constantly evolves and so does the form and content of the market news reports, as well as the ways in which that information is made available to the public. AMS Market News issues hundreds of reports daily for some 700 products and commodities resulting in millions of e-views by the public on an annual basis.

Selected Examples of Recent Progress:

Local and Regional Market Reporting – The 2014 Farm Bill stipulated that USDA report prices and volumes of locally or regionally produced agricultural food products. In response to the Farm Bill requirements, USDA Market News developed a plan which leverages existing and new Federal-State cooperative agreements to facilitate research into the availability of local market information and to collect price and volume data for the multitude of commodities and products produced and marketed locally. Market News also expanded the reporting of weekly retail features to include more products marketed as locally produced in retail grocery stores. For easier access to local information, AMS launched a new “Local” webpage. This single, coordinated, user-friendly site allows data users to easily view local and regional Farmers Markets, Farmers Auctions, Farm-to-School, and Direct-to-Consumer sales reports within their state.

Market News Portal (MNP) – AMS released an enhanced version of the Market News Portal (website) with simplified navigation that gives users easier, more logical access to the wealth of timely and reliable data available from Market News. The new Portal combines information from the various commodity groups into a single site and utilizes the best of current technology to improve reliability and to provide a better platform for future upgrades.

Redesign of Market News into Digital Data Service – Market News is redesigning its data and technical infrastructure to provide better service to agricultural market participants by improving information transparency and increasing reporting speed, accuracy, and flexibility. The Market News Information Collection and Dissemination Instrument (MNICDI) under development is a standardized information management system that will help Market News collect and distribute information from remote locations by combining all reporting functions into a single, user-managed platform. The system will facilitate the flow of data from the data provider to agency analysts to the public, and allow all data users to build unique content. The current nonstandard databases and systems contain redundancies, varying analysis levels, non-standard data models, and no electronic reporting capabilities, which constrain adjustments to data products in rapidly changing markets. The new system will harmonize data and processes, resulting in better analyses, more information availability, and faster information delivery for more agricultural markets in one easy-to-use tool.

Organic Producers Survey – In February 2014, AMS Market News initiated a survey of organic producers in order to obtain valuable feedback on how to better meet the informational needs of the organic sector. The survey was sent to a population of producers who had self-identified as organic producers in the 2012 Census of Agriculture. The goal of the survey was to determine the current and potential use of Market News information and identify barriers or concerns that prevent producers from utilizing AMS Markets News for price discovery. AMS learned

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that greater education and outreach was needed to raise awareness of Market News organic commodity reporting services within the organic community. Market News is working with the USDA Organic Working Group (OWG), particularly the Education and Outreach Team, to identify opportunities to demonstrate and promote the specialized information products that Market News has created in response to the demand for more information on the organic sector. As a part of the outreach effort under the OWG, Market News will host a webinar for the public in March 2015, to highlight the products available and how best to use them. Market News plans to attend industry meetings and increase the outreach to the organic groups, to both promote the existing information products and to identify other ways to meet the market information needs of the organic sector.

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

AMS hosted and worked with Foreign Agricultural Service (FAS) - sponsored groups from a number of countries who were looking at the way AMS Market News conducts data collection, analysis, and public dissemination of market information. AMS Market News, in conjunction with FAS, is working in support of the President's Feed the Future Initiative which is a consolidated effort by the Federal Government to achieve global food security and aid to developing nations dealing with chronic hunger. AMS is also providing technical assistance to develop or improve market information systems in a number of countries, including Haiti, Guatemala, and Honduras in support of regional efforts to consolidate and share market intelligence for the nations of Central America through USAID-funded programs. AMS continued work in 2014 on the multi-year assistance program funded by USAID in Bangladesh, along with the Economic Research Service (ERS), the National Agricultural Statistics Service (NASS), and FAS. The Agencies also met with officials in India to determine whether a similar assistance program can be defined and initiated in that country.

Market Information Organization of the Americas (MIOA) – AMS continues in its leadership role in the MIOA, a network of market information organizations from 33 countries in North, Central and South America; and the Caribbean. AMS was chosen again in 2014 by the countries of the Northern Region (Canada, Mexico, and the U.S.) to serve as the Regional Representative on the Executive Committee of MIOA. The various regional partners of MIOA are working to create market reports for products of interest to all and to support interregional trade. A MIOA representative presented before the executive committee of the new G20 market information initiative called the Agricultural Market Information System (AMIS), which is currently chaired by USDA. AMS continues to work with FAS and the Inter-American Institute for Cooperation on Agriculture (IICA) in developing and maintaining a number of specialized projects, jointly funded by FAS, AMS and MIOA, including a university curriculum on market information systems and a product dictionary focused on the Central American region, known as a Wiki.

Customer Outreach and Training – AMS Market News routinely responds to requests for information from individuals, industry groups, and associations. Most of the new reports generated or products added are at the specific request of data users or customers of Market News. In 2014, AMS participated in industry meetings, which Market News used to highlight and educate the public on the various information products that Market News offers and how to use them. Market News will develop and deliver additional webinars to demonstrate these information products and how to use the Market News Portal (MNP) to meet the users' market information needs.

Livestock Mandatory Reporting (LMR) – AMS' LMR program (as authorized by P.L. 106-78, Title IX), was initiated on April 2, 2001, and reauthorized in 2010 (P.L. 111-239). The purpose of LMR is to make information on pricing, contracting, and supply and demand conditions available to encourage competition in the marketplace. The legislation requires the reporting of market information to AMS by livestock processing plants that annually slaughter (on average) a minimum of 125,000 cattle, 100,000 swine, or process an average of 75,000 lambs to ensure the availability of information for market participants. Packers that annually slaughter an average of at least 200,000 sows and boars and importers who annually import an average of at least 2,500 metric tons of lamb meat products are also required to report.

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LMR provides information on:

- 80 percent of slaughter cattle
- 93 percent of boxed beef
- 94 percent of slaughter hogs
- 56 percent of slaughter sheep
- 46 percent of boxed lamb meat
- 87 percent of wholesale pork

LMR reports daily and weekly prices paid by packers to producers for cattle, hogs, and sheep; daily and weekly prices received by packers for their sales of boxed beef and boxed lamb to retailers, wholesalers, and further processors; and information on prices received by importers of boxed lamb. The reports generated from this activity include specifics on negotiated, forward contract, and formula marketing arrangement transactions. The implementation of mandatory reporting of wholesale pork as of January 7, 2013, provided market participants with considerably more market information than they have ever had in the past and addressed concerns in the producer segment relative to the asymmetric availability of market information.

The published information is used by the livestock and meat industry to impact current and future marketing and production decisions, and as reference prices for the calculation of formula and contract prices. Analysts and policy makers also depend on this information to assess market conditions and the performance of the livestock and meat sectors. The Mandatory Price Reporting Act, which sunsets every five years, is scheduled for reauthorization by September 30, 2015.

Dairy Product Mandatory Reporting (DPMR)

Mandatory dairy product reporting provides sales information on:

- 15% of butter production
- 33% of cheddar cheese production
- 66% of nonfat dry milk production
- 45% of dry whey production

The purpose of the program is to provide accurate and timely market information for the dairy sector. Widely available market information is needed to ensure markets operate competitively and fairly. AMS collects this data to be used as the price discovery mechanism to establish minimum prices for the Federal milk order system, accounting for 62 percent of the U.S. milk supply. The information in these reports is also used by the dairy industry, impacting current and future production levels. Prices reported through the program often are used as reference prices for trade settlement, formula pricing, and contract pricing. Market participants and policy makers depend on this information to assess the health of the dairy industry.

Market Reporting Improvements – AMS adds, modifies, or eliminates reports to support both consumers' needs and market environment changes on an on-going basis. Specific examples of new and enhanced agricultural market reports are listed below.

Cotton and Tobacco:

- Daily Spot Cotton Quotations: Cotton Market News captured data for 10.4 percent of the crop for use in establishing the Daily Spot Cotton Quotations during the 2013-2014 marketing year. This was a 3 percent increase from the 2012-2013 marketing year and the highest percentage of the crop reported since the 2008-2009 marketing year.
- Cotton Market News has developed additional comma-separated cotton price data files that are available through e-mail requests sent to CottonMN@ams.usda.gov. Data for the past three marketing years, as well as the 2014-2015 marketing year to date, is available.

Dairy:

- Dairy Market News is redesigning the flagship weekly publication and implementing publication standards across all market reports to provide better use ability to data users.

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- Dairy Market News implemented electronic data collection for dry ingredients.
- Dairy Market News is evaluating the addition of products (skim milk powder and dry whey) and reviewing reporting guidelines for dry whey reporting.

Fruits, Vegetables and Specialty Crops:

- New Area Reported, Auctions
 - Lincoln County, Kentucky
- New Areas Reported for Various Commodities at Shipping Points – Price
 - Potatoes – Indiana and Georgia
 - Peppers – Georgia
 - Carrots – Georgia
 - Grapes for Export – California
- New Shipment (Movement) Reports for Organic
 - Blueberries – Georgia and Oregon
 - Florida Peppers, Bell
 - Northern California potatoes
- New Shipment (Movement) Reports
 - Grapes for Export – California

Livestock, Poultry and Grain:

- Livestock, Poultry, and Grain Market News (LPGMN) developed ten new reports, including three to highlight local and regional reporting efforts for beef and Farm-to-School.
- LPGMN developed a new webpage allowing data users to easily view local and regional Farmers Markets, Farmers Auctions, Farm-to-School, and Direct-to-Consumer sales reports within individual states on a single, coordinated, user-friendly site.
- LPGMN revised/updated or developed eight Federal-State cooperative agreements in order to collaborate with State Departments of Agriculture to capture local and regional food market prices and volumes, including five with Secretary StrikeForce (SF) States.
- Added additional information to increase market transparency for Livestock Mandatory Reporting reports.

Shell Egg Surveillance

Current Activities: The Shell Egg Surveillance (SES) Program monitors the disposition of "restricted eggs" (eggs that are cracked, dirty, incubator rejects, inedible, leaking, or otherwise unfit for human consumption) to ensure that only eggs fit for human consumption are available to consumers. Inedible eggs constitute a small proportion of all shell eggs and are most often used in animal feed; the remaining eggs are destroyed.

Visits to shell egg handlers are made four times each year, and visits to hatcheries are conducted annually. Additional follow-up visits are made when violations are found. For 2014, the percentage of total egg operations in compliance with SES requirements was 89 percent, a 2 percent increase from the 87 percent compliance rate in 2013.

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Selected Examples of Recent Progress:

<u>Inspections Conducted</u>				
<i>Quarterly visits are made to shell egg handlers with 3,000 or more chickens or who pack product for the ultimate consumer. If a violation of the Act is found, a follow-up visit is made during the quarter.</i>				
	Shell Egg Handlers		Hatcheries	
	<u>Number of Handlers</u>	<u>Total Inspections</u>	<u>Number of Hatcheries</u>	<u>Total Inspections</u>
FY 2010	492	2,404	316	329
FY 2011	493	2,485	323	333
FY 2012	472	2,406	322	331
FY 2013	474	2,282	307	310
FY 2014	462	2,019	267	266

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

Standardization

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

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

In addition to their use by private industry in domestic and international contracting, USDA food and fiber standards have become the basis for international harmonization of agricultural product quality grades recognized by the Codex Alimentarius and the United Nations Economic Commission for Europe (UNECE).

Selected Examples of Recent Progress:

Standards Reviews – In 2014, AMS specialists reviewed commodity standards to ensure they continue to accurately describe current products, including 21 for cotton products; 3 for dairy products; 71 for fruit and vegetable products; 12 for livestock, meat, and poultry products; and 13 for tobacco. These reviews resulted in the following standard revisions:

- Cotton Standards – Approximately 2,000 Upland and Pima cotton grade standards boxes were produced representing the 21 physical cotton grade standards. All freshly produced standards boxes were reviewed and approved by cotton industry representatives in June of 2014 at meetings in Memphis, TN, and Visalia, CA. In addition, over 42,000 pounds of instrument calibration cotton standards were distributed to the domestic and international cotton industries.
- Three Fresh Onion Standards – AMS received various inquiries in recent years seeking amendment of the various onion standards to allow packing of mixed colors. Therefore, AMS revised the United States Standards for Grades of Bermuda-Granex-Grano Type Onions, the United States Standards for Grades of Onions (other than Bermuda-Granex-Grano and Creole Type), and the United States Standards for Grades of Creole Onions to amend the similar varietal characteristics requirement to permit specified packs of mixed colors to be certified to a U.S. grade. The revisions bring the standards in line with current marketing practices, and improve the standards usefulness in serving the industry.
- AMS solicited public comments on a proposed revision to the United States Standards for Grades of Maple

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Sirup. AMS received a petition from the International Maple Syrup Institute (IMSI) requesting a revision of the U.S. grade standards by replacing the current grade classification requirements with new color and flavor descriptors, and revising Grade A requirements to be free from damage. AMS also proposed to change the spelling from “sirup” to the more commonly used term “syrup.” The proposed grade standards would revise the existing federal grade standards for maple sirup. The purpose of these proposed revisions would be to foster or assist in the development of new or expanded markets, and improve the marketing of maple syrup in the U.S. and internationally. On May 7, 2014, AMS published the proposed revisions in the *Federal Register* with a 60 day comment period which closed on July 7, 2014. Thirteen comments were received, mostly in favor of the proposed revisions.

- AMS developed draft documents concerning proposed changes to 48 United States Standards for Grades of fresh fruits and vegetables, fruits and vegetables for processing, nuts and specialty crops. AMS is proposing to remove the “unclassified” category from the standards. The “unclassified” category is not a grade and only served to show that no grade had been applied to the lot. The category no longer reflects current industry practices and is not consistent with other U.S. standards. AMS is removing the “unclassified” category from all standards as they are revised.
- Section 10012 of the Agricultural Act of 2014 (P.L. 113-79), the 2014 Farm Bill, charged the Secretary of Agriculture with developing a report describing how a Federal standard of identity for honey would be in the interest of consumers, the honey industry, and U.S. agriculture. By definition, a Federal standard of identity promotes honesty and fair dealing in the interest of consumers. The Secretary delegated responsibility for completing the report to AMS. Pursuant to the Farm Bill mandate, AMS gathered input from stakeholders on their interest in a Federal standard of identity for honey through a Federal Register notice “United States Standard of Identity for Honey” published on August 20, 2014 (79 FR 49279), with a 30-day comment period. On September 22, AMS published a notice of extension to the comment period for an additional 30 days until October 19, 2014. During the 60-day comment period, AMS received 85 comments.
- Institutional Meat Purchase Specifications (IMPS) – Under the Regulatory Cooperation Council (RCC) initiative, AMS worked with officials of the Canadian Food Inspection Agency (CFIA), and meat industry stakeholders in the U.S. and Canada, to complete revisions to the IMPS and harmonize meat cut nomenclature between the two countries. Canada agreed to adopt the IMPS as their standards for meat cut nomenclature. The revised IMPS and harmonized nomenclature benefits the meat industry by reducing costs of maintaining separate inventories and enhances trade opportunities for U.S. producers.

International Activities – AMS remains a leader in global marketing standards initiatives and represents the U.S. in meetings of the Codex Alimentarius, the International Dairy Federation, the United Nations Economic Commission for Europe (UNECE), the Organization for Economic Cooperation and Development, the International Organization for Standardization, the International Seed Testing Association, the International Meat Secretariat, the American Society for Testing and Materials International, the U.S. Canadian Regulatory Cooperation Council, the Inter-American Commission on Organic Agriculture, the International Cotton Advisory Committee, international cotton outreach, and several bilateral consultative committees on Agriculture. Examples of recent progress include:

- AMS participated in the 62nd Session of the UNECE Specialized Section on Standardization of Fresh Fruits and Vegetables, held April 28 – May 1, 2014, which developed one new standard and revised eight existing standards. AMS is a member of five working groups.
- One AMS staff member chaired and another served as the U.S. delegate to the UNECE 61st Session of the Specialized Section on Standardization of Dry and Dried Produce held June 16-19, 2014, at which one new and one revised standard and an interpretative brochure were completed. Another four standards are being developed. AMS also led four working groups within this Specialized Section. On behalf of the U.S. pistachio industry AMS lead an inter-cessionary effort to amend the UNECE inshell pistachio standard. The UNECE Working Party approved and adopted the changes to the UNECE Inshell Pistachio Nut Standard, as requested by the industry. This change will provide continued European market access

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without the application of a restrictive tolerance for insect damage in the UNECE standard for inshell pistachio nuts.

- AMS serves as Vice Chair of UNECE's Specialized Section on the Standardization of Meat. AMS played a leadership role in organizing and facilitating the 2014 session of the Specialized Section on the Standardization of Meat Quality and Harmonization. Attendees included representatives from the meat industry of the U.S. and from over 75 countries that lead the world in meat production. AMS led the development of UNECE's first standard for further processed poultry and was successful in securing its adoption as an official agricultural quality standard of the United Nations (UN). Over the years, AMS has worked through the UN's Specialized Section to model global standards after USDA standards to help U.S. meat producers remain competitive in international markets.
- An AMS official serves as Delegate to the Codex Committee on Milk and Milk Products. The Electronic Working Group (eWG) was established to develop a proposed draft standard for processed cheese and whey permeate powder. The AMS delegate submitted U.S. comments that address the export interest of the U.S. dairy industry and government. A Physical Working Group is slated to meet in Brussels, Belgium, to advance the work.
- AMS representatives participated in Codex committees and working groups established to advance standards for fruit and vegetables, and participated in two international Codex outreach programs to build international support for U.S. positions at Codex committee plenary sessions. AMS coordinates its activities with the U.S. Codex Offices in the USDA/Food Safety and Inspection Service; the Food and Drug Administration; relevant domestic stakeholders; and Codex committees and working groups.
 - AMS worked with five electronic working groups' subsidiaries of the Codex Committee on Processed Fruits and Vegetables (CCPFV) in preparation for participation in the CCFFV's 27th session held September 8-12, 2014. The 27th CCPFV Session worked on merging eleven different frozen vegetable standards (four of which were completed), merged four different canned fruits standards, and converted the Codex Regional Asia Standard for ginseng products into an international standard. AMS is a member of three CCPFV electronic working groups.
 - AMS worked with Codex Committee on Fresh Fruits and Vegetables (CCFFV) electronic working groups to prepare and participate in the 18th CCFFV Session held February 24-27, 2014, in Philadelphia, Pennsylvania. Two standards were completed and four new ones were approved for elaboration. AMS is a member of five CCFFV electronic working groups.
 - AMS participated in the meeting of the 1st Session of the Codex Committee on Spices and Culinary Herbs (CCSCH) held February 11-14, 2014, in Kochi, India, and provided leadership to the Priorities Working Group that selected the products to be standardized. AMS is a member of five electronic working groups.
- AMS participated in the Organization for Economic and Cooperation Development (OECD) Fruit and Vegetable Scheme's technical working group from May 18-24, 2014, in Warsaw, Poland, on the development of brochures for Chinese cabbage and onions. Additionally, AMS worked with the U.S. pomegranate industry to protect U.S. interests and exports by providing input on a brochure developed for pomegranates, which was completed and published by the OECD in March 2014. AMS also attended the 16th OECD Heads of National Inspection Services meeting and made a presentation of the scoring of skin defects in Fresh Fruits and Vegetables. AMS uses such opportunities to undertake outreach activities in support of USDA international standardization activities.
- AMS serves as the National Designated Authority for OECD Seed Schemes. Currently there are 58 participating OECD member countries that label seed for varietal purity for international trade. For the first time in 20 years, the U.S. served as chair of the OECD Seed Schemes annual meeting held in Zagreb, Croatia, in June 2014. As outgoing chair, the U.S. currently serves as a member of the OECD Seed Schemes Bureau until 2016. The Bureau acts in an executive advisory capacity for all 58 OECD Seed Schemes member countries.

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- AMS participated in a United Kingdom harmonization workshop on agricultural quality from July 7-11, 2014, in Scotland, and demonstrated the U.S. F&V inspection methods for measuring of defects.
- AMS provided technical assistance to the Serbian Government and its meat industry to help modernize their meat standards and specifications. AMS worked with Serbian representatives to adopt meat standards developed under the U.N.'s Agricultural Quality Standards Working Party. Adopting and implementing new standards for meat products helps Serbia to prepare for ascending to the European Union. AMS provided assistance to Serbian stakeholders on becoming familiar with the new standards and how to implement the system nationwide. AMS facilitated group meetings to discuss how things are done in the U.S., what challenges our industry has faced over the years, and the hurdles facing the Serbian agricultural industry. AMS works with countries such as Serbia to ensure our Nation's interests are represented in the international meat industry and to keep U.S. agricultural products competitive in global markets.
- AMS chaired U.S. representation to the International Organization for Standardization's (ISO's) Technical Committee (TC) 34/Working Group (WG) 16, a group of experts in the field of animal welfare assembled to develop an international industry consensus animal welfare standard for food producing animals. The group was established after the World Organisation for Animal Health (OIE) and the ISO signed an agreement to help OIE further the international adoption of OIE animal welfare codes that also play a role in ensuring animal health. ISO selected AMS to be on the subcommittee drafting the standard. The U.S. led the drafting of an outline for the Technical Specification, which was submitted for public comments.
- AMS participated in the Inter-American Commission on Organic Agriculture meetings, with the goal of supporting greater harmonization of organic standards and improved control systems in Latin America.

Market Access Activities – AMS' standardization activities enhance and expand export market access for U.S. commodities through collaboration with federal regulatory and trade agencies and industry groups to develop market and export assistance programs (e.g., systems-based programs to meet export requirements and policies for specific countries). Due to AMS' market expertise, Federal agencies and the agricultural industry depend on AMS to develop and administer marketing programs (e.g., quality systems verification programs and laboratory approval programs) to make products eligible for export to various countries.

For example, to address Russia's zero-tolerance policy on the use of ractopamine, a beta-agonistic drug, AMS implemented programs to assist USDA's Food Safety and Inspection Service's (FSIS) in ensuring that products destined for export to various countries meet the Export Library requirements. AMS implemented a Quality Systems Verification Program, which provides companies that supply agricultural products and services with the opportunity to assure customers of their ability to provide consistent quality products or services, and a Laboratory Approval Program (LAP), which verifies through analysis that products destined to be exported meet various countries' requirements.

Dairy Products: China Decree 145 required that by May 1, 2014, a regulatory questionnaire, plant list and site visits of dairy facilities be completed as a prerequisite to trade with China. On April 30, 2014, FDA in collaboration with AMS and FAS, responded to China's 2012 Decree, submitted completed questionnaire, and identified 240 U.S. dairy plants eligible to export. AMS also assisted the China delegation during an onsite verification plant visit to a sample of facilities. On May 6, 2014, China published the U.S. recommended plant list on their website. China is the world's largest importer and is currently the second largest export destination for U.S. dairy products, valued at \$707 million in FY 2013.

In March 2014, the EU Commission agreed to a U.S. proposal, and to published a new Colostrum dairy certificate. U.S. Colostrum exporters were anxious for the EU market to open. On August 14, 2014, the U.S. completed the design, tested, and launched a new EU Colostrum certificate accessible through the AMS eDocs/eTDE database system. Dairy export trade with the EU is currently valued at \$140 million.

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Federal Seed Act

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

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

Selected Examples of Recent Progress:

During FY 2014, AMS initiated 198 investigations based on 208 Federal Seed Act complaints from 16 States and one seed company. In cooperation with State agencies, AMS received 257 regulatory seed samples from 19 States and 5 companies for trueness-to-variety. AMS conducted field tests on those samples to determine trueness-to-variety of seed shipped in interstate commerce.

The Federal Seed Program administratively settled 169 Federal Seed Act cases during the fiscal year with 44 warnings, 34 no-actions, and 91 with penalty assessments totaling \$58,375. Individual assessments ranged from \$350 to \$7,425. The remaining 29 investigations initiated in FY 2014 are still pending.

To ensure uniform application of the regulations, AMS conducted training workshops for 28 seed analysts from 16 States. AMS also hosted the consolidated exam for the Association of Official Seed Analysts/Society of Commercial Seed Technologists. To increase awareness of changes to seed regulations, rules, standards, and testing techniques, AMS conducted six web-based training seminars for both State and private industry professionals, in cooperation with the Association of Official Seed Analysts and the Society of Commercial Seed Technologists. Seminars may be conducted multiple times per year as needed or requested by industry.

Country of Origin Labeling

Current Activities: The Country of Origin Labeling (COOL) amendments to the Agricultural Marketing Act of 1946 require retailers to notify their customers of the country of origin of covered commodities. Covered commodities are identified as muscle cuts of beef (including veal), lamb, goat, chicken, and pork; ground beef, ground lamb, ground goat, ground chicken, and ground pork; fish and shellfish; perishable agricultural commodities (fruits and vegetables); peanuts, pecans, macadamia nuts, and ginseng. The law also requires method of production information (farm-raised or wild caught) for fish and shellfish to be noted at the final point of sale to consumers. The Act states that “normal course of business” records and producer affidavits may be used for verification, the same requirements and penalties apply to both suppliers and retailers, and the maximum penalty per violation is \$1,000.

In May 2013, Parts 60 and 65 of the regulation were amended to clarify the definition of “retailer” and to change the labeling provisions for meat muscle cut covered commodities for compliance with the World Trade Organization (WTO) findings. In FY 2014, AMS continued to develop educational materials and participate in outreach events with industry stakeholders. In addition, the COOL staff completed a business process review of enforcement protocols, which resulted in reducing the number of times industry stakeholders are required to produce records that verify COOL claims, while maintaining program integrity and ensuring that consumers are provided country of origin and method of production information at the point of sale.

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On October 20, 2014, the WTO dispute panel publicly released its final report regarding the COOL case prompted by Mexico's and Canada's claims that amendments to the COOL rules failed to correct the faults outlined by the original panel. The report found that the amended COOL final rule violates the Technical Barriers to Trade (TBT) Agreement because of less favorable treatment for livestock born in Canada and Mexico than U.S. livestock, which has been determined to result in detrimental competitive opportunities, increased segregation of meat and livestock, higher recordkeeping burden, and increased incentive to choose domestic over imported livestock. On November 28, WTO's Dispute Settlement Body (DSB) held a special meeting at which Canada and Mexico asked to adopt the ruling against COOL. On the same day, the Office of the U.S. Trade Representative filed a Notice of Appeal against adoption of the report. The appellate hearing will take place on February 16-17, 2015, in Geneva, Switzerland.

Selected Examples of Recent Progress:

Enforcement Activities – AMS continues to work in collaboration with all 50 States to conduct retail surveillance activities for the COOL program. In 2014, the COOL Program conducted 2,982 initial retail reviews and 570 follow-up retail reviews of the roughly 37,000 regulated retailers. Based on the number of COOL covered commodities sold in a store location, overall retailer compliance to COOL was approximately 91 percent, which is a reduction compared to previous years. However, nearly 40 percent of the FY 2014 retail reviews were conducted in regional, small, and independently owned stores; i.e., retailers who typically are not associated with trade associations. Non-compliance notifications were sent to 76 percent of the retailers reviewed for having compliance deficiencies and crucial weaknesses. In addition to retail surveillance activities, 113 products were audited through the supply chain. Overall compliance by suppliers to retail stores is approximately 98 percent. Meat muscle cut commodities were not audited during FY 2014.

Program Business Process Review – AMS improved program operations by implementing a new enforcement process which reduced the recordkeeping burden on retailers by 15,208 labor hours in 2014, and executed a new retailer compliance rating system that includes thresholds to identify retailers who need additional oversight. The types of retail non-compliances were expanded to align new business rules with amended meat labeling requirements. To reduce the burden on suppliers, AMS developed and implemented a new supplier certification pilot program to verify the effectiveness of COOL compliance procedures through onsite visits to the Nation's largest covered commodity supply firms. Suppliers with sufficient systems are no longer subject to routine supplier traceback desk audits.

Training – Beginning in April 2014, COOL training was made available to State officials via webinar and classroom style workshops. Three tiers of training were created and presented. Tier 1 training was for State Reviewers with recent COOL experience. The training provided an update to the regulation and new retail review procedures. Tier 2 training was provided for experienced State Reviewers on conducting follow-up retail reviews. Tier 3 training was for State officials new to the COOL program. Over 300 State officials were COOL-certified in 2014 to conduct retail reviews.

Outreach – In August and September 2014, COOL strengthened its education and outreach efforts for affected industry stakeholders by attending the Merchants Distributors Inc. tradeshow and the W. Lee Flowers Distributors annual meeting consisting of regional, small and independently owned store management teams. The Program's goal was to collaborate and provide COOL guidance to weaker segments, in terms of COOL compliance trends, of the retail industry.

Pesticide Data Program

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

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agricultural industry stakeholders, to select commodities for inclusion in the Program.

Selected Examples of Recent Progress:

During 2014, PDP tested more than 10,650 food samples, resulting in over 2.1 million individual tests.

Commodities – Commodities surveyed by PDP include fresh and processed fruits and vegetables, milk and dairy products, beef, pork, poultry, catfish, salmon, corn grain and corn syrup, soybeans, wheat and wheat flour, barley, oats, rice, almonds, peanut butter, honey, pear juice concentrate, bottled water, groundwater, and treated and untreated drinking water. In 2014, PDP added two new commodities, dairy-based infant formula and soy-based infant formula, and reintroduced previously tested commodities bringing the number of commodities surveyed to date to 112. Data on infant formula was needed to more accurately evaluate pesticide exposure to this vulnerable segment of the population. Data on previously tested commodities is needed to determine if there were measurable changes in the residue profile. All commodities selected for testing are based on EPA's requests for data to monitor registration-driven changes mandated by the FQPA and to respond to public food safety concerns.

Sampling – During 2014, PDP achieved a 100 percent of its goal in collecting samples. PDP uses statistical tools and marketing data to enhance sample collection rates. Recent improvements in the sample tracking database and the use of electronic sample information forms allows for instant availability of data collected at food distribution points, thereby streamlining the sample collection, shipping and laboratory receipt process. PDP monitors product availability at the various collection points through frequent communication with sampling inspectors and makes necessary adjustments to sampling protocols to meet collection targets.

Testing Methods – PDP enhanced its testing methods to bring the total number of pesticides and metabolites tested to over 450. PDP laboratories consolidated analytical screening methods and continued to expand the use of automation to reduce costs for equipment maintenance, human resources, and the management of hazardous waste. Increased use of state of the art instruments and consolidation of testing methods augmented data quality by lowering limits of detection (LODs) by tenfold for selected compounds. PDP continued to expand pesticide testing by adding pesticides that are used overseas but are not allowed in the U.S. These illegal pesticides are used on products imported to the U.S. and are being gradually incorporated in response to requests by the Government Accountability Office (GAO) and EPA's Office of Inspector General.

Outreach – PDP staff met routinely with EPA officials to present new information/data and to conduct program planning sessions. To improve communications, PDP staff met with minor crop and chemical industry representatives, including the Minor Crop Farmer Alliance (MCFA), CropLife America, and the Produce Marketing Association (PMA). PDP worked with USDA's Foreign Agricultural Service (FAS) to ensure that data needed to support exports are available and can be used to assist in removing potential trade barriers. PDP worked with FAS to increase the understanding and acceptance of PDP sampling and testing on an international level – PDP data is now routinely used in FAS' Compliance Plans in instances where trade barriers have arisen and have been used by other countries (e.g., Taiwan) in their own dietary risk assessments. PDP met with FAS throughout the year and presented program information and updates at the FAS' Agricultural Technical Advisory Committee Meeting. PDP shared presumptive tolerance violation data on a monthly basis with EPA, FDA, FAS, USDA's Office of Pest Management Policy (OPMP), and USDA's National Organic Program (NOP). PDP staff participated in the Association of Analytical Chemists (AOAC) Proficiency Test Advisory Committee and Pesticides Subcommittee and attended interagency meetings with USDA's Food Safety and Inspection Service's (FSIS) Interagency Residue Control Group (IRCG) to discuss program planning issues and to share technical information. PDP staff met with the Interagency Risk Assessment Consortium (IRAC) to participate in efforts to enhance communication and coordination among the member agencies and promote the conduct of scientific research that will facilitate risk assessments and presented a program update at the North American Chemical Residue Workshop.

Reporting – Public-domain databases containing sample identity and analytical results data for each sample tested are posted on the Program's website at <http://www.ams.usda.gov/pdp>.

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National Organic Program

Current Activities: Through the work of the National Organic Program (NOP) (authorized by the Organic Foods Production Act of 1990, 7 U.S.C. 6501 et seq.), AMS facilitates market access and protects market integrity by developing, implementing, and enforcing USDA organic regulations. These regulations govern the production, handling, and labeling of organic agricultural products. AMS accredits 81 third-party organic certifying agents worldwide and those certifiers oversee more than 25,000 certified organic operations around the world. AMS also establishes and maintains organic recognition and equivalency agreements with foreign governments. To maximize public participation and transparency, AMS supports the work of the National Organic Standards Board (NOSB), a group of 15 volunteer private-sector appointees who recommend materials to be allowed or prohibited in organic operations and provide other recommendations related to organic agriculture to the Secretary.

Selected Examples of Recent Progress:

International Trade – USDA engages with other countries to advance organic trade through recognition and equivalency agreements. A new organic equivalency arrangement between the U.S. and Korea was implemented on July 1, 2014, allowing organic processed products certified in the U.S. or Korea to be labeled as organic in either country. This arrangement allows American organic farmers, processors, and businesses greater access to Korea's growing market for organic products. Without this equivalency arrangement, organic farmers and businesses wanting to sell organic processed products in either country would have to obtain separate certifications to meet each country's organic standards. Similar to other equivalency arrangements, this arrangement with Korea eliminates significant barriers, especially for small and medium-sized organic businesses. AMS also conducted a peer review of the European Union's organic system to support that existing arrangement; continued to discuss equivalency options with other countries, including Switzerland, Mexico, Costa Rica, and New Zealand; and participated in Inter-American Commission on Organic Agriculture meetings in Panama to support greater harmonization of organic standards and improved control systems in Latin America.

Organic Certification Cost-Share Grant Programs – Supporting market access efforts across USDA, AMS reinitiated the National Organic Cost Share Program and continued to administer the Agricultural Marketing Assistance Organic Certification Cost Share Grant Program in FY 2014. The National Organic Cost Share Program was funded through the 2014 Farm Bill and supports organic producers and handlers across the country. AMS allocated more than \$12 million to State departments of agriculture to support these programs under which organic producers and handlers can apply for reimbursements up to \$750 for the cost of organic certification. This assistance can make a significant difference in a small or beginning farmer's choice to pursue organic certification. AMS engaged in a range of educational and outreach projects this year to inform certified organic operations about the availability of these funds.

Consumer Protection (Compliance, Enforcement, and Appeals) – AMS continued its work to protect consumers and the integrity of the USDA organic seal. In FY 2014, the AMS National Organic Program completed 285 complaint investigations, exceeding the FY 2013 total. The Program continues to improve its case closure rate and in FY 2014, 181 investigations were closed in an average of 81 days; significantly faster than the target timeframe of 180 days. Compliance and enforcement activities included over 200 investigative and enforcement actions, including 60 Notices of warning, 26 Cease-and-desist notices, and 48 referrals for investigation by certifiers and by State, Federal and foreign agencies. The Program also publicized 13 fraudulent organic certificates; and levied 9 civil penalties for \$81,500 via settlement agreements for knowing violations of the Organic Foods Production Act. The Program considered reinstatement requests from 62 suspended operations, and reinstated more than 90% of applicants because outstanding non-compliances had been corrected. AMS also facilitated the closure of 44 appeals in an average of 140 days. This is a faster average timeline than in 2013, when the average days to closure was 194.

Organic Integrity – Accreditation Activities – At the close of FY 2014, USDA organic certifiers remained in full compliance with 95 percent of the NOP's accreditation criteria. A total of 56 audits of USDA-accredited organic certifiers were conducted to verify regulatory compliance. During FY 2014, AMS also underwent a peer review of its organic accreditation program by the American National Standards Institute, and is implementing opportunities for improvement that were identified in the audit. AMS continued its "sound and sensible" initiative designed to make the organic certification process affordable, accessible, and attainable for organic operations. This included

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awarding project contracts to 13 organizations to identify tools and methods for streamlining the certification process, and to develop technical assistance resources for new and transitioning farmers.

Standards Development – In FY 2014, AMS successfully led a variety of organic standards projects, all designed to clarify requirements for certifiers and operators. Standards serve to level the playing field across organic businesses and those published in FY 2014 included two final rules related to materials in organic agriculture, two final guidance documents, five policy memos on the use of materials in organic production and handling, and five clarifying instructions for certifiers. NOP also collaborated with the National Organic Standards Board to implement the revised process for reviewing substances used in organic agriculture that was published near the end of FY 2013. This revised approach increases stakeholder comment opportunities for the renewal of materials in organic production, and ensures greater stability for organic markets.

Training and Outreach – Each year, NOP conducts training for accredited certifying agents. This year, training was held in English in San Diego, California, and in Spanish in Costa Rica. Both training sessions focused on teaching sound and sensible certification practices. The training in Costa Rica also supported technical assistance and improved control systems for certifiers working throughout Latin America. NOP conducted webinar training for auditors to review and reaffirm sound and sensible concepts and practices. AMS representatives also spoke at several organic conferences, focusing particularly on the “sound and sensible” organic certification initiative. NOP distributed USDA organic updates and the Organic Quarterly newsletter through the USDA Organic Insider email service, which had over 18,000 subscribers at the end of 2014. In addition to these activities, AMS held a two day training program with members of the National Organic Standards Board in Washington, D.C., and held one public board meeting in San Antonio, Texas, in May 2014.

Technology Investments – AMS is investing significantly to improve upon its information technology to support organic accreditation efforts. NOP fully integrated its list of suspended and revoked operations into the annual list of certified organic operations to reduce look-up errors and increase awareness about operator status. To more effectively track accreditation activities such as audits, report delivery, and adverse actions, NOP developed an up-to-date accreditation database. The program also began designing and developing the Organic Integrity Database, which will be a modernized certified organic operations data system that will contain up-to-date and accurate information; increase supply chain transparency; promote market visibility for organic operations; reduce certifier reporting burden; and deter fraud.

Research And Promotion Programs

Current Activities: AMS provides administrative oversight to 22 industry-funded commodity research and promotion (checkoff) programs with over \$699.8 million in revenue. Industry research and promotion boards collect assessments from producers, feeders, seed stock producers, exporters, packers, importers, processors, manufacturers, and handlers, to carry out programs aimed at strengthening the demand for their products. It is the responsibility of AMS to review and approve the budgets and projects proposed by the boards such as paid advertising, consumer education, industry relations, industry information, retail, food service and export promotion, market production and nutrition research, public relations, and project evaluation. Those industries reimburse AMS for the cost of administrative oversight activities.

Selected Examples of Recent Progress:

During FY 2014, AMS engaged with industry and special emphasis groups in order to increase diversity among individuals nominated to service (candidate slates) on research and promotion (R&P) boards. AMS developed and led the first-ever diversity-training session (AMS Research and Promotion Boards: Opportunities for Diversity), held as part of USDA initiative to encourage diverse agricultural leaders and focused on increasing the diversity of candidates nominated to service on R&P boards. More than 40 participants representing 19 R&P board participated in the training. Additionally, as part of this endeavor, AMS identified 6 R&P boards to target for increased diversity resulting in 4 board candidate slates with 40 percent or more diversity (by gender and race). AMS also developed a Call to Action document to encourage stakeholders to serve on R&P boards and conducted diversity training (Understanding, Recognizing, and Valuing Diversity) for 24 R&P marketing specialists. AMS recently certified the

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National Black Growers Council as eligible to nominate sorghum producers as members of the United Sorghum Checkoff Program, resulting in 2 members nominated for consideration by the Secretary. As a result of these efforts, representation of women and minorities on R&P boards has increased by 8 percent. AMS continues to work to amplify its diversity messaging through a small farmer email list (800 individuals), 50 USDA outreach representatives, 600 plus USDA partners, and 30 plus USDA liaisons.

Cotton – The Cotton Board’s (Board) recommendations for 2014 activities fell into three priority areas – building market share, sustainability, and innovation. To build market share, the Board advised greater efforts to increase global cotton consumption. The Board supported building on cotton’s sustainability message throughout the supply chain, in all program areas. Finally, the Board recommended an increased emphasis on new avenues for innovative research, development and marketing, especially expanding partnerships and accelerating the speed to market of new projects and technologies.

The Cotton Research and Promotion Program, in cooperation with the National Cotton Council and Cotton Council International, continued its joint program with Cotton Australia to raise awareness of responsible growing practices among cotton producers in Australia and the U.S. This initiative, celebrating its one-year anniversary, addresses accountability with regard to environmentally sensitive issues. The Cotton LEADS program is aimed at textile brands, retailers and manufacturers committed to sourcing cotton that is grown in a responsible and transparent manner. Its core principles are consistent with sustainability, the use of best practices and traceability in the supply chain. The program, which is designed to assist businesses along the cotton supply chain with their sustainability goals, now counts nearly 230 partners who are committed to responsible cotton production. Validating the Cotton LEADS Program are the national-level oversight, regulatory enforcement, and transparency of practices common to both countries. The Program is a complement to many of the farm-by-farm certification programs that have appeared in recent years. Combined, Australia and the U.S. account for roughly 17 percent of global cotton production.

Dairy Products – The Dairy Research and Promotion Program continued its focus on sustainability through the checkoff created Innovation Center for U.S. Dairy (Innovation Center). On March 28, 2014, the White House announced its “Climate Action Plan – Strategy to Reduce Methane Emissions” and specifically recognized the voluntary work of the Innovation Center and its commitment to reduce dairy sector greenhouse gases by 25 percent by the year 2020 – equivalent to taking more than 1.25 million cars off the road every year. The announcement also noted that in partnership with the dairy industry, USDA, the Environmental Protection Agency, and the Department of Energy would jointly release a “Biogas Roadmap.” The Biogas Roadmap was released in August 2014 and outlines a variety of strategies to accelerate the adoption of methane digesters and other cost-effective technologies to reduce the U.S. dairy industry’s carbon footprint. To date, the Innovation Center has created eight tools to focus on operational efficiencies and innovations to reduce greenhouse gas emissions throughout the entire dairy value chain – from production to feed for dairy cows, to on-farm energy audits, to retail. Many of the Innovation Center-created resources are available online and provide information on grant opportunities that are made available through USDA programs.

Fluid Milk – In April 2014, the National Fluid Milk Processor Promotion Program and the Dairy Research and Promotion Program announced a partnership with Feeding America and launched the Great American Milk Drive to raise awareness about hunger in America and the need for milk donations in food banks. Feeding America reports that milk is one of the top five foods requested by clients; however, the majority of food banks cannot keep up with demand because milk is rarely donated. To meet daily dietary recommendations, consumers need about 68 gallons of milk per year. Currently, the 37 million Americans served annually by Feeding America receive the equivalent of less than one gallon per year. The Great American Milk Drive is the first of its kind to help resolve this milk shortage. Consumers can donate a gallon of milk online, via text, or, participate in local events that drive in-store donations.

Eggs – The Egg Research and Promotion Program’s Good Egg Project educates consumers about egg production and promotes nutrition and philanthropy. A key goal of the project is to invite the public to join egg farmers in the fight against hunger through the donation of eggs to local food banks and Feeding America. Since the Good Egg Project began in 2009, egg farmers have donated more than 48.2 million eggs to the Nation’s hungry population.

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In addition, the Egg Research and Promotion Program worked on Share Our Strength's No Kid Hungry campaign in 2014. The goal of this campaign is to lessen childhood hunger in America by ensuring that all children receive, every single day, the healthy food they need. The campaign connects children in need to effective nutrition programs like school breakfast and summer meals and teaches low-income families to cook healthful, affordable meals through Cooking Matters. The campaign is supported by a network of private citizens, public officials, nonprofits, business leaders and others providing innovative hunger solutions in their communities.

Mushrooms – The Mushroom Council, in partnership with major meat processors, and the mushroom industry has created a new category of meat/mushroom products available for school and commercial foodservice. The concept is called “blendability.” The meat/mushroom blends are lower in calories and fat per serving compared to similar all-meat options. Rather than replacing students’ favorite foods, this “blendability” concept develops meal options that use mushrooms as a substitute for a portion of the traditional meat component. Examples of foods that could be modified include fajitas, chili, sloppy Joes, meatballs, burgers, and tacos. Blendability also adds an extra serving of vegetables to the plate and reduces fat and cholesterol in traditional meals. Sample dishes were recently showcased at college campuses with an overwhelmingly positive response.

Softwood Lumber – The Softwood Lumber Board is working with one of the leading architectural firms, as well as the softwood lumber industry on a research proposal to establish the structural viability of a 42-story-tall prototypical mass timber framed building. The project is called the “Timber Tower Research Project.” The goal of the Timber Tower Project is to develop a structural system for tall buildings that uses mass timber as the main structural material and minimize the embodied carbon footprint of the building. Systems were developed with consideration of constructability, cost, and fire protection – although additional research and physical testing will be necessary to verify the performance of the proposed system.

Soybean – In 2012, the United Soybean Board (Soybean Board) began funding a project for the development and expansion of high oleic oil soybeans in cooperation with DuPont Pioneer and Monsanto Corporation. The Soybean Board has set a goal of harvesting 18 million acres of high oleic oil soybeans in 2023, equating to about 22 percent of total U.S. soybean acreage projected for that year. On November 7, 2013, the Food and Drug Administration announced plans to measure support for the removal of trans fats from the generally-recognized-as-safe (GRAS) status. The soybean industry had anticipated the phase-out of partially hydrogenated vegetable oils, including commodity soyoil, from the food supply. Soybeans that produce high-oleic soy oil contain no trans fats.

The Board initiated a specific project in 2014 aimed at increasing representation of underrepresented groups in soybean industry leadership positions. The Board is communicating on an ongoing basis the importance of outreach to the Qualified State Soybean Boards which nominate candidates to the Board. Moreover, the Board developed several brochures specifically designed for women, young farmers, Hispanics, and Native Americans on why they may want to serve on the Board. The Board has invited representatives from the National Black Growers Council (NBGC) to attend and participate in their industry wide Soy Connections meeting. Finally, the Board has met with other underrepresented groups, including Native American representatives, to help the Board identify individuals who may want to serve on the Board.

Pork – After 18 months of industry collaboration, the National Pork Board recently announced that a new common swine industry audit platform for pork producers, packers and processors is now certified by the Professional Animal Auditor Certification Organization (PAACO) and available to the public. The new audit tool builds on the existing Pork Quality Assurance® Plus (PQA Plus®) program and expands it to serve as a single, common audit platform for the pork industry. The overarching goal of the common audit process is to provide consumers greater assurance of the care taken by farmers and pork processors to improve animal well-being and food safety.

Research and Promotion Program Industry Revenue FY 2014 Estimate (Dollars in Millions)

<u>Commodity</u>	<u>Estimated Revenue</u>
Cotton	\$79.8
Dairy	103.8

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<u>Commodity</u>	<u>Estimated Revenue</u>
Fluid Milk	104.6
Beef	41.3
Lamb	2.6
Pork	91.0
Soybeans	103.4
Sorghum	7.5
Eggs	27.1
Blueberries	5.6
Hass Avocado Board	42.5
Honey Board	5.6
Mango Board	6.0
Mushroom Council	4.4
Paper and Paper-Packaging	20.8
Peanut Board	8.7
Popcorn Board	1.0
Potato Board	21.0
Processed Raspberries	2.4
Softwood Lumber	17.5
Watermelon Board	3.2
Total	<u>\$699.8</u>

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

Transportation and Market Development

Current Activities: AMS serves as the expert source for economic analysis on agricultural transportation from farm to markets. The Agency informs, represents, and helps agricultural shippers and government policymakers through market reports, regulatory representation, economic analysis, transportation disruption reports, and technical assistance.

AMS also supports and enhances the distribution of U.S. agricultural products, and marketing opportunities for agricultural producers and local food businesses through grant programs, applied research, and technical services. These activities focus on specialty crops, agricultural marketing research, and local food initiatives.

Selected Examples of Recent Progress:

Transportation Reports and Studies – In addition to issuing regular transportation reports that are published weekly, quarterly, and annually, AMS developed and published on its Agricultural Transportation website twelve new, one-time transportation analyses, articles, and resources in FY 2014. Examples include:

- *Eroding U.S. Soybean Competitiveness and Market Shares: What Is the Road Ahead?*
- *Corn Transportation Profile*
- *Networking Across the Supply Chain: Transportation Innovations in Local and Regional Food Systems*
- *Rail Tariff Rates for Grain by Shipment Size and Distance Shipped*
- *Rail Rate Mediation and Arbitration for Grain Shippers*
- *Railroad Concentration, Market Shares, and Rates*
- *USDA Perspective on Transportation Constraints to Agriculture Exports*
- *State Grain Rail Statistics*
- *Tracking U.S. Grain, Oilseed and Related Product Exports in Mexico*

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Regulatory Representation – AMS is often asked to provide input to various regulatory agencies and members of Congress on issues related to agricultural shipping under the authorities of the Agricultural Adjustment Act of 1938 and the Agricultural Marketing Act of 1946. During FY 2014, AMS met with Congressional staff to provide input on three major transportation proceedings, including: the Surface Transportation Board’s (STB) Rate Regulation Review for the Transportation of Grain by Rail, EP 665; the STB proceeding on United States Rail Service Issues, EP 724; and the STB proceeding on Rail Fuel Surcharges, EP 661, to determine whether Safe Harbor provisions should be modified or removed. In addition to those proceedings, AMS testified before the Senate Commerce, Science and Transportation Committee on September 10, 2014, to address concerns regarding “Freight Rail Service: Improving the Performance of America’s Rail System.” As a result of AMS participation in the hearing, USDA was requested to conduct an economic analysis of the rail service challenges facing agricultural shippers. AMS also provided a formal letter to the STB regarding rail service issues that resulted in the STB requesting more data and transparency from U.S. Class I railroads.

Outreach and Education – In conjunction with agricultural trade groups, State associations, and other groups, AMS sponsored six seminars and workshops for new and experienced exporters and shippers, facilitating discussion of ocean, rail, and truck regulatory, rate, and service issues for agricultural and forest product shippers and exporters in Fresno and Sacramento, CA, Boise, ID, Minneapolis, MN, Memphis, TN, and Portland, OR. The workshops support the goals of the President “Made in Rural America” export and investment initiative by connecting more rural businesses of all types to export information and assistance.

Direct Marketing/Locally Grown – There continues to be an increasing demand by consumers for locally-grown products, as evidenced by the continued growth of farmers markets and the rapid emergence and development of food hubs occurring across the country. In FY 2014, over 8,300 farmers markets are recorded in the AMS National Farmers Market Directory. In addition, AMS developed three new local food directories for on-farm markets, food hubs, and community supported agriculture businesses (CSAs). At the end of 2014, directory listings included 1,171 on-farm markets, 125 food hubs, and 583 CSAs. These businesses voluntarily report their operational details so that such information can be shared with the public to enhance the marketing of, and access to, local foods.

In FY 2014, AMS established the following cooperative agreements to support the growth of local and regional food systems:

- University of Wisconsin – to evaluate the potential impact of the emerging mobile market distribution system on sales for farmers providing locally grown foods.
- Wallace Center at Winrock International – to support the 2014 National Food Hub Conference in Raleigh, NC, that brought together roughly 500 food hub stakeholders for three full days of training workshops, sessions, plenaries, consulting, networking, and tours. The conference organized and engaged food hub managers and staff, community organizations, technical assistance providers, food industry leaders, public agency staff, and funders in discussions, trainings and peer-learning. Subjects included food hub management, operations and infrastructure; technology; business planning and business structures; economic, health and food access impacts; research and metrics; and network and support systems.
- Sustainable Agriculture and Food System Funders Forum (SAFSF) – to support a meeting to be held in Chicago, IL, that will bring together community organizations, technical assistance providers, food industry leaders, public agency staff, and funders for three days of training workshops, sessions, plenaries, consulting, and networking. The Forum allows SAFSF to highlight the links between agriculture and food systems and other critical issues: health, economic development, poverty, education, smart growth, and the viability of communities both rural and urban.
- U.S. Department of Defense (DoD) and Wholesome Wave Foundation – a Memorandum of Understanding was established between AMS and the DoD Healthy Base Initiative to assist DoD in increasing healthy food access for residents on military installations. In addition, a cooperative agreement was established with the Wholesome Wave Foundation to develop, for online publication, a comprehensive manual for military installations and participating farmer’s market managers to use in successfully establishing and operating a farmers market on military installations.

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- National Institute for Food and Agriculture (NIFA) – to conduct national outreach, education, and technical assistance to Farmers Market and Local Food Promotion Program eligible applicants so that they can be better equipped to understand, develop, submit, and manage their Federal grant application (or grant). Support from NIFA will also ensure that more eligible applicants are aware of AMS grant opportunities which will increase access and participation in the programs.
- FamilyFarmed.org – to develop for publication a national business planning guide on “Food Safety for Food Hubs and their Farmers.” Demand for locally and regionally grown foods is strong and increasing. As this demand rises, the need to facilitate the effective and efficient aggregation, storage, distribution, and marketing of these locally and regionally grown foods is necessary. This guide will describe all the relevant issues pertaining to food safety for food hubs and their farmers and create sample plans for food hubs to use in developing food safety plans and becoming Good Agricultural Practices (GAP) certified.

Facilities Design Projects/Studies – AMS provides direct site assessment and design services for food market planners, managers, and community stakeholders to improve the efficiency of permanent food market facilities. AMS does not fund construction of facilities. In FY 2014, AMS provided architectural plans and design assistance to 10 local food businesses. Examples include:

- Organic Sandy Produce (Organic Sandy), Sandy, OR – AMS provided a conceptual design for the proposed food hub, including a community kitchen and cold storage. Currently the food hub is aggregating produce from local organic farms and marketing the produce to local families and restaurants in the Sandy Oregon area. Organic Sandy was formed to provide families with year-round access to locally grown and regionally sourced organic produce, bulk grains, herbs and locally processed foods.
- Rural Development Center, Salinas, CA (ALBA Headquarters) – ALBA’s mission is to advance economic viability, social equity and ecological land management among limited-resource and aspiring farmers. AMS provided design guidance for the facility to expand its loading docks, coolers, cooled staging area, and an extension of the wet/dry rooms.
- Greenwood Farmers Market, Greenwood, SC – AMS provided technical assistance for the development of a multi-functional farmers market on a 2.5 acre site. The proposed market site is located on a traditional main street. The proposed site was originally the location of the town’s railroad train station. The community is actively working to reinvigorate its downtown with increased economic development activity through the Uptown Greenwood Development Corporation.
- Crossroad Community Farmers Market, Takoma Park, MD – AMS provided technical design assistance to facilitate the expansion of the Crossroad Community Farmers Market. The design included expansion into the county Right of Way to accommodate additional farmers and to enhance vendor and pedestrian safety.

Outreach/Training/Technical Assistance – During FY 2014, AMS responded to more than 400 requests for information and assistance regarding local and regional food marketing issues. AMS also participated in 25 regional and national conferences, webinars, training workshops, and conference calls to share information with more than 2,000 small and mid-sized enterprises and individuals on opportunities to enhance their marketing and purchasing strategies regarding locally and regionally produced foods.

AMS Specialty Crop, Local Food, and Marketing Research Grant Awards

- AMS awarded \$66 million in grants through its Specialty Crop Block Grant Program to state departments of agriculture for 838 projects that help support specialty crop growers, including locally grown fruits and vegetables, through research and other programs to increase demand, in accordance with the Agricultural Act of 2014 and the amended the Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621).

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- AMS awarded \$27.1 million in grants to establish, improve, and support over 370 local food markets across the U.S. through its Farmers Market and Local Food Promotion Program, in accordance with the Agricultural Act of 2014 and the amended Direct Farmer to Consumer Marketing Act of 1976 (7 U.S.C. 3005).
- AMS awarded \$1.1 million in matching grants through its Federal State Marketing Improvement Program to state departments of agriculture and universities to carry out 17 projects that will address barriers, challenges, and opportunities in marketing, transportation, and distribution of U.S. food and agricultural products, domestically and internationally, in Accordance with the Agricultural Marketing Act of 1946.

Auditing, Certification, Grading, Testing, And Verification Services

Current Activities: AMS provides impartial services verifying that agricultural products meet specified requirements. These services include AMS' grading program, which confirms that product meets USDA grade standards. These services are voluntary, with users paying for the cost of the requested service.

AMS has also developed voluntary testing and process verification programs in response to the industry's growing need to facilitate the marketing of agricultural products. AMS' Process Verified Program provides producers and marketers of livestock, seed products, and poultry products with the opportunity to assure customers of their ability to provide consistent quality products by having their written production and manufacturing processes confirmed through independent, third party audits. The USDA Process Verified Program uses the ISO 9000 series standards for documented quality management systems as a format for evaluation documentation to ensure consistent auditing practices and promote international recognition of audit results. AMS' laboratory testing services provides analytical testing services to AMS commodity programs, other Federal agencies, and the agricultural and food community, to ensure products meet testing requirements for food safety and quality.

Selected Examples of Recent Progress:

Cotton Grading – AMS classified 13.2 million bales of cotton under the grower-classing program in FY 2014, with all cotton classed by the High Volume Instrument (HVI) method. This represents a 17.0 percent production decrease from the FY 2013 level. Classing information is provided electronically to owners of the cotton. In FY 2014, the Cotton Program disseminated data for over 50 million bales, a 7.4 percent decrease from FY 2013. This data represents multiple crop years or multiple requests for the same bale.

The AMS Cotton and Tobacco Program provided classification/certifications services on 886,484 bales of cotton submitted for futures certification during FY 2014. This certification total was 2.9 percent lower as compared to FY 2013 when certification services were provided on 913,179 samples submitted. The primary cause for the decrease in the number of samples certificated was the marketing environment during FY 2014. Many cotton merchants found it more advantageous to sell the cotton on the spot market rather than futures market.

Fees and Charges in Effect in 2014:

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

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

Tobacco Grading – During FY 2014, AMS graded 101.3 million kilos of tobacco and performed pesticide testing on 40.3 million kilograms of tobacco to ensure that pesticide residue levels were within tolerance. In addition, 4.8 million pounds of tobacco were graded under a Memorandum of Understanding with USDA's Risk Management Agency.

Fees and Charges in Effect in 2014:

<u>Service Performed</u>	<u>Fees</u>
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Permissive Inspection	\$47.40 per hour
Domestic Tobacco Grading	0.70 per hundred lb
Certification of Export Tobacco	0.25 per hundred lb
Imported Tobacco Grading	1.54 per hundred kg
Imported Tobacco Pesticide Testing and Certification	0.54 per hundred kg
Domestic Tobacco Pesticide Testing and Certification	0.25 per hundred lb
Retest Tobacco Pesticide Testing and Certification	220.00 per sample

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

Fees and Charges in Effect in 2014:

<u>Services Performed</u>	<u>Fees</u>
Continuous Resident Service	\$76.00 per hour <i>a/</i>
Nonresident Service	82.00 per hour <i>a/</i>

a/ New fee rate beginning in February 2014.

International markets are increasing for U.S. dairy and related products. AMS Dairy Programs offer assistance with inspection and certification of dairy and related products for export. Certifications attest that dairy products are: 1) fit for human consumption; 2) produced under sanitary and wholesome conditions; and 3) free from animal diseases. The Dairy Grading Program implemented the electronic Document Creation System (eDOCS) to facilitate the issuing of export certificates for product going to the European Union. In 2014, the Dairy Grading program issued 44,000 export certificates, which was a 38 percent increase over 2013. AMS Dairy Programs continues to improve the certificate issuance program. In 2014, the program expanded the functionality of eDocs to include the issuance of export certificates for China, the second largest export market for dairy products.

Fruit and Vegetable, Specialty Crops Inspection (SCI) – This program offers both grading and audit-based verification services for the food industry. In 2014, AMS graded or supervised the grading of approximately 67 billion pounds of fresh and processed fruits, vegetables, specialty crops, and miscellaneous products. Grading services were provided by approximately 1,500 Federally-licensed State employees at shipping points and cooperative market locations and by more than 800 federal employees at 31 federal receiving markets, 237 processing plants, 14 field offices, and 14 inspection points. Also, SCI continued to offer its Quality Monitoring Program which is currently being provided for four fruit and vegetable inspection applicants. Mandatory inspections for fresh fruits and vegetables for the Defense Commissary Act have been eliminated by Defense Commissary Agency officials in a budget cutting move. This has reduced services (and revenue) by approximately \$1 million for Federal and State inspection offices.

AMS performs Fresh Products Good Agricultural Practices (GAP) & Good Handling Practices (GHP) audits. GAP/GHP audits assess a participant's ability to conform to generally recognized "best practices" that minimize the risk of food safety hazards contaminating fruits, vegetables, and other specialty products during the production, harvesting, packing, transportation and storage of the product. In 2014, AMS conducted approximately 3,833 audits on over 90 different commodities in 49 states, Canada (Quebec, Ontario, and British Columbia), and Chile. In FY 2014, AMS conducted a pilot program, called GroupGAP, to allow groups of growers to collectively undergo GAP certification through a shared quality management system, rather than each individual grower undergoing his/her own certification. GroupGAP enables small growers to pool resources and share the implementation costs associated with certification. AMS conducted the pilot program using 6 groups – one each from CA, MT, WI, MI, MO and PA – which collectively represented more than 75 growers. AMS intends to continue the pilot in FY 2015 with several new groups participating, and an anticipated date of Spring 2016 for a full program launch.

In addition, AMS conducted third-party quality, systems, and sanitation audits for food service organizations, processors, retailers, and state and federal government entities. In 2014 AMS:

- Performed 9 verification audits under the Qualified Through Verification program to meet the needs of the

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- fresh-cut produce industry.
- Performed 46 Domestic Origin Verification audits at facilities to confirm products supplied for USDA purchases were of domestic origin.
 - Performed 8 audits under the Plant Systems Audit program which is an unbiased, third-party audit of a processor’s quality assurance system, for fruit and vegetable processors nationwide.
 - Performed 455 surveys from the Plant Survey/Food Defense Survey System in support of USDA food purchases. The reviews verify the measures that operators of food establishments take to minimize the risk of tampering or intentional contamination of food under their control.
 - Inspected food components in Department of Defense (DOD) operational rations in support of military activities in Iraq, Afghanistan, and elsewhere, and participated with the U.S. Department of Commerce Food Team in 4 worldwide subsistence audits under DOD’s “Prime Vendor” food procurement program in 2014.
 - These audits are conducted by food quality experts at various vendor/warehouse locations throughout the U.S. and other countries worldwide to ensure the quality of the food products purchased under Prime Vendor contracts.
 - AMS auditors also participated in 19 DOD Produce Quality Audits. These audits verify that produce suppliers’ facilities meet DOD’s food safety requirements and that produce meets their specifications.
 - Provided inspection of Ready-to-Use Supplementary Food contracted by the Farm Service Agency on behalf of the U.S. Agency for International Development at three facilities. This food is provided to children from 6 months to 5 years old with moderate acute malnutrition.
 - Reviewed for approval 2,365 label applications under the Child Nutrition (CN) Labeling program, which is managed by AMS; trained additional staff to review CN labels as needed based on label volume; conducted outreach; and provided training to CN manufacturers and school food service professionals on program and policy changes.
 - Cooperated with the Foreign Agricultural Service and Korean Customs Service to have Florida citrus concentrate accepted by South Korea under the terms of the Korea U.S. Trade Agreement to eliminate the tariff on orange juice. Removal of the tariff resulted in a 54 percent reduction in cost to Florida orange juice processors’ exports to South Korea.

Fees and Charges in Effect for Processed Fruit and Vegetable Grading in 2014:

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

Fees and Charges in Effect for Fresh Fruit and Vegetable Grading in 2014:

Quality and condition inspections of products each in quantities of 51 or more packages and unloaded from the same land or air conveyance:

<u>Service Performed</u>	<u>Fees</u>
Over a half car lot equivalent	\$151.00
Half car lot equivalent or less of each product	125.00
For each additional lot of the same product	69.00

Note: Lots in excess of car lot equivalents are charged proportionally by the quarter car lot.

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Hourly Rates:

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

AMS conducted 38 training classes during 2014 to ensure quality service and uniform application of procedures:

- Two five-day Basic GAP training classes for new Federal and Federal/State inspector auditors.
- Four LiveMeeting commodity refresher training classes for more than 250 Federal and State inspectors.
- Six LiveMeeting audit refresher training classes for Federal and State auditors.
- Five LiveMeeting Harmonized GAP refresher training classes for Federal and State auditors.
- Nine regional classroom sessions on GAP and GHP for more than 290 fresh fruit and vegetable Federal and State auditors.
- Three industry training classes on inspection processes for various commodities and grading standards in conjunction with a formal agreement with United Fresh Produce Association.
- Five classes for the Food and Nutrition Service to train more than 160 state public school cafeteria nutrition and food specialists.
- One comprehensive six-week Market Inspector Training course for 18 new Federal and Federal/State inspectors. This course included four days of LiveMeeting training, four weeks of onsite training and a one-week on-the-job training assignment in the Hunts Point Market, Bronx, NY.
- Two three-day industry training classes for private industry personnel onsite at two California produce companies.

Meat Grading and Verification – During FY 2014, AMS provided grading and verification services to approximately 644 meat packing and processing plants, livestock producers and livestock service providers, beef export verification programs, organic certifying agencies, seed testing laboratories, state agencies, and other agricultural based establishments and companies worldwide. A total of 28.1 billion pounds of meat and meat products were verified for specification, contractual or marketing program requirements.

AMS graded a total of 19.3 billion pounds of red meat (beef, lamb, veal and calf), which represents approximately 94.4 percent of steers and heifers, 67.2 percent of lamb, and 35 percent of veal and calf commercially slaughtered in the U.S. AMS graded 27 loads of beef cattle carcasses for the Chicago Mercantile Exchange and performed one domestic and four international food audits for Department of Defense prime vendor contracts. Instrument grading has been approved for use in 19 slaughter facilities and is currently being used in 11 of those plants (representing 58 percent of the total fed cattle slaughter.)

The program conducted on-site audits of USDA-accredited certification agents to the ISO Guide 65 program, within the scope of the USDA Grass-fed Standard. This provides producers the ability to label and sell their products as USDA Certified Grass Fed as well as USDA Certified Organic through the same accredited certification agent. The program conducted on-site audits for the USDA Tenderness Standard, which gives the retail level grocery stores to label their product as USDA Tender or USDA Very Tender. Approximately 1,800 grocery stores nationwide were approved to sell Tender products at the end of FY 2014 with approximately 5.2 million pounds of product being distributed to the retail chains per month. There are 35 companies operating USDA Process Verified Programs associated with the cattle, pork, and grain industries.

The program's verification services conducted approximately 1,200 different types of Quality Management audits for the entire livestock and food industry with a staff of 12 qualified auditors.

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Fees and Charges in Effect in 2014:

<u>Service Performed</u>	<u>Hourly Fees</u>
Commitment Grading	\$61.00
Non-commitment Grading	71.00
Premium (Overtime) Grading	78.00
Holiday Grading	122.00
Audit Verification	108.00

Poultry and Egg Grading – Approximately 89 percent of poultry grading services were provided on a resident basis, where a full-time grader is usually stationed at the plant that requests service. The remaining 11 percent of poultry grading services are provided on a non-resident (lot grading) basis. During 2014, AMS provided resident service in 79 poultry plants, grading 6.9 billion pounds of poultry, and 173 shell egg plants where 2.2 billion dozen shell eggs were graded. There was a 0.35 billion pound increase in the volume of chicken received in official plants, and a 0.03 billion pound increase of turkey handled in official plants for a 0.24 billion pound total increase in poultry received. Shell eggs certified in 2014 decreased by 0.04 billion pounds. Poultry grading services covered about 22 percent of the turkeys slaughtered, 24 percent of the broilers slaughtered, and 52 percent of the shell eggs produced in the U.S., excluding eggs used for breaking and hatching.

Currently, three companies with 17 facilities are approved under the Process Verified Program with claims such as all vegetarian diet, no animal by-products, antibiotic free, raised cage free, tenderness guaranteed, and no antibiotics ever.

In 2014, AMS launched the Processed Eggs and Egg Products Export Verification Program (PEEPEV) to aid in the export of processed products containing eggs to the European Union and Mexico. This program was developed in cooperation with FDA and certifies that products containing egg were produced according to FDA’s Good Manufacturing Practices (GMPs). AMS issued 450 certificates to 40 eligible suppliers to ship product to Mexico and the EU – product valued at \$175 million.

Fees and Charges in Effect in 2014:

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

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

Voluntary Seed Testing – AMS offers seed inspection and certification services to users for a fee. Most of the users of this service are seed exporters. During 2014, AMS tested 1,716 samples and issued 1,716 Seed Analysis Certificates. This represents a four percent increase in testing requests over the previous year. Most of the samples tested and certificates issued represent seed scheduled for export. Fees collected for these activities in FY 2014 totaled \$118,151.

Fees and Charges in Effect in 2014:

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

Administration of Organization for Economic Cooperation and Development (OECD) Seed Schemes – AMS is responsible for the administration of U.S. participation in the OECD Seed Schemes, an international program through which seed companies export seed certified for varietal purity. AMS collects a fee to operate the program that is based on the amount of seed shipped. During 2014, AMS approved the shipment of approximately 175 million pounds of seed.

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Fees and Charges in Effect in 2014:

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

AMS Laboratory Approval and Testing Division (LATD) – The LATD provides scientific, technical, and testing support services to AMS commodity programs and to the agricultural community in order to facilitate domestic and international marketing of agricultural commodities.

Specifically, LATD:

- Develops and administers laboratory approval programs to enhance and expand export market access for U.S. commodities.
- Provides scientific and market advice to federal partners to assist in negotiating and establishing export requirements and policies and administers laboratory approval programs which verify that the analysis of products destined to be exported meet various countries' requirements.
- Through the National Science Laboratories (NSL), provides analytical testing services in the fields of chemistry, microbiology, and molecular biology on a fee-for-service basis.
 - The NSL's primary mission is to serve AMS commodity programs, other Federal agencies, and industries, with analytical testing in support of grading, commodity purchases, exports, compliance, product specifications, and research.
 - The NSL has established a high level of quality assurance and is ISO/IEC 17025:2005 accredited.
 - The laboratory performs tests on commodities such as food products, juice products, canned and fresh fruits and vegetables, eggs and egg products, honey, meats, milk and dairy products, military and emergency food rations, oils, peanuts and other nuts, organic foods and products, and tobacco.

During FY 2014, LATD administered laboratory approvals in support of AMS commodity programs: 6 export programs (63 labs in total), 3 domestic programs (24 labs in total), and 2 programs (12 labs in total). In administering these programs, LATD conducted 49 onsite lab audits, 100 desk audits, analyzed monthly check sample data sets for 4 programs, and monitored each lab's proficiency data.

The AMS NSL tested 78,300 samples of various agriculture commodities, many of which were tested for multiple analytes. The NSL provided analytical testing services to other Federal programs, including the National Organic Program, Agricultural Research Service, and Animal and Plant Health Inspection Service.

Fees and Charges in Effect in 2014:

<u>Service Performed</u>	<u>Fees</u>
Aflatoxin	\$29.00 – \$102.00 per test
Olive Oil Testing	83.00 per hour
Dairy	83.00 per hour
Citrus	78.00 per hour
Tobacco	290.50 – 539.50 per test
Voluntary/Other	83.00 per hour
Laboratory Approval Service	\$510 – \$16,500 per lab

Plant Variety Protection Act

Current Activities: The Plant Variety Protection (PVP) Act provides legal and intellectual property rights protection to developers of new varieties of plants that are sexually reproduced or tuber-propagated. This voluntary program is funded through application fees for certificates of protection. Each developer of a new variety is assessed a fee of \$5,150 to cover the cost of filing, searching, issuing, informing the public, and maintaining plant variety protection certificates.

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Selected Examples of Recent Progress:

More than 140 species of plants are currently protected under the PVP Act. In FY 2014, AMS received 523 applications for protecting new agricultural, floral, and seed plant varieties, which is a 7 percent increase from 2013. A total of 347 applications, including some from previous years, were pending action at the end of FY 2014. During the fiscal year, AMS conducted searches on 818 applications to determine whether the plant constituted a new variety. On the basis of those searches, the program issued 1,060 certificates of protection, a 28 percent increase from 2013. At the end of the fiscal year, 6,657 certificates were in force while protection had expired on 44 different varieties.

In October 2014, AMS completed Phase 2 of the electronic online PVP application filing (ePVP) system by launching a beta version of the web-based software for testing. The ePVP system is designed to provide U.S. PVP applicants with an interactive Web based filing system and AMS PVP examiners with the tools to conduct electronic examinations – both features that will speed processing of PVP applications and granting of intellectual property rights. The ePVP system was developed to provide a Web portal for external users to enter and submit applications; and an internal system for AMS review of PVP applications and crop specific forms. The ePVP system is now being tested by internal and external users with an updated version of the software expected in early 2015.

National Sheep Industry Improvement Center

The National Sheep Industry Improvement Center (Sheep Center) was initially authorized under the Federal Agricultural Improvement and Reform Act. The Act, as amended, was passed as part of the 1996 Farm Bill. The purpose of the Sheep Center is to allow the industry to engage in coordinated programs focusing on infrastructure development, production research, environmental stewardship efforts, and marketing. The Sheep Center's work has been instrumental in providing assistance to a declining U.S. sheep industry and was re-established under the 2008 Farm Bill, which provided a one-time, no-year appropriation to fund additional Sheep Center projects. The 2014 Farm Bill provided a one-time, no year appropriation of \$1.5 million for a Sheep Production and Marketing Program.

Selected Examples of Recent Progress:

In December 2013, AMS approved ten grants selected by the Sheep Center Board of Directors to improve the competitiveness of the U.S. sheep and goat industries for a total of \$217,222. In January 2014, AMS approved the Sheep Center's 2014 Strategic Plan and budget in the amount of \$111,260.

In addition, AMS awarded the Sheep Center \$1.475 million to administer the Sheep Production and Marketing Grant program. On October 7, 2014, the Board of Directors announced it was accepting grant proposals with applications due November 22, 2014, for both the remaining funds available under the 2008 Farm Bill program and the Sheep Production and Marketing Grant Program. The Board will meet December 5, 2014, to review grant applications for both programs. The Sheep Center has allocated approximately \$300,000 for the first year of the Sheep Production and Marketing Grant program.

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

Limitation on Administrative Expenses

Not to exceed [\$60,709,000] \$60,982,000 (from fees collected) shall be obligated during the current fiscal year for administrative expenses: *Provided*, That if crop size is understated and/or other uncontrollable events occur, the agency may exceed this limitation by up to 10 percent with notification to the Committees on Appropriations of both Houses of Congress.

Budget Estimate, 2016	\$60,982,000
2015 Enacted	<u>60,709,000</u>
Change in Appropriation	<u>+273,000</u>

AGRICULTURAL MARKETING SERVICE

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

Payments to States and Possessions

For payments to departments of agriculture, bureaus and departments of markets, and similar agencies for marketing activities under section 204(b) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623(b)), \$1,235,000.

Lead-Off Tabular Statement

Budget Estimate, 2016.....	\$1,235,000
2015 Enacted.....	<u>1,235,000</u>
Change in Appropriation.....	<u><u>-</u></u>

Summary of Increases and Decreases

(Dollars in thousands)

Program	2013 Actual	2014 Change	2015 Change	2016 Change	2016 Estimate
Discretionary Appropriations:					
Payments to States and Possessions....	\$1,235	+\$128	-\$128	-	\$1,235
Total.....	1,235	+128	-128	-	1,235

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	<u>2013 Actual</u>		<u>2014 Actual</u>		<u>2015 Enacted</u>		<u>Inc. or Dec.</u>		<u>2016 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Appropriations:										
Payments to States and Possessions.....										
	\$1,235	-	\$1,363	1	\$1,235	1	-	-	\$1,235	1
Rescission and										
Transfers (Net).....										
	36	-	-	-	-	-	-	-	-	-
Sequestration.....										
	60	-	-	-	-	-	-	-	-	-
Total Appropriation.....										
	1,331	-	1,363	1	1,235	1	-	-	1,235	1
Rescission.....										
	-36	-	-	-	-	-	-	-	-	-
Sequestration.....										
	-60	-	-	-	-	-	-	-	-	-
Total Available.....										
	1,235	-	1,363	1	1,235	1	-	-	1,235	1
Lapsing Balances.....										
	-	-	-59	-	-	-	-	-	-	-
Total Obligations.....										
	1,235	-	1,304	1	1,235	1	-	-	1,235	1

Payments to States and Possessions

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	<u>2013 Actual</u>		<u>2014 Actual</u>		<u>2015 Enacted</u>		<u>Inc. or Dec.</u>		<u>2016 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Obligations:										
Payments to States and Possessions.....										
	\$1,235	-	\$1,304	1	\$1,235	1	-	-	\$1,235	1
Total Obligations.....										
	1,235	-	1,304	1	1,235	1	-	-	1,235	1
Lapsing Balances.....										
	-	-	59	-	-	-	-	-	-	-
Total Available.....										
	1,235	-	1,363	1	1,235	1	-	-	1,235	1
Rescission.....										
	36	-	-	-	-	-	-	-	-	-
Sequestration.....										
	60	-	-	-	-	-	-	-	-	-
Total Appropriation.....										
	1,331	-	1,363	1	1,235	1	-	-	1,235	1

AGRICULTURAL MARKETING SERVICE

Distribution of obligations by State is not available until projects have been selected. Projects for 2015 will be selected in the fourth quarter of 2015. Funds in 2015 for the Federal-State Marketing Improvement Program total \$1,235,000. A funding level of \$1,235,000 is proposed for 2016.

Geographic Breakdown of Obligations

(Dollars in thousands)

	<u>2013 Actual</u>	<u>2014 Actual</u>
Arkansas.....	\$50	\$53
Connecticut.....	-	48
Florida.....	70	44
Hawaii.....	75	80
Iowa.....	-	40
Kansas.....	107	125
Maryland.....	-	36
Massachusetts.....	37	-
Michigan.....	127	-
Minnesota.....	45	-
Missouri.....	-	66
Nevada.....	-	36
New York.....	106	-
North Carolina.....	-	106
North Dakota.....	78	-
Oregon.....	99	-
Texas.....	78	-
Vermont.....	89	75
Virginia.....	97	201
Washington.....	127	218
Wyoming.....	50	-
Subtotal, Grant Obligations.....	<u>1,235</u>	<u>1,128</u>
Administrative Expenses.....	-	176
Lapsing Balances.....	-	59
Total, Available.....	<u><u>1,235</u></u>	<u><u>1,363</u></u>

AGRICULTURAL MARKETING SERVICE

Specialty Crop Block Grants

Annual funding of \$68,540,000 was provided in 2014 for the Specialty Crop Block Grant Program by the 2014 Agricultural Act. Solicitation of grant applications was released on May 9, 2014. Applications were accepted through July 10, 2014 and awarded in September 2014. This is a formula block grant program; 2015 amounts are based on the formula net sequester.

Geographic Breakdown of Obligations
(Dollars in thousands)

	<u>2013 Actual</u>	<u>2014 Actual</u>	<u>2015 Enacted</u>
Alabama	\$381	\$473	\$460
Alaska	185	232	223
Arizona	1,318	1,106	1,076
Arkansas	243	351	341
California	18,270	19,882	19,343
Colorado	684	840	817
Connecticut	376	397	386
Delaware	229	338	329
District of Columbia	172	221	215
Florida	4,222	4,579	4,455
Georgia	1,142	1,401	1,363
Hawaii	347	471	458
Idaho	1,001	1,925	1,873
Illinois	540	658	640
Indiana	373	455	443
Iowa	253	308	300
Kansas	240	314	305
Kentucky	244	303	294
Louisiana	326	437	425
Maine	402	603	587
Maryland	447	505	491
Massachusetts	420	458	446
Michigan	1,269	1,993	1,939
Minnesota	676	1,397	1,359
Mississippi	276	481	468
Missouri	319	459	447
Montana	305	991	964
Nebraska	314	600	584
Nevada	251	301	293
New Hampshire	224	273	266
New Jersey	777	813	791
New Mexico	429	551	536

AGRICULTURAL MARKETING SERVICE

Specialty Crop Block Grants

Geographic Breakdown of Obligations

(Dollars in thousands)

(continued)

	<u>2013 Actual</u>	<u>2014 Actual</u>	<u>2015 Enacted</u>
New York	\$1,010	\$1,418	\$1,380
North Carolina	1,083	3,153	3,067
North Dakota	483	1,175	1,143
Ohio	507	613	596
Oklahoma	333	657	639
Oregon	1,514	1,960	1,907
Pennsylvania	956	1,045	1,017
Rhode Island	205	256	249
South Carolina	508	602	586
South Dakota	195	292	284
Tennessee	474	519	505
Texas	1,421	1,915	1,863
Utah	280	340	331
Vermont	209	279	271
Virginia	459	567	552
Washington	3,262	4,285	4,169
West Virginia	205	270	263
Wisconsin	871	1,411	1,373
Wyoming	197	291	283
American Samoa	203	263	256
Guam	174	223	217
Northern Mariana Islands.....	-	223	217
Puerto Rico	352	525	511
Subtotal, Grant Obligations	51,556	66,398	64,596
Administrative Expenses	589	612	612
Lapsing Balances.....	50	530	-
Multi-State SCBG Transfer.....	-	1,000	2,000
Total, Available or Estimate	52,195	68,540	67,208

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Classification by Objects

(Dollars in thousands)

	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
Personnel Compensation:				
Washington, D.C.....	-	\$125	\$127	\$128
11.0 Total personnel compensation.....	-	125	127	128
12.0 Personnel benefits.....	-	54	54	55
Total, personnel comp. and benefits.....	-	179	181	183
Other Objects:				
41.0 Grants, subsidies and contributions.....	1,235	1,125	1,054	1,052
Total, Other Objects.....	1,235	1,125	1,054	1,052
Total, Payments to States and Possessions.....	1,235	1,304	1,235	1,235

Position Data:

Average Salary, GS positions.....	-	\$138,136	\$139,517	\$140,912
Average Grade, GS positions.....	-	14	14	14

AGRICULTURAL MARKETING SERVICE

Status Of Programs

Payments to States and Possessions

Federal-State Marketing Improvement Program

Current Activities: The Federal-State Marketing Improvement Program (FSMIP) is a grant program which provides matching funds to State departments of agriculture, State agricultural experiment stations, and other appropriate State agencies to help them explore new market opportunities for U.S. food and agricultural products, and to encourage research and innovation aimed at improving the efficiency and performance of the marketing system.

Selected Examples of Recent Progress:

In FY 2014, FSMIP reviewed 37 matching grant proposals from 23 States to help create economic opportunities for American farmers and ranchers. AMS awarded \$1.1 million to 17 State departments of agriculture and universities in 13 States for projects that will explore agricultural marketing opportunities or address agricultural marketing challenges that have statewide or regional impact on farmers and agri-businesses. The projects will enable States to research new opportunities, and spark innovation in the marketing, transportation and distribution of U.S. agricultural products. Many of the FY 2014 projects focus on researching how to improve marketing strategies, and increasing sales of value added meat products, aquaculture products, and fresh and processed produce in local and regional food systems. Other topics include bioenergy, forestry, and horticulture.

Federal-State Marketing Improvement Program Fiscal Year 2014 Grants

Total Funding: \$1,128,000

Average Grant: \$66,353

17 Projects in 13 States

Arkansas - \$53,300

Arkansas Agriculture Department in partnership with the Natural Soybean and Grain Alliance and University of Arkansas Extension personnel to evaluate the potential of developing an aromatic rice industry in the Arkansas River Valley.

Connecticut - \$47,807

University of Connecticut to profile and quantify consumer segments likely to buy local brand milk; identify price premiums associated with locally labeled milk; and assess the effectiveness of alternative marketing practices to expand consumption of local brands of fluid milk in New England.

Florida - \$43,700

University of Florida to study the impact of orange juice attributes on consumer purchases and identify the most important attributes for the citrus industry to emphasize in their market strategies, giving special attention to demand for less than 100% not-from-concentrate orange juice.

Hawaii - \$80,437

University of Hawaii in partnership with the Hawaii Department of Agriculture to complete sensory and compositional analyses; develop grading standards packaging and labeling to improve the quality and marketability of turmeric in international markets.

Iowa - \$40,258

Iowa State University in partnership with the Leopold Center for Sustainable Agriculture to develop a decision-making guide for growers to identify and lightly process blueberries, raspberries, strawberries, and aronia berries infested with an invasive fruit fly into marketable products that meet State and Federal regulatory requirements with little or no investment for licensing, equipment or facilities.

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Kansas - \$124,577

Kansas State University in partnership with La Vaca Meat Company to determine the profit potential for industry to produce and market omega-3 enhanced beef and assess consumer acceptance demand and WTP for omega-3 steak and ground beef.

Maryland - \$35,610

Maryland Department of Agriculture in partnership with the University of Maryland and the Maryland Farm Bureau to determine the best potential contractual arrangements for farmers using a CSA business model; and examine the potential for a certification and/or regulatory structure for the State of Maryland to address consumer confidence and allow the continued successful growth of CSAs in the State.

Missouri - \$66,261

The Curators of the University of Missouri to evaluate sampling as a promotional tactic for Missouri farmers market vendors and make recommendations for integrating sampling into a vendor's promotional mix, and to capture pricing data that guide vendors to establishing prices that are fair for consumers, neighboring vendors and their markets.

Nevada - \$35,450

Nevada Department of Agriculture, in partnership with Lincoln Communities Action Team and the University of Nevada Cooperative Extension Service, to research new markets for value-added foods and conduct workshops for new entrepreneurs on Nevada regulations, food safety practices, market research and additional essential business concepts that must be addressed to create a value-added business.

North Carolina - \$105,788

North Carolina State University to assess the use of cover crops such as sun hemp, buckwheat and brown millet to reduce the microbial load and potential presence of human pathogens on the surface of melons as an alternative to post-harvest washing; determine economic impact to producers; and evaluate retailer reaction to and acceptance of this practice.

Vermont - \$75,380

University of Vermont and State Agricultural College to quantify production costs and identify fruit quality and yield characteristics for apples managed specifically for hard cider production; assist in the development of more efficient and orderly marketing methods, practices and facilities for cider apples; reduce the price spread between growers and ciders; and quantify the economic impact of hard cider and cider apple production on rural Vermont economies.

Virginia - \$87,740

Virginia Polytechnic Institute and State University, in partnership with the Texas A&M Department of Wildlife and Fisheries Science, and AquaMaof Aquaculture Technologies, Ltd. to expand domestic aquaculture production; increase the value and quality of tilapia fillets and by-product muscle; and investigate potential new uses and consumer acceptance of valued-added by-products.

Virginia - \$42,002

Virginia Polytechnic Institute and State University, in partnership with the Virginia Department of Agriculture & Consumer Services, and Local Food Hub, to conduct a statewide assessment in 6 target market sectors (farmers markets, K-12 schools; restaurants; retailers; other institutions such as hospitals, universities and distributors) regarding food safety perceptions, expectations, needs, knowledge and policies in preparation for the implementation of the Food Safety Modernization Act; and assist producers in addressing market barriers through improved alignment of food safety training and resources.

Virginia - \$71,680

Virginia Polytechnic Institute and State University to identify impediments to using modular homes in Latin America; develop plans to address these issues; and foster increased employment in the U.S. modular home industry sector, the pine lumber sector, and the wood composite industry through increased exports of modular homes to Latin America.

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Washington - \$89,058

University of Washington, in partnership with Native American tribes in the Pacific Northwest, to develop strategies for marketing agricultural products in tribal wooden gift boxes produced from sustainably managed timber for the Japanese market.

Washington - \$80,444

Washington State University, in partnership with North West Agriculture Business Center, to enhance the marketing of U.S.-grown quinoa by addressing post-harvest infrastructural needs, processing challenges, new product development, and by studying U.S. and world supply and demand trends.

Washington - \$48,508

Washington State University (WSU), in partnership with WSU Extension Service, to conduct a pilot project to obtain market information related to cider production that will help both apple growers and cider makers in Washington maintain or augment their income; and identify factors that could contribute to the growth of the U.S. cider industry and increase the economic viability of apple growers and cider makers.

Specialty Crop Block Grant Program

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

The 2008 Farm Bill, Section 10109, extended the Specialty Crop Block Grant Program (SCBGP) through 2012 and provided Commodity Credit Corporation funding at the following levels: \$10 million in 2008, \$49 million in 2009, and \$55 million for 2010 through 2012. The Farm Bill also amended the definition of specialty crops by adding horticulture; and added Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands to the list of “States” eligible to apply for grants.

Section 701 of the American Taxpayer Relief Act of 2012 extended funding for Section 10109 of the Farm Bill for one year until September 30, 2013.

The 2014 Farm Bill, Section 10010, extended the SCBGP through 2018 and provided Commodity Credit Corporation funding at the following levels: \$72.5 million for 2014 through 2017 and \$85 million for 2018. The Farm Bill also amended the formula to be based on the average of most recent available value and acreage of specialty crop production. It directs the USDA to issue guidance on making multistate grants for projects involving: food safety; plant pests and disease; crop-specific projects addressing common issues; and any other area that furthers the purpose of this section, as determined by the Secretary. The Farm Bill also limits administrative expenses for the USDA (3 percent) and the States (8 percent).

State grants for each fiscal year are equal to the higher of \$100,000 or 1/3 of one percent of the total amount of available funding. Program regulations require State departments of agriculture to describe their outreach efforts to specialty crop producers, including socially disadvantaged and beginning farmers; and to describe their efforts to conduct a competitive process to ensure maximum public input and benefit.

Selected Examples of Recent Progress:

The 2014 Request for Applications was published on April 15, 2014, with a grant application deadline of July 9, 2014. During 2014, grants were awarded to 50 States, American Samoa, District of Columbia, Guam, the Commonwealth of Puerto Rico, and the Commonwealth of the Northern Mariana Islands. Grant awards totaled approximately \$67 million for 839 projects. Project awards were aimed at enhancing the competitiveness of specialty crops through marketing and promotion, food safety, research, production, pest and plant health, and

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education initiatives. Information on the amounts awarded and the projects funded is available on www.ams.usda.gov/scbgp.

In FY 2014, the SCBGP monitored its grantees through document reviews (on-site and remote), document review follow-ups, and a review of performance reports. SCBGP staff conducted 4 document reviews (3 on-site and 1 remote) and 7 document review follow-ups with State departments of agriculture recipients. The document and follow-up reviews enhanced the performance of the SCBGP, identified effective practices and outstanding program outcomes, facilitated decision making by parties with responsibility of overseeing or initiating corrective action, and improved public accountability. Of the 70 corrective actions identified through document reviews conducted by the SCBGP, 46 were implemented, according to the follow-up reviews performed in fiscal year 2014. In addition, program staff reviewed over 2,300 project performance reports totaling over \$162 million in grant funds to evaluate the significance and impact of the Program in enhancing the competitiveness of specialty crops.

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Lead-Off Tabular Statement

Budget Estimate, 2016.....	\$10,980,000
2015 Estimate.....	<u>10,980,000</u>
Change in Appropriation.....	<u><u>0</u></u>

Summary of Increases and Decreases

(Dollars in thousands)

Program	2013 Actual	2014 Change	2015 Change	2016 Change	2016 Estimate
Mandatory Appropriations:					
Perishable Agricultural Commodities Act..	\$11,739	-\$39	-\$720	0	\$10,980
Total.....	11,739	-39	-720	0	10,980

Perishable Agricultural Commodities Act Fund

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2013 Actual		2014 Actual		2015 Estimate		Inc. or Dec.		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Appropriations:										
Appropriation (from receipts).....	\$11,739	71	\$11,700	63	\$10,980	77	-	-	\$10,980	77
Recoveries.....	216	-	266	-	-	-	-	-	-	-
Sequestration.....	-535	-	-785	-	-802	-	+802	-	-	-
Sequestration Prior Year Return.....	-	-	535	-	785	-	+17	-	802	-
Balance Available, SOY.....	6,551	-	8,196	-	9,877	-	+\$785	-	10,662	-
Total Available.....	17,971	71	19,912	63	20,840	77	+1,604	-	22,444	77
Balance Available, EOY.....	-8,196	-	-9,877	-	-10,662	-	+1,503	-	-12,165	-
Total Obligations.....	9,775	71	10,035	63	10,178	77	+101	-	10,279	77

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	<u>2013 Actual</u>		<u>2014 Actual</u>		<u>2015 Estimate</u>		<u>Inc. or Dec.</u>		<u>2016 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Obligations:										
Total Obligations.....	\$9,775	71	\$10,035	63	\$10,178	77	+\$101	-	\$10,279	77
Balance Available, EOY.....	8,196	-	9,877	-	10,662	-	+1,503	-	12,165	-
Total Available.....	17,971	71	19,912	63	20,840	77	+1,604	-	22,444	77
Recoveries.....	-216	-	-266	-	-	-	-	-	-	-
Sequestration.....	535	-	785	-	802	-	-802	-	-	-
Sequestration Prior Year Return.....	-	-	-535	-	-785	-	-17	-	-802	-
Bal. Available, SOY.....	-6,551	-	-8,196	-	-9,877	-	-\$785	-	-10,662	-
Total Appropriation (from receipts).....	11,739	71	11,700	63	10,980	77	-	-	10,980	77

Perishable Agricultural Commodities Act Fund

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	<u>2013 Actual</u>		<u>2014 Actual</u>		<u>2015 Estimate</u>		<u>2016 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Arizona.....	\$1,024	10	\$1,041	9	\$1,070	11	\$1,070	11
District of Columbia.....	6,574	40	6,813	36	6,694	43	6,795	43
Texas.....	1,124	10	1,172	9	1,163	11	1,163	11
Virginia.....	1,053	11	1,010	9	1,251	12	1,251	12
Obligations.....	9,775	71	10,035	63	10,178	77	10,279	77
Bal. Available, EOY.....	8,196	-	9,877	-	10,662	-	12,165	-
Total, Available.....	17,971	71	19,912	63	20,840	77	22,444	77

AGRICULTURAL MARKETING SERVICE

Status Of Programs

Perishable Agricultural Commodities Act Fund

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

AMS' PACA program enforces these Acts and is funded by license and user fees paid by commission merchants, dealers, and brokers handling fresh and frozen fruits and vegetables in interstate and foreign commerce. The law provides a forum for resolving contract disputes and a mechanism for the collection of damages from anyone who fails to meet contractual obligations. In addition, PACA provides for prompt payment to fruit and vegetable sellers and may place sanctions and/or civil penalties against firms or principals who violate the law's standards for fair business practices.

AMS investigates violations of PACA, resulting in: (1) informal agreements between two parties; (2) formal decisions involving payments to injured parties; (3) suspension or revocation of licenses and/or publication of the facts; or (4) monetary penalty in lieu of license suspension or revocation.

PACA also imposes a statutory trust that attaches to perishable agricultural commodities received by regulated entities, products derived from the commodities, and any receivables or proceeds from the sale of the commodities. The trust benefits produce suppliers, sellers, or agents that have not been paid, to ensure they are paid in full.

Selected Examples of Recent Progress:

In 2014, AMS was contacted by members of the fruit and vegetable industry for assistance in resolving 1,220 informal commercial disputes. AMS resolved approximately 93 percent of those disputes informally within four months, with informal settlement amounts of over \$13 million. Decisions and orders were issued in 352 formal reparation cases involving award amounts totaling approximately \$7.4 million. AMS initiated 22 disciplinary complaints against firms for alleged violations of PACA. In addition, the PACA program assisted 2,599 telephone callers needing immediate transactional assistance.

Fees and Charges in Effect in 2014:

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

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

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

Funds available under Section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), shall be used only for commodity program expenses as authorized therein, including up to \$500,000 to pay for eligible small businesses' first pre-award audits, and other related operating expenses, except for: (1) transfers to the Department of Commerce as authorized by the Fish and Wildlife Act of August 8, 1956; (2) transfers otherwise provided in this Act; and (3) not more than [~~\$20,186,000~~] \$20,489,000 for formulation and administration of marketing agreements and orders pursuant to the Agricultural Marketing Agreement Act of 1937 and the Agricultural Act of 1961.

AGRICULTURAL MARKETING SERVICE

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

Lead-Off Tabular Statement

Enacted, 2015:

Permanent Appropriation, 2015	\$9,714,922,892
Prior Year Appropriation Available, start of year	187,485,963
Less Food and Nutrition Service (FNS) transfer from prior year funds for the Farm Bill Fresh Fruit and Vegetable Program (FFVP) <u>a/</u>	-119,000,000
Less annual transfers to:	
Department of Commerce	-143,738,031
FNS, Child Nutrition Programs	-8,355,670,824
Total, Transfers	-8,499,408,855
Farm Bill Spending Authority, 2015	1,284,000,000
Less Rescission	-121,094,000
Less Sequester	-81,906,000
Less Current Year Unavailable, held for the Farm Bill FFVP <u>b/</u>	-122,000,000
Total AMS Budget Authority, 2015	959,000,000
Less FNS transfer for the Farm Bill FFVP	-40,000,000
Total Available for Obligation, 2015	919,000,000

Budget Estimate, 2016:

Permanent Appropriation, 2016	\$10,316,645,343
Prior Year Appropriation Available, start of year	122,000,000
Less Food and Nutrition Service (FNS) transfer from prior year funds for the Farm Bill Fresh Fruit and Vegetable Program (FFVP) <u>b/</u>	-122,000,000
Less annual transfers to:	
Department of Commerce	-144,000,000
FNS, Child Nutrition Programs	-8,869,645,343
Total, Transfers	-9,013,645,343
Farm Bill Spending Authority, 2016	1,303,000,000
Less Proposed Rescission	-292,020,000
Less Current Year Unavailable, held for the Farm Bill FFVP <u>c/</u>	-125,000,000
Total AMS Budget Authority, 2016	885,980,000
Less FNS transfer for the Farm Bill FFVP	-41,000,000
Agency Request, 2016	844,980,000
Change from Adjusted 2015 Base	-74,020,000

a/ USDA appropriations for FY 2014, P.L. 113-76, General Provision Section 719, directs the transfer on October 1, 2014, of 2014 funds made available under subsection (c) of Section 14222 of P.L. 110-246 to carry out section 19(i)(1)(c) of the Richard B. Russell National School Lunch Act.

b/ USDA appropriations for FY 2015, P.L. 113-235, General Provision Section 717, directs the transfer on October 1, 2015, of 2015 funds made available under subsection (c) of Section 14222 of P.L. 110-246 to carry out section 19(i)(1)(c) of the Richard B. Russell National School Lunch Act.

c/ The FY 2016 Budget assumes that \$125 million of the July 1, 2016, transfer will not be made available until October 1, 2016.

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

Summary of Increases and Decreases

(Dollars in thousands)

Program	2013 Actual	2014 Change	2015 Change	2016 Change	2016 Estimate
Mandatory Appropriations:					
Child Nutrition Program Purchases	\$464,982	+\$18	-	-	\$465,000
Farm Bill Specialty Crop Purchases	53,200	-53,200	+\$206,000	-	206,000
Emergency Surplus Removal	199,845	+68,555	-268,400	-	-
Estimated Future Needs <u>a/</u>	161,686	-124,967	+143,885	-\$73,912	106,692
State Option Contract	5,000	-	-	-	5,000
Removal of Defective Commodities	2,500	-	-	-	2,500
Disaster Relief	5,000	-	-	-	5,000
Small Business Support	-	-	-	+500	500
Commodity Purchases Services	27,731	+6,891	+88	-911	33,799
Marketing Agreements and Orders	20,056	-	+130	+303	20,489
AMS Spending Authority	940,000	-102,703	+81,703	-74,020	844,980
FNS Transfer for Farm Bill Fresh					
Fruit and Vegetable Program <u>b/</u>	41,000	-	-1,000	+1,000	41,000
AMS Budget Authority	981,000	-102,703	+80,703	-73,020	885,980

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

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

AGRICULTURAL MARKETING SERVICE

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

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2013 Actual		2014 Actual		2015 Enacted		Inc. or Dec.		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Appropriations:										
Permanent Appropriation.....	\$8,990,117	160	\$9,211,183	149	\$9,714,923	172	+\$601,722	-	\$10,316,645	172
Transfers Out:										
Food and Nutrition Service (FNS),										
Child Nutrition Programs.....	-7,697,031	-	-8,011,569	-	-8,355,671	-	-513,974	-	-8,869,645	-
FNS Transfer from PY funds.....	-133,000	-	-117,000	-	-119,000	-	-3,000	-	-122,000	-
FNS, Fresh Fruit and										
Vegetable Program.....	-41,000	-	-41,000	-	-40,000	-	-1,000	-	-41,000	-
Department of Commerce.....	-131,372	-	-130,144	-	-143,738	-	-262	-	-144,000	-
Subtotal.....	-8,002,403	-	-8,299,713	-	-8,658,409	-	-518,236	-	-9,176,645	-
Rescission.....	-109,608	-	-189,000	-	-121,094	-	-170,926	-	-292,020	-
Sequestration.....	-40,392	-	-79,703	-	-81,906	-	+81,906	-	-	-
Prior Year Appropriation.....										
Available, SOY.....	219,286	-	313,530	-	187,486	-	-65,486	-	122,000	-
Recoveries.....	4,016	-	2,283	-	-	-	-	-	-	-
Offsetting Collections.....	20,184	-	14,779	-	-	-	-	-	-	-
Unavailable Resources, EOY.....	-313,530	-	-187,486	-	-122,000	-	-3,000	-	-125,000	-
Total Obligations.....	<u>767,670</u>	<u>160</u>	<u>785,873</u>	<u>149</u>	<u>919,000</u>	<u>172</u>	<u>-74,020</u>	<u>-</u>	<u>844,980</u>	<u>172</u>

Note: A rescission has been proposed for \$292 million for FY 2016.

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

Project Statement

Obligations Detail and Staff Years (SYs)
(Dollars in thousands)

Program	2013 Actual		2014 Actual		2015 Enacted		Inc. or Dec.		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Commodity Purchases:										
Child Nutrition Program Purchases	\$464,982	-	\$465,000	-	\$465,000	-	-	-	\$465,000	-
Farm Bill Specialty Crop Purchases	53,200	-	-	-	206,000	-	-	-	206,000	-
Emergency Surplus Removal.....	199,846	-	268,400	-	-	-	-	-	-	-
Estimated Future Needs.....	-	-	-	-	180,604	-	-\$73,912	-	106,692	-
Subtotal.....	718,028	-	733,400	-	851,604	-	-73,912	-	777,692	-
State Option Contract.....	-	-	-	-	5,000	-	-	-	5,000	-
Removal of Defective Commodities...	145	-	-	-	2,500	-	-	-	2,500	-
Disaster Relief.....	4,039	-	41	-	5,000	-	-	-	5,000	-
Small Business Support.....	-	-	-	-	-	-	+500 (1)	-	500	-
Prior Year Adjustment.....	-	-	-	-	-	-	-	-	-	-
Administrative Funds:										
Commodity Purchases Services.....	27,593	62	33,438	59	34,710	61	-911 (2)	-	33,799	61
Marketing Agreements and Orders	17,865	98	18,994	90	20,186	111	+303 (3)	-	20,489	111
Subtotal.....	45,458	160	52,432	149	54,896	172	-608	-	54,288	172
Total Obligations.....	767,670	160	785,873	149	919,000	172	-74,020	-	844,980	172
Recoveries.....	-4,016	-	-2,283	-	-	-	-	-	-	-
Offsetting Collections.....	-20,184	-	-14,779	-	-	-	-	-	-	-
Precluded from Obligation										
in Current Year.....	-117,000	-	-119,000	-	-122,000	-	-3,000	-	-125,000	-
Unavailable Resources, EOY.....	313,530	-	187,486	-	122,000	-	+3,000	-	125,000	-
Transfer to FNS.....	219,286	-	313,530	-	187,486	-	-65,486	-	122,000	-
Prior Year Appropriation										
Available, SOY.....	-219,286	-	-313,530	-	-187,486	-	+65,486	-	-122,000	-
Total Appropriation.....	940,000	160	837,297	149	919,000	172	-74,020	-	844,980	172

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

Justification of Increases and Decreases

- (1) Use up to \$500,000 of funding available for Section 32 purchases for first “pre-award” audits of eligible small businesses to enable them to participate in USDA’s Federal food procurement program (\$0 available in FY 2015). This request does not change total funding.

AMS has historically supported USDA’s small business goals through commodity purchases. However, high initial costs necessary to qualify for participation in the program discourages small businesses from applying. The program must regularly remove small business set-aside requirements when there are not at least two small businesses that can supply the product. To recruit more small businesses into USDA’s food purchase program, AMS proposes to pay for eligible small business first pre-award audit costs to increase the pool of available vendors.

- (2) A net decrease of \$911,000 for Commodity Purchase Services (\$34,710,000 and 61 staff years available in 2015).

The administrative costs for food buying operations and coordination with FNS and FSA are paid from the Commodity Purchase Services (CPS) activity in the Section 32 program. AMS purchases non-price supported commodities such as meats, fish, fruits, vegetables, poultry, and egg products in order to stabilize market conditions pursuant to Section 32, and in support of entitlement program needs within USDA. All purchased commodities are distributed by FNS to schools, as part of the entitlement for the National School Lunch Program, or to other domestic nutrition assistance programs. AMS coordinates food purchases with FNS to assure that the quantity, quality, and variety of commodities purchased meet the desires of schools and institutions participating in domestic nutrition assistance programs and can be used to assist individuals in meeting dietary guidelines.

CPS administrative funds also finance operating costs of the Web-Based Supply Chain Management (WBSCM) system to support the shared interests of USDA commodity purchase programs. The system supports the procurement, delivery, and management of more than 200 commodities and 4.5 million tons of food through domestic and foreign feeding programs administered by AMS, FSA, FNS, and the United States Agency for International Development (USAID).

The funding change is requested for the following items:

- a. An increase of \$108,000 for pay costs (\$22,000 for annualization of the 2015 pay increase and \$86,000 for the 2016 pay increase).
- b. A decrease of \$1,019,000 for administration of Section 32 purchases.

This reduction is necessitated by the Act of August 24, 1935 (7 U.S.C. 612c) which limits administration of Section 32 purchase activities to four percent of the funding available. No employees will be negatively affected by this reduction.

- (3) An increase of \$303,000 for Marketing Agreements and Orders administration (\$20,186,000 and 111 staff years available in 2015).

Administration of the Marketing Agreements and Orders Program at the national level is authorized from Section 32 funds through annual appropriations for program oversight and to conduct public hearings and referenda to determine producer sentiment concerning new programs and proposed revisions of marketing orders already in effect.

The funding change is requested for the following item:

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- a. An increase of \$303,000 for pay costs (\$68,000 for annualization of the 2015 pay increase and \$235,000 for the 2016 pay increase.)

Section 32 Administrative Funds

Geographic Breakdown of Obligations and Staff Years
(Dollars in thousands and Staff Years (SYs))

State/Territory	2013 Actual		2014 Actual		2015 Enacted		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
California.....	\$1,138	10	\$914	6	\$1,374	9	\$1,383	9
District of Columbia.....	42,668	136	49,817	133	51,527	150	50,897	150
Florida.....	607	5	705	4	733	5	738	5
Oregon.....	825	7	792	4	996	6	1,003	6
Texas.....	5	-	3	-	6	-	6	-
Virginia.....	215	2	201	2	260	2	261	2
Total, Available.....	45,458	160	52,432	149	54,896	172	54,288	172

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Status Of Programs

Section 32 Funds

Commodity Purchases

Current Activities: AMS purchases meat, fish, poultry, eggs and egg products, fruits, vegetables, and tree nuts to help stabilize market conditions. The commodities acquired are furnished to the Food and Nutrition Service (FNS) to meet the needs of the National School Lunch Program and other domestic nutrition assistance programs. Food purchases are coordinated with FNS to assure that the quantity, quality, and variety of commodities purchased meet the desires of schools and institutions participating in domestic nutrition assistance programs and can be used to assist individuals in meeting the *Dietary Guidelines for Americans*. The Farm Service Agency (FSA) administers the payments to vendors to whom contracts have been awarded, and ensures the proper storage of commodities when necessary. The administrative costs for food buying operations and coordination with FNS and FSA are paid from the Commodity Purchase Services (CPS) activity in the Section 32 program.

AMS also maintains a government-wide food specification program to reduce government food purchase costs by standardizing contract specifications, and conducts various programs and outreach initiatives to make AMS activities and expertise available to schools and other institutional food purchasers.

Section 4404 of the 2008 Farm Bill directs USDA to purchase additional fruits, vegetables, and tree nuts (specialty crops) using Section 32 funds, to assist growers and support domestic nutrition assistance programs. The adjusted totals, which include the \$200 million minimum purchase level established by previous legislation, are: \$390 million for 2008, \$393 million for 2009, \$399 million for 2010, \$403 million for 2011, and \$406 million for 2012 and each fiscal year thereafter. In 2014, AMS purchased over \$542.2 million of specialty crop products which is approximately 25 percent over the minimum purchase level.

Selected Examples of Recent Progress:

Commodity Purchases – In 2014, AMS purchased \$683.4 million worth of non-price supported commodities with Section 32 funds. The Department of Defense purchased an additional \$50 million of fresh fruits and vegetables for the National School Lunch Program (NSLP) from Section 32 funds on behalf of AMS. Purchased commodities were used to fulfill the NSLP's commodity subsidy entitlement of 27.75 cents per meal and for emergency surplus removal to assist agricultural producers.

Under the agreement, AMS also purchased an additional \$777.8 million (including \$179.6 million in specialty crops) of commodities on behalf of FNS using funds appropriated to FNS for entitlement programs. In total, AMS purchased approximately 1.8 billion pounds (1.3 billion pounds in specialty crops) of commodities distributed by FNS through the Department's various nutrition assistance programs.

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

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2014 Contingency Fund Expenditures for Surplus Removal

<u>Commodity</u>	<u>Amount</u>
Apple Products	\$19,900,000
Blueberries, Wild	14,000,000
Blueberries, Cultivated	10,000,000
Chicken Products	24,000,000
Cranberries	27,230,000
Cherries, Tart	21,830,000
Grape Juice, Concord	31,640,000
Grapefruit Juice	9,460,000
Orange Juice	29,140,000
Potatoes, Dehydrated	7,000,000
Raisins	36,400,000
Salmon, Pink	32,900,000
Tomatoes, Fresh	4,900,000
Total	<u>\$268,400,000</u>

Disaster Assistance – Section 32 funds are available each fiscal year to purchase commodities for disaster assistance, as needed under authority of the Stafford Act. In FY 2014, \$40,771 of Section 32 was authorized to cover the cost of additional foods purchased to distribute to those individuals impacted by the drought in the Republic of the Marshall Islands, as part of the FY 2013 Presidentially-declared major disaster.

Web-Based Supply Chain Management (WBSCM) System – AMS is authorized to use Section 32 funds to develop and operate the computer system that supports the shared interests of USDA commodity purchase programs. The WBSCM system has improved the procurement, delivery, and management of more than 200 commodities and 32 billion pounds of 100 percent domestically-produced farm food commodity at an approximate cost of \$12 billion through domestic and foreign feeding programs administered by AMS, FSA, FNS, and the United States Agency for International Development (USAID). Currently, the system is supporting over 9,945 registered users; a 42 percent increase over last fiscal year.

In FY 2014, WBSCM management completed a technical upgrade of the underlying SAP (Systems, Applications & Products in Data Processing) software on schedule and within budget. The technical upgrade brought the SAP software up to the most current version, allowing all web browsers to be used when accessing WBSCM. The technical refresh also enhances several user screens, while correcting some known issues, and improving system efficiencies in data processing and handling. Additionally, the effort reduced the hardware footprint from 122 physical servers to 39 servers and relocated the Disaster Recover location from Beltsville, Maryland, to St. Louis, Missouri.

Procurement Program Redesigns – CPS continues to refine the timing of purchases to better meet market needs. At the request of industry, the sweet potato solicitation was released earlier in the year with the purpose of giving vendors more time to obtain the product necessary to meet product specifications. Also at the request of industry, two indefinite delivery/indefinite quantity (IDIQ) solicitations were issued for fruit and vegetable products (two for fruit and two for vegetables). This allowed: (1) an additional opportunity for unsuccessful vendors under the first solicitation to be successful under the second; and (2) time for the crops to be harvested and identify remaining production that could potentially be supplied. Vendors are more cautious on quantity under the first solicitation and have a better idea of harvest volumes for the second.

The timing and solicitation method for purchasing broccoli was changed from using an IDIQ contracting method to using an Invitation for Bid. Broccoli was purchased on a different schedule than other frozen products to meet the unique timing of the broccoli industry and their multiple harvests during the year.

CPS continued to build on prior efforts to use long term contract vehicles such as request for proposals. This

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process allows vendors to know a year in advance how many turkey roasts to produce while recipients receive a consistent product over the entire year.

Product Development – During FY 2014, CPS worked within AMS and FNS to make improvements to current USDA foods as well as to develop and introduce a variety of new products, improving the quality and variety available to domestic food assistance programs and creating additional outlets for domestic agricultural products and suppliers. CPS added cooked chicken strips, frozen mushrooms, and frozen diced carrots to the National School Lunch Program catalog.

A handful of items were improved by CPS' commodity procurement to assist FNS programs with acceptability of the product or to help FNS meet dietary guidelines. For example, CPS worked with the program areas to update Federal Purchase Program Specifications/Item Description and Requirements to reduce sodium content in several products, including chicken fajita strips, pork ham products, and shelf-stable chicken. Additional product improvements are also underway and will be rolled out as soon as formulations can be developed and adjusted.

Food Safety – AMS samples and tests every lot of ground beef produced under contract for foodborne pathogens (*Escherichia coli* O157:H7 and *Salmonella*) and various indicator organisms. Any lot found positive for a pathogen is rejected for purchase. AMS tests every lot of product destined for cooking at a federally inspected establishments for indicator organisms. Test results are used to measure statistical process capability, with the result that vendors found to have lost process control are downgraded from “process capable” to “conditional” status or from “conditional” status to “ineligible” status. In addition, any lot found to have indicator organism values exceeding critical limits is rejected for purchase. In FY 2014, AMS tested 53,658 samples of beef, and found less than 0.07 were positive for *E. coli* O157:H7 and less than 0.58 percent positive for *Salmonella*.

2014 Farm Bill Unprocessed Produce Pilot – In FY 2014, a limited pilot program was conducted in Michigan and Florida to expand ways for USDA to buy fresh produce for schools and provide market opportunities to producers. It allowed schools to use entitlement funding for fresh produce while still using the commercial distribution models already in place and taking advantage of local purchasing systems already used by schools. Feedback from schools/vendors in the pilot cited AMS-only audit requirements as a limiting factor. In response to this feedback, AMS conducted a revised pilot that allowed growers, producers, handlers, and warehouses to use third-party audits (using approved and standardized audit formats). AMS awarded contracts to three firms which delivered fresh produce from May to November 20, 2014.

The 2014 Farm Bill contains language requiring AMS to develop a modified unprocessed fruit and vegetable pilot program under which AMS will establish and qualify products and suppliers without going through a Federal procurement process. Instead, procurement will take place at the local level, allowing schools to use entitlement funding if their procurement results in the use of suppliers approved by AMS.

On July 21, the Commodity Procurement Staff (CPS) issued a Notice to the Trade to provide information on the Pilot Project for the Procurement of Unprocessed Fruits and Vegetables to interested vendors. On the same date, FNS requested applications for interested state distributing agencies to be considered for participation. Conference calls have been held by each agency to review the pilot and answer questions from targeted audiences (States or vendors). CPS has also developed a webpage to provide up-to-date information on the status of the program. State applications were due September 30, and FNS plans to select eligible States by November 2014. AMS has begun accepting vendor applications. There is no deadline for applications, they will be received and evaluated on an ongoing basis.

Marketing Agreements And Orders

Current Activities: Section 32 funds support the administration of Federal marketing agreements and marketing orders, which help to establish orderly marketing conditions for dairy products, fruits, vegetables, nuts and specialty crops. Marketing agreements and orders enable dairy farmers and fruit/vegetable growers to work together to solve marketing problems that they cannot solve individually, by balancing the availability of quality product with the need for adequate returns to producers and the demands of consumers. Twenty-eight marketing orders are currently

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active for fruits, vegetables, nuts and specialty crops, and they are customized to meet the needs of a particular industry and may have provisions that: (1) impose mandatory grading and inspection services to meet minimum grade levels; (2) standardize the packaging and labeling of containers; (3) sponsor production research projects; (4) create market research and product promotion activities; and (5) increase or decrease the amount of product allowed into commercial channels during periods of exceedingly high or low volume. Ten regional marketing orders are currently active for milk and dairy products to ensure orderly marketing conditions and an adequate supply of fluid milk for public consumption.

Selected Examples of Recent Progress:

Dairy Program:

Appalachian, Florida, and Southeast Milk Marketing Orders – AMS issued two final rules that permanently adopt a number of changes to the Appalachian, Florida, and Southeast Federal milk marketing orders. The final rules include revisions to the Class I pricing provisions and increases to the maximum administrative assessment rates under all three orders. Eligibility provisions pertaining to pooling and transportation credits are modified; a fuel rate adjuster is added; and transportation credit assessments are increased under the Appalachian and Southeast marketing orders. Some changes were implemented previously through interim final rules that became effective in 2006 and 2008. AMS also terminated proceedings to consider additional amendments to the Appalachian and Southeast marketing orders because the disorderly marketing conditions changed. Finalization of the interim rules and termination of the proceedings provide regulatory certainty for industry stakeholders. These actions also lifted *ex parte* restrictions, enabling AMS to engage in new conversations with industry stakeholders about related revisions to the marketing order provisions. Such discussions enable AMS to better serve the needs of the dairy industry.

Evolving Industry Needs – The 2014 Farm Bill authorized the Department to consider establishment of a Federal milk marketing order for the State of California that would recognize that State's current quota program. In response, AMS held more than 20 outreach meetings with California dairy farmers, processors, cooperative members, industry trade associations, and state government officials to provide information about the Federal marketing order system and describe the promulgation process. AMS also provided technical assistance to industry representatives, who are drafting a program proposal.

Fruits and Vegetable Program:

Evolving Industry Needs – AMS programs help U.S. producers and handlers remain competitive in domestic and global markets. In an effort to respond to industry needs, AMS personnel met with representatives from numerous industries to discuss matters of industry concern and to consider broad scale regulatory changes responsive to recent trends in production volume and handling practices. In particular, AMS attended 288 board/committee meetings and approved 28 operating budgets. AMS specialists reviewed 847 promotional pieces to ensure board/committee messaging was compliant with Departmental guidelines. AMS also reviewed proposals for dozens of research projects funded by industry assessments, each of which is designed to address issues like pest management and post-harvest handling. Fruit, vegetable, and specialty crop marketing orders directly affect and benefit more than 33,000 U.S. farmers.

The Fruit and Vegetable Industry Advisory Committee was reestablished in 2013 and nominations were solicited through a notice in the *Federal Register* in November 2013. The Secretary of Agriculture appointed members to the Committee in July 2014. The Committee is composed of 25 members from a broad cross-section of the produce industry who meet twice a year to develop and provide recommendations to the Secretary that will help USDA tailor its programs and services to better meet the needs of the U.S. produce industry.

In accordance with marketing order requirements, AMS conducted referenda among the growers (and processors, where applicable) of six commodities to determine whether continuation of those programs is desirable. Growers of Florida citrus, California kiwifruit, California walnuts, and California almonds, and growers and processors of tart cherries, voted to continue their programs. South Texas onion growers were also given an opportunity to express support for the continuation of their program. However, during the tabulation of ballots for their referendum, it was

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discovered that the grower list used for mailing ballots to eligible growers was incomplete. As a result, AMS will conduct a second referendum of South Texas onion growers in November of 2014 to ensure all eligible growers have an opportunity to vote on the future of that program.

AMS specialists conducted regional outreach and collaborated with other Agencies on projects like the Food and Nutrition Service's Farm to School Grant Program, and served on the California Food and Agriculture Council, as well as on Fruit and Vegetable Program project teams. AMS responded to inquiries from various industries interested in establishing new Federal marketing orders, including U.S. pecans and Hawaiian papaya.

Enforcement – AMS is responsible for the enforcement of 28 Federal marketing orders and 14 section 8e import regulations, as well as export regulations for 3 commodities and the U.S. Peanut Standards. Industry administrative committees are responsible for conducting initial investigations and reporting complaints of possible violations to AMS.

- AMS reviewed and analyzed 7,600 imported lots subject to section 8e regulations for potential violations, covering 700 companies, entered into 5 stipulation agreements and issued 70 official warnings to violators.
- AMS is handling a multi-million dollar compliance case:
 - *Marvin Horne, et al. v. the U.S. Department of Agriculture* was argued in front of the Supreme Court in March 2013. This case involves the violation of the raisin marketing order for the 2002-03 and 2003-04 crop years. The Supreme Court held that the plaintiff may raise their takings claim as a defense to the fines imposed on them, but took no position on the merits of the takings claim, and remanded the case to the U.S. Court of Appeals for the Ninth Circuit. Following oral arguments on February 14, 2014, the Ninth Circuit held that the reserve requirement, and the imposition of penalties for violation of the reserve requirement, does not constitute a taking under the Fifth Amendment. Horne appealed the Ninth Circuit decision before the Supreme Court, and the Supreme Court agreed to hear the case again, this time on the merits of the takings claim. On January 16, 2015, the U.S. Supreme Court (Court) granted a writ of certiorari agreeing to hear the appeal by Marvin Horne, et al. (Horne) of a decision finding that the raisin marketing order reserve mechanism does not constitute a government taking under the Fifth Amendment. At stake for Horne is \$700,000 owed for marketing order violations in the 2002-03 and part of 2003-04 crop years, along with much larger amounts for subsequent crop years if the appeal is denied.
- AMS conducted 14 compliance reviews of administrative committees and boards to ensure the integrity of the marketing programs.
- AMS signed a memorandum of understanding with the U.S. Census Bureau to share export data on shipments covered under the Export Fruit Acts and section 8e imports. AMS will use Census data for verification and enforcement purposes for the export shipment of apples, table grapes, and plums.
- A major technology project is under development that will integrate, analyze, and automate data from multiple sources to improve the monitoring and enforcement of compliance with domestic, import, and export regulations. This project will greatly enhance the agency's ability to effectively monitor and enforce the regulations of 28 domestic marketing orders, with an \$11 billion annual crop value; section 8e import regulations for 14 commodities with 150,000 shipments annually, valued at \$3 billion; the Export Fruit Acts, which cover the annual exportation of 1.4 million tons of US apples, grapes, and plums; and Congressionally mandated peanuts standards.”

Rulemaking – In all, AMS processed 88 dockets, including 30 work plans, 15 proposed rules, 6 continuance referenda, 8 interim rules, 16 final rules, and 13 final interim rules for the 28 Federal marketing order programs and export fruit acts, and peanut program it oversees. Specific rulemaking actions and activities included the following:

- AMS handled the rulemaking process for terminating the proceeding that could have established a national marketing agreement for leafy green vegetables. Termination was found to be appropriate because of

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potential impacts the Food and Drug Administration's issuance of proposed food safety rules could have on the proposed leafy green marketing agreement. *Ex parte* communication restrictions were lifted by the termination, thereby allowing discussions about evolving needs to occur between AMS and the industry.

- AMS implemented regulatory changes mandated by the 2014 Farm Bill to lessen the burden on exporters by publishing a rulemaking action that exempted bulk container shipments of apples to Canada from U.S. inspection requirements (and also defined "bulk containers"). This action was finalized before Congress' 60-day implementation deadline.
- The U.S. pecan industry is investigating whether to pursue the establishment of a pecan marketing order. AMS attended a series of meetings with members of the pecan industry in different pecan-producing regions of the U.S. These meetings provided AMS with information about industry practices and an understanding of the challenges faced by pecan producers. AMS educated industry members on how Federal marketing orders are developed and administered. The pecan industry is interested in conducting disease research, promoting the health benefits of pecans, collecting and analyzing industry supply and demand information, developing a tool to forecast nationwide production, and raising producer prices through increased domestic consumption under a Federal marketing order program.

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Shared Funding Projects
(Dollars in thousands)

	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
Working Capital Fund:				
Administration:				
Mail and Reproduction Management.....	\$902	\$672	\$592	\$602
Integrated Procurement System.....	283	284	303	303
Material Management Service Center.....	202	185	262	259
Procurement Operations.....	1	1	-	-
Subtotal.....	1,388	1,142	1,157	1,164
Communications:				
Creative Media & Broadcast Center.....	63	242	247	224
Finance and Management:				
NFC/USDA.....	706	866	879	887
Controller Operations.....	1,300	1,396	1,231	1,290
Financial Systems.....	2,400	2,815	2,016	2,640
Internal Control Support Services.....	99	91	87	87
Subtotal.....	4,505	5,168	4,213	4,904
Information Technology:				
NITC/USDA.....	4,688	4,796	3,894	4,003
Internal Technology Services.....	15	-	-	-
Telecommunications Services.....	897	936	1,032	1,135
Subtotal.....	5,600	5,732	4,926	5,138
Correspondence Management.....	143	126	129	119
Total, Working Capital Fund.....	11,699	12,410	10,672	11,549
Departmental Shared Cost Programs:				
1890's USDA Initiatives.....	78	79	81	81
Advisory Committee Liason Services.....	23	28	36	36
Classified National Security Information.....	-	-	29	29
Continuity of Operations Planning.....	55	54	59	59
Emergency Operations Center.....	61	62	65	65
Facility and Infrastructure Review and Assessment.....	11	12	12	13
Faith-Based Initiatives and Neighborhood Partnerships.....	10	6	11	11
Federal Biobased Products Preferred Procurement Program.....	9	9	-	-
Hispanic-Serving Institutions National Program.....	52	54	55	55
Honor Awards.....	1	2	2	2
Human Resources Transformation (inc. Diversity Council).....	42	46	49	49
Identity & Access Management (HSPD-12).....	175	181	187	187
Medical Services.....	22	22	54	56
People's Garden.....	17	15	21	18
Personnel and Document Security.....	34	36	31	31
Pre-authorizing Funding.....	90	97	103	103
Retirement Processor/Web Application.....	15	15	17	17
Sign Language Interpreter Services.....	63	35	-	-
TARGET Center.....	24	25	40	40

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Shared Funding Projects

(Dollars in thousands)

(Continued)

	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
USDA 1994 Program	20	20	22	22
Virtual University	55	53	55	55
Visitor Information Center	6	6	-	-
Total, Department Shared Cost Programs	863	857	929	929
E-Gov:				
Budget Formulation and Execution Line of Business	3	2	3	3
Enterprise Human Resources Intigration	66	60	59	61
E-Rulemaking	28	28	22	14
E-Training	56	75	77	77
Financial Management Line of Business	5	5	5	5
Grants.gov	19	17	15	15
Human Resources Line of Business	7	7	8	8
Integrated Acquisition Environment – Loans and Grants ...	36	51	52	52
Integrated Acquisition Environment	18	18	19	19
Total, E-Gov	238	263	260	254
Agency Total	12,800	13,530	11,861	12,732

AGRICULTURAL MARKETING SERVICE

Summary of Budget and Performance Key Performance Outcomes and Measures

The Agricultural Marketing Service (AMS) carries out a wide range of programs under the authorization of the Agricultural Marketing Act of 1946 and over 50 other statutes. The mission of AMS is to facilitate the strategic marketing of agricultural products in domestic and international markets, while ensuring fair trading practices and promoting a competitive and efficient marketplace to the benefit of producers, traders, and consumers of U.S. food and fiber products.

USDA Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

USDA Objective: Increase agricultural opportunities by ensuring a robust safety net, creating new markets, and supporting a competitive agricultural system (Objective 2.1).

Agency Strategic Goals	Agency Objectives	Programs that Contribute	Key Outcomes
Goal 2: Provide Market Information and Intelligence and Support the Development of New Markets (MARKET INFORMATION and MARKETING INNOVATION)	Objective 2.1: Increase Market Opportunities for American Agriculture through Analysis of Domestic and International Market Information and Data	<ul style="list-style-type: none"> • Market News • Transportation 	Current, unbiased statistics, price and sales information is available to assist in the marketing and distribution of farm commodities by informing decision making by agricultural producers and agribusinesses
	Objective 2.2: Improve Access to Healthy, Locally Produced Foods while Developing Market Opportunities	<ul style="list-style-type: none"> • Market Development • Federal-State Marketing Improvement Program • Specialty Crop Block Grants • Farmers Market Promotion Program • Local Food Promotion Program 	Access to domestic markets and thriving regional food systems that help to build financial sustainability for producers and fresh, local food for consumers
	Objective 2.3: Develop International and Domestic Commodity Standards to Facilitate Global Trade and Economic Growth	<ul style="list-style-type: none"> • Standardization 	Clear and consistent descriptions and measurements of the grade, quality and quantity of products that are bought and sold for efficient marketing of agricultural products
Goal 3: Provide Quality Claims and Analyses to Facilitate Agricultural Marketing	Objective 3.1: Improve Voluntary User-Fee Services Objective 3.2: Facilitate Exports of American Agricultural Products	<ul style="list-style-type: none"> • Grading and Classing Services • Audit Verification Services • Laboratory Approval and Testing Services 	Increased agricultural opportunities based on a competitive agricultural system

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Agency Strategic Goals	Agency Objectives	Programs that Contribute	Key Outcomes
	Objective 3.3: Expand Plant Variety Protection Services	<ul style="list-style-type: none"> • Plant Variety Protection 	Support development and innovation
Goal 4: Provide Effective Oversight of Markets and Entities (REGULATORY OVERSIGHT)	Objective 4.1: Ensure Research and Promotion Programs Operate in Compliance with Acts, Orders, and Guidelines	<ul style="list-style-type: none"> • Research and Promotion Programs 	Producers can establish programs that promote consumer purchases of their commodities on a national or regional scale
	Objective 4.2: Safeguard the Quality and Wholesomeness of Agricultural Products	<ul style="list-style-type: none"> • Country of Origin Labeling • Shell Egg Surveillance Program • Federal Seed Act Program 	Inform buyers and enforce fair market practices to create a level playing field for producers
	Objective 4.3: Stabilize and Protect Markets	<ul style="list-style-type: none"> • Marketing Agreements and Orders 	Producers can establish programs that promote consumer purchases of their commodities and balance supply and demand
	Objective 4.4: Create Jobs and Expand Opportunities for Farms and Businesses by Supporting Organic Agriculture	<ul style="list-style-type: none"> • National Organic Program • Organic Cost-Share Programs 	National standards for the production and handling of agricultural products labeled as organic
	Objective 4.5: Augment Perishable Commodity Services	<ul style="list-style-type: none"> • Perishable Agricultural Commodities Act Program 	Protect producers from unfair business practices and financial risk
Goal 5: Provide Premier Procurement and Technical Solutions to Identify and Fulfill the Needs for Agricultural, Food Assistance, and Other Programs (COMMODITY PROCUREMENT)	<p>Objective 5.1: Enhance the Procurement Business Model</p> <p>Objective 5.3: Ensure and Expand Optimal Web-Based Supply Chain Management (WBSCM) Service Delivery</p>	<ul style="list-style-type: none"> • Commodity Purchases [to support domestic producers] 	Help balance supply and demand for producers

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Key Performance Measures:

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Est.	2015 Target	2016 Target
<u>Market News</u> – Relevance of Market News information based on customer surveys.							
Relevance of Market News Information	N/A	N/A	81%	81%	81%	82%	85%
Market News Funding (\$ thousands)	\$34,222	\$33,149	\$32,949	\$31,102	\$33,170	\$33,975	\$34,325
<u>Shell Egg Surveillance</u> – Percent of firms complying with EPIA and the Shell Egg Surveillance program.							
Percent	95%	95%	96%	95%	95%	95%	95%
Shell Egg Surveillance Funding (\$ thousands)	\$2,771	\$2,717	\$2,717	\$2,565	\$2,732	\$2,614	\$2,170
<u>Federal Seed Act Program</u> – Percent of seed shipped in interstate commerce that is accurately labeled.							
Percent	97%	97%	97%	98%	98%	98%	98%
Federal Seed Program Funding (\$ thousands)	\$2,474	\$2,439	\$2,439	\$2,302	\$2,455	\$2,354	\$2,379
<u>Country of Origin Labeling (COOL)</u> – Percent of retailer compliance.							
Percent	94%	94%	94%	94%	94%	96%	96%
COOL Funding (\$ thousands)	\$10,678	\$7,942	\$5,000	\$4,720	\$5,015	\$4,766	\$4,791
<u>National Organic Program</u> – Compliance with certification and accreditation criteria.							
Percent	90%	90%	96%	95%	95%	95%	95%
National Organic Program Funding (\$ thousands)	\$6,919	\$6,919	\$6,919	\$6,531	\$9,026	\$9,149	\$9,221
<u>Transportation and Market Development</u> – New markets established or expanded through technical assistance (including cooperative research reports and marketing and training tools).							
Number of Markets	N/A	N/A	N/A	200	200	250	300
Transportation & Market Development Funding (\$ thousands)	\$5,824	\$5,734	\$5,734	\$6,357	\$7,193	\$8,238	\$10,064

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

AMS is working to increase agricultural opportunities by supporting a competitive agricultural system and creating new markets through improvements and innovations in Market News reporting and Transportation and Market Development activities. Market News is working to focus reporting on information that is relevant to agricultural and other data users and improve access to the data collected. Transportation and Market Development improves access to local and regional foods while developing expanded market opportunities for agricultural producers. Other AMS programs support a competitive agricultural system by overseeing markets and entities to safeguard the quality and wholesomeness of agricultural products.

AGRICULTURAL MARKETING SERVICE

Selected Accomplishments Expected at the FY 2016 Proposed Resource Level:

AMS must focus finite resources to meet AMS and USDA goals across all marketing activities.

USDA Strategic Goal 4: Ensure that all of America’s children have access to safe, nutritious, and balanced meals.

USDA Objective: Improve Access to Nutritious Foods (Objective 4.1)

Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
Goal 2: Provide Market Information and Intelligence and Support the Development of New Markets (MARKET INFORMATION and MARKETING INNOVATION)	Objective 2.1: Increase Market Opportunities for American Agriculture through Analysis of Domestic and International Market Information and Data	<ul style="list-style-type: none"> • Pesticide Data Program 	Data on pesticide residue on agricultural commodities in the U.S. food supply is available for risk assessment, particularly commodities highly consumed by infants and children
Goal 5: Provide Premier Procurement and Technical Solutions to Identify and Fulfill the Needs for Agricultural, Food Assistance, and Other Programs (COMMODITY PROCUREMENT)	<p>Objective 5.1: Enhance the Procurement Business Model</p> <p>Objective 5.2: Provide Greater Value and Additional Opportunities for Nutrition Assistance Program Recipients</p> <p>Objective 5.3: Ensure and Expand Optimal Web-Based Supply Chain Management (WBSCM) Service Delivery</p>	<ul style="list-style-type: none"> • Commodity Purchases [supporting USDA child nutrition programs] 	Nutritious food acquired efficiently and cost-effectively for distribution through domestic child nutrition programs

Key Performance Measures:

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Est.	2015 Target	2016 Target
<u>Pesticide Data Program</u> (PDP) – Data availability.							
5-year running total of children’s food commodities tested (of 24)	22	21	21	22	22	23	23
Percent comprehensive data available for risk assessment	90%	90%	87%	83%	83%	84%	84%
Percent of U.S. population represented in PDP data	47%	50%	50%	48%	48%	48%	48%
PDP Funding (\$ thousands)	\$15,360	\$15,330	\$15,330	\$14,471	\$15,347	\$15,020	\$15,050

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

The Pesticide Data program improves access to nutritious foods for America’s children by collecting, analyzing, and reporting pesticide residues on agricultural commodities in the U.S. food chain, especially for commodities consumed by infants and children.

AGRICULTURAL MARKETING SERVICE

Selected Accomplishments Expected at the FY 2016 Proposed Resource Level:

AMS must focus finite resources to meet AMS and USDA goals in an environment where data needs continually evolve.

Strategic Goal and Objectives Funding Matrix

(Dollars in thousands)

Discretionary Program/ Program Items	FY 2013 Actual	FY 2014 Actual	FY 2015 Enacted	Increase or Decrease	FY 2016 Estimate
Department Strategic Goal 1: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving					
Strategic Objectives 1.2: Increase Agricultural Opportunities by Ensuring a Robust Safety Net, Creating New Markets, and Supporting a Competitive Agricultural System					
Market News.....	\$31,102	\$33,170	\$33,975	+\$350	\$34,325
Staff Years.....	233	213	239	-	239
National Organic Program	6,531	9,026	9,149	+72	9,221
Staff Years.....	33	35	43	-	43
Transportation and Market Development.....	6,357	7,193	8,238	+1,826	10,064
Staff Years.....	35	30	40	-	40
Standardization	4,667	4,976	5,076	+45	5,121
Staff Years.....	30	32	35	-	35
Federal Seed	2,302	2,455	2,354	+25	2,379
Staff Years.....	16	14	18	-	18
Shell Egg Surveillance	2,565	2,732	2,614	-444	2,170
Staff Years.....	15	8	8	-4	4
Country of Origin Labeling Program.....	4,720	5,015	4,766	+25	4,791
Staff Years.....	16	16	16	-	16
Pesticide Recordkeeping	1,728	-	-	-	-
Staff Years.....	4	-	-	-	-
Federal/State Marketing Improvement Program....	1,331	1,363	1,235	-	1,235
Staff Years.....	-	1	1	-	1
Total Costs, Strategic Goal 1.....	61,303	65,930	67,407	+1,899	69,306
Total Staff Years, Strategic Goal 1	382	349	400	-4	396
Department Strategic Goal 4: Ensure that all of America's children have access to safe, nutritious, and balanced meals					
Strategic Objectives 4.1: Improve Access to Nutritious Food					
Pesticide Data Program	14,471	15,347	15,020	+30	15,050
Staff Years	19	15	17	-	17
Microbiological Data Program	-	-	-	-	-
Staff Years.....	1	-	-	-	-
Total Costs, Strategic Goal 4.....	\$14,471	\$15,347	\$15,020	+30	\$15,050
Total Staff Years, Strategic Goal 4	20	15	17	-	17
Total Costs, All Strategic Goals.....	75,774	81,277	82,427	+1,929	84,356
Total Staff Years, All Strategic Goals	402	364	417	-4	413

AGRICULTURAL MARKETING SERVICE

Full Cost by Department Strategic Goal (Dollars in Thousands)

Department Strategic Goal 1: Assist Rural Communities to Create Prosperity So They Are Self Sustaining, Repopulating, and Economically Thriving

Discretionary Program/Program Items	2013 Actual	2014 Actual	2015 Enacted	2016 Estimate
Market News	\$28,231	\$30,820	\$31,471	\$31,795
Indirect Costs	2,586	2,452	2,504	2,530
Total Costs	30,817	33,272	33,975	34,325
FTEs	233	213	239	239
Performance Measure:				
Organic Market Reporting: Number products reported	246	246	246	246
Number (in millions) of (annual) eViews for market information	55.7	55.7	55.7	55.7
National Organic Program	5,721	8,361	8,475	8,541
Indirect Costs	524	665	674	680
Total Costs	6,245	9,026	9,149	9,221
FTEs	33	35	43	43
Performance Measure:				
Percentage of accredited certifying agents, foreign and domestic, in conformance with 90 percent of the NOP accreditation criteria	96%	90%	90%	90%
Transportation and Market Development	5,749	6,663	7,631	9,322
Indirect Costs	526	530	607	742
Total Costs	6,275	7,193	8,238	10,064
FTEs	35	30	40	40
Performance Measure:				
Cumulative number of farmers markets established	7,864	7,900	7,916	7,950
Number of publications and activities to improve local food access	34	34	48	75
Standardization	4,119	4,609	4,702	4,744
Indirect Costs	377	367	374	377
Total Costs	4,496	4,976	5,076	5,121
FTEs	30	32	35	35
Federal Seed	1,978	2,274	2,181	2,204
Indirect Costs	181	181	173	175
Total Costs	2,159	2,455	2,354	2,379
FTEs	16	14	18	18
Shell Egg Surveillance	2,302	2,531	2,421	2,010
Indirect Costs	211	201	193	160
Total Costs	2,513	2,732	2,614	2,170
FTEs	15	8	8	4
Country of Origin Labeling Program	4,308	4,645	4,415	4,438
Indirect Costs	394	370	351	353
Total Costs	4,702	5,015	4,766	4,791
FTEs	16	16	16	16
Performance Measure:				
Percentage of retail stores in compliance with Country of Origin Labeling regulations	96%	96%	96%	96%
Pesticide Recordkeeping	1,498	-	-	-
Indirect Costs	137	-	-	-
Total Costs	1,635	-	-	-
FTEs	4	-	-	-
Federal/State Marketing Improvement Program	1,235	1,363	1,235	1,235
Indirect Costs	-	-	-	-
Total Costs	1,235	1,363	1,235	1,235
FTEs	-	1	1	1
Total Discretionary Costs, Strategic Goal 1	\$60,077	\$66,032	\$67,407	\$69,306
Total FTEs, Strategic Goal 1	382	349	400	396

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Department Strategic Goal 4: Ensure that all of America's children have access to safe, nutritious, and balanced meals

Discretionary Program/Program Items	2013	2014	2015	2016
	Actual	Actual	Enacted	Estimate
Pesticide Data Program.....	13,257	14,216	13,913	13,941
Indirect Costs.....	1,214	1,131	1,107	1,109
Total Costs.....	14,471	15,347	15,020	15,050
FTEs.....	19	15	17	17
Performance Measure:				
Number of foods, based on top two dozen children's food commodities, in the Pesticide Data Program.....	21.0	22.0	23.0	23.0
Comprehensive pesticide residue data available for dietary risk assessment.....	89.0	89.0	89.0	89.0
Microbiological Data Program.....	84	-	-	-
Indirect Costs.....	8	-	-	-
Total Costs.....	92	-	-	-
FTEs.....	1	-	-	-
Performance Measure:				
Number of samples tested.....	0	0	0	0
Number of commodities tested.....	0.0	0.0	0.0	0.0
Total Discretionary Costs, Strategic Goal 4.....	\$14,563	\$15,347	\$15,020	\$15,050
Total FTEs, Strategic Goal 4.....	20	15	17	17
Total Discretionary Costs, All Strategic Goals.....	\$74,640	\$81,379	\$82,427	\$84,356
Total Discretionary FTEs, All Strategic Goals.....	402	364	417	413

Department Strategic Goal 1: Assist Rural Communities to Create Prosperity So They Are Self Sustaining, Repopulating, and Economically Thriving

Mandatory Program/Program Items	2013	2014	2015	2016
	Actual	Actual	Estimate	Estimate
Commodity Purchase Services - Agri. Support & Emergency (AS&E).....	9,004	11,336	14,848	12,896
Indirect Costs.....	825	902	1,181	1,026
Total, Administrative Costs.....	9,829	12,238	16,029	13,922
FTEs.....	22	22	29	29
Commodity Purchases Program Funds - AS&E.....	257,230	268,441	398,973	325,692
Marketing Agreements & Orders	18,311	17,594	18,698	18,979
Indirect Costs.....	1,499	1,400	1,488	1,510
Total, Administrative Costs.....	17,865	18,994	20,186	20,489
FTEs.....	98	90	111	111
Total Mandatory Costs, Strategic Goal 1.....	\$284,924	\$299,673	\$435,188	\$360,103
Total FTEs, Strategic Goal 1.....	120	112	140	140

Department Strategic Goal 4: Ensure that all of America's children have access to safe, nutritious, and balanced meals

Mandatory Program/Program Items	2013	2014	2015	2016
	Actual	Actual	Estimate	Estimate
Commodity Purchase Services - Child Nutrition Purchases (CNP).....	14,579	19,638	17,304	18,412
Indirect Costs.....	1,490	1,562	1,377	1,465
Total, Administrative Costs.....	17,764	21,200	18,681	19,877
FTEs.....	40	37	32	32
Commodity Purchases Program Funds - CNP.....	464,982	465,000	465,000	465,000
Total Mandatory Costs, Strategic Goal 4.....	\$482,746	\$486,200	\$483,681	\$484,877
Total FTEs, Strategic Goal 4.....	40	37	32	32
Total Mandatory Costs, All Strategic Goals.....	\$767,670	\$785,873	\$918,869	\$844,980
Total Mandatory FTEs, All Strategic Goals.....	160	149	172	172