

2017 President's Budget
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

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under grade and restricted eggs. This program diverts eggs that are not at least U.S. Consumer Grade B-- and which cannot be sold in shell form--to egg breaking plants, which reassures buyers and supports efficient markets.

- b. Standards Development: AMS develops, reviews, and maintains agricultural commodity standards that describe product quality attributes such as taste, color, texture, yield, weight, and physical condition for use in the trading of agricultural commodities. These standards provide a common language for buyers and sellers of commodities and are widely used by the agricultural industry in domestic and international trading, futures market contracts, and as a benchmark for purchase specifications in most private contracts. AMS grade standards are 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, 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

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intended to safeguard public health. The program particularly focuses on the foods most likely consumed 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 Agricultural Marketing Act (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 FY 2016 Omnibus Appropriations Act amended the Act to repeal the mandatory labeling requirements for beef and pork. The Act requires country of origin labeling for muscle cuts of lamb and ground lamb; 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

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agencies. AMS trains Federal and State employees on enforcement responsibilities; 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 is entrusted with oversight of research and promotion boards to ensure fiscal accountability, program integrity, and fair treatment of participating stakeholders. AMS reviews and approves commodity promotional campaigns – including advertising, consumer education programs, and other materials – prior to their use. AMS also approves the boards' budgets and marketing plans and is invited to attend meetings. Each research and promotion board fully 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 assesses how the Nation's transportation system serves the agricultural and rural areas of the United States with 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

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Farmers Market Promotion Program to provide grants targeted to help improve and expand domestic farmers markets, roadside stands, community-supported agriculture programs, agritourism activities, 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 funded many types of projects, such as electronic marketing and agricultural product diversification.
- 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 through 2018. 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. AMS established standardized national outcome measures to demonstrate the program's performance toward fulfilling its statutory purpose. 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

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- a. Grading, Certification, and Audit Verification: The grading process involves the application or verification of quality standards for agricultural commodities. AMS provides grading and certification services on agricultural commodities for which developed standards are available. AMS certification services provide assurance to buyers that the products they receive are the quantity and quality specified in their contract with the seller. AMS provides acceptance and condition inspection services for all agricultural commodities upon request. These services facilitate efficient marketing by permitting purchasers to buy commodities without having to personally inspect them and by providing an impartial evaluation of the quality of products prior to their sale. AMS certificates are also used as evidence of quality and condition in a court of law to settle commercial disputes. AMS offers production and quality control system audits (audit verification services) that reduce costs and assist the industry in making various marketing claims about their products. AMS also provides export certification services for 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, grains and bakery products, dairy products (including cheese), and oilseed products like peanut butter and sunflower seed oil 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

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with these purchases (Economy Act, 31 U.S.C. 1535) and contract management of the national warehouses serving USDA's Food Distribution Programs on Indian Reservations (FDPIR) and the Commodity Supplemental Food Program (CSFP).

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, 2015, AMS had 2,432 employees, of whom 1,841 were permanent full-time and 591 were other than permanent full-time employees. Approximately 79 percent of AMS' employees are assigned to field offices. Of the 1,912 employees assigned to field office locations, 1,331 were permanent full-time and 581 were other-than permanent full-time employees.

Schedule A (Milk Market Administrator) employees as of September 30, 2015, totaled 357, of which 318 were permanent full-time and 39 were other than permanent full-time employees.

Office of Inspector General (OIG) Audits Completed:

#50601-002-23	12/9/2015	Evaluation of USDA's Process Verified Programs
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OIG Audits – In Progress:

#01601-0001-41	AMS Procurement & Inspection of Fruits & Vegetables
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Government Accountability Office (GAO) Audits Completed:

None

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Available Funds and Staff Years (SYs)

(Dollars in thousands)

Item	2014 Actual		2015 Actual		2016 Enacted		2017 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Agricultural Marketing Service								
Marketing Services, Discretionary	\$79,914	363	\$81,192	371	\$81,223	402	\$81,933	402
Payments to States and Possessions, Discretionary	1,363	1	1,235	1	1,235	1	1,235	1
Rescission.....	0	-	-	-	-	-	-	-
Sequestration.....	0	-	-	-	-	-	-	-
Adjusted Appropriations, Discretionary	81,277	364	82,427	372	82,458	403	83,168	403
Congressional Relations Transfer In.....	102	-	102	-	-	-	-	-
Working Capital Fund Transfer Out.....	-200	-	-	-	-	-	-	-
Total Available, Discretionary	81,179	364	82,529	372	82,458	403	83,168	403
Farm Bill Initiatives:								
Farmers Market Promotion Program.....	15,000	2	15,000	4	15,000	3	15,000	3
Local Foods Promotion Program.....	15,000	2	15,000	4	15,000	3	15,000	3
Specialty Crop Block Grants.....	72,500	3	72,500	7	72,500	8	72,500	8
Modernization Technology Upgrade - Organic.....	5,000	-	-	2	-	1	-	1
Organic Production & Marketing Data	3,500	-	-	-	-	-	-	-
Sheep Production and Marketing.....	1,500	-	-	-	-	-	-	-
National Organic Cost Share.....	11,500	-	11,500	2	11,500	2	11,500	2
AMA Organic Cost Share, Mandatory.....	1,500	-	1,000	-	1,000	-	1,000	-
Sequestration.....	-4,068	-	-8,396	-	-7,820	-	-	-
Total, Farm Bill Initiatives, Mandatory.....	121,432	7	106,605	19	107,180	17	115,000	17
Permanent Appropriations, Mandatory:								
Funds for Strengthening Markets, Income, and Supply (Sec. 32)	9,211,183	149	9,714,923	152	10,316,645	172	10,929,841	172
Rescission	-189,000	-	-121,094	-	-215,636	-	-311,000	-
Sequestration.....	-79,703	-	-81,906	-	-77,384	-	-	-
Recoveries of Prior Year Obligations	2,283	-	750	-	-	-	-	-
Offsetting Collections	14,779	-	10,397	-	-	-	-	-
Available Authority from Previously Precluded								
Balances, Start of Year	313,530	-	187,486	-	223,344	-	125,000	-
Transfers Out ^{a/}	-8,299,713	-	-8,658,409	-	-9,276,989	-	-9,776,841	-
Unavailable Resources, End of Year	-187,486	-	-223,344	-	-125,000	-	-125,000	-
Subtotal, Permanent Appropriations, Mandatory.....	785,873	149	828,803	152	844,980	172	842,000	172
Total, AMS Appropriations.....	988,484	520	1,017,937	543	1,034,618	592	1,040,168	592
Obligations Under Other USDA Appropriations:								
Food & Nutrition Service for Commodity								
Procurement Services (Sec. 32).....	1,309	9	4,335	8	4,602	31	4,602	31
Miscellaneous Reimbursements.....	-	-	-	-	-	-	-	-
Total, Other USDA.....	1,309	9	4,335	8	4,602	31	4,602	31
Total, Agricultural Marketing Service Appropriations.....	989,793	529	1,022,271	551	1,039,220	623	1,044,770	623
Non-Federal Funds:								
Perishable Agricultural Commodities Act Fund, Mandatory								
Reimbursable work:								
Research and Promotion Boards.....	3,953	24	4,695	24	4,473	27	4,501	27
Fees for Grading of Cotton and Tobacco	43,090	331	44,928	339	60,982	418	61,227	418
Grading of Farm Products for Producers, Processors, and								
Municipal, State and Federal Agencies								
158,334	1,243	154,151	1,231	155,357	1,351	156,969	1,351	
Wool Research, Development, and Promotion	2,203	-	2,248	-	2,097	-	2,250	-
Total, Non-Federal Funds	217,615	1,661	215,612	1,658	233,188	1,873	235,322	1,873
Total, Agricultural Marketing Service	1,207,408	2,190	1,237,883	2,209	1,272,408	2,496	1,280,092	2,496
Schedule A Staff Years		348		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	2014 Actual			2015 Actual			2016 Enacted			2017 Estimate		
	Wash.		Total	Wash.		Total	Wash.		Total	Wash.		Total
	D.C.	Field		D.C.	Field		D.C.	Field		D.C.	Field	
SES.....	11	1	12	11	1	12	11	1	12	11	1	12
GS-15.....	41	3	44	46	3	49	44	3	47	44	3	47
GS-14.....	86	34	120	87	33	120	79	41	120	79	41	120
GS-13.....	152	98	250	154	110	264	141	104	245	141	104	245
GS-12.....	99	160	259	98	177	275	70	159	229	70	159	229
GS-11.....	39	155	194	38	144	182	35	142	177	35	142	177
GS-10.....	2	12	14	1	12	13	1	11	12	1	11	12
GS-9.....	26	459	485	34	448	482	24	441	465	24	441	465
GS-8.....	10	259	269	9	248	257	8	253	261	8	253	261
GS-7.....	12	155	167	14	190	204	11	276	287	11	276	287
GS-6.....	7	62	69	9	52	61	6	53	59	6	53	59
GS-5.....	5	49	54	6	67	73	5	130	135	5	130	135
GS-4.....	2	8	10	3	9	12	3	63	66	3	63	66
GS-3.....	-	-	-	-	-	-	-	12	12	-	12	12
GS-2.....	-	-	-	-	-	-	-	-	-	-	-	-
GS-1.....	-	-	-	-	-	-	-	2	2	-	2	2
Ungraded Positions.....	-	7	7	-	7	7	-	1	1	-	1	1
Total Perm. Positions without Schedule A.....	492	1,462	1,954	510	1,501	2,011	438	1,692	2,130	438	1,692	2,130
Unfilled, EOY.....	-	160	160	-	170	170	-	-	-	-	-	-
Total, Perm. Full-Time Employment, EOY.....	492	1,302	1,794	510	1,331	1,841	438	1,692	2,130	509	1,692	2,130
Staff Year Est.....	632	1,558	2,190	637	1,572	2,209	680	1,816	2,496	680	1,816	2,496
Schedule A Staff Years.....	12	336	348	12	336	348	12	347	359	12	347	359

AGRICULTURAL MARKETING SERVICE

SIZE, COMPOSITION AND COST OF MOTOR VEHICLE FLEET

The estimated number of passenger motor vehicles available for 2017 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 2017.

Replacement of passenger motor vehicles. AMS plans to replace 2 of the 29 passenger motor vehicles in operation in 2017.

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, 2015, are as follows:

Fiscal Year	Number of Vehicles by Type *							Annual Operating Costs (\$ in 00) **	
	Sedans and Station Wagons	Light Trucks, SUVs and Vans		Medium Duty Vehicles	Ambulances	Buses	Medium size Vehicles		Total Number of Vehicles
		4X2	4X4						
2014	174	74	2	0	0	0	3	253	1,261
Change	+9	-1	+2	0	0	0	-1	+9	-94
2015	183	73	4	0	0	0	2	262	1,167
Change	0	0	0	0	0	0	0	0	0
2016	183	73	4	0	0	0	2	262	1,167
Change	0	0	0	0	0	0	0	0	0
2017	183	73	4	0	0	0	2	262	1,167

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

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

AGRICULTURAL MARKETING SERVICE

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

Marketing Services

For necessary expenses of the Agricultural Marketing Service [~~\$81,223,000~~] \$81,933,000: 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, 2017.....	\$81,933,000
2016 Enacted.....	<u>81,223,000</u>
Change in Appropriation	<u><u>+710,000</u></u>

Summary of Increases and Decreases (Dollars in thousands)

Program	2014 Actual	2015 Change	2016 Change	2017 Change	2017 Estimate
Discretionary Appropriations:					
Market News	\$33,170	-\$682	+\$731	+\$440	\$33,659
Surveillance and Standards	7,708	-174	-	+52	7,586
Market Protection and Promotion	31,843	-67	-700	+160	31,236
Transportation and Market Development	7,193	+924	-	+58	8,175
GSA Rent & DHS Security.....	-	+1,277	-	-	1,277
Total	79,914	+1,278	+31	+710	81,933

AGRICULTURAL MARKETING SERVICE

Marketing Services

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)
(Dollars in thousands)

Program	<u>2014 Actual</u>		<u>2015 Actual</u>		<u>2016 Enacted</u>		<u>Inc. or Dec.</u>		<u>2017 Estimate</u>		
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Appropriations:											
Market News Service.....	\$33,170	213	\$32,488	214	\$33,219	229	+\$440	(1)	-	\$33,659	229
Shell Egg Surveillance and Standardization:											
Shell Egg Surveillance.....	2,732	8	2,563	7	2,563	7	+5	(2)	-	2,568	7
Standardization.....	4,976	32	4,971	34	4,971	35	+47	(3)	-	5,018	35
Total, Surveillance and Standardization.....	7,708	40	7,534	41	7,534	42	+52		-	7,586	42
Market Protection and Promotion:											
Federal Seed Act.....	2,455	14	2,299	14	2,299	18	+26	(4)	-	2,325	18
Country of Origin Labeling.....	5,015	16	4,718	15	4,718	16	+26	(5)	-	4,744	16
Pesticide Data.....	15,347	15	15,739	16	15,039	17	+34	(6)	-	15,073	17
National Organic Standards.....	9,026	35	9,020	43	9,020	43	+74	(7)	-	9,094	43
Total, Market Protection and Promotion.....	31,843	80	31,776	88	31,076	94	+160		-	31,236	94
Transportation and Market Development:											
Development.....	7,193	30	8,117	28	8,117	37	+58	(8)	-	8,175	37
GSA Rent & DHS\Security.....	-	-	1,277	-	1,277	-	-		-	1,277	-
Total Adjusted Appropriation.....	79,914	363	81,192	371	81,223	402	+710		-	81,933	402
Rescissions and Sequestration (Net)....	-	-	-	-	-	-	-		-	-	-
Total Appropriation.....	79,914	363	81,192	371	81,223	402	+710		-	81,933	402
Transfers In:											
Congressional Relations.....	102	-	102	-	-	-	-		-	-	-
Transfers Out:											
Working Capital Funds.....	-200	-	-	-	-	-	-		-	-	-
Rescission.....	-	-	-	-	-	-	-		-	-	-
Sequestration.....	-	-	-	-	-	-	-		-	-	-
Total Available.....	79,816	363	81,294	371	81,223	402	+710		-	81,933	402
Lapsing Balances.....	-1,067	-	-988	-	-	-	-		-	-	-
Total Obligations.....	78,749	363	80,306	371	81,223	402	+710		-	81,933	402

AGRICULTURAL MARKETING SERVICE

Marketing Services

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2014 Actual		2015 Actual		2016 Enacted		Inc. or Dec.		2017 Estimate		
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Obligations:											
Market News Service.....	\$32,566	213	\$32,053	214	\$33,219	229	+\$440	(1)	-	\$33,659	229
Shell Egg Surveillance and Standardization:											
Shell Egg Surveillance.....	2,719	8	2,499	7	2,563	7	+5	(2)	-	2,568	7
Standardization.....	4,959	32	5,085	34	4,971	35	+47	(3)	-	5,018	35
Total, Surveillance and Standardization.....	7,678	40	7,584	41	7,534	42	+52	-	-	7,586	42
Market Protection and Promotion:											
Federal Seed Act.....	2,225	14	2,254	14	2,299	18	+26	(4)	-	2,325	18
Country of Origin Labeling.....	5,000	16	4,492	15	4,718	16	+26	(5)	-	4,744	16
Pesticide Data.....	15,346	15	15,767	16	15,039	17	+34	(6)	-	15,073	17
National Organic Standards.....	8,947	35	8,968	43	9,020	43	+74	(7)	-	9,094	43
Total, Market Protection and Promotion.....	31,518	80	31,481	88	31,076	94	+160	-	-	31,236	94
Transportation and Market Development:											
Development.....	6,987	30	7,911	28	8,117	37	+58	(8)	-	8,175	37
GSA Rent & DHS/Security.....	-	-	1,277	-	1,277	-	-	-	-	1,277	-
Total Obligations.....	78,749	363	80,306	371	81,223	402	+710	-	-	81,933	402
Lapsing Balances.....	1,067	-	988	-	-	-	-	-	-	-	-
Total Available.....	79,816	363	81,294	371	81,223	402	+710	-	-	81,933	402
Transfers In:											
Congressional Relations.....	-102	-	-102	-	-	-	-	-	-	-	-
Transfers Out:											
Working Capital Funds.....	200	-	-	-	-	-	-	-	-	-	-
Rescission.....	-	-	-	-	-	-	-	-	-	-	-
Sequestration.....	-	-	-	-	-	-	-	-	-	-	-
Total Appropriation.....	79,914	363	81,192	371	81,223	402	+710	-	-	81,933	402

AGRICULTURAL MARKETING SERVICE

Marketing Services

Justifications of Increases and Decreases

For FY 2017, AMS requests funding for Marketing Services programs at the FY 2016 enacted level plus \$710,000 for pay costs.

(1) An increase of \$440,000 for Market News (\$33,219,000 and 229 staff years available in 2016).

Access to market information is crucial to fair and efficient markets; therefore, USDA strongly supports maintaining a robust Market News program. AMS Market News reports encompass a wide variety of domestic and international market data that enable producers to respond to changing market conditions. Continued availability of market sales and price information is essential to many stakeholders across a broad range of commodities. The Market News Program provides data on cotton, dairy, fruits, vegetables, specialty crops, livestock, grain, and poultry, disseminating data within hours of collection and making information available through distribution channels with a high degree of transparency. Market News information provides information to farmers, producers, buyers, and sellers across the agricultural industry, and it is particularly vital to smaller businesses and beginning farmers who need basic market information. The Market News program will continue reporting information that market participants – especially those in smaller, rural markets – depend on to make informed business decisions. The program will provide continued services to agricultural industry stakeholders with specialty reports that facilitate trade and contracting so that critical information remains available to assist producers, merchants, and other stakeholders.

AMS responds to evolving markets and products by expanding its services to meet the information needs of the public. Recent example of these new reports and services are:

- Expanded reporting of local and regional markets (auctions, farmers markets, etc),
- New reports on traditional products, but with specific attributes, such as grass fed beef
- New bioenergy reports on a regional basis

Continued availability of market information is critical to increase agricultural opportunities by providing data about new markets and support a competitive agricultural system. 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.
- Stoppages or cutbacks in the program interrupt information needed across the agricultural industry.
- AMS reports are commonly used as a reliable price tool in marketing contracts, as well as in dispute resolution.

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. 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 (the Market Analysis Reporting Services, or MARS), 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.

AGRICULTURAL MARKETING SERVICE

The Agency partners with other key USDA data agencies, as well as with key stakeholders and secondary disseminators, 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. AMS also partners with other groups or institutions with similar duties through Cooperative agreements. These partners include states, other agencies and groups such as the Market Information Organization of the Americas (MIOA) and other institutions to harmonize efforts and capture additional data to make it 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, international markets of importance, and will help producer's access appropriate risk management and other resources. AMS will review and adapt emerging tools for information capture and dissemination 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. Funds will be used for salaries and benefits for 229 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 item:

- a. An increase of \$440,000 for pay costs (\$80,000 for annualization of the 2016 pay increase and \$360,000 for the 2017 pay increase).
- (2) An increase of \$5,000 for the Shell Egg Surveillance Program (\$2,563,000 and 7 staff years available in 2016).

The Shell Egg Surveillance Program inspects registered shell egg packing facilities a minimum of four times annually and hatcheries once annually. The program 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."

Through the base funding, the program will begin updating operations to capture detailed information regarding firms that fail to comply with regulations, ensure that all inspectors obtain consistent training, and enable inspectors to enter information directly and immediately to reduce operational cost and administrative timelines to process violations and achieve compliance.

Funds will be used for salaries and benefits for 7 staff years, supervisory travel, and agreements with cooperating State agencies, or for AMS inspectors. The program cross-utilizes 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.

AGRICULTURAL MARKETING SERVICE

The funding change is requested for the following items:

- a. An increase of \$5,000 for pay costs (\$1,000 for annualization of the 2016 pay increase and \$4,000 for the 2017 pay increase).

- (3) An increase of \$47,000 for Standardization (\$4,971,000 and 35 staff years available in 2016).

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.

The funding increase will allow program experts to participate in domestic and international standards development, support of U.S. agriculture interests in international markets, ensure timely development of U.S. standards. The program will be able to produce the needed level of cotton grade standards, update honey standards, and provide the training and equipment as needed to keep personnel and technology up-to-date.

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 \$47,000 for pay costs (\$12,000 for annualization of the 2016 pay increase and \$35,000 for the 2017 pay increase).

- (4) An increase of \$26,000 for the Federal Seed Act Program (\$2,299,000 and 18 staff years available in 2016).

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.

AGRICULTURAL MARKETING SERVICE

Within base funding, the program will work to eliminate delays in regulatory seed testing and labeling investigations so that prompt action can be taken when violations are identified. Federal Seed Act investigations will be conducted in a timely manner in order to resolve truth-in-labeling disputes on interstate shipments of seed. This will help companies to understand and fix the problems while seed is still being sold in interstate commerce, and promote compliance from other shipments of the same lot and or by the same company. The program will provide expert advice to seed industry professionals on seed testing and sampling that facilitates Federal Seed Act enforcement activities.

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 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 \$26,000 for pay costs (\$7,000 for annualization of the 2016 pay increase and \$19,000 for the 2017 pay increase).
- (5) An increase of \$26,000 for the Country of Origin Labeling (\$4,718,000 and 16 staff years available in 2016).

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.

The FY 2016 Omnibus Appropriations Act amended the Agricultural Marketing Act to eliminate country of origin labeling requirements for beef and pork, but origin labeling for all other covered commodities remains in effect. The program will continue education and compliance monitoring activities for all of the remaining covered commodities and address non-compliance as appropriate. Because the program conducts reviews and supplier audits at retail locations, the change is expected to have minimal impact on program operations or cost.

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. The COOL program will continue retailer education and outreach during retail reviews to strengthen compliance with labeling requirements. To ensure effective and efficient regulatory oversight, the program will provide State cooperator training and outreach to maintain full partnerships with cooperating State agencies and conduct follow up retail reviews for retailers in locations found with critical weaknesses. Effective program delivery is dependent on State cooperators.

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.

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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.

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 \$26,000 for pay costs (\$7,000 for annualization of the 2016 pay increase and \$19,000 for the 2017 pay increase).
- (6) An increase of \$34,000 for the Pesticide Data Program (\$15,039,000 and 17 staff years available in 2016).

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 22 of the top 24 children's commodities and continue to include the 10 States currently cooperating in 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.

AGRICULTURAL MARKETING SERVICE

PDP will deliver current data for 22 of the top 24 children's commodities by testing milk in 2017. This will provide EPA with data needed for pesticide re-registrations related to milk, the commodity most highly consumed by children. Sampling will continue in the 10 participating States and testing will continue in the seven participating State laboratories as well as the AMS National Science Laboratory. As resources allow, the program will replace aging laboratory equipment at the end of its 10-year service life to provide the best services possible to its customers.

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 \$34,000 for pay costs (\$9,000 for annualization of the 2016 pay increase and \$25,000 for the 2017 pay increase).
- (7) An increase of \$74,000 for the National Organic Program (\$9,020,000 and 43 staff years available in 2016).

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

This funding will enable the program to maintain complaint and appeal timelines and provide Technical reports needed by the National Organic Standards Board. NOP will continue its standards development activities, including priority rulemaking; continue to effectively oversee its third party accredited certifiers, including audits, compliance audits, and training; continue to maintain and expand international organic equivalency efforts; and continue to administer its compliance, enforcement, and appeals programs. NOP will also continue its technical and administrative support to the National Organic Standards Board, its communications and outreach work, its support for the USDA Organic Working Group and implement the Secretary's Guidance on organic agriculture.

The program will continue to support the needs of a variety of stakeholders in this growing market: USDA-accredited certifying agents; governments with which USDA holds and seeks organic trade agreements; certified organic farms and businesses; farms and businesses that are considering whether organic is an option for them; and members of the public that request the investigation of complaints related to organic market activities.

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.

AGRICULTURAL MARKETING SERVICE

AMS continues to expand market access for organic farms and businesses. Today, the industry encompasses over 19,000 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 eight foreign governments – India, Israel, New Zealand for recognition, and Canada, European Union, Japan, Korea, and Switzerland for equivalency.

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.

These funds will be used for salaries and benefits for 43 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 \$74,000 for pay costs (\$19,000 for annualization of the 2016 pay increase and \$55,000 for the 2017 pay increase).
- (8) An increase of \$58,000 for Transportation and Market Development (\$8,117,000 and 37 staff years available in 2016).

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.

AMS' Transportation and Market Development Program supports and enhances the distribution of U.S. agricultural products and increases marketing opportunities for agricultural producers and local businesses through applied research and technical services. This program promotes producer access to local and regional markets and other emerging opportunities that help hundreds of agricultural food businesses and stakeholders, including food hubs, wholesale markets, retailers, state agencies, community planning organizations, and other agricultural food groups. Direct and alternative markets are particularly important to small and beginning farmers and ranchers. AMS also serves as an expert source for economic analysis and reporting on agricultural transportation from farm to market to help agricultural shippers and government policymakers make informed

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decisions. AMS is committed to supporting these ongoing activities, which are valuable tools in supporting rural economic development.

Transportation and Market Development has begun an effort that 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.

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.

AMS is working with USDA's National Institute for Food and Agriculture, Land-Grant Universities, and a national data center to develop a local and regional mapping project that should lead to strategic local and regional linkages that enhance the marketing of local foods. The data is being collected to identify and map states' local food infrastructure and resources in the food supply chain, including production capacity, existing local and regional markets, distribution networks used by local buyers and sellers, processors, market size and demographics, and other food system traits.

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These funds will be used for salaries and benefits for 37 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 \$58,000 for pay costs (\$15,000 for annualization of the 2016 pay increase and \$43,000 for the 2017 pay increase).

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Marketing Services

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	2014 Actual		2015 Actual		2016 Enacted		2017 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Alabama	\$120	1	\$131	1	\$175	1	\$175	1
Arizona	478	4	671	6	621	6	673	6
Arkansas	75	1	75	1	355	2	95	2
California	3,878	9	4,235	9	4,340	9	4,341	9
Colorado	469	4	503	5	535	5	535	5
Connecticut.....	23	-	-	-	-	-	-	-
District of Columbia	46,897	195	47,742	202	43,737	218	44,738	218
Florida	1,604	2	1,933	2	1,529	2	1,933	2
Georgia	1,254	13	1,238	12	1,471	13	1,471	13
Idaho	493	5	514	5	574	5	574	5
Illinois	227	2	357	3	388	3	388	3
Iowa	1,416	14	1,339	13	2,027	14	2,027	14
Kansas	249	2	219	2	260	2	260	2
Kentucky	128	2	126	2	210	2	210	2
Louisiana	90	1	63	-	162	1	162	1
Maryland.....	238	1	254	1	254	1	265	1
Massachusetts	373	3	402	4	481	4	481	4
Michigan	1,653	4	1,719	3	1,862	4	1,862	4
Minnesota	196	1	243	2	360	2	260	2
Mississippi	-	-	-	-	178	1	-	1
Missouri	586	6	503	5	657	6	657	6
Montana	71	1	90	1	295	2	95	2
Nebraska	100	1	106	1	112	1	112	1
New Mexico	182	2	253	3	235	3	255	3
New York	2,541	3	2,248	3	2,547	3	2,547	3
North Carolina	1,851	13	1,892	13	2,210	14	2,210	14
Ohio	1,001	3	1,470	-	1,115	3	1,475	3
Oklahoma	348	3	404	4	377	4	409	4
Oregon	255	3	208	2	425	3	425	3
Pennsylvania	663	6	717	7	617	7	720	7
South Carolina	189	1	104	1	194	2	154	2
South Dakota	199	2	219	2	216	2	220	2
Tennessee	3,330	21	3,238	22	3,418	22	3,418	22
Texas	2,148	7	1,974	7	2,634	7	2,619	7
Virginia	2,421	12	2,240	13	3,188	13	3,090	14
Washington	1,535	4	1,408	3	1,831	4	1,531	4
Wisconsin	1,392	11	1,388	11	1,546	11	1,546	11
Wyoming	76	1	80	1	87	1	-	-
Obligations	78,749	363	80,306	371	81,223	402	81,933	402
Lapsing Balances	1,067	0	988	-	-	-	-	-
Total Available.....	79,816	363	81,294	371	81,223	402	81,933	402

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Marketing Services
Classification by Objects
(Dollars in thousands)

		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
		<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
Personnel Compensation:					
	Washington, D.C.....	\$17,436	\$18,399	\$19,365	\$19,889
	Field.....	14,123	14,903	15,684	16,110
11	Total personnel compensation.....	31,559	33,302	35,049	35,999
12	Personnel benefits.....	9,990	11,161	11,301	11,560
13.0	Benefits for former personnel.....	111	23	435	446
	Total, personnel comp. and benefits.....	41,660	44,486	46,785	48,004
Other Objects:					
21.0	Travel and transportation of persons.....	1,176	1,364	1,290	1,290
22.0	Transportation of things.....	19	279	18	18
23.1	Rental payments to GSA.....	165	1,151	1,151	1,151
23.2	Rental payments to others.....	1,184	976	1,253	1,253
23.3	Communications, utilities, and misc. charges.....	2,294	1,355	1,478	1,478
24.0	Printing and reproduction.....	144	206	335	335
25.2	Other services from non-Federal sources.....	15,815	17,342	16,848	16,339
25.3	Other purchases of goods and services from Federal sources.....	13,829	9,636	9,726	9,726
25.4	Other services.....	-	4	5	5
25.6	Medical care.....	-	18	20	20
25.7	Operation and maintenance of equipment.....	33	774	132	132
26.0	Supplies and materials.....	631	524	574	574
31.0	Equipment.....	1,795	2,179	1,200	1,200
42.0	Insurance Claims and Indemnities.....	4	12	8	8
	Total, Other Objects.....	37,089	35,820	34,438	33,929
99.9	Total, new obligations.....	78,749	80,306	81,223	81,933
	DHS Building Security Payment (included in 25.3).....	0	126	126	126
Position Data:					
	Average Salary (dollars), ES Position.....	\$160,242	\$163,447	\$166,716	\$171,751
	Average Salary (dollars), GS Position.....	\$75,873	\$77,390	\$78,938	\$83,795
	Average Grade, GS Position.....	11	12	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. This year, the new AMS Market News local and regional webpage allows data users to easily view Farmers Market data (currently 85 markets or about 10 percent of the National Directory) and a national local and organic retail report. The page also includes Farm-to-School prices and Direct-to-Consumer sales reports from the first states (Iowa and North Carolina) to gather that information.

Market News revised/updated or developed nine Federal-State cooperative agreements collaborating with State Departments of Agriculture to capture livestock auctions, elevator grain bids, emerging markets, and local and regional food market prices. These agreements included Departments of Agriculture in six USDA Strike Force states (Arizona, Arkansas, Alaska, Kentucky, Mississippi, and North Carolina). USDA's StrikeForce Initiative for Rural Growth and Opportunity was developed to address the specific challenges associated with rural poverty.

Redesign of Market News into Digital Data Service (MARS) – 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. This dynamic system allows Market News to combine all reporting functions into a single, user-managed platform. Improvements in data quality and management have been completed and better cooperator relationship management tools are implemented.

Customer Satisfaction Survey (CSS) – Market News is often in daily contact with its customers and users, with hundreds of daily market reports, emails, telephonic recordings issued and in the role of secondary disseminators. However, every few years Market News will reach out to the many thousands of regular users and ask for their feedback. The process used by Market News to collect this feedback is the Customer Satisfaction Survey, which incorporates questions designed to measure the following key areas:

- How are we doing in meeting their information needs?
- Which are the most important markets and products to cover?
- What ways are most used to access the reports and information?

The CSS includes the questions that make up the American Customer Satisfaction Index (ACSI) – a national indicator of customer evaluations of the quality of goods and services available to U.S. residents. Over 100 programs of Federal government agencies have used the ACSI since 1999. The index allows for the direct

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comparison or benchmarking with other Federal agencies and institutions, which helps to better frame up the results and determine areas of focus for the agency.

In July 2015, AMS Market News successfully completed its latest CSS. Market News received completed surveys from over 1,600 users. The service received an ACSI score of 70 in this survey. This score compares very favorably with the Federal Government benchmark of 64. The highest score for Market News was for Customer Service with a score of 84, followed by Quality of Information at 78, Likelihood to Recommend at 79, and a 77 for being Reliable and Accurate.

The complete results will be shared with the public on the Market News Portal in the future as the data is finalized and made available. The feedback will be applied to program assessment and planning to help ensure that Market News continues to be the “eyes and ears” of American agriculture, as Market News moves into its 101st year of service.

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 to serve as the Regional Representative on the Executive Committee of MIOA by the countries of the Northern Region (Canada, Mexico, and the U.S.). The various regional partners of MIOA are working to create market reports for products of interest to all and to support interregional trade. MIOA is working on several key projects that will assist all of the member countries: such as a product dictionary for the Americas called the Wiki. The organization recently addressed the World Union of Wholesale Markets (WUWM) meeting in September in Brazil to talk about the future of agricultural market information. 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 “knowledge library” or inventory of the various training and reference materials used in capacity building and training throughout the hemisphere.

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 2015, 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 developed and delivered several new webinars in 2015 to demonstrate these information products, including a session focused solely on organic data available from Market News.

Livestock Mandatory Reporting (LMR) – AMS’ LMR program was initiated on April 2, 2001, and reauthorized by the Agricultural Reauthorizations Act of 2015 (P.L. 114-54, Title I). The purpose of LMR is to make information on pricing, contracting, and supply and demand conditions available to encourage competition in the marketplace.

LMR provides information on:

- 78 percent of slaughter cattle
- 93 percent of boxed beef
- 94 percent of slaughter hogs
- 43 percent of slaughter sheep
- 43 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 forward contracts, and formula marketing arrangement transactions. 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 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 in order to ensure the availability of information for market participants. Packers that annually slaughter an average of at

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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.

The Reauthorization Act includes a few modifications to requirements for swine and lamb reporting. For swine, the Act added a definition and reporting requirements for negotiated formula and late day purchases. For lamb, the definitions of a lamb packer and a lamb importer were modified to lower the reporting thresholds of each, from a processing average of 75,000 lambs to 35,000 lambs, and from an import average of at least 2,500 metric tons of lamb meat products to an average of 1,000 metric tons of lamb meat. Lastly, the LMR reauthorization specifies that a study be conducted by the USDA (AMS and the Office of the Chief Economist) in consultation with the livestock and meat industries to analyze current livestock marketing practices; identify future legislative or regulatory recommendations; analyze price and supply information reporting services of USDA related to cattle, swine, and lamb; and address any other issues that the Secretary considers appropriate. The study is due to Congress no later than March 1, 2018.

Dairy Product Mandatory Reporting

Mandatory dairy product reporting provides sales information on:

- 11 percent of butter production
- 34 percent of cheddar cheese production
- 62 percent of nonfat dry milk production
- 44 percent of dry whey production

The purpose of the dairy mandatory 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:

- Percent of crop reported during the 2014-2015 marketing year: 13.6 percent, an increase of 27.2 percent from the previous year and 56.7 percent increase from the five-year average. The 2013-2014 marketing year reported 10.7 percent and the previous five-year average was 8.7 percent.

Dairy:

- Dairy Market News started development of Latin America reporting and expects to release the first publication in 2016.
- Dairy Market News completed an evaluation of reporting methodology with industry and will adjust our methodology to capture more data from existing markets.

Specialty Crops:

- New Areas Reported at Shipping Points – Price
 - Mexican cucumbers imported through Texas
- New Retail and local markets
- North Carolina retail farmers markets
- New Retail Report Commodities
 - Apple Juice and Cider
 - Cactus Leaves
 - Cactus Pears
 - Mini Sweet Peppers

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- Papayas
- Swiss Chard

Livestock, Poultry and Grain:

- Livestock, Poultry, and Grain Market News (LPGMN) developed 20 new reports, including seven to highlight local and regional or emerging market reporting efforts for farmers markets, pork, tribal agricultural products, and non-Genetically Engineered (non-GE)/non-Genetically Modified Organism (non-GMO) commodities.
- Added information to Livestock Mandatory Reporting reports increase market transparency, including a five-day rolling average price added to eight daily purchase swine reports and four prior-day purchase swine reports. This five-day average price helps normalize the reported information and mute the volatility of daily market fluctuations.

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 with 3,000 or more chickens or who pack product ultimately destined for consumers are made four times each year and visits to hatcheries are conducted annually. Additional follow-up visits are made when violations are found.

In 2015, AMS suspended SES inspections in control, or quarantine, zone areas identified by the Animal and Plant Health Inspection Service (APHIS) as infected with Highly Pathogenic Avian Influenza (HPAI). Where possible, AMS conducted phone-based interviews with SES applicants where physical on-site inspections were prohibited.

Also resulting from HPAI, the egg laying industry lost a significant number of layer hens. Consequently, companies that break and further process eggs began sourcing their eggs from foreign markets. AMS issued over 1,200 permits for 32.4 million dozen eggs that were sourced from 12 foreign countries to certify that the imported eggs met temperature, labeling, and sanitary requirements.

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 ultimately for the 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
FY 2015	471	1,834*	271	231*

Note: *Inspections above include both routine follow-up and other visits.*
**Suspended visits were due to biosecurity issues as a result of HPAI.*

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.

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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 2015, AMS specialists reviewed commodity standards to ensure that they continue to accurately describe current products, including 21 for cotton products; 87 for fruit and vegetable products; six for livestock, meat, and poultry products; and 13 for tobacco. These reviews resulted in the following standard revisions:

- Institutional Meat Purchase Specifications (IMPS) – AMS translated the IMPS from English to Spanish and published the Spanish version on the agency's website. AMS worked with government officials and industry stakeholders in Mexico to assist the country with developing national grade standards and establishing a national grading program for beef. Some U.S. cattle producers use harvesting facilities in Mexico, and a national grading and nomenclature system modeled after the U.S will enhance the value of carcasses and cuts from cattle harvested in Mexico.
- Beef Standards – AMS sought comments through a Notice published in the *Federal Register* concerning changes and revisions to the U.S. Standards for Grades of Carcass Beef. Comments received addressed a variety of topics and strongly suggested that any changes be based on sound science and supporting data. As a result, AMS drafted a notice announcing administrative changes to the standards for carcass beef. These changes provide clarity on the way that the Standards may currently be applied with the use of camera technology; provide more up-to-date examples that reflect heavier carcass weights; and make administrative changes to reflect current organizational structures and titles.
- Maple Syrup Standards – AMS published proposed revisions to the United States Standards for Grades of Maple Syrup in the *Federal Register* in 2014, with an effective date of March 2, 2015, to allow stakeholders to implement the new grade standards that were adopted by state regulations. 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 defects (off flavors and odors, cloudiness, turbidity, and sediment). AMS also proposed to change the spelling from "sirup" to the more commonly used term "syrup." The purpose of these revisions is 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.
- Farm Bill for Honey – 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 in 2014. AMS submitted the final report to the Food and Drug Administration (FDA) on December 30, 2014. The FDA announced on April 9, 2015, the availability of draft guidance to advise the industry on the proper labeling of honey and honey products to help ensure unadulterated or misbranded products do not enter commerce. The FDA Notice requested comments by June 2015.

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- Fruits and Vegetables Standards – The Little People of America requested that AMS remove the term “midget” in USDA size classifications from its grade standards. We found six documents that used the term: shelled pecans, canned lima beans, processed raisins, pickles, canned mushrooms and trail mix. A proposed rule for processed raisins was published in the *Federal Register* on August 21, 2015. Notices for other commodities have been drafted and will include removing dual nomenclature, as well as alignment with the Standards of Identity,
- Canned Baked Beans Standards – AMS is revising the current U.S. grade standards for canned baked beans to account for advances in industry processing technology. To bring the grade standards in line with current practices, a petitioner requested that AMS revise the product description with the following: “The product is prepared by heating beans and sauce in a closed or open container for a period of time sufficient to provide texture, flavor, color and consistency attributes that are typical for this product.” The proposed change would also split three grade standards into individual documents, i.e., canned dried bean grade standards, canned pork and bean grade standards, and canned baked bean grade standards. No changes are proposed for the canned dried beans and canned pork and beans other than format changes. The notice for canned baked beans was published in the *Federal Register* on August 19, 2015 with request for comments.
- Fresh Fruits and Vegetables Standards – AMS is revising 47 United States Standards for Grades of fresh fruits and vegetables, fruits and vegetables for processing, nuts, and specialty crops to remove the “Unclassified” category. This change would conform to recent changes in other grade standards and would bring these grade standards in line with the present terminology; update the standards to more accurately represent today’s marketing practices; and, provide industry with greater flexibility. The 47 U.S. Standards for Grades of Fresh Fruits and Vegetables, Fruits and Vegetables for Processing, Nuts, and Specialty Crops, FV-14 0090, was published in the *Federal Register* on September 2, 2015.
- 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. The effective date of these grade standards was November 24, 2014.
- Cotton Standards – AMS produced approximately 2,000 Upland and Pima cotton grade standards boxes representing the 21 physical cotton grade standards. All freshly produced standards boxes were reviewed and approved by cotton industry representatives in June 2015 at meetings in Memphis, TN, and Visalia, CA. In addition, over 54,000 pounds of instrument calibration cotton standards were distributed to the domestic and international cotton industries.

International Standardization 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 UNECE, the Organization for Economic Cooperation and Development, the International Organization for Standardization, the International Union for the Protection of New Varieties of Plants (UPOV), 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:

- Milk and Dairy Products: An AMS official heads the U.S. Delegation to the Codex Committee on Milk and Milk Products (CCMMP). On July 11, 2015, the 38th session of the Codex Alimentarius Commission requested New Zealand, the host country of CCMMP, to convene a physical Working Group (pWG) and solicit country comments at Step 6 on a general standards for processed cheese. A CCMMP electronic Working Group (eWG) has also made significant progress on a Codex standard for dairy permeate powder,

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currently at Step 3. The delegate submitted the official U.S. comments that address the export interest of the U.S. dairy industry and government.

- Meat, Eggs, and Poultry: AMS serves as Vice Chair of UNECE's Specialized Section on the Standardization of Meat and played a leadership role in organizing and facilitating the 24th session of the Specialized Section held September 28-30, 2015. Representatives from 15 countries and 10 international organizations attended this session that was very productive in advancing the interests of U.S. egg, meat, and poultry industries. AMS led the development of a further processed poultry standard and its pictorial annex, was co-leader for developing UNECE's variety meat standard that was officially adopted by the Working Party, and was chosen to lead the updating of the egg and egg products quality standard. AMS has worked through the UN's Specialized Section to model global standards after USDA standards to help U.S. egg, meat, and poultry producers remain competitive in international markets.
- Meat: AMS continued to provide 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 conducted capability assessments in Haiti to evaluate the potential for developing standards for livestock that will facilitate gathering and reporting market information. AMS met with government officials to discuss the development of livestock standards and toured several livestock marketing operations across the country. AMS will continue to work with Serbia, Haiti, and other countries to ensure our Nation's interests are represented in the international meat industry and to keep U.S. agricultural products competitive in global markets.
- Fruits and Vegetables: AMS representatives participated in Codex committees and working groups established to advance standards for fruit and vegetables, and participated in three 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 participated in the meeting of the 2nd Session of the Codex Committee on Spices and Culinary Herbs (CCSCH) in September 2015. The U.S. delegation was comprised of one representative each from USDA/AMS, USDA Food Safety and Inspection Service - U.S. Codex Office, and the Food and Drug Administration. A representative of the American Spice Trade Association (ASTA) attended as an official Codex observer and coordinated positions with the U.S. delegation. The committee agreed with the U.S. position on food additives for standards that are yet to be developed and use of the general reference to the Codex General Standard for Food Additives (GSFA). The CCSCH also discussed a proposal to include a Glossary of Terms; proposed draft standards for oregano, pepper (black, white, and green), cumin, and thyme; sub-grouping commodities in general standards; and, proposals for new work by the committee. The meeting accepted the U.S. delegation's offer to prepare discussion papers on the scope of CCSCH standards to clarify "further processing"; and, on the Glossary of Terms for presentation at the Committee's next session.
 - Revised UNECE Geneva Protocol –After 7 years of negotiations, the 70th UNECE Working Party 7 Session approved a revised Geneva Protocol that outlines the general provisions for European commercial standardization and quality control of fresh fruit and vegetables, and dry or dried fruit dispatched in international traffic. The Geneva Protocol provides the framework through which the UNECE develops standards and is based on a U.S. proposal jointly developed by AMS, the Foreign Agricultural Service, the U.S. Trade Representative, and the Department of State. All delegations agreed that the Protocol should be voluntary and should not place any additional burdens on UNECE member countries. The United States will seek to have the document renamed to the "Geneva Understanding" to underscore its voluntary nature.

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- UNECE Specialized Section on Standardization of Fresh Fruits and Vegetables – In April 2015, AMS participated in the 63rd Session of the UNECE Specialized Section on Standardization of Fresh Fruits and Vegetables in Geneva, Switzerland. The United States joined delegations from Kenya, Malta, New Zealand, South Africa, and the United Kingdom in supporting a request from the Netherlands to set a destination market tolerance of 3 percent for decay and internal breakdown in all fresh fruit and vegetable standards. Member countries agreed to study the proposal in preparation for a final discussion at the 2016 meeting. Over the past 2 years, support for the U.S. positions on apples, citrus fruits, and tolerances for decay and internal breakdown has moved from a minority to a majority position.
- UNECE Specialized Section on Standardization of Dry and Dried Produce. From June 29 to July 3, 2015, AMS chaired the 62nd Session of the UNECE Specialized Section on Standardization of Dry and Dried Produce and Workshop on Agri-food Supply Chains in Cross-border Trade of Nuts and Dried Fruit in Izmir, Turkey. Delegates from 22 countries, 3 international governmental organizations, and 2 international industry organizations also took part in the meeting. Key outcomes included: release of an inshell walnut brochure that was developed and paid for by the U.S. walnut industry; a recommended draft Standard for Dried Apricots, Dates, and Grapes was extended for another year due to the lack of consensus on the Table of Tolerances for defects allowed, sizing, and size uniformity requirements; revised standards for Inshell Pistachios and for Almond Kernels, whose development was led by the United States, and for Dried Grapes were adopted as recommendations for one-year industry trials; the Committee agreed to develop new UNECE standards for dried sour cherries and pecan kernels; and, AMS's international standards coordinator was re-elected as chair of the specialized section.
- International Codex Outreach. From August 2015 through September 2015, AMS participated in the U.S. Codex Office's outreach efforts to the Codex Regional Committee for Latin America and the Caribbean (CCLAC), Codex Regional Committee for Asia (CCASIA), and the Codex Regional Committee for Africa (CCAFRICA). These efforts were undertaken to promote U.S. positions on issues being addressed by the CCSCCH and the Codex Committee on Fresh Fruits Vegetables.
- Plant Variety: AMS, through its Plant Variety Protection Office (PVPO), is a member of the UPOV headquartered in Geneva, Switzerland. AMS participated in meetings hosted by UPOV throughout FY 2015 to provide input and feedback to several ongoing initiatives.
 - AMS is working closely with UPOV countries on the International System of Cooperation, which is an initiative to provide a more uniform approach to the testing and examination of Plant Variety Protection applications. In addition, AMS has been a major participant in the Electronic Application System (EAS) and variety name verification projects. The EAS provides an electronic system for the submission of Plant Variety Protection applications to the countries selected by an applicant. The variety name verification project aligns the U.S. with other UPOV countries by providing a means to verify variety names so they are not in conflict with other protected varieties within the UPOV and European Union's Community Variety Protection Office systems.
 - AMS also participated in meetings and workshops to improve the understanding of Plant Variety Protection in the Americas, identify opportunities for cooperation among National Plant Variety Protection Offices, and better communicate the benefits of Plant Breeders Rights. The discussions included how the Americas align with the UPOV convention. The goal of bringing several government Plant Variety Protection Offices together, as well as several countries' seed industry professionals, was to work toward a common approach for plant breeder rights and intellectual property protection for North and South America.
- Seed: AMS serves as the U.S. National Designated Authority for OECD Seed Schemes. Currently there are 58 participating OECD member countries that label seed for varietal purity for international trade. AMS participated in an OECD Seed Schemes Technical Working Group (TWG) meeting in Paris, France in January 2015, as well as the annual and TWG meetings held in Paris in June 2015. AMS completed its term

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as a member of the OECD Seed Schemes Bureau in 2015. The Bureau acts in an executive advisory capacity for all 58 OECD Seed Schemes member countries. AMS is also a member of the Strategic Planning Committee which is charged with developing short and long range planning for the continued operation and growth of the OECD Seed Schemes.

- **Microbiology/Molecular Biomarkers:** AMS chairs U.S. representation to the ISO TC 34/Subcommittee 16, “Horizontal methods for molecular biomarker analysis”, a group of experts in the field of microbiology who maintain a portfolio of internationally recognized and accepted methods for detection, quantitation and analysis of agriculturally important molecular biomarkers such as GMOs, meat and fish species identifiers, plant pathogens, identifiers for high valued commodities and identifiers for other foods, grains, oils. AMS also participates in the deliberations and proceedings of its parent technical committee TC 34 which provides standardization in food and food products from farm to fork.

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, laboratory testing programs, and laboratory approval programs) to make products eligible for export to various countries.

For example, on March 12, the government of Barbados Veterinary Services Department confirmed that dairy products (bovine, ovine and caprine species) for human consumption produced in the United States should be certified by AMS’ Dairy Program. AMS served as a technical expert on the FAS Caribbean Basin Agricultural Trade Team that also includes FSIS and APHIS. On September 20—22, AMS representatives traveled to Barbados and Trinidad to meet with regulatory officials, which gained the U.S. food safety and animal health system invaluable credibility with regional inspectors. This team filled multiple knowledge gaps, clarified many misperceptions (i.e., poultry transit certs, shelf-life dates, mandatory labeling requirements, etc.), and defined our criteria for certification of dairy, egg and related products. Dairy trade with this region is currently valued at \$37 million.

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 2015, AMS initiated 236 investigations based on 295 Federal Seed Act complaints from 14 States. In cooperation with State agencies, AMS received 231 regulatory seed samples from 12 States and 7 companies for trueness-to-variety testing. AMS conducted field tests on those samples to determine trueness-to-variety of seed shipped in interstate commerce.

Between September 3, 2014, and September 1, 2015, the Federal Seed Program administratively settled 216 Federal Seed Act cases with 60 warnings, 48 no-actions, and 108 with penalty assessments totaling \$75,900. Individual

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assessments ranged from \$350 to \$8,125.

To ensure uniform application of the regulations, AMS conducted training workshops for 33 seed analysts from 17 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 three 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) provisions in the Agricultural Marketing Act of 1946 require retailers to notify their customers of the country of origin of specific foods referred to as covered commodities. Covered commodities are identified as muscle cuts of lamb, goat, and chicken; ground lamb, goat, and chicken; 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.

On May 18, 2015, the WTO Appellate Body 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. In mid-September, the WTO arbitration panel heard arguments from Canada, Mexico, and the United States on their respective calculations. Canada requested authorization to impose tariffs on \$2.5 billion per year of U.S. exports and Mexico requested authorization for \$713 million in tariffs. On December 7, 2015, the Arbitrator determined that the level of nullification or impairment of benefits accruing to Canada is CAD 1,054.729 million. On December 18, 2015, Congress repealed mandatory COOL requirements for muscle cuts of beef and pork and ground beef and pork. The COOL Program continues to conduct retail surveillance reviews on all covered commodities using state cooperative agreements.

Selected Examples of Recent Progress:

COOL Supplier Certification Program– To reduce the burden on suppliers, AMS 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. Three suppliers were granted a 3-year certification in 2015.

Training – Beginning in May 2015, beginner and refresher COOL training was made available to State officials via webinar and two comprehensive classroom training workshops. Over 300 State officials were COOL-certified in 2015 to conduct retail reviews.

Outreach – Throughout FY 2015, COOL strengthened its education and outreach efforts for affected industry stakeholders by attending North American Seafood Expo and the National Grocers Association’s annual events. In addition, COOL developed and deployed a training module for employees of Giant Foods and conducted a webinar for members of the Food Marketing Institute that included COOL requirements, retail review procedures, and information about developing enforcement of remote (online) retail sales.

Enforcement Activities – During 2015, AMS worked in collaboration with all 47 cooperating state agencies and the Livestock, Poultry and Seed Program Quality Assessment Division to conduct retail surveillance activities for the COOL program in all 50 States. The retail review assignments distributed in FY 2015 were very different compared to past years, in that the majority of the surveillance reviews conducted in 2015 were follow up reviews in regional, small and independently owned retail store locations with critical compliance weaknesses stemming from FY 2014 surveillance activities.

The COOL Program conducted 845 initial retail reviews and 2,300 follow-up retail reviews of the roughly 37,000 regulated retailers that are subject to a Perishable Agricultural Commodities Act license. Based on the number of

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COOL covered commodities sold in a store location, overall retailer compliance to COOL was approximately 96 percent to date, based upon two-thirds completion. This is an increase from 2014 when overall retail compliance was 94 percent. The positive trend in compliance that resulted from follow up reviews ensures that consumers have more access to country of origin information when making purchase decisions.

In addition to retail surveillance activities, 97 products were audited through the supply chain. Overall compliance by suppliers to retail stores is approximately 96 percent, which is a slight reduction from 98 percent compliance in 2014. There were 218 firms audited and 9 non-compliances. The majority of the non-compliances resulted from targeted audits where supplier misbranding was gleaned from records gathered during retail reviews. Meat muscle cut commodities were not audited during FY 2015.

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 FDA coordinate and prioritize residue-testing and program activities. In addition, AMS conducts annual planning meetings with all program participants, including the cooperating State agencies and agricultural industry stakeholders, to select commodities for inclusion in the Program.

Selected Examples of Recent Progress:

During 2015, PDP tested more than 10,100 food samples, resulting in over 2.3 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, infant formula, bottled water, groundwater, and treated and untreated drinking water. In 2015, PDP reintroduced previously tested commodities. The number of commodities surveyed to date is 113 with the addition of frozen cherries. Data on previously tested commodities are needed to determine if there were measurable changes in the residue profile. All commodities selected for testing are based on EPA's requests for data to monitor registration-driven changes mandated by the FQPA and to respond to public food safety concerns.

Sampling – During 2015, PDP achieved 98 percent of its goal in collecting samples due to the inclusion of two highly seasonal commodities in the program (peaches and nectarines) that were not consistently available in the marketplace. 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 480. PDP laboratories have further 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 continues 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.

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Outreach – PDP staff met routinely with EPA officials to present new information/data and to conduct program planning sessions. PDP shares presumptive tolerance violation data on a monthly basis with EPA, FDA, FAS, USDA's Office of Pest Management Policy (OPMP), and AMS' National Organic Program (NOP).

PDP works with USDA's FAS to ensure that data needed to support exports are available and can be used to assist in removing potential trade barriers. PDP works with FAS to increase the understanding and acceptance of PDP sampling and testing on an international level – PDP data now are routinely used in FAS' Compliance Plans in instances where trade barriers have arisen and have been used by other countries in their own dietary risk assessments.

To improve communications, PDP staff meet with minor crop and chemical industry representatives, including CropLife America. PDP staff participate in the Association of Analytical Chemists (AOAC) Proficiency Test Advisory Committee and Pesticides Subcommittee and attend interagency meetings with USDA's FSIS Interagency Residue Control Group (IRCG) to discuss program planning issues and to share technical information. In addition, PDP staff presented a program update at the North American Chemical Residue Workshop and performed novel outreach in the community by presenting at George Mason University and the Tenley-Friendship Library in Washington, D.C.

PDP staff also met with USDA's Office of Pest Management Policy (OPMP) Core Group, the Interagency Risk Assessment Consortium (IRAC), and the National Biosurveillance Integration Center (NBIC), Office of Health Affairs, Department of Homeland Security to participate in efforts to enhance communication and coordination among members and to promote the conduct of scientific research that will facilitate risk assessments.

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>.

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 in the rapidly expanding organic agricultural market sector. These regulations govern the production, handling, and labeling of organic agricultural products.

AMS accredits 79 third-party organic certifying agents worldwide and those certifiers oversee more than 27,800 certified organic operations around the world. AMS also establishes and maintains organic recognition and equivalency agreements with the foreign governments, including Canada, European Union, Taiwan, Japan, Korea, Switzerland, India, and Israel. 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:

Organic Integrity & Consumer Protection (Accreditation Activities/Compliance, Enforcement, and Appeals) – In FY 2015, AMS continued its work to protect the integrity of the USDA organic seal and consumers who purchase organic products. AMS conducted a total of 34 audits of USDA-accredited organic certifiers to verify regulatory compliance. The audits found that USDA organic certifiers remained in full compliance with 96 percent of accreditation criteria.

AMS completed 390 complaint investigations, exceeding the number of complaint investigations completed in FY 2014 by approximately 37 percent. Complaint investigation activities included 221 investigative and enforcement actions which consisted of 121 Notices of Warning, 36 Cease-and-Desist Orders, and 64 referrals for investigation by certifiers and State, Federal and foreign agencies.

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In addition, 36 appeals were closed in an average of 121 days, with 95 percent of the appeals closed within the target timeframe of 180 days. This is a faster average timeline than in 2014 and 2013, when the average days to closure were 140 and 194 days, respectively. Lastly, there were a total of 13 settlement arrangements and civil penalties totaling \$1,872,815 for knowing violations of the Organic Foods Production Act (not all settlement agreements include civil penalties and not all civil penalties were levied via settlement agreements).

International Trade – In July of 2015, AMS implemented a new organic equivalency arrangement with Switzerland. As a result of this arrangement between the U.S. and Switzerland, organic products certified in the U.S. or Switzerland may be labeled as organic in either country, allowing organic farmers, processors, and businesses in both countries greater access to each other's growing market for organic products. The arrangement also allows certified food processors in both countries to source organic ingredients, which helps facilitate trade between the U.S., Switzerland and the European Union (EU). Without this equivalency arrangement, organic farmers and businesses wanting to sell organic 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 Switzerland eliminates significant barriers, especially for small and medium-sized organic businesses.

Throughout the year, AMS also participated in regular meetings with the EU, Canada, Japan, Korea and India to support and advance organic trade through existing recognition and equivalency arrangements. In addition, AMS initiated discussions this year with the EU regarding plurilateral trade arrangements, and continued equivalency discussions with other countries, including Mexico, Costa Rica, Israel, New Zealand, Peru, and Taiwan. On October 26, 2015, AMS and Mexico exchanged letters of intent to work together over the next year to determine if the U.S. and Mexico's Organic Production Control Systems are equivalent. Lastly, AMS participated in Inter-American Commission on Organic Agriculture meetings in Quito, Ecuador to support greater harmonization of organic standards and improved control systems in Latin America.

Standards Development – AMS successfully led a variety of organic standards projects, all designed to clarify requirements for certifiers and operators and level the playing field across organic businesses. Standards published in FY 2015 include multiple rules regarding the National List of Allowed and Prohibited Substances and the Origin of Livestock Proposed Rule. In addition, AMS published guidance documents including Policy Memo on Biodegradable Biobased Mulch Film; Policy Memo on Electrolyzed Water; and Draft Guidance on Natural Resources and Biodiversity Conservation for Certified Organic Operations.

To facilitate the development of standards in a manner that ensures public participation and transparency, AMS collaborated with the National Organic Standards Board (NOSB) to conduct two web-based public oral comment sessions. These web-based sessions increased participation in the standards development process by reducing barriers for people from across the country who otherwise might not be able to travel to provide public oral comments. To help with development of future standards regarding hydroponics and aquaponics, AMS selected members to serve on the Hydroponic and Aquaponic Production Practices Task Force. The task force will report to the NOSB, the current hydroponic and aquaponic production methods used in organic production, and assess whether these practices align with the Organic Foods Production Act and the USDA organic regulations.

Outreach and Education – Each year, AMS conducts organic outreach and education to a wide range of stakeholders, including members of the National Organic Standards Board (NOSB); accredited certifying agents; non-organic and organic producers, processors and handlers; the media; and consumers. To reach these stakeholders and others, AMS conducts outreach and education through a variety of channels including: AMS website; fact sheets; newsletters; an email subscription service; blogs; press releases; media interviews; conferences; trade shows; presentations; training; and more. In February 2015, the training of NOSB members and accredited certifying agents took place in Washington, DC and Little Rock, AK, respectively.

In 2015, AMS continued its work to advance the Sound and Sensible organic certification initiative, focused on making organic certification more accessible, attainable, and affordable for candidate farms and businesses. This included working with 17 partner organizations through contracts to develop a comprehensive series of videos, tip sheets, and training materials to support certification across the country.

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Furthermore, throughout FY 2015, AMS representatives provided education and training through active participation in conferences and tradeshows in various cities in the U.S and other countries. Education and training focused on a wide range of topics related to standards, certification, enforcement, accreditation and trade to ensure that organic rules are clearly developed and enforced and that the integrity of the USDA organic seal and the confidence of organic consumers are protected.

Technology Investments – To provide technical solutions that identify and fulfill the needs of agriculture and to provide information that supports the development of new agricultural markets, the first release of the Organic *INTEGRITY* Database was launched near the end of FY 2015. AMS began designing and developing the new certified organic operations data system with funding from the 2014 Farm Bill. The database, which is a major upgrade to the previous one, is a modern data system. Underlying the new database is a brand new classification system (or taxonomy) for categorizing organically certified products. The new database will promote market visibility for organic operations; increase supply chain transparency; support the development of new markets; reduce the certifier reporting burden; and deter fraud. With the new database, anyone will be able to conduct market research, confirm an operation's certification status, and identify supply chain connections between buyers and sellers. In addition, the new database will establish technology connections with certifiers that will enable them to provide data in a more accurate and timely manner.

Organic Certification Cost-Share Grant Programs (Farm Bill) – In FY 2015, AMS continued supporting organic market access efforts across USDA through the National Organic Certification Cost Share Program (NOCCSP) and the Agricultural Marketing Assistance (AMA) Organic Certification Cost Share Grant Program. These programs enable organic producers and handlers to apply for reimbursement of costs up to \$750 per each of the four scopes of organic certification (crops, livestock, wild crops and handling). Through the NOCCSP, which was funded by the 2014 Farm Bill, AMS allocated approximately \$11.9 million to State departments of agriculture to support organic producers and handlers across the country. In FY 2015, a total of more than \$7.5 million in certification expenses were reimbursed, an increase of approximately \$1.5 million over FY 2014 reimbursements. This assistance can make a significant difference in a small or beginning farmer's choice to pursue organic certification.

Research and Promotion Programs

Current Activities: AMS provides administrative oversight to 22 industry-funded commodity research and promotion (checkoff) programs with over \$723.7 million in industry assessments. Industry research and promotion boards collect assessments from producers, feeders, seed stock producers, exporters, packers, importers, processors, manufacturers, and handlers, to pool their resources to establish, finance, and carry out a coordinated program of research, consumer information, nutrition, and promotion to improve, maintain, strengthen and develop new markets both domestically and internationally for agricultural products. AMS' role is to oversee research and promotion boards to ensure fiscal accountability and program integrity. AMS reviews and approves all commodity promotional campaigns including advertising, consumer education programs, and other promotional materials prior to their use. AMS also approves the boards' budgets and marketing plans and attends all board meetings. Funding of Research and Promotion (R&P) Program activities occur via collection of mandatory assessments from the industries they serve; there are no tax dollars involved in the establishment, operation, or oversight of the programs. R&P Programs reimburse AMS for the cost of administrative oversight activities.

Selected Examples of Recent Progress:

During FY 2015, AMS continued its initiative to encourage diverse agricultural leaders and focused on increasing the diversity of candidates nominated to serve on R&P boards. AMS engaged with industry and special emphasis groups in order to increase diversity among individuals nominated to serve (candidate slates) on R&P boards. AMS developed and led expanded R&P board diversity training for all boards. The training, held in conjunction with the 2015 Agricultural Outlook Forum, was attended by representatives from 20 of the 22 R&P boards.

Additionally, AMS sponsored a Marketing, Communications, and Oversight training for more than 100 R&P and Marketing Orders staff, board staff, and State program representatives. The training agenda included speakers from AMS; USDA's Center for Nutrition, Policy, and Promotion; FDA; and the Federal Trade Commission discussing topics such as food labeling claims, advertising in the marketplace, social media, updates on the *Dietary Guidelines*,

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guidelines for scientific research claims, and diversity. AMS also created and distributed R&P board fact sheets to 22 R&P boards and to at least 20 outreach organizations to increase awareness of board service opportunities and created and released a video promoting board service featuring four diverse board members and the AMS Administrator. AMS translated the Call-to-Action document into Spanish to use at Hispanic outreach events. As a result of these efforts, nominations of women and minorities for service on R&P boards has increased by 49 percent since 2009. 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.

Christmas Trees – The new Christmas Tree Promotion Board (Board) was appointed in January 2015 and quickly began to start up the program by hiring an Executive Director team to begin the management of the program. The Board has borrowed funds for start-up costs and will collect assessments on the 2015 harvest. Assessments are due from domestic producers and handlers on February 15, 2016. The Board will implement a social media campaign for this upcoming holiday season and anticipates having a much larger and higher-impact campaign for the 2016 holiday season.

Industry Research and Promotion activities:

- Cotton – The Cotton R&P Program navigated new territory due to low cotton prices and decreased market share. The Program has a renewed focus on improving the demand for and profitability of cotton. This year, the Program dedicated its efforts to improving cotton's environmental footprint throughout the supply chain, increasing speed-to-market with new projects and programs, developing call-to-action messaging that makes the 'case for cotton' to consumers and industry, and finally maximizing producer profitability through research and innovation.

Cost of production and cotton producers' bottom line continued to be a major focus. This season approximately 424 projects were funded or coordinated by Cotton Incorporated (CI), the Program's primary contractor. The ultimate goal of the research is to ensure economic efficiency of cotton operations. A new Web site was also launched (<https://cottoncultivated.cottoninc.com>) to provide a portal to help users find cotton specific information as quickly and easily as possible. Information on the site includes up-to-date, region-specific information from CI extensive research library, universities and other top sources.

In 2015, cotton's market share continued to be threatened by man-made synthetic fabrics and CI responded with authenticity. The Program launched a completely revamped advertising campaign: Cotton. Your Favorite for a ReasonSM. The goal is to show how cotton makes you look and feel good, while communicating the physical benefits of the fiber; reminding consumers to check the label and shop cotton for their next favorite. The commercials are available to view on: <https://thefabricofourlives.com>.

- Dairy Products –The Dairy R&P Program continued its focus on child health and wellness through its in-school program, Fuel Up to Play 60 (FUTP60) and launched FUTP60 *en Español* to meet the needs of Latino students and their families. FUTP60 was launched by the National Dairy Council (NDC) and the National Football League (NFL), in collaboration with USDA, and is the nation's largest in-school health and wellness program with more than 73,000 participating schools. FUTP60 has led to more than 16 million students getting more physical activity and 13 million students making more nutritious food choices, including fruits, vegetables, whole grains, lean proteins, and low-fat and fat-free dairy. FUTP60 recognized that the national student body is increasingly diverse, making it important to reach students and their families in culturally relevant ways. With the Hispanic population in schools projected to increase to 29 percent of total enrollment by 2024 and Spanish being the most spoken non-English language in the U.S., there is a need for Spanish-language resources that can help engage a greater number of kids and their families in health and wellness initiatives. The Fuel Up to Play 60 *en Español* materials are available online and include interactive Spanish-language resources and information about healthy eating and physical activity. On October 8, NDC and representatives from PepsiCo, Morgan Stanley, the Miami Dolphins, Univision, and Miami-Dade County Public Schools shared news of the program with students, educators, parents and community members in Miami, Florida. On Oct. 13, NDC celebrated the program with partners, including the National Hispanic Medical Association, California Department of Health, Pro

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Football Hall of Famer Anthony Muñoz and Los Angeles Unified School District in Los Angeles, California.

- Fluid Milk –The National Fluid Milk Processor Promotion Program and the Dairy R&P Program maintain an ongoing partnership with Feeding America to support the Great American Milk Drive, designed 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, each consumer needs 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. Since 2014, the Great American Milk Drive has resulted in the donation of 6 million servings of milk.
- Eggs – The Egg R&P 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 over 45 million eggs to the Nation’s hungry population.
- 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. The Blend adoption in schools doesn’t stop with the burger. School manufacturers are producing approximately 20 different Blend products, including tacos, meatballs, chili, meatloaf, and pasta sauce. The demand for the Blend in schools is gaining momentum – the USDA commodity program has ordered seven trucks of mushrooms for the 2015 school year and anticipate ordering eight more by the end of the year. Blendability also adds an extra serving of vegetables to the plate and reduces fat and cholesterol in traditional meals.
- Softwood Lumber – The Softwood Lumber Board and USDA are jointly funding a “Tall Wood Building Competition.” It is a prize competition designed to demonstrate the architectural and commercial viability of using wood in the construction of tall buildings. In October 2014, a notice detailing the competition was published in the *Federal Register* announcing that applications were due in December 2014. In February 2015, a panel of judges met to first evaluate the applications, and the sponsors reviewed the submissions. Two winning development teams were announced by the Secretary in September 2015. They will each receive \$1.5 million in funding to support the development of tall wood demonstration projects in New York and Portland, Oregon. Both projects will showcase the safe application, practicality and sustainability of a minimum 80-foot structure that uses mass timber, composite wood technologies and innovative building techniques.

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Research and Promotion Program Industry Revenue FY 2016 Estimate (Dollars in Millions)

<u>Commodity</u>	<u>Estimated Revenue</u>
Cotton	\$75.6
Dairy	112.8
Fluid Milk	88.1
Beef	44.8
Lamb	2.6
Pork	91.0
Soybeans	103.4
Sorghum	7.5
Eggs	27.9
Blueberries	8.3
Hass Avocado Board	56.2
Honey Board	9.8
Mango Board	7.8
Mushroom Council	5.1
Paper and Paper-Packaging	24.5
Peanut Board	10.4
Popcorn Board	1.0
Potato Board	20.0
Processed Raspberries	2.7
Softwood Lumber	20.0
Watermelon Board	3.5
Total	\$723.7

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:

Surface Transportation Board regulatory proceedings and related meetings—On behalf of agricultural transportation stakeholders, AMS drafted briefing memorandums and correspondence, reviewed, filed, and replied to public comments to the Board, under the authorities of the Agricultural Adjustment Act of 1938 and the Agricultural Marketing Act of 1946.

AMS also participated in high-level meetings on rail regulatory issues, provided studies, and helped develop rail policy recommendations. Regulatory filings with the Board and meetings with railroads led to increased market

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transparency through the publication of weekly rail service metrics, used by agricultural shippers to help with their marketing and transportation decisions.

AMS participated in meetings and task forces on transportation topics, including:

- Canadian Transportation Agency Review Panel
- Quadrennial Energy Review Task Force
- Rail Energy Transportation Advisory Committee
- National Grain Car Council
- Secretary's Agricultural Technical Advisory Committee for Trade in Grain, Feed, Oilseeds and Planting Seeds
- Inland Waterway Users Board Meetings

Transportation Reports and Studies – In addition to issuing regular transportation reports that are published weekly, quarterly, and annually, AMS developed, co-authored, sponsored, and published on its Agricultural Transportation website many new, one-time transportation analyses, articles, and resources in FY 2015. Examples include:

- *Rail Service Challenges in the Upper Midwest: Implications for Agricultural Sectors – Preliminary Analysis of the 2013 – 2014 Situation* (with Office of the Chief Economist)
- *Constrained Market Pricing and Revenue Adequacy: Regulatory Implications for Shippers and Class I U.S. Freight Railroads* (through a cooperative agreement with the University of Minnesota)
- *Wheat Transportation Profile*
- *Soybean Transportation Profile*
- *Regional Food Logistics: A Stakeholder Process to Inform Multi-System Redesign for Sustainability* (through a cooperative agreement with the University of Wisconsin)
- *USDA Perspective on Transportation Constraints to Agriculture Exports*

West Coast Port Congestion and Longshore Labor Negotiations—AMS provided updates to USDA's Agricultural Technical Advisory Committee for Trade in Processed Products and the Fruit and Vegetable Industry Advisory Committee as slowdowns and reduced vessel loading and unloading impacted agricultural exporters and importers. AMS developed new contacts at the Maritime Administration to provide USDA with accurate and up-to-date vessel status information and participated in the interagency Committee on the Marine Transportation System discussions.

Transportation Outreach and Education – In conjunction with agricultural trade groups, State associations, and other stakeholders, AMS co-sponsored an agricultural transportation summit, six workshops, and a transportation outlook session:

- Ag Transportation Summit—with the National Grain and Feed Association and the Soy Transportation Coalition, supported the second biennial summit in Rosemont, IL. Approximately 200 individuals were in attendance, with representatives from the major rail companies, shippers, ports, truckers, farmers, and government agencies.
- Ag Shipper Workshops—co-sponsored six annual workshops, facilitating discussion of ocean, rail, and truck regulatory, rate, and service issues for new and experienced agricultural and forest product shippers and exporters in Fresno and Sacramento, CA, Boise, ID, Atlanta, GA, Minneapolis, MN, and Portland, OR. The workshops support the goals of President Obama's 'National Export Initiative' and 'Made in Rural America' export and investment initiative, by connecting more rural businesses of all types to export information and assistance.
- USDA Agricultural Outlook Forum—organized and moderated the transportation session on *Moving Feed, Food and Fuel to Market* discussing how the agricultural commodities, along with oil, coal, ethanol and other users, fit into the future plans of railroads; the U.S. barge system and how it impacts agricultural commodities, and a cooperatives' perspective on the logistics of handling large crops in terms of storage, marketing, and shipping.

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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 2015, AMS further expanded and developed its on-line local food directories to include national directories of food hubs, Community Supported Agriculture (CSA) enterprises, and on-farm markets to connect local food sellers to buyers and expand market opportunities for small and mid-sized farms. As of the end of FY 2015, the directories included 8,491 farmers markets, 672 CSAs, 157 food hubs, and 1,317 on-farm markets.

In FY 2015, AMS established cooperative agreements, interagency agreements and sponsorships to research, develop and support the growth of local and regional food systems:

- Colorado State University, “Building a Standardized Evidence-Based Economic Impact Assessment Toolkit for Food System Clusters: Outreach, Training and Proof of Concept.” This is an extension of a previous project in cooperation with a team of nationally recognized experts to develop a set of standardized methods for calculating the economic impact of local food systems investments, and to provide outreach and training in the use of the Toolkit. The tool encompasses a range in sophistication and data requirements so that everyone from farmers market managers to community planners can use best practices for assessments that can be supported in internal budget discussions and loan applications.
- Michigan State University to explore and develop a “Farmers Market Price Reporting and Discovery System” via mobile and web-based application. The app will enable market vendors to push current special prices to customers who have elected to receive such push notifications, thereby increasing sales and customer traffic to markets.
- Cornell University, “The Promise of Urban Agriculture: National Case Study of Commercial Farming in Urban Areas” to assess the profit/loss of two major types of urban agriculture models: land-based and structure-based (hydro, aero, other) across up to 20 operations in the US to establish baseline information.
- FamilyFarmed.org, 2015 Good Food Festival and Conference in Chicago, IL. The Good Food Festival & Conference helps connect financial resources to farms and Good Food businesses; helps grow local procurement capacity; engages local school districts; provides a forum to discuss local, statewide, and national food policy; and educates the public about the importance and impact of Good Food. Unique opportunities arise for growing the Good Food movement with all of these stakeholders networking through our important sessions and trade show exhibits.
- Environmental Protection Agency, Local Food Local Places (LFLP) initiative. LFLP provides a customized technical assistance workshop on a competitive basis to approximately 25-30 communities per year with the intention of helping them incorporate “smart growth” principles within their local food system development plans. The objective of the LFLP initiative is to help disadvantaged communities, most notably those in rural areas, become better equipped to identify their local food system needs and priorities, assess and direct their resources appropriately, and prepared to apply for Federal assistance.
- AMS, in collaboration with the U.S. Department of Defense’s (DoD) Healthy Base Initiative (HBI), and Wholesome Wave, also published the first-ever *Guide for Farmers Markets on Military Installations*. By assisting military installations in establishing farmers markets, the guide will help increase access to fresh, local food for soldiers on military installations. It is filled with effective strategies to bring the benefits of farmers markets to service members and their families stationed at installations across the country. The guide also highlights success stories, showcasing existing farmers markets on military installations in Fort Bragg, NC; Fort Meade, MD; Fort Belvoir, VA; Camp Lejeune, NC; and Quantico, VA

Infrastructure/New Market Development - In FY 2015 AMS funded an interagency agreement with National Institute of Food and Agriculture (NIFA) and Penn State University to initiate the mapping of local food infrastructure and resources in six Strike Force states (Arizona, Arkansas, Alaska, Kentucky, Mississippi, and North Carolina). This mapping will be accomplished by:

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- Leveraging/aggregating existing data and collecting new resources to create a national map that geospatially identifies local food businesses, local food infrastructure (e.g., product aggregation centers, cold storage facilities, processing and packaging facilities, kitchen incubators, food innovation centers, transportation networks, etc.), producer networks, and other food system resources to support local food businesses.
- Facilitating greater linkages at the State and local level to advance the development and growth of local food systems and create market opportunities for agricultural producers, including augmenting investments from public and private organizations.
- Leveraging other USDA maps and data such as the Know Your Farmer, Know Your Food Compass, the Economic Research Service Food Access Research Atlas, the AMS local food directories, and other relevant resources.
- Establishing a comprehensive and visual representation of food system resources/ infrastructure to help developers, planners, investors, or policy makers gain a better understanding of the opportunities and needs in select states.

Facilitating 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 2015, AMS provided architectural plans and design assistance to local food businesses. Examples include:

- Greenwood, South Carolina Farmers Market
 - AMS architect provided technical assistance for the development of a multi-functional farmers market on a two and one-half acre site. Construction on the last phase of the project began in early April of 2015, with estimated project completion date of January 2016, and the new features and amenities open to the public in the Spring. The plans include the market pavilion structure, restroom facilities, interactive fountain, additional landscaping, lighting, elevated lawn, and plaza. This project is funded with the investment of local hospitality taxes in partnership with the V. Kann Rasmussen Foundation, the Self Regional Healthcare Foundation, the Self Family Foundation, the City of Greenwood, the Greenwood Commissioners of Public Works, and the Greenwood Metropolitan District.
- New Albany, Mississippi Farmers Market
 - Throughout FY 2015 AMS provided technical design assistance for the proposed downtown city market. The community envisions a mixed-use, public/private development on property that is adjacent to the Tallahatchie River with a public park and arboretum, walking/ biking trail that connects the town's sportsplex and tennis facilities. The farmers market is central to this development. The work will include housing, retail, and an industrial-scale bakery along with the supporting infrastructure.
- Oneida Tribal Nation Food Hub, Green Bay, Wisconsin
 - AMS provided design assistance to develop a concept for the Food Center building which would include, but not be limited to an entrepreneurial kitchen for community members to develop their own products for sale and a cannery, both for production and for community use.

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Marketing Outreach/Training/Technical Assistance:

- Grant-writing workshops to help increase access to AMS resources:
 - AMS worked with NIFA and the USDA-funded Regional Rural Development Centers to develop a training program and conduct outreach, education, and technical assistance to eligible applicants for AMS Grant Programs. Trainings numbered 126 in-person grant writing workshops in 50 States and two U.S. territories (Virgin Islands and Puerto Rico) to better equip applicants for understanding, developing, submitting, and managing their Federal grant applications (or grants).
- AMS facilitated collaborative roundtables with farmers in three states to discuss issues related to local food system opportunities, women in agriculture, and technical, financial, and educational support services available through USDA agencies:
 - Syracuse, NY, in partnership with the New York State State Department of Agriculture and Markets, Farm Service Agency (NY), and Natural Resources Conservation Service (NY)
 - Omaha, NE, in partnership with a member of Congress and the USDA Nebraska Food and Agriculture Council (Rural Development, Farm Service Agency, and Natural Resources Conservation Service)
 - Sante Fe, NM, in partnership with the Sante Fe Farmers Market, New Mexico Department of Agriculture, and local partnering organizations
- During FY 2015, AMS provided technical assistance by responding to 770 requests for information and assistance regarding local and regional food marketing issues. AMS also participated in 18 regional and national conferences, conducted 6 webinars, 13 trainings/workshops, and 7 conference calls to share information with more than an estimated 3,000 small and mid-sized enterprises and individuals on opportunities to enhance their marketing and purchasing strategies regarding locally and regionally produced foods.

Farmers Market and Local Food Promotion Program (Farm Bill-Funded)

The Farmers Marketing and Local Food Promotion Program was authorized by the Farmer-to-Consumer Direct Marketing Act of 1976, as amended (7 U.S.C 3005). Both the Farmers Market Promotion Program and the Local Food Promotion Program fall under its umbrella. Since 2009, the Farmers Market Promotion Program (FMPP) has funded 902 projects totaling over \$59.2 million supporting direct marketing efforts for local food.

In 2015, AMS awarded \$25 million in grants to establish, improve, and support over 324 local food markets across the U.S. through its Farmers Market and Local Food Promotion Program. FMPP awarded \$13.3 million to 164 project recipients and LFPP awarded \$11.8 million to 160 project recipients.

Auditing, Certification, Grading, Testing, and Verification Services (Fee 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.

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Selected Examples of Recent Progress:

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 or quality statement is also required on some products purchased through AMS Dairy Commodity Procurement.

Fees and Charges in Effect in 2015:

<u>Services Performed</u>	<u>Fees</u>
Continuous Resident Grading Service	\$76.00 per hour
Nonresident and Intermittent Grading Service	82.00 per hour

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 2015, U.S. dairy export sales declined 27 percent from 2014. Yet in 2015, the Dairy Grading program received revenue for 46,000 export certificates, which was a one percent increase over 2014. AMS Dairy Programs continues to improve the certificate issuance program. In 2015, the eDOCs system was further enhanced to improve its functionality, to allow applicants to request derogations related to EU regulatory requirements, endorser are able to conduct bulk printing, and greater sorting memory is available when conducting searches within multiple certificates.

Fruit and Vegetable, Specialty Crops Inspection -- This program offers both grading and audit-based verification services for the food industry. In 2015, AMS inspected and certified 62 billion pounds of fruit and vegetable products and 1.1 billion pounds of fruit and vegetable products valued at \$691 million for the National School Lunch Program and other feeding systems. Grading and inspection services were provided by more than 700 Federal employees at 31 Federal receiving markets, 380 processing facilities, and 30 inspection points. In addition, 2,400 Federally-licensed State inspectors provided grading services in 41 States. Federal and Federal-State inspectors are located throughout the Nation to meet the inspection and certification needs of the specialty crops industry. AMS coordinates with FDA, U.S. Customs and Border Protection, the Canadian Food Inspection Agency, and other government entities and public associations on issues related to specialty crops inspection and marketing.

Third Party Verification Audits – AMS conducts independent, third-party verification audits throughout the supply distribution chain for primary producers, food service and retail organizations, processors, and State and Federal government agencies. These audits are generally used to meet commercial or government contractual requirements as a condition of sale and address quality, food safety, sanitation or traceability of products.

The USDA Good Agricultural Practices (GAP) and Good Handling Practices (GHP) Audit Program participants' ability to conform to generally recognized "best practices" outlined in the FDA Guide to Minimize Microbial Hazards of Fresh Fruit and Vegetables 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 2015, AMS licensed auditors conducted approximately 3,815 audits on more than 190 different commodities in all 50 States, Puerto Rico, Canada (Quebec, Ontario, and British Columbia), and Chile.

GroupGAP Pilot Program -- In FY 2015, AMS continued the GroupGAP pilot program which allows groups of producers 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. The pilot program was expanded to include 11 groups from California, Iowa, Michigan, Missouri, Montana, North Carolina, Pennsylvania, and Wisconsin which collectively represented more than 200 growers. In October 2015, AMS announced it would launch the GroupGAP Program as a full service offering in April 2016. When AMS certifies that the grower groups are following industry-recognized food safety practices under GroupGAP, more small and mid-sized farmers can demonstrate that they have met retailer food safety requirements for "buy local" programs. These new suppliers help stores build an inventory of local food from growers who previously couldn't access mainstream retail markets. GroupGAP efficiencies allow buyers and retailers to broaden their base of suppliers, so they are more resilient in the face of supply challenges or disruptions. Diverse product offerings are available from a group of growers rather than a

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single grower. Furthermore, GroupGAP will comply with upcoming FDA requirements under the Food Safety Modernization Act.

In addition to the on-farm food safety/GAP audits AMS conducted:

- Approximately 450 Food Defense surveys in support of USDA food purchases. The surveys verify the measures that operators of food establishments take to minimize the risk of intentional tampering or contamination of food.
- 31 Department of Defense, Defense Logistics Agency prime vendor audits, including 7 international audits in Japan, Singapore, Panama, Dubai, Guam, and South Korea which assess a vendors conformance to quality and food safety requirements.
- 47 Domestic Origin Verification audits at facilities to confirm products supplied for USDA food purchases were of domestic origin.
- 13 Plant Systems audits to assess an operations quality assurance system.
- 10 Identity Preservation audits to assess a marketing claim about a unique characteristic of a product.
- 9 verification audits under the Qualified Through Verification program to assess the operation's HACCP program within the fresh cut produce industry.
- Performed audits at three facilities producing Ready-to-Use Therapeutic 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 UNICEF and the World Food Program for distribution to malnourished children from 6 months to 5 years of age.
- Reviewed for approval 1,900 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.

National School Lunch Program Support – AMS developed and implemented vendor requirements for the new Pilot Project for the Procurement of Unprocessed Fruits and Vegetables. Mandated by the 2014 Farm Bill, FNS is running the pilot program in eight States to provide State distribution agencies with flexibility to procure unprocessed fruits and vegetables for school lunches. As of the end of FY 2015, AMS approved 56 applications; an additional 41 applications are being reviewed.

Military Support – Combat Ration Inspection -- During FY 2015, AMS coordinated the inspection of 5,800 lots comprised of 311 million servings of food components for Department of Defense (DoD) combat rations at 15 processing plants nationwide and in American Samoa. Under this program, AMS in-plant graders serve as the DoD quality assurance representatives, inspecting and certifying daily production at contractors' facilities to ensure that only top-quality food components are used in DoD Operational Rations. AMS graders inspect a wide range of products for this program, including meat, poultry, tuna, and vegetarian entrees; bakery items; peanut, fruit, and cheese spreads; and, beverage powders, including those used for dairy shakes and fruit-flavored drinks. These items are used in a variety of DoD Operational Rations for both combat and training purposes, including Meals, Ready-to-Eat (MRE), the DoD's essential combat ration. AMS also coordinates with the DoD to review food specifications for ration production and inspection, and participates in projects to improve rations, including ensuring packaging integrity and enhancing product shelf life.

MRE Packaging Improvements – AMS worked with USDA, FSIS, the Defense Logistics Agency's Troop Support, and industry to develop and implement improved packaging for MRE rations that uses less material to protect the rations. These changes decreased packaging material costs and lowered MRE distribution costs due to decreased weights and volumes, for an estimated annual savings of approximately \$24 million. AMS also facilitated FSIS' reviews and approvals of involved labelling changes, and adapted our in-plant inspection procedures to provide quality assurance measures appropriate for the new packaging.

International Trade Facilitation-- Almond Voluntary Aflatoxin Sampling Plan – On August 1, 2015, AMS launched a new Pre-Export Check (PEC) program for almonds going to international markets. Implementation of the program marked the culmination of a year-long collaborative effort between AMS, the California Department of Food and Agriculture (CFDA), and the Almond Board of California (ABC) to update the Voluntary Aflatoxin

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Sampling Plan and verification process for almonds entering the European Union. Under the program, almonds may be checked for aflatoxin in the United States and a pre-export health certificate issued by AMS before export. AMS and ABC are developing a system-based audit review program that will ensure the integrity of the PEC program and allow AMS inspectors to sign health certificates. As part of this effort, AMS established a Memorandum of Understanding with the ABC that delineates AMS's role in the PEC program, including use of audit verification system.

Beyond the Border Apple Pilot Inspection Program – On May 4, 2015, AMS and the Canadian Food Inspection Agency initiated a 3-year Beyond the Border Apple Pilot Inspection Program to facilitate international trade. The pilot is intended to lower grade verification inspection rates for bulk apples that are grown in the United States and imported by Canada. Under the pilot, AMS and cooperators continue to provide grade verification inspections and oversee the tracking of bulk loads of U.S. apples greater than 440 pounds that are shipped under a Ministerial Exemption contract. Specifically, we inspect and certify loads of apples randomly selected by CFIA on an FV-205, Certificate of Inspection for Canadian Destinations; and, certify, but not inspect, all remaining loads under the pilot by including the following statement in the Remarks section of the certificate: “This FV-205 is issued without inspection as per the Canada – U.S. Beyond the Border Agri-Food Pilot for Apples.”

Fresh Electronic Inspection and Reporting System (FEIRS) -- In FY 2015, AMS deployed computers with the FEIRS application to Federal-State terminal market inspectors in 12 states. Use of this electronic inspection application for fresh fruit and vegetables across the inspection system will harmonize Federal and State cooperators' inspection processes, software, and capabilities, and provide more electronically-captured data from market inspections nationwide.

Peanut and Onion Inspection Software -- In FY 2015, AMS finalized an agreement to lease the Georgia Federal-State Inspection Service's (GA FSIS) electronic inspection program for peanuts and onions. Under the agreement, AMS obtained a software license to use the program and sub-license it to other States, and the GA FSIS agreed to provide technical and software support for the program. States that are using the application to provide peanut and onion inspections on AMS's behalf are now using a single, uniform inspection program for both incoming Farmers' Stock, and milled or blanched peanuts. Ten of the 11 States that account for 90 percent of incoming peanut inspections adopted the single electronic inspection program. Implementation of this robust automated inspection application will improve grading and reporting uniformity across all official service providers.

Olive Sizer -- In FY 2015, AMS validated the Multi-Scan I5 sizers for use in sizing olives. The validation of this sizer for domestic olives streamlines the grading and sizing process for handlers by reducing verification sampling frequency and eliminating the need for inspectors to classify fruit by hand. The validation process requires that sizers be verified using a 1,300-count reference sample of various sizes developed by the California Olive Committee (COC). It also requires that reference samples be: available at all locations where a Multi-Scan I5 is being used; introduced into the Multi-Scan I5 at least twice during each 8-hour shift (i.e., once every 4 hours); and, compared to an approved MultiScan Test Olive Grading Data sheet. All sizer verification checks must be performed by a USDA inspector. Further, the MultiScan I5 is approved to perform count only when a GA FSIS inspector is present and supervising the sampling and grading process. In response to a COC request, AMS approved the use of a 1,300-count sample entered into a machine instead of a 10-pound sample.

AMS conducted 29 training classes during 2015 to ensure quality service and uniform application of procedures.

Fees and Charges in Effect for Processed Fruit and Vegetable Grading in 2015:

<u>Service Performed</u>	<u>Fees</u>
Lot Inspections	\$62.00 per hour
In-plant Inspection under Annual Contract	49.00 per hour
Additional Graders (in-plant) or Less than Year-Round	65.00 per hour
Audit Services	92.00 per hour

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Fees and Charges in Effect for Fresh Fruit and Vegetable Grading in 2015:

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>
Quality and Condition Inspections for Whole Lots	\$151.00 per lot
Condition-Only Inspections for Whole Lots	125.00 per lot
Inspections for Additional Lots of the Same Product	69.00 per lot
Inspections for All Hourly Work	74.00 per hour
Audit Services	92.00 per hour

Livestock, Poultry, and Seed Auditing, Grading, and Verification--Auditing services – AMS provided audit services for export verification programs, organic certifying agencies, seed testing laboratories, State agencies, and other agricultural based establishments and companies worldwide during 2015. AMS conducted approximately 1,300 different types of Quality Management audits for the entire agricultural industry with a staff of 14 qualified auditors. The audits were provided to approximately 878 companies.

Process Verified Program - There are approximately 51 entities that operate a USDA Process Verified Program associated with cattle, poultry, pork, grain and Non-GMO/GE marketing claims/process verified points. New USDA Process Verified Programs are submitted on an almost weekly basis with the scope of the programs expanding past the traditional live animal or processing process verified points. In the near future, cartons of Soy Milk will appear on certain retail store shelves that are marketing the USDA Process Verified Program for NonGMO/GE ingredients.

The Processed Eggs and Egg Products Export Verification Program (PEEPEV) aids in the export of processed products containing eggs to the EU 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). In 2015, nine more countries began accepting PEEPEV certificates for imported processed products containing egg. During FY 2015, PEEPEV certified 56.2 million pounds of eggs for export to Mexico and the EU.

AMS provided services to USDA Accredited Certifying agents to the ISO Guide 17065 Program within the scope of the Russian Export Market for the shipment of poultry to Russia. This program allow the producers the ability to label export product to Russia that meets the Russian Import requirements. Audits are also conducted on behalf of the USDA NOP for the continued approval of their approved Accredited Certifying Agents (ACA) according to the NOP Rule. During FY 2015, AMS QAD conducted 19 international and domestic audits of the ACA's.

AMS conducted on-site audits of companies involved in the USDA/ASTM Tenderness Standard, which provides retail level grocery stores the ability to label their products as USDA Tender or Very Tender. The Tender program has expanded significantly in the Midwest and East Coast areas of the U.S with approximately 2,000 individual stores having the ability to label certain meat cuts as Tender or Very Tender.

Fees and Charges in Effect in 2015:

<u>Service Performed</u>	<u>Fees</u>
Livestock and Meat Audits	108.00 per hour
Poultry Industry Audit	89.20 per hour

Livestock Grading and Verification – During FY 2015, AMS provided grading and verification services to approximately 247 meat packing and processing plants, livestock producers, and livestock service providers. A total of 23.6 billion pounds of meat and meat products were verified for specification, contractual or marketing program requirements.

AMS graded a total of 18.5 billion pounds of red meat (beef, lamb, veal and calf), which represents approximately 92.5 percent of steers and heifers, 64.6 percent of lamb, and 43.5 percent of veal and calf commercially slaughtered in the United States. AMS graded 41 loads of beef cattle carcasses for the Chicago Mercantile Exchange.

AGRICULTURAL MARKETING SERVICE

Fees and Charges in Effect in 2015:

<u>Service Performed</u>	<u>Fees</u>
Commitment Grading	\$61.00 per hour
Non-commitment Grading	71.00 per hour

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 basis. During 2015, AMS provided resident service in 78 poultry plants, grading 7.83 billion pounds of poultry, and 210 shell egg plants where 3.1 billion dozen shell eggs were graded. 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.

Fees and Charges in Effect in 2015:

<u>Service Performed</u>	<u>Fees</u>
Resident Service (In-plant)	\$42.68 per hour*
Fee Service (non-scheduled)	77.28 per hour

**Note: Administrative charges are applied in addition to hourly rates for resident service.*

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 2015, AMS tested 1,332 samples and issued 1,332 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 2015 totaled \$64,780.

Fees and Charges in Effect in 2015:

<u>Service Performed</u>	<u>Fees</u>
Laboratory Testing	\$52.00 per hour
Administrative Fee	13.00 per certificate

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 2015, AMS approved the shipment of approximately 95 million pounds of seed.

Cotton Grading--AMS classified 15.4 million bales of cotton under the grower-classing program in FY 2015, with all cotton classed by the High Volume Instrument (HVI) method. This represents a 16.67 percent production increase from the FY 2014 level. Classing information is provided electronically to owners of the cotton. In FY 2015, the Cotton Program disseminated data for over 56 million bales, a 12 percent increase from FY 2014. This data represents multiple crop years or multiple requests for the same bale.

The AMS Cotton and Tobacco Program provided classification/certifications services on 321,615 bales of cotton submitted for futures certification during FY 2015. This certification total was 63.7 percent decrease as compared to FY 2014 when certification services were provided on 886,484 samples submitted. The primary cause for the decrease in the number of samples certificated was the marketing environment during FY 2015. 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 2015:

<u>Service Performed</u>	<u>Fees</u>
Form 1 Grading Services or Review	\$2.20 per bale <i>a/</i>
Form A, Form C, Form D, Foreign Growth Classification	2.00 per bale
Certification of Futures Contract (grading)	3.50 per bale

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).

AGRICULTURAL MARKETING SERVICE

Tobacco Grading--During FY 2015, AMS graded 52 million kilos of imported tobacco and 120.7 million pounds of domestic tobacco for exporting and performed pesticide testing on 14.8 million kilograms of tobacco to ensure that pesticide residue levels were within tolerance. In addition, 42 million pounds of tobacco were graded under a Memorandum of Understanding with USDA's Risk Management Agency, an increase of 780 percent from FY 2014.

Fees and Charges in Effect in 2015:

<u>Service Performed</u>	<u>Fees</u>
Domestic Permissive Inspection & Certification	\$47.40 per hour
Export Permissive Inspection & Certification	0.0025 per lb
Grading for Risk Management Agency	0.01 per lb
Pesticide Test Sampling	0.0054 per kg or .0025 per lb
Pesticide Retest Sampling	115.00 per sample or 47.40 per hour
Import Inspection and Certification	0.0154 per kg or .0070 per lb

AMS Laboratory Approval and Testing Division (LATD)--The LATD provides lab testing and approval (audit) services to AMS commodity programs and to the agricultural community in order to facilitate domestic and international marketing of food and 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 2015, LATD administered laboratory approvals in support of AMS commodity programs: Export program (25 labs in total), Aflatoxin program (38 labs in total), and internal AMS programs (18 labs in total). In administering these programs, LATD conducted onsite lab audits, desk audits, analyzed monthly check sample data sets for the programs, and monitored each lab's proficiency data.

LATD showed adaptability of service to address a peanut industry stakeholder's need for cost effective and high integrity testing service. At the request of the stakeholder, LATD entered into a contract to establish satellite USDA laboratory onsite at a peanut shelling facility in order to provide testing service and laboratory supervision. USDA overseeing onsite laboratories is similar to service provided onsite by USDA AMS graders and/or inspectors. This opportunity strengthened NSL's relationship with the peanut industry with regards to analytical testing.

The AMS NSL performed over 97,000 analyses of various agriculture commodities, many of which were tested for multiple analytes. The NSL provided analytical testing services to other Federal programs, including NOP, ARS, and APHIS as well as private customers.

Fees and Charges in Effect in 2015:

<u>Service Performed</u>	<u>Fees</u>
Laboratory Testing Services	\$88.00 per hour
Laboratory Approval Services	\$136.00 per hour

AGRICULTURAL MARKETING SERVICE

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.

Selected Examples of Recent Progress:

More than 140 species of plants are currently protected under the PVP Act. In FY 2015, AMS received 502 applications for protecting new agricultural, floral, and seed plant varieties. A total of 335 applications, including some from previous years, were pending action at the end of FY 2015. During the fiscal year, AMS conducted searches on 493 applications to determine whether the plant constituted a new variety. On the basis of those searches, the program issued 419 certificates of protection and reduced the processing time from 2.4 to 1.6 years. At the end of the fiscal year, 7,048 certificates were in force while protection had expired on 102 different varieties.

The electronic application filing (ePVP) system is being tested by internal and external users for 28 crops to ensure that the external and internal software systems are fully functioning. The ePVP system will eventually replace the legacy STAR database system for the entry and processing of PVP applications. The ePVP system is an interactive Web based filing and examination system using Microsoft (MS) Customer Relationship Management (CRM) and MS .Net software on virtual servers.

AGRICULTURAL MARKETING SERVICE

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

Limitation on Administrative Expenses

Not to exceed [\$60,982,000] \$61,227,000 (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, 2017	\$61,227,000
2016 Enacted	<u>60,982,000</u>
Change in Appropriation	<u>+245,000</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, 2017.....	\$1,235,000
2016 Enacted.....	1,235,000
Change in Appropriation.....	-

Summary of Increases and Decreases

(Dollars in thousands)

Program	2014 Actual	2015 Change	2016 Change	2017 Change	2017 Estimate
Discretionary Appropriations:					
Payments to States and Possessions.....	\$1,363	-\$128	-	-	\$1,235
Total.....	1,363	-128	-	-	1,235

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2014 Actual		2015 Actual		2016 Enacted		Inc. or Dec.		2017 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Appropriations:										
Payments to States and Possessions.....										
	\$1,363	1	\$1,235	1	\$1,235	1	-	-	\$1,235	1
Total Appropriation.....	1,363	1	1,235	1	1,235	1	-	-	1,235	1
Total Available.....	1,363	1	1,235	1	1,235	1	-	-	1,235	1
Lapsing Balances.....	-59	-	-6	-	-	-	-	-	-	-
Total Obligations.....	1,304	1	1,229	1	1,235	1	-	-	1,235	1

Payments to States and Possessions

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2014 Actual		2015 Actual		2016 Enacted		Inc. or Dec.		2017 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Obligations:										
Payments to States and Possessions.....										
	\$1,304	1	\$1,229	1	\$1,235	1	-	-	\$1,235	1
Total Obligations.....	1,304	1	1,229	1	1,235	1	-	-	1,235	1
Lapsing Balances.....	59	-	6	-	-	-	-	-	-	-
Total Available.....	1,363	1	1,235	1	1,235	1	-	-	1,235	1
Total Appropriation.....	1,363	1	1,235	1	1,235	1	-	-	1,235	1

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Distribution of obligations by State is not available until projects have been selected. Projects for 2016 will be selected in the fourth quarter of 2016. Funds in 2016 for the Federal-State Marketing Improvement Program total \$1,235,000. A funding level of \$1,235,000 is proposed for 2017.

Geographic Breakdown of Obligations
(Dollars in thousands)

	<u>2014 Actual</u>	<u>2015 Actual</u>
Alaska.....	-	\$61
Arkansas.....	\$53	-
Colorado.....	-	104
Connecticut.....	48	-
Delaware.....	-	87
Florida.....	44	-
Hawaii.....	80	69
Iowa.....	40	-
Kansas.....	125	58
Maryland.....	36	-
Massachusetts.....	-	44
Minnesota.....	-	59
Missouri.....	66	-
Nevada.....	36	-
New Jersey.....	-	100
North Carolina.....	106	-
South Carolina.....	-	56
Tennessee.....	-	91
Vermont.....	75	92
Virginia.....	201	-
Washington.....	218	62
Wisconsin.....	-	57
Wyoming.....	-	65
Subtotal, Grant Obligations.....	<u>1,128</u>	<u>1,005</u>
Administrative Expenses (D.C.).....	176	224
Lapsing Balances.....	<u>59</u>	<u>6</u>
Total, Available.....	<u><u>1,363</u></u>	<u><u>1,235</u></u>

AGRICULTURAL MARKETING SERVICE

Specialty Crop Block Grants

FY 2015 funding of \$65,208,000 was provided for the Specialty Crop Block Grant Program pursuant to the 2014 Farm Bill (Public Law 113-79). Solicitation of grant applications was released on March 16, 2015. Applications were accepted through July 8, 2015 and awarded in October 5, 2015. This is a formula block grant program; 2016 amounts are estimates based on the formula net sequester.

Geographic Breakdown of Obligations

(Dollars in thousands)

	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2016 Enacted</u>
Alabama	\$473	\$434	\$337
Alaska	232	221	213
Arizona	1,106	1,214	917
Arkansas	351	308	294
California	19,882	19,759	22,339
Colorado	840	733	626
Connecticut	397	391	270
Delaware	338	326	303
District of Columbia	221	211	209
Florida	4,579	4,110	3,879
Georgia	1,401	1,162	1,071
Hawaii	471	451	423
Idaho	1,925	1,889	1,902
Illinois	658	604	521
Indiana	455	446	384
Iowa	308	297	244
Kansas	314	319	283
Kentucky	303	292	241
Louisiana	437	358	314
Maine	603	563	549
Maryland	505	424	376
Massachusetts	458	411	347
Michigan	1,993	1,930	1,885
Minnesota	1,397	1,236	1,185
Mississippi	481	363	337
Missouri	459	399	327
Montana	991	1,305	1,292
Nebraska	600	640	620
Nevada	301	295	250
New Hampshire	273	266	238
New Jersey	813	707	633
New Mexico	551	507	495

AGRICULTURAL MARKETING SERVICE

Specialty Crop Block Grants

Geographic Breakdown of Obligations

(Dollars in thousands)

(continued)

	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2016 Enacted</u>
New York	\$1,418	\$1,229	\$1,153
North Carolina	3,153	1,106	1,043
North Dakota	1,175	2,606	2,560
Ohio	613	525	528
Oklahoma	657	569	468
Oregon	1,960	1,825	1,613
Pennsylvania	1,045	994	924
Rhode Island	256	244	225
South Carolina	602	502	442
South Dakota	292	286	270
Tennessee	519	511	394
Texas	1,915	1,808	1,371
Utah	340	315	275
Vermont	279	276	257
Virginia	567	504	394
Washington	4,285	4,144	4,307
West Virginia	270	259	240
Wisconsin	1,411	1,306	1,183
Wyoming	291	311	303
American Samoa	263	250	251
Guam	223	213	211
Northern Mariana Islands.....	223	213	211
Puerto Rico	525	476	490
Virgin Islands	-	208	210
Subtotal, Grant Obligations	66,398	63,251	62,627
Administrative Expenses	612	1,951	1,943
Lapsing Balances.....	530	6	-
Total, Available or Estimate	67,540	65,208	64,570

Note: This table excludes funds for Multi-State grants.

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions
Classification by Objects
(Dollars in thousands)

	2014	2015	2016	2017
	<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
Personnel Compensation:				
Washington, D.C.....	\$138	\$139	\$141	\$143
Field.....	-	-	-	-
11 Total personnel compensation.....	138	139	141	143
12 Personnel benefits.....	38	40	40	41
Total, personnel comp. and benefits.....	<u>176</u>	<u>179</u>	<u>181</u>	<u>184</u>
Other Objects:				
23.3 Communications, utilities, and misc. charges...	-	3	-	-
25.4 Operation and maintenance of facilities.....	-	42	-	-
41.0 Grants, subsidies, and contributions.....	1,128	1,005	1,054	1,051
Total, Other Objects.....	<u>1,128</u>	<u>1,050</u>	<u>1,054</u>	<u>1,051</u>
99.9 Total, new obligations.....	<u><u>1,304</u></u>	<u><u>1,229</u></u>	<u><u>1,235</u></u>	<u><u>1,235</u></u>
Position Data:				
Average Salary (dollars), GS Position.....	\$138,136	\$139,523	\$141,555	\$142,750
Average Grade, GS Position.....	14	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 2015, FSMIP reviewed 38 matching grant proposals from 27 States to help create economic opportunities for American farmers and ranchers. AMS awarded \$1 million to 15 State Departments of Agriculture and universities in 14 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 2015 projects support research projects to address challenges and opportunities in marketing, transporting, and distributing U.S. agricultural products domestically and internationally.

Federal-State Marketing Improvement Program Fiscal Year 2015 Grants

Total Funding: \$1,005,906; Average Grant: \$67,060; 15 Projects in 14 States

Alaska - \$60,739

University of Alaska, in partnership with Arctic Qiviut and the Alaska Natural Fiber Business Association, to develop a vibrant, diverse, and sustainable fiber industry in the state of Alaska through a needs assessment, market research, and development of quality and processing standards.

Colorado - \$104,405

Colorado Department of Agriculture, in partnership with the Colorado State University, MarketReady, Cornell Cooperative Extension of Tompkins County, Colorado Farmers Market Association, and the Northern Colorado Food Cluster, to assess the marketing strategies used by wholesale distribution channels, farmers markets, Community Supported Agriculture operations, and farm-to-school initiatives, and make recommendations to improve profits for Colorado fruit and vegetable producers.

Delaware - \$87,261

University of Delaware to explore market opportunities in Delaware, Maryland and Pennsylvania for watermelon labeled with a *Delaware Preserved Farm* label that could lead to higher price premiums and higher participation of farmers in farm preservation programs.

Hawaii - \$69,194

University of Hawaii at Manoa, in partnership with County of Manoa Office of Economic Development and Maui Chamber of Commerce, to develop an on-line marketing hub for vendors of value-added, "Made in Maui" agricultural products.

Kansas - \$24,420

Kansas Department of Agriculture to hold egg grading workshops for Kansas poultry producers to encourage uniformity and consistency in commercial practices and take advantage of opportunities to sell eggs in local markets.

AGRICULTURAL MARKETING SERVICE

Kansas - \$33,000

Kansas Department of Agriculture, in partnership with Kansas Wheat Commission, to create a premium brand for hard white winter wheat grown in the Western High Plains of Kansas and adjoining states by establishing quality criteria, educating farmers and customers, and identifying export opportunities.

Massachusetts - \$44,297

Massachusetts Department of Agricultural Resources, in partnership with Community Involved in Sustaining Agriculture, to evaluate the effectiveness of an on-line ordering system that will enable wholesale buyers to order Massachusetts farm products, improving marketing efficiency and supporting the growth of sales of locally grown products.

Minnesota - \$59,373

University of Minnesota to create and expand markets for underutilized and low-value species Eastern Region trees; identify consumers' perceptions of chemical-free, thermally-modified, wood; investigate the marketing practices of current producers and distributors; and develop a strategic marketing plan to address barriers to increased production and utilization of thermally-modified wood.

New Jersey - \$99,803

Rutgers University, in partnership with the Northeast Organic Farming Association of New Jersey and the New Jersey Department of Agriculture, to research consumer perceptions and behaviors in the Mid-Atlantic region in order to enable growers to fully take advantage of the organic market.

South Carolina - \$55,814

South Carolina Department of Agriculture, in partnership with University of South Carolina, to determine the best marketing practices and optimum strategies to reach Millennial consumers; enhance sales of local food under the Certified South Carolina label to this emerging group of consumers; and assist the State to create a multi-year strategic marketing plan.

Tennessee - \$91,235

University of Tennessee to ascertain Statewide consumer willingness to pay for locally produced and branded beef products with different quality attributes; assess willingness of Tennessee cattle producers to participate in a branded beef program; and determine preferred ownership structure of processing facilities among interested beef cattle producers.

Vermont - \$92,200

Vermont Agency of Agriculture, Food and Markets, in partnership with Vermont Specialty Food Association, Vermont Maple Sugar Makers' Association, Vermont Fresh Network, to enhance the ability of Vermont farmers and value-added producers to market, connect and efficiently distribute high-value products to regional and national consumers through distribution infrastructure, branding, social media campaigns and e-commerce.

Washington - \$62,265

Washington State Department of Agriculture, in partnership with Northwest Agriculture Business Center, Okanogan Producers Marketing Association, Pierce Conservation District, State of Washington Department of Commerce, Washington State University Stevens County Extension, Cloud Mountain Farm Center, and others, to analyze the state's traditional and alternative supply chains for minimally processed produce and identify strategies to further develop value chain infrastructure and relationships needed for local farms to sell their products to schools.

Wisconsin - \$56,855

Wisconsin Department of Agriculture, Trade, and Consumer Protection, in partnership with Mutch Better Foods LLC, to analyze the current supply chain for local products and create a Statewide institutional procurement strategy for institutional purchasers to feasibly substitute products grown and produced in Wisconsin, in lieu of the products available through traditional distribution systems.

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Wyoming - \$65,045

University of Wyoming, in partnership with the Wyoming Department of Agriculture, to address risks and opportunities for producers when conducting private contract negotiations by conducting focus groups with producers to gain insight about their experiences, strategies, and needs for developing skills in contract and price negotiation; working with agricultural professionals to measure the impact of negotiation training on prices received by producers; and developing educational material to improve producer skills in price and contract negotiation.

Specialty Crop Block Grant Program (Farm Bill Funded)

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 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 Multi-State 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 2015 Request for Applications was published on March 16, 2015, with a grant application deadline of July 8, 2015. During 2015, grants were awarded to 50 States, American Samoa, District of Columbia, Guam, the U.S. Virgin Islands, the Commonwealth of Puerto Rico, and the Commonwealth of the Northern Mariana Islands. Grant awards totaled approximately \$63 million for 755 projects. Project awards were aimed at enhancing the competitiveness of specialty crops through marketing and promotion, food safety, research, production, pest and plant health, and education initiatives. Information on the amounts awarded and the projects funded is available on <http://www.ams.usda.gov/services/grants/scbgp>.

In FY 2015, the SCBGP monitored its grantees through site visits and a review of performance reports. SCBGP staff conducted 13 site visits with State Departments of Agriculture recipients and identified 92 corrective actions. These reviews enhanced the performance of the SCBGP, identified effective practices and outstanding program outcomes, facilitated decision making by parties with responsibility of overseeing and initiating corrective actions, and improved public accountability. In addition, program staff reviewed over 2,200 project performance reports totaling over \$172 million in grant funds to evaluate the significance and impact of the Program in enhancing the competitiveness of specialty crops.

Specialty Crop Multi-State Program (SCMP) - The Specialty Crop Multi-State Program (SCMP) competitive grant program made approximately \$3 million available (\$1 million from fiscal year 2014 and \$2 million from fiscal year 2015) to help develop solutions to problems affecting the specialty crop industry across State boundaries in 2015. AMS published a notice of availability of guidance with request for comments for the SCMP in the *Federal Register* on October 23, 2014. USDA received five comments which were considered during the preparation of the 2015 SCMP request for applications which was published on September 4, 2015.

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Lead-Off Tabular Statement

Budget Estimate, 2017.....	\$10,980,000
2016 Enacted.....	<u>10,980,000</u>
Change in Appropriation.....	<u><u>0</u></u>

Summary of Increases and Decreases

(Dollars in thousands)

Program	2014 Actual	2015 Change	2016 Change	2017 Change	2017 Estimate
Mandatory Appropriations:					
Perishable Agricultural Commodities Act..	\$11,700	-\$283	-\$437	0	\$10,980
Total.....	11,700	-283	-\$437	0	10,980

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)
(Dollars in thousands)

Program	<u>2014 Actual</u>		<u>2015 Actual</u>		<u>2016 Enacted</u>		<u>Inc. or Dec.</u>		<u>2017 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Appropriations:										
Appropriation (from receipts).....	\$11,700	63	\$11,417	64	\$10,980	77	-	-	\$10,980	77
Recoveries.....	266	-	848	-	-	-	-	-	-	-
Sequestration.....	-785	-	-802	-	-747	-	+747	-	-	-
Sequestration Prior Year Return...	535	-	785	-	802	-	-55	-	747	-
Bal. Available, SOY.....	8,196	-	9,877	-	12,536	-	+\$756	-	13,292	-
Total Available.....	19,912	63	22,125	64	23,571	77	+1,448	-	25,019	77
Bal. Available, EOY.....	-9,877	-	-12,536	-	-13,292	-	+1,352	-	-14,644	-
Total Obligations.....	10,035	63	9,589	64	10,279	77	+96	-	10,375	77

Perishable Agricultural Commodities Act Fund

Project Statement

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

Program	<u>2014 Actual</u>		<u>2015 Actual</u>		<u>2016 Estimate</u>		<u>Inc. or Dec.</u>		<u>2017 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Obligations:										
Total Obligations.....	\$10,035	63	\$9,589	64	\$10,279	77	+\$96	-	\$10,375	77
Balance Available, EOY.....	9,877	-	12,536	-	13,292	-	+1,352	-	14,644	-
Total Available.....	19,912	63	22,125	64	23,571	77	+1,448	-	25,019	77
Recoveries.....	-266	-	-848	-	-	-	-	-	-	-
Sequestration.....	785	-	802	-	747	-	-747	-	-	-
Sequestration Prior Year Return..	-535	-	-785	-	-802	-	55	-	-747	-
Bal. Available, SOY.....	-8,196	-	-9,877	-	-12,536	-	-\$756	-	-13,292	-
Total Appropriation (from receipts).....	11,700	63	11,417	64	10,980	77	-	-	10,980	77

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	<u>2014 Actual</u>		<u>2015 Actual</u>		<u>2016 Enacted</u>		<u>2017 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Arizona.....	\$1,041	9	\$1,115	10	\$1,070	11	\$1,131	11
District of Columbia.....	6,813	36	6,188	35	6,795	43	6,809	43
Texas.....	1,172	9	1,121	9	1,163	11	1,184	11
Virginia.....	1,010	9	1,165	10	1,251	12	1,251	12
Obligations.....	10,035	63	9,589	64	10,279	77	10,375	77
Bal. Available, EOY.....	9,877	-	12,536	-	13,292	-	14,644	-
Total, Available.....	19,912	63	22,125	64	23,571	77	25,019	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 2015, AMS was contacted by members of the specialty crop industry for assistance in resolving 1,066 informal commercial disputes. AMS resolved approximately 88 percent of those disputes informally within four months, with informal settlement amounts of over \$11 million. Decisions and orders were issued in 318 formal reparation cases involving award amounts totaling approximately \$5.9 million. AMS initiated 30 disciplinary complaints against firms for alleged violations of PACA. In addition, the PACA program assisted 2,936 telephone callers needing immediate transactional assistance.

Fees and Charges in Effect in 2015:

<u>Service Performed</u>	<u>Fees</u>
Basic License	\$995.00 per year
Branch License	600.00 per location
Number of Licensees:	14,338
Informal Complaints Filed:	1,066
Formal Complaints Filed:	297
Counterclaims Filed:	13

Industry Outreach – AMS continued to increase efforts to inform the produce industry of the rights and responsibilities under the PACA. AMS attended several events that included attendees from multiple countries included in the Strike Force Initiative.

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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, 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 [~~\$20,489,000~~] \$20,705,000 for formulation and administration of marketing agreements and orders pursuant to the Agricultural Marketing Agreement Act of 1937 and the Agricultural Act of 1961.

AGRICULTURAL MARKETING SERVICE

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

Lead-Off Tabular Statement

Permanent Appropriation, 2016	\$10,316,645,343
Prior Year Appropriation Available, start of year	223,343,796
Less Food and Nutrition Service (FNS) transfer from prior year funds for the Farm Bill Fresh Fruit and Vegetable Program (FFVP) <u>a/</u>	-122,000,000
Less annual transfers to:	
Department of Commerce	-145,810,770
FNS, Child Nutrition Programs	-8,969,178,369
Total, Transfers	-9,114,989,139
Farm Bill Spending Authority, 2016	1,303,000,000
Less Rescission	-215,636,000
Less Sequester	-77,384,000
Less Current Year Unavailable, held for the Farm Bill FFVP <u>b/</u>	-125,000,000
Total AMS Budget Authority, 2016	884,980,000
Less FNS transfer for the Farm Bill FFVP	-40,000,000
Total Available for Obligation, 2016	844,980,000
Budget Estimate, 2017:	
Permanent Appropriation, 2017	10,929,840,592
Prior Year Appropriation Available, start of year	125,000,000
Less Food and Nutrition Service (FNS) transfer from prior year funds for the Farm Bill Fresh Fruit and Vegetable Program (FFVP) <u>b/</u>	-125,000,000
Less annual transfers to:	
Department of Commerce	-146,000,000
FNS, Child Nutrition Programs	-9,461,840,592
Total, Transfers	-9,607,840,592
Farm Bill Spending Authority, 2017	1,322,000,000
Less Proposed Cancellation	-311,000,000
Less Current Year Unavailable, held for the Farm Bill FFVP <u>c/</u>	-125,000,000
Total AMS Budget Authority, 2017	886,000,000
Less FNS transfer for the Farm Bill FFVP	-44,000,000
Agency Request, 2017	842,000,000
Change in Appropriation	-2,980,000

a/ 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)(E) of the Richard B. Russell National School Lunch Act.

b/ USDA appropriations for FY 2016, P.L. 114-113, General Provision, Section 715, directs the transfer on October 1, 2016, of 2016 funds made available under subsection (c) of Section 14222 of P.L. 110-246 to carry out section 19(i)(1)(E) of the Richard B. Russell National School Lunch Act.

c/ The FY 2017 Budget assumes that \$125 million of the July 1, 2017 transfer will not be made available until October 1, 2017.

AGRICULTURAL MARKETING SERVICE

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

Summary of Increases and Decreases - Proposed Legislation

(Dollars in thousands)

Program	2014 Actual	2015 Change	2016 Change	2017 Change	2017 Estimate
Mandatory Appropriations:					
Child Nutrition Program Purchases	\$465,000	-	-	-	\$465,000
Farm Bill Specialty Crop Purchases	-	-	+\$206,000	-	206,000
Emergency Surplus Removal	268,400	+\$37,850	-306,250	-	-
Estimated Future Needs <u>a/</u>	36,719	+43,635	+26,838	-\$4,837	102,355
State Option Contract	5,000	-	-	-	5,000
Removal of Defective Commodities	2,500	-	-	-	2,500
Disaster Relief	5,000	-	-	-	5,000
Commodity Purchases Services	34,622	+88	-911	+1,641	35,440
Marketing Agreements and Orders	20,056	+130	+303	+216	20,705
AMS Spending Authority	837,297	+81,703	-74,020	-2,980	842,000
FNS Transfer for Farm Bill Fresh					
Fruit and Vegetable Program <u>b/</u>	41,000	-1,000	-	+4,000	44,000
AMS Budget Authority	878,297	+80,703	-74,020	+1,020	886,000

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

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

AGRICULTURAL MARKETING SERVICE

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

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2014 Actual		2015 Actual		2016 Enacted		Inc. or Dec.		2017 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Appropriations:										
Permanent Appropriation.....	\$9,211,183	149	\$9,714,923	152	\$10,316,645	172	+\$613,196	-	\$10,929,841	172
Transfers Out:										
Food and Nutrition Service (FNS),										
Child Nutrition Programs.....	-8,011,569	-	-8,355,671	-	-8,969,178	-	-492,663	-	-9,461,841	-
FNS Transfer from PY funds.....	-117,000	-	-119,000	-	-122,000	-	-3,000	-	-125,000	-
FNS, Fresh Fruit and										
Vegetable Program.....	-41,000	-	-40,000	-	-40,000	-	-4,000	-	-44,000	-
Department of Commerce.....	-130,144	-	-143,738	-	-145,811	-	-189	-	-146,000	-
Subtotal.....	-8,299,713	-	-8,658,409	-	-9,276,989	-	-499,852	-	-9,776,841	-
Rescission.....	-189,000	-	-121,094	-	-215,636	-	-95,364	-	-311,000	-
Sequestration.....	-79,703	-	-81,906	-	-77,384	-	+77,384	-	-	-
Prior Year Appropriation.....										
Available, SOY.....	313,530	-	187,486	-	223,344	-	-98,344	-	125,000	-
Recoveries.....	2,283	-	750	-	-	-	-	-	-	-
Offsetting Collections.....	14,779	-	10,397	-	-	-	-	-	-	-
Unavailable Resources, EOY.....	-187,486	-	-223,344	-	-125,000	-	-	-	-125,000	-
Total Obligations.....	785,873	149	828,803	152	844,980	172	-2,980	-	842,000	172

Note: A cancellation of unobligated balances is proposed for FY 2017.

AGRICULTURAL MARKETING SERVICE

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

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2014 Actual		2015 Actual		2016 Enacted		Inc. or Dec.		2017 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Commodity Purchases:										
Child Nutrition Program Purchases.	\$465,000	-	\$465,000	-	\$465,000	-	-	-	\$465,000	-
Farm Bill Specialty Crop Purchases	-	-	-	-	206,000	-	-	-	206,000	-
Emergency Surplus Removal.....	268,400	-	306,250	-	-	-	-	-	-	-
Estimated Future Needs.....	-	-	-	-	107,192	-	-\$4,837	-	102,355	-
Subtotal.....	733,400	-	771,250	-	778,192	-	-\$4,837	-	773,355	-
State Option Contract.....	-	-	-	-	5,000	-	-	-	5,000	-
Removal of Defective Commodities...	-	-	-	-	2,500	-	-	-	2,500	-
Disaster Relief.....	41	-	4,094	-	5,000	-	-	-	5,000	-
Prior Year Adjustment.....	-	-	-2	-	-	-	-	-	-	-
Administrative Funds:										
Commodity Purchases Services.....	33,438	59	34,618	61	33,799	61	+1,641 (1)	-	35,440	61
Marketing Agreements and Orders	18,994	90	18,843	91	20,489	111	+216 (2)	-	20,705	111
Subtotal.....	52,432	149	53,461	152	54,288	172	+1,857	-	56,145	172
Total Obligations.....	785,873	149	828,803	152	844,980	172	-2,980	-	842,000	172
Recoveries.....	-2,283	-	-750	-	-	-	-	-	-	-
Offsetting Collections.....	-14,779	-	-10,397	-	-	-	-	-	-	-
Precluded from Obligation										
in Current Year.....	-119,000	-	-122,000	-	-125,000	-	-	-	-125,000	-
Unavailable Resources, EOY.....	187,486	-	223,344	-	125,000	-	-	-	125,000	-
Transfer to FNS.....	313,530	-	187,486	-	223,344	-	-98,344	-	125,000	-
Prior Year Appropriation										
Available, SOY.....	-313,530	-	-187,486	-	-223,344	-	+98,344	-	-125,000	-
Total Appropriation.....	837,297	149	919,000	152	844,980	172	-2,980	-	842,000	172

AGRICULTURAL MARKETING SERVICE

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

Justification of Increases and Decreases

- (1) An increase of \$1,641,000 for Commodity Purchase Services (\$33,799,000 and 61 staff years available in 2016).

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. With Section 32 funding, 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.

Section 32 administrative costs are used to support the annual ordering, procurement, and distribution of \$3 billion in farm food commodities to over 32 million individuals in the U.S. and abroad. These administrative costs fund the salaries and benefits of the AMS commodity procurement staff, which purchases \$2 billion in domestic agricultural products for Federal nutrition programs in the U.S. Administrative funds are also used for the maintenance of the WBSCM system, which supports those \$2 billion in purchases and another \$1 billion in domestic agricultural purchases distributed through international food aid programs.

There will be no change in total mandatory spending. Changes to Commodity Purchase Services administrative costs will be absorbed by funding for surplus removal.

The funding change is requested for the following items:

- a. An increase of \$136,000 for pay costs (\$28,000 for annualization of the 2016 pay increase and \$108,000 for the 2017 pay increase).
- b. An increase of \$1,505,000 to support Web-Based Supply Chain Management (WBSCM) system.

This change will ensure that the necessary funding is available for administration of USDA domestic food purchases. In addition to salaries and benefits, which are a necessary expenses to meet program requirements, 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).

Most WBSCM costs--hosting, operation, and maintenance expenses--are fixed costs necessary to keep the system functioning, and some continuous improvements and updates are necessary to meet changing program requirements. The system also requires security patching that the software vendor develops as a result of detected threats or vulnerability to the system. In light of recent data breaches that governmental systems have suffered, such a cut would result in unnecessary security risk. Inadequate funding would leave USDA vulnerable to major security threats and degradation of the Web-based Supply Chain Management System (WBSCM), impacting 10,000 users, of whom more than 9,000 are external to the Federal government.

Without this change, AMS will not be able to effectively achieve the program's mission. It is imperative that we have the funding necessary to minimize system security risks and avoid a stoppage of services that can potentially impact millions of Americans and the U.S Agricultural Economy.

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- (2) An increase of \$216,000 for Marketing Agreements and Orders administration (\$20,489,000 and 111 staff years available in 2016).

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:

- a. An increase of \$216,000 for pay costs (\$46,000 for annualization of the 2016 pay increase and \$170,000 for the 2017 pay increase.)

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Section 32 Administrative Funds

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

State/Territory	<u>2014 Actual</u>		<u>2015 Actual</u>		<u>2016 Enacted</u>		<u>2017 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
California.....	\$914	6	\$950	8	\$1,383	9	\$1,401	9
District of Columbia.....	49,817	133	50,851	133	50,897	150	52,710	150
Florida.....	705	4	732	5	738	5	748	5
Oregon.....	792	4	722	5	1,003	6	1,016	6
Texas.....	3	-	3	-	6	-	6	0
Virginia.....	201	2	203	1	261	2	264	2
Total, Available.....	52,432	149	53,461	152	54,288	172	56,145	172

AGRICULTURAL MARKETING SERVICE

Status of Programs

Funds for Strengthening Markets, Income, and Supply—Section 32

Commodity Purchases

Current Activities: AMS purchases meat, fish, poultry, eggs and egg products; fruits, vegetables, beans, and tree nuts; dairy products, including cheese; and grain and oilseed products, all in support of domestic agriculture and 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 food and 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 are consistent with and support 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 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 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 2015, AMS purchased over \$563.4 million of specialty crop products which is approximately 38 percent over the minimum purchase level.

Selected Examples of Recent Progress:

Commodity Purchases – In FY 2015, AMS purchased \$415 million worth of non-price supported commodities for the National School Lunch Program (NSLP) with Section 32 funds. The Department of Defense purchased an additional \$50 million of fresh fruits and vegetables for NSLP on behalf of AMS, for a total of \$465 million in Section 32 fund purchases. Purchased commodities were used to fulfill the NSLP's commodity subsidy entitlement of 30.44 cents per meal.

AMS also purchased an additional \$928.7 million of Group A (non-price supported) commodities consisting of fruits, vegetables, meat and poultry products, and \$464.4 million of Group B (price supported) commodities consisting of dairy, grain and oilseed products, on behalf of FNS using funds appropriated to FNS for entitlement programs. In total, AMS purchased \$1,393.1 million worth of entitlement commodities with FNS appropriated funds.

In FY 2015, across all funding groups, AMS purchased 1,246.8 million pounds, valued at \$788.4 million in specialty crops (fruits and vegetables) of commodities distributed by FNS through the Department's various nutrition assistance programs.

Surplus Removal – Surplus removal (or bonus) commodities are donated through FNS designated programs and 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:

AGRICULTURAL MARKETING SERVICE

2015 Contingency Fund Expenditures for Surplus Removal

<u>Commodity</u>	<u>Amount</u>
Apple Products	\$18,100,000
Carrots, Frozen	\$3,500,000
Chicken Products	\$35,750,000
Cranberries	\$98,640,000
Cherries, Tart	\$39,340,000
Grape Juice, Concord	\$9,600,000
Grapefruit Juice	\$10,000,000
Lamb	\$7,570,000
Orange Juice	\$20,000,000
Raisins	\$33,750,000
Salmon, Canned Sockeye	\$30,000,000
Total	\$306,250,000

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 2015, \$4.1 million of Section 32 funding was obligated to cover the cost of additional foods purchased to distribute to those individuals impacted by the typhoon that hit the Federal States of Micronesia, as part of the FY 2015 Presidentially-declared major disaster.

Total Commodity Purchase Activity – FY 2015 (in millions)

Section 32 - Entitlement	Fruits, Vegetables, Meats and Poultry	\$415.0
Section 32 – DOD	Fresh Fruits and Vegetables	\$50.0
Appropriated Funds - Group A	Fruits, Vegetables, Meats and Poultry	\$928.7
Appropriated Funds - Group B	Dairy, Grain, and Oilseed	\$464.4
Section 32 – Surplus Removal	Fruits, Vegetables, Meats and Poultry	\$306.3
Disaster Assistance	Commodity, Transportation and Storage	\$4.1
TOTAL	ALL COMMODITY PURCHASES	\$2,168.5

Reassignment of Farm Service Agency Domestic Commodity Procurement to AMS – In 2015, USDA consolidated its domestic food procurement activities into a single agency in AMS, with the aim to improve efficiencies and reduce operational costs over time through streamlined operations. The reassignment took effect July 26, 2015, at which time 22 former-FSA employees stationed in Kansas City, Missouri, and their functions became part of AMS Commodity Procurement Staff (CPS). These functions include the procurement of grains and bakery products, dairy products (including cheese), and oilseed products like peanut butter and sunflower seed oil. The functions also include contract management of the national warehouses serving USDA’s Food Distribution Programs on Indian Reservations (FDPIR) and the Commodity Supplemental Food Program (CSFP). The addition of these activities increased CPS contracting actions by 27.3 percent.

CPS developed a communications plan to manage information sharing with key government and industry stakeholders before, during, and after the transition, and coordinated with AMS and FSA human resource offices and AMS IT to ensure a nearly flawless transition of personnel and operations to CPS. Upon completion of the consolidation, CPS began planning sessions with the Washington and Kansas City management to identify an efficient organizational structure for the enlarged scope of activities, and launched an initiative to identify and adopt best practices in terms of policies and procedures from both offices.

AGRICULTURAL MARKETING SERVICE

Web-Based Supply Chain Management (WBSCM) System – AMS is authorized to use Section 32 administrative funds to develop and operate the computer system that supports the shared interests of USDA commodity purchase programs and is the lead agency for the system in USDA. From its inception in 2011, 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 value of \$12 billion through domestic and foreign feeding programs administered by AMS, FSA, FAS, FNS, and the United States Agency for International Development (USAID). Currently, the system is supporting over 10,000 registered users, executing more than 7,000 transactions weekly.

During FY 2015, CPS managed and conducted testing for five system releases, focusing on internal and external customer needs which had been put on hold during the technical refresh conducted the previous fiscal year.

CPS's WBSCM management team developed a Statement of Work, contracted for A-123 audit services, provided all documentation for the A-123 audit, and completed and compiled spreadsheets for the WBSCM Sample Prepared-by-Client (PBC) Request list. The Acquisition Approval Request was approved in January 2015 authorizing \$28.5 million in FY 2015 funds, the earliest approval ever received for the fiscal year.

WBSCM was given a 4.0 perfect score by USDA's Office of the Chief Information Officer (OCIO), and is "green" on the Office of Management and Budget (OMB) IT Dashboard.

Product Development and Market Research – During FY 2015, CPS made many improvements to existing USDA Foods and introduced various new products for domestic food assistance programs, supporting a continued outlet for domestic agricultural products through USDA purchase programs, while continuing to meet the evolving needs of program recipients.

Several product development initiatives were focused on facilitating use of USDA Foods in household food distribution programs, including the Emergency Food Assistance Program (TEFAP). For example, 3-lb bags of fresh apples and pears and 1-percent shelf-stable milk in 8 oz. containers were introduced to the TEFAP ordering catalog. Small pack sizes are especially helpful to food banks with child feeding initiatives, such as weekend "backpack" programs. Other new products added to the TEFAP lineup included reduced fat cheese in 2 pound packages, 3 pound packs of russet and round white potatoes, individually frozen catfish fillets, Kosher canned salmon, and Kosher canned tomato sauce.

A major USDA Foods initiative during FY 2015 was the addition of "traditional foods" to the Food Distribution Programs on Indian Reservations (FDPIR). CPS re-launched the frozen bison meat purchase program, awarding contracts for the delivery of approximately 640,000 pounds of frozen ground bison to FDPIR during the 2015-2016 program year. CPS also executed the first purchase of whole-grain blue cornmeal to pilot this product to FDPIR recipients. CPS continues its domestic market research into other potential "traditional" foods requested by FDPIR, including long grain wild rice and frozen salmon fillets.

In addition to the traditional foods initiatives, CPS added frozen pork chops, which were initially piloted during 2013, as part of the regularly scheduled purchase programs for FDPIR. CPS continues to work with FNS, which manages FDPIR at the federal level, to make additional changes and additions to the programs' food package, to support the dietary initiatives and specific nutritional needs of program recipients.

CPS made several changes and additions to USDA Foods for the NSLP. Random cut frozen sweet potato pieces were replaced by a uniform "chunk" product, helping program recipients use the product more efficiently in menu planning and preparation. The pilot purchase of minimally processed cooked chicken strips was expanded to allow ordering by all State agencies. CPS added a sliced deli-style turkey breast item to the NSLP, and re-launched the oven-roasted chicken purchase program to provide another minimally-processed protein option to schools. Specifications for deli-style turkey breasts, turkey ham, cooked beef and pork products, and the cooked chicken strips were updated to reduce sodium content and/or ensure soy and gluten-contributing ingredients are not allowed.

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Considerable efforts were undertaken during FY 2015 to reintroduce domestically produced and processed canned tuna to the NSLP. CPS coordinated efforts with the tuna industry, AMS technical experts, and FNS to complete market research, identify and approve domestic suppliers, and revamp the product specifications and technical requirements for the program. By the end of FY 2015, CPS had entered the final pre-solicitation stage and was prepared to launch a purchase program for the second half of School Year 2015-2016.

CPS developed several new product pack sizes to help efficiently remove product from the marketplace through Section 32 surplus removal purchases, while simultaneously providing products in forms appropriate to the recipient programs receiving the donated foods. Raisins in 5 pound bags, orange juice in individual serving size cups, canned red salmon, and frozen lamb products are some examples of new product development initiatives to support these “bonus buy” purchases.

USDA Foods: Meal Patterns, Nutrition Information, and the Dietary Guidelines for Americans – CPS is committed to supporting the Dietary Guidelines for Americans through the USDA Foods purchase programs and ancillary activities. Product development activities for new and existing commodities involve consideration of the product’s nutritional value and support of Child Nutrition meal pattern requirements (for the NSLP) and the *Dietary Guidelines* (for all domestic food distribution programs). Special consideration is given during product development to identify new and existing commodity foods with lower fat and sodium content, and during FY 2015, CPS began taking steps to reduce sodium in its canned meat products, including canned beef stew and canned chili.

During FY 2015, CPS led an initiative to gather comprehensive nutrition, allergen, and ingredient information for all direct-delivered NSLP products from USDA Foods vendors. The information was provided to USDA’s Food and Nutrition Service who is currently working on a web-based portal to enable recipient agencies to use the information to make informed USDA Foods ordering decisions. CPS also took this opportunity to identify suppliers of Kosher and Halal products for potential inclusion in USDA Foods programs in support of Farm Bill initiatives to increase their availability to NSLP participants as well as other domestic food distribution programs.

The CPS Nutritionist was instrumental in coordinating comments from AMS Programs on the 2015 Dietary Guideline Advisory Committee report, and participated in a Federal Agency briefing on the “Scientific Report of the 2015 Dietary Guidelines Advisory Committee.” The nutritionist also conducted scientific literature reviews and presented findings to AMS’ Marketing Order Agreement and R&P commodity boards (including tart cherries, avocados, peanuts, almonds, walnuts and onions), and communicated best practices to R&P board representatives and AMS Program staff.

Pilot Project for the Procurement of Unprocessed Fruits and Vegetables--As part of the 2014 Farm Bill, AMS and FNS are conducting a pilot project in up to eight States to provide more purchasing flexibility and options for unprocessed fruits and vegetables, including minimally processed products such as sliced apples, baby carrots, and shredded lettuce. The Pilot project allows participating states to, (1) use multiple suppliers and products established and qualified by the Secretary, and (2) designate a geographic preference, if desired.

The goal of the Pilot Project is to develop additional opportunities for schools to purchase fresh fruits and vegetables with entitlement funding, while using pre-existing commercial distribution channels and school relationships with growers, produce wholesalers, and distributors. The pilot supports the use of locally-grown foods in school meal programs using entitlement funds.

In support of the pilot, CPS led the development of vendor eligibility requirements, including food safety and domestic origin verification requirements, and approval of vendors to participate in the pilot project. While no federal contracts will be issued under the pilot project, CPS is the lead agency for receiving invoices from the participating vendors and approving payments using federal entitlement funds set aside by participating school food authorities (SFAs) in the eight states. CPS also tested the pilot process in the Web-Based Supply Chain Management (WBSCM) system, identified areas for improvement of the program requirements, and worked with stakeholders to make changes and remove potential barriers to participation by prospective vendors.

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During FY 2015, CPS developed a communications plan and aggressively promoted the pilot project to unprocessed fruit and vegetable growers, suppliers, and distributors, to quickly build a list of eligible vendors with which participating SFAs could contract for delivery of products. CPS hosted webinars and meetings with stakeholders throughout the year, to explain the requirements and approval process, and as of September 16, 2015, has approved 54 suppliers with an additional 45 applications pending. Six of the eight states have received deliveries under the pilot thus far, and CPS has successfully paid invoices through WBSCM worth approximately \$680,000. CPS continues to seek feedback from pilot participants-SFAs, States, FNS, and the industry, to make additional adjustments to the pilot project as needed.

New Vendor and Small Business Outreach and Participation--CPS is committed to increasing marketing opportunities for agricultural businesses through its food purchasing activities. CPS made a tremendous effort during FY 2015 to promote these opportunities to small business entities, in particular minority-owned, service-disabled veteran owned, and women-owned small businesses, as well as those operating in historically underutilized business zones (HUB Zone). Overall, CPS reviewed and approved 20 new vendor applications during FY 2015. Out of those 20, two businesses were Hispanic American-owned, one was African American-owned, and one was a Women-owned small business.

CPS maintains an annual set-aside plan for small business contracting, and submitted this plan along with the mid-year and annual procurement forecast reports to USDA's Office of Small and Disadvantaged Business Utilization (OSDBU). Through its Federal contracting activities, CPS attained an overall Small Business contracting rate of 38.28 percent; a veteran-owned small business rate of 6.64 percent; a Service-Disabled Veteran-Owned small business rate of 2.92 percent; and a Women-Owned Small Business rate of 3.11 percent. Over \$1 billion in purchases by CPS were made from small business concerns during FY 2015.

In addition to awarding contracts directly to small business concerns, CPS encourages its large business federal contractors to actively award contracts to small businesses via their subcontracting plans, as required by the Federal Acquisition Regulations. CPS notified large business contractors to submit their Subcontracting Plans and Summary Subcontracting Reports in the Electronic Source Reporting System (eSRS), with 26 plans required being submitted, reviewed, and approved by CPS, OSDBU, and the Small Business Administration (SBA).

Business Process Review (BPR)/USDA Body Mass Initiative (BMI) – During FY 2015, CPS launched a long-anticipated project to conduct a thorough review of the multi-agency domestic and international commodity procurement activities. The project's goals include: establishing processes and policies that provide value to agriculture and food industries as well as the food and nutrition programs; identifying USDA materials and programs that are the most beneficial to customers and industry stakeholders; and then prioritizing identified changes in order to maximize their benefits while considering the available resources of the programs. This type of comprehensive evaluation of commodity food procurement activities has not been done since 2000.

During FY 2015, CPS developed a schedule for the award of a contract for support of the project and communicated that schedule with stakeholders and customers, including USDA's FNS, FAS, and FSA, as well as the U.S. Agency for International Development, along with AMS. These five federal agencies comprise the team for the BPR effort. CPS also communicated and promoted the BPR initiative to industry stakeholders and food distribution program recipients, working with the American Commodity Distribution Association (ACDA) to conduct a mega-discussion at their 2015 Annual Conference to receive stakeholder input into the development of the BPR scope. GSA awarded the contract to Cap Gemini in September 2015, and project activities will begin in early FY 2016 and extend into FY 2017.

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 active for fruits, vegetables, nuts and specialty crops, and they are customized to meet the needs of a particular

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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:

- California, Milk Marketing Order - AMS published a notice of hearing in the *Federal Register* on August 6, 2015, to consider promulgation of a Federal Milk Marketing Order for the State of California. The hearing began, September 22, 2015, in Clovis, California, and is continuing into November. Dairy Cooperatives representing over 75 percent of the milk produced in California requested the hearing that is intended to replace the current State milk marketing order system with a Federal milk marketing order covering the entire State. Two major proposals are being considered. One supported by the cooperatives maintains the California quota system, all-inclusive pooling, and suggests adopting the same cheese milk pricing formula as used in other Federal milk marketing orders. A competing proposal offered by the milk processors in California ask for provisions that are more closely patterned after provisions used in the current ten Federal milk marketing orders. They are requesting that the cheese milk pricing formula recognized the unique relationship between California and the rest of the country. In addition, two limited proposals address producer handlers and out of State milk are being discussed. A recommended decision is not expected until spring of 2016.
- 610 Review of Milk Marketing Orders - On February 11, 2015, AMS announced a notice of regulatory review in the *Federal Register* and requested comments from interested parties. This “610 Review” is used to measure the impact of Federal Milk Marketing Orders on small businesses and is used to determine if changes should be made to address impacts on small entities. USDA received comments from 44 different individuals. A summary of comments received and recommended actions is expected in 2016.
- Organic Milk - In late September 2015, USDA received a request by the Organic Trade Association (OTA) to consider a proposal to amend all Federal Milk Marketing Orders. The request indicates that consumer demand for organic milk and dairy products is growing faster than the supply of organic milk. USDA has requested additional information from OTA and the request is under consideration. If USDA decides to hold a hearing on the matter it will not happen until at least the spring of 2016. Until a notice of hearing is announced USDA continues to work with OTA and the organic milk community to explore options to address their milk marketing needs.
- Quality Assurance of Oversight Laboratories - The Milk Market Administrator (MMA) laboratories perform testing to establish and verify the price paid to dairy farmers for their milk. The MMA laboratories enhanced their quality assurance and standardization across the network of eight laboratories by developing and implementing a Laboratory Approval Program. This program enhanced their third-party review of their laboratories. Program requirements for milk payment testing include good laboratory, quality assurance and control practices, proficiency testing, established methods and accepted equipment, and on-site audits.

Specialty Crops 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 marketing order 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 295 marketing order board/committee meetings and approved 28 operating budgets. AMS specialists reviewed more than 900 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

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designed to address issues like pest management and post-harvest handling. Fruit, vegetable, and specialty crop marketing orders directly affect and benefit more than 60,000 U.S. farmers.

- The 2013-2015 Fruit and Vegetable Industry Advisory Committee (FVIAC) - is composed of 25 members from a broad cross-section of the produce industry who meet a minimum of twice annually in order to develop and provide recommendations to the Secretary. These recommendations are designed to help USDA tailor its programs and services to better meet the needs of the U.S. produce industry. The FVIAC was re-chartered in July 2015, for another two-year term. The current committee has held three meetings during the 2013-2015 charter term, and to date, has developed and submitted a total of 19 recommendations and statements to the Secretary on issues related to food safety, delayed inspections at ports of entry, agricultural labor, research and grant funding, and education and branding. At the meeting on September 2015, new working groups were formed to focus on new farmer education and orientation, broadband connectivity, transportation infrastructure deficiencies, and food deserts and food waste, in addition to a continued focus on the Food Safety Modernization Act, labor, and research and grant funding.
- Referenda - In accordance with marketing order requirements, AMS conducted referenda among the growers (and processors, where applicable) of three commodities to determine whether continuation of those programs is desirable. Growers of cranberries, tart cherries and Texas onions voted to continue their programs.
- Aflatoxin Testing - AMS worked with nut industries to discuss matters of industry concern and to consider program updates and alternatives for the Laboratory Approval Program for Aflatoxin Testing. This program approves, or accredits, labs to perform aflatoxin testing in support of domestic and/or export trade of almonds, peanuts, and pistachio nuts. Program requirements for aflatoxin testing include good laboratory, quality assurance and control practices, applicable domestic and international standards (such as ISO/IEC 17025:2005), proficiency testing, established methods and accepted equipment, and on-site audits.

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

- Compliance Reviews - AMS conducted 15 compliance reviews and 1 program operations analysis review, approved 15 e-compliance plans, and followed up on 1,472 inspections for failing section 8e and 2,153 uninspected entries. For importers not complying with section 8e, AMS issued 9 official warning letters and one stipulation agreement, including civil penalties. AMS granted 4,904 FV-6 exemptions for 8e commodities used for processing, donated to charity or other exempted outlets. The activities ensure ongoing integrity of Federal marketing orders, the boards and committees that locally administer them, and assure an overall level playing field for American producers relative to imports.
- Legal Cases - AMS is handling multi-million dollar and program critical compliance related legal cases:
 - The Supreme Court's decision in *Marvin Horne, et al. v. USDA* was decided on June 22, 2015. The Supreme Court ruled the reserve program under the California raisin marketing order was a taking under the Fifth Amendment that requires just compensation. AMS communicated with all marketing order boards and committees on the narrow application of the Supreme Court's ruling and immediately notified the raisin industry that it would not give favorable consideration to any recommendation to implement the raisin marketing order's volume control authority. Lower courts previously ruled in USDA's favor that Mr. Horne met the definition of a handler under the marketing order. AMS has eight additional administrative cases against Mr. Horne that were stayed pending the outcome of the Supreme Court's decision. AMS is considering what actions to take next to bring Mr. Horne's business entities into marketing order compliance.

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- AMS is also providing critical support to the Office of the General Counsel and the Department of Justice in defending against five additional complaints filed in Federal courts. The first, arising from the Supreme Court decision on *Horne*, relates to the plaintiffs seeking reimbursement from the government for their legal expenses, approximately \$500,000.
- The second case involves a complaint filed by Sun-Maid Growers seeking immediate USDA action to suspend and repeal the volume control authority under the raisin marketing order. AMS has already initiated plans to conduct hearings in May, 2016 concerning proposed amendments to the raisin marketing order, including changes to or repeal of the volume control authority.
- The remaining three cases are a response to the Supreme Court decision. One of the largest California raisin producers has filed a complaint, and a two separate groups of raisin producers have filed class action complaints, seeking “just compensation” from the Federal government for raisins held in reserve during the 2009-10 and previous crop years. The potential liability to the government exceeds \$50 million, making AMS support of the Department of Justice defense against these complaints a highly critical and top priority activity for the Agency.
- Almond Exports - AMS partnered with Federal and State inspection authorities and the California almond industry to replace the Voluntary Aflatoxin Sampling Program with the more robust Pre-Export Checks program. The result is the EU’s renewed acceptance of California almonds. The Pre-Export Checks program provides regulatory and verifiable enforcement for the United States’ top export commodity (by value) at \$3.4 billion. This is the first time the EU has approved the removal of special aflatoxin-testing measures on any commodity.
- AMS completed the initial systems requirements phase of the AMS Compliance and Enforcement Management System (CEMS) on schedule and under budget, and is testing software for requirements tied to the new International Trade Data System (ITDS). The effort includes overseeing the contractor on the creation of the CEMS database and infrastructure, and liaising with partnering agencies and potential end-users to ensure it can integrate and analyze data from multiple sources. 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 200,000 shipments annually, valued at \$3 billion; the Export Fruit Acts, which cover the annual exportation of 1.4 million tons of U.S. apples, grapes, and plums; and the U.S. Peanut Standards.

Rulemaking – In all, AMS processed 54 dockets, including 18 work plans, 10 proposed rules, three continuance referenda, seven interim rules, 16 final/ final interim rules for the 28 Federal marketing orders, two export fruit acts and the U.S. Peanut Standards compliance program it oversees. Notable rulemaking actions and activities included the following:

- Pecan Marketing Order - AMS guided the American Pecan Board through the process of creating and submitting regulatory language as the basis for a proposal for a pecan marketing order to enable the industry, with a 302-million pound crop, to regulate the handling of pecans in 15 States. Specifically, the marketing order would help the industry collect data to make marketing decisions, conduct research and promotional activities, and provide authority for the industry to recommend grade, quality, size, pack and container regulations. AMS held public hearings in three locations across the production area to gather public input on the merits of the program that would help the industry balance a downward trend in U.S. consumption, counteract increased competition from other U.S. nut industries, bring equilibrium to the trade balance with Mexican pecan imports, and boost marketing capabilities for U.S. producers. AMS published a Recommended Decision in the *Federal Register* in October 2015.
- Organic Exemption - AMS developed regulatory changes mandated by the 2014 Farm Bill to allow producers, handlers, marketers, manufacturers and importers of certified organic products – those comprised of at least 95 percent organic components – to claim exemption from assessments under 23 marketing orders and 22 generic research and promotion programs. The final rule will be published in the *Federal Register* in November 2015.

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- Florida Citrus Amendments - Beginning in September 2015, AMS conducted a referendum on proposed amendments to the Florida citrus marketing order. Results will determine support for Citrus Administrative Committee-proposed amendments that were the basis of a public hearing held in April 2013 in the production area. The proposed amendments would, among other things: authorize the regulation of new varieties and hybrids of citrus fruit; authorize the regulation of intra-state shipments of fruit; revise the process for redistricting the production area; and change the term of office and tenure requirements for Committee members.

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Shared Funding Projects
(Dollars in thousands)

	2014	2015	2016	2017
	<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
Working Capital Fund:				
Administration:				
HR Enterprise System Management	-	-	\$51	\$51
Mail and Reproduction Management.....	\$736	\$536	590	547
Integrated Procurement System.....	284	303	315	313
Material Management Service Center.....	197	213	263	268
Procurement Operations.....	1	130	-	-
Subtotal.....	1,218	1,182	1,219	1,179
Communications:				
Creative Media & Broadcast Center.....	334	259	118	177
Finance and Management:				
NFC/USDA.....	866	879	885	841
Financial Management Services.....	4,576	4,437	3,329	3,346
Internal Control Support Services.....	91	87	74	88
Subtotal.....	5,533	5,403	4,288	4,275
Information Technology:				
NITC/USDA.....	4,893	3,412	3,999	4,171
Client Technology Services.....	505	524	457	467
Telecommunications Services.....	431	499	484	847
Subtotal.....	5,829	4,435	4,940	5,485
Correspondence Management.....	126	118	122	148
Total, Working Capital Fund.....	13,040	11,397	10,687	11,264
Departmental Shared Cost Programs:				
1890's USDA Initiatives.....	79	77	81	81
Advisory Committee Liason Services.....	28	30	36	36
Classified National Security Information.....	-	28	29	29
Continuity of Operations Planning.....	54	59	59	59
Emergency Operations Center.....	62	63	65	65
Facility and Infrastructure Review and Assessment.....	12	13	13	13
Faith-Based Initiatives and Neighborhood Partnerships.....	6	11	11	11
Federal Biobased Products Preferred Procurement Program.....	10	-	-	-
Hispanic-Serving Institutions National Program.....	54	50	55	55
Honor Awards.....	2	2	2	2
Human Resources Transformation (inc. Diversity Council).....	46	48	49	49
Identity & Access Management (HSPD-12).....	181	187	188	188
Intertribal Technical Assistance Network.....	-	-	-	-
Medical Services.....	22	42	56	56
People's Garden.....	15	20	18	18
Personnel and Document Security.....	36	31	31	31
Pre-authorizing Funding.....	97	105	103	103
Retirement Processor/Web Application.....	15	17	17	17
Sign Language Interpreter Services.....	35	-	-	-
TARGET Center.....	25	39	40	40

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Shared Funding Projects
(Dollars in thousands)
(Continued)

	2014	2015	2016	2017
	<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
USDA 1994 Program.....	20	19	22	22
Virtual University.....	53	55	55	55
Visitor Information Center.....	6	-	-	-
Total, Department Shared Cost Programs.....	858	896	930	930
E-Gov:				
Budget Formulation and Execution Line of Business.....	3	3	2	2
Enterprise Human Resources Intigration.....	60	58	53	53
E-Rulemaking.....	28	22	61	124
E-Training.....	75	77	77	-
Financial Management Line of Business.....	5	5	5	5
Grants.gov.....	17	15	36	58
Human Resources Line of Business.....	7	8	7	7
Integrated Acquisition Environment – Loans and Grants...	51	52	-	-
Integrated Acquisition Environment.....	18	18	47	38
Total, E-Gov.....	264	258	288	287
Agency Total.....	14,162	12,551	11,905	12,481

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Summary of Budget and Performance Statement of Department Goals and Objectives

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 1: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving

USDA Strategic Objective 1.2: Increase agricultural opportunities by ensuring a robust safety net, creating new markets, and supporting a competitive agricultural system

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.

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

Agency Strategic Goals	Agency Objectives	Programs that Contribute	Key Outcomes
Goal 1: Enhance Communication between Stakeholders and AMS Programs (COMMUNICATION)	Objective 1.1: Strengthen stakeholder relationships and understanding of the Agency's role in facilitating marketing Objective 1.2: Increase outreach efforts by building and maintaining effective partnerships Objective 1.3: Encourage Board and Committee teamwork and diversity	All	Equal access and equal opportunities to AMS' diverse programs and services for industry members, stakeholders, and the public
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	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

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Agency Strategic Goals	<u>Agency Objectives</u>	<u>Programs that Contribute</u>	<u>Key Outcomes</u>
	Objective 2.2: Improve Access to Healthy, Locally Produced Foods while Developing Market Opportunities	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	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	Grading and Classing Services Audit Verification Services Laboratory Approval and Testing Services	Increased agricultural opportunities based on a competitive agricultural system
	Objective 3.3: Expand Plant Variety Protection Services	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	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	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	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	National Organic Program Organic Cost-Share Programs	National standards for the production and handling of agricultural products labeled as organic

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Agency Strategic Goals	Agency Objectives	Programs that Contribute	Key Outcomes
	Objective 4.5: Augment Perishable Commodity Services	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)	Objective 5.1: Enhance the Procurement Business Model Objective 5.3: Ensure and Expand Optimal Web-Based Supply Chain Management (WBSCM) Service Delivery	Commodity Purchases [to support domestic producers]	Help balance supply and demand for producers

Key Performance Measures

	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Est.	2017 Target
<u>Market News</u> – Relevance of Market News information based on customer surveys.							
Relevance of Market News Information	N/A	81%	81%	81%	79%	82%	82%
Market News Funding (\$ thousands)	\$33,149	\$32,949	\$31,102	\$33,170	\$32,488	\$33,219	\$33,659
<u>Shell Egg Surveillance</u> – Percent of firms complying with EPIA and the Shell Egg Surveillance program.							
Percent	96%	95%	95%	95%	95%	95%	95%
Shell Egg Surveillance Funding (\$ thousands)	\$2,717	\$2,717	\$2,565	\$2,732	\$2,563	\$2,563	\$2,568
<u>Federal Seed Act Program</u> – Percent of seed shipped in interstate commerce that is accurately labeled.							
Percent	97%	97%	98%	98%	98%	98%	98%
Federal Seed Program Funding (\$ thousands)	\$2,439	\$2,439	\$2,302	\$2,455	\$2,299	\$2,299	\$2,325
<u>Country of Origin Labeling</u> (COOL) – Percent of retailer compliance.							
Percent	94%	94%	94%	94%	96%	96%	96%
COOL Funding (\$ thousands)	\$7,942	\$5,000	\$4,720	\$5,015	\$4,718	\$4,718	\$4,744
<u>National Organic Program</u> – Compliance with certification and accreditation criteria.							
Percent	90%	96%	95%	95%	95%	95%	95%

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	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Est.	2017 Target
National Organic Program Funding (\$ thousands)	\$6,919	\$6,919	\$6,531	\$9,026	\$9,020	\$9,020	\$9,094
Transportation and Market Development – New markets established or expanded through technical assistance (including cooperative research reports and marketing and training tools).							
Number of Markets	N/A	N/A	200	200	250	100	100
Transportation & Market Development Funding (\$ thousands)	\$5,734	\$5,734	\$6,357	\$7,193	\$8,117	\$8,117	\$8,175
Completeness of Data – The data is considered complete after all results are reviewed and approved – results may be finalized during the year after the close of a fiscal year.							
Reliability of Data – Data collected is analyzed and considered reliable.							
Quality of Data – The quality of the data reported is satisfactory.							

Analysis of Results

Selected Past Accomplishments Toward the Achievement of the Key Outcome FY 2015:

- 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. Other AMS programs support a competitive agricultural system by overseeing markets and entities to safeguard the quality and wholesomeness of agricultural products.
- Market News focused reporting to deliver information that is relevant to agricultural and other data users and improve access to the data collected.
- In 2015, AMS launched a new, mobile-ready website so users can view information on the go, responding to industry need for value-added services and consumer need to better understand the products they buy. This effort should improve performance in 2016.
- New Market News reports focus on the global dairy trade, underserved national markets of grass-fed lamb and goats, pasture-raised pork, non-GE/GMO grains, and Tribal-grown bison and rice, plus expanded coverage to 85 farmers markets across the country.
- Transportation and Market Development improved access to local and regional foods while developing expanded market opportunities for agricultural producers.
- In 2015, AMS created three new online local food directories, provided public listings of food hubs, on-farm markets, and community supported agriculture (CSAs) in addition to the existing National Farmers Market Directory.
- AMS partnered with the U.S. Department of Defense and Wholesome Wave to release A Guide to Farmers Markets on Military Installations to help market managers and military leaders establish and operate new farmers markets.
- The National Organic Program negotiated an organic-equivalency arrangement with Switzerland and began discussions on potential equivalency arrangements with Mexico, Taiwan, Cost Rica, Peru, and Chile.

Selected Accomplishments Expected at the FY 2017 Proposed Resource Level/Challenges for the Future

- AMS must focus finite resources to meet AMS and USDA goals across all marketing activities.
- We will work to identify challenges and improvement needs and use the evidence collected in deciding which strategies lead to better results.

AGRICULTURAL MARKETING SERVICE

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

USDA Strategic Objective 4.1: Improve Access to Nutritious Foods

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. The goal for children’s food commodities is to make data available that is five years old or newer.

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

Agency Strategic Goal	<u>Agency Objectives</u>	<u>Programs that Contribute</u>	<u>Key Outcome</u>
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	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)	Objective 5.1: Enhance the Procurement Business Model Objective 5.2: Provide Greater Value and Additional Opportunities for Nutrition Assistance Program Recipients Objective 5.3: Ensure and Expand Optimal Web-Based Supply Chain Management (WBSCM) Service Delivery	Commodity Purchases [supporting USDA child nutrition programs]	Nutritious food acquired efficiently and cost-effectively for distribution through domestic child nutrition programs

AGRICULTURAL MARKETING SERVICE

Key Performance Measures

	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Target	2017 Target
<u>Pesticide Data Program</u> (PDP) – Data availability.							
Number of children’s food commodities included in PDP	21	21	22	22	22	18+	18+
Percent comprehensive data available for risk assessment	90%	87%	83%	83%	84%	90%	90%
Percent of U.S. population represented in PDP data	50%	50%	48%	48%	48%	48%	48%
PDP Funding (\$ thousands)	\$15,330	\$15,330	\$14,471	\$15,347	\$15,739	\$15,039	\$15,073
Completeness of Data – The data is considered complete after all results are reviewed and approved – results may be finalized during the year after the close of a fiscal year.							
Reliability of Data – Data collected is analyzed and considered reliable.							
Quality of Data – The quality of the data reported is satisfactory.							

Analysis of Results

Selected Past Accomplishments Toward the Achievement of the Key Outcome FY 2015:

- AMS met or exceeded all key performance indicator targets
- 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.
- PDP managed the sampling, testing, and reporting of 22 commodities, exceeding the established target by 4.

Selected Accomplishments Expected at the FY 2017 Proposed Resource Level/Challenges for the Future

- AMS must focus finite resources to meet AMS and USDA goals in an environment where data needs continually evolve.
- We will work to identify challenges and improvement needs and use the evidence collected in deciding which strategies lead to better results. In 2017, the children’s food target reflects that fact PDP pesticide residue data will no longer be current for two of the top 24 children’s food commodities—wheat and pineapple. Resource constraints limit commodity sampling and testing, but AMS will continue to work with EPA to focus and prioritize data collection.

Program Evaluations

No evaluations were completed in FY 2015.

AGRICULTURAL MARKETING SERVICE

Strategic Goal Funding Matrix

(Dollars in thousands)

<u>Discretionary Program/ Program Items</u>	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2016 Enacted</u>	<u>Increase or Decrease</u>	<u>2017 Estimate</u>
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	\$33,170	\$32,488	\$33,219	+\$440	\$33,659
Staff Years	213	214	229	-	229
National Organic Program	9,026	9,020	9,020	+74	9,094
Staff Years	35	43	43	-	43
Transportation and Market Development.....	7,193	8,117	8,117	+58	8,175
Staff Years	30	28	37	-	37
Standardization	4,976	4,971	4,971	+47	5,018
Staff Years	32	34	35	-	35
Federal Seed	2,455	2,299	2,299	+26	2,325
Staff Years	14	14	18	-	18
Shell Egg Surveillance	2,732	2,563	2,563	+5	2,568
Staff Years	8	7	7	-	7
Country of Origin Labeling Program.....	5,015	4,718	4,718	+26	4,744
Staff Years	16	15	16	-	16
Federal/State Marketing Improvement Program.....	1,363	1,235	1,235	-	1,235
Staff Years	1	1	1	-	1
GSA Rent and DHS Security	-	1,277	1,277	-	1,277
Total Costs, Strategic Goal 1	65,930	66,688	67,419	+676	68,095
Staff Years, Strategic Goal 1	349	356	386	-	386
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	15,347	15,739	15,039	+34	15,073
Staff Years	15	16	17	-	17
Total Costs, Strategic Goal 4	\$15,347	\$15,739	\$15,039	+34	\$15,073
Staff Years, Strategic Goal 4	15	16	17	-	17
Total Costs, All Strategic Goals	81,277	82,427	82,458	+710	83,168
Staff Years, All Strategic Goals	364	372	403	-	403

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

<u>Discretionary Program/Program Items</u>	2014 <u>Actual</u>	2015 <u>Actual</u>	2016 <u>Enacted</u>	2017 <u>Estimate</u>
Market News	\$30,166	\$29,659	\$30,738	\$31,145
Indirect Costs	2,400	2,394	2,481	2,514
Total Costs	32,566	32,053	33,219	33,659
FTEs	213	214	229	229
National Organic Program	8,288	8,298	8,346	8,415
Indirect Costs	659	670	674	679
Total Costs	8,947	8,968	9,020	9,094
FTEs	35	43	43	43
Transportation and Market Development	6,472	7,320	7,511	7,564
Indirect Costs	515	591	606	611
Total Costs	6,987	7,911	8,117	8,175
FTEs	30	28	37	37
Standardization	4,594	4,705	4,600	4,643
Indirect Costs	365	380	371	375
Total Costs	4,959	5,085	4,971	5,018
FTEs	32	34	35	35
Federal Seed	2,061	2,086	2,127	2,151
Indirect Costs	164	168	172	174
Total Costs	2,225	2,254	2,299	2,325
FTEs	14	14	18	18
Shell Egg Surveillance	2,519	2,312	2,372	2,376
Indirect Costs	200	187	191	192
Total Costs	2,719	2,499	2,563	2,568
FTEs	8	7	7	7
Country of Origin Labeling Program	4,632	4,156	4,366	4,390
Indirect Costs	369	336	352	354
Total Costs	5,000	4,492	4,718	4,744
FTEs	16	15	16	16
Federal/State Marketing Improvement Program	1,304	1,229	1,235	1,235
Indirect Costs	-	-	-	-
Total Costs	1,304	1,229	1,235	1,235
FTEs	1	1	1	1
GSA Rent and DHS Security - Total (Indirect) Cost	-	1,277	1,277	1,277
Total Discretionary Costs, Strategic Goal 1	\$64,707	\$65,768	\$67,419	\$68,095
Total FTEs, Strategic Goal 1	349	356	386	386

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

<u>Discretionary Program/Program Items</u>	2014 <u>Actual</u>	2015 <u>Actual</u>	2016 <u>Enacted</u>	2017 <u>Estimate</u>
Pesticide Data Program	14,215	14,589	13,916	13,947
Indirect Costs	1,131	1,178	1,123	1,126
Total Costs	15,346	15,767	15,039	15,073
FTEs	15	16	17	17
Total Discretionary Costs, Strategic Goal 4	\$15,346	\$15,767	\$15,039	\$15,073
Total FTEs, Strategic Goal 4	15	16	17	17
Total Discretionary Costs, All Strategic Goals	\$80,053	\$81,535	\$82,458	\$83,168
Total Discretionary FTEs, All Strategic Goals	364	372	403	403

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

Mandatory Program/Program Items	2014 Actual	2015 Actual	2016 Estimate	2017 Estimate
Commodity Purchase Services - Agri. Support & Emergency (AS&E).....	11,336	12,822	12,929	13,389
Indirect Costs.....	902	1,035	1,044	1,081
Total, Administrative Costs.....	12,238	13,858	13,973	14,470
FTEs.....	15	16	25	25
Commodity Purchases Program Funds - AS&E.....	268,441	310,342	327,692	320,855
Marketing Agreements & Orders	17,594	17,435	18,958	19,158
Indirect Costs.....	1,400	1,408	1,531	1,547
Total, Administrative Costs.....	18,994	18,843	20,489	20,705
FTEs.....	90	91	111	111
Total Mandatory Costs, Strategic Goal 1.....	\$299,673	\$343,043	\$362,154	\$356,030
Total FTEs, Strategic Goal 1.....	105	107	136	136

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

Mandatory Program/Program Items	2014 Actual	2015 Actual	2016 Estimate	2017 Estimate
Commodity Purchase Services - Child Nutrition Purchases (CNP).....	19,638	19,210	18,345	19,403
Indirect Costs.....	1,562	1,551	1,481	1,566
Total, Administrative Costs.....	21,200	20,760	19,826	20,970
FTEs.....	37	37	36	36
Commodity Purchases Program Funds - CNP.....	465,000	465,000	465,000	465,000
Total Mandatory Costs, Strategic Goal 4.....	\$486,200	\$485,760	\$484,826	\$485,970
Total FTEs, Strategic Goal 4.....	37	37	36	36
Total Mandatory Costs, All Strategic Goals.....	\$785,873	\$828,803	\$846,980	\$842,000
Total Mandatory FTEs, All Strategic Goals.....	142	144	172	172
Total, All AMS Costs	\$865,926	\$910,338	\$929,438	\$925,168
Total, All AMS FTEs	506	516	575	575