

AGRICULTURAL MARKETING SERVICE

2019 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 current market information to assist producers and marketers of farm products and those in related industries, in making critical daily decisions. Market News information covers local, regional, national, and international markets and includes data on supply, movement, contractual agreements, inventories, and prices for numerous agricultural commodities, both conventionally and organically produced. Reported commodities include cotton, cottonseed, and tobacco; dairy products; fruits, vegetables and ornamentals; livestock, meat, grains, poultry and eggs. Market News provides farmers, producers and other agricultural businesses with the information they need to evaluate market conditions, identify trends, make purchasing decisions, monitor price patterns, evaluate transportation equipment needs and accurately assess movement of agricultural commodities. By providing timely, accurate, and unbiased market information, the Market News Program enhances competitiveness and helps 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 USDA Market News website offers users the opportunity to run 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

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Departments of Agriculture, to ensure that shell egg handling operations are inspected at least four times annually and hatcheries are inspected at least once each year to control the disposition of certain types of under grade and restricted eggs. This program diverts eggs that are not at least U.S. Consumer Grade B- and which cannot be sold in shell form-to egg breaking plants, which reassures buyers and supports efficient markets.

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

AMS grade standards are 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, generate residue information, 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
U.S. Warehouse Act
Grain Standards and Warehouse Improvement Act of 2000
P.L. 480 International Food Aid Programs

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- a. Pesticide Data Program (PDP): Established under authority of the Agricultural Marketing Act of 1946 and the 1996 Food Quality Protection Act, PDP develops and communicates comprehensive, statistically-reliable information on pesticide residues in food to improve Government dietary risk assessments. This program provides data on a continual basis to the Environmental Protection Agency (EPA) for use in the pesticide registration process and to other Federal and State agencies for use in determining policies intended to safeguard public health. The program particularly focuses on the foods most likely consumed 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 reassure 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 that producers and handlers are in compliance with the national organic standards. AMS also 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.
- 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 if an inspection reveals 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 administratively 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 nuts, and pecan nuts. The law also requires method of production information (farm-raised or wild caught) for fish and shellfish to be noted at the final point of sale to consumers. The regulation outlines the labeling requirements for covered commodities and the recordkeeping requirements for retailers and suppliers. The program conducts retail surveillance reviews through cooperative agreements with state agencies. AMS trains Federal and State employees on enforcement responsibilities; responds to formal complaints; conducts supply chain audits; and develops educational and outreach activities for interested parties.

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- 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, highbush blueberries, Hass avocado, honey, mango, mushrooms, peanuts, popcorn, potatoes, processed raspberries, softwood lumber, watermelon, Christmas trees, 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. Bioengineered Disclosure and Labeling Program: The Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.) was amended in 2016 by P.L. 114-216, which added Subtitle E—National Bioengineered Food Disclosure Standard. The National Bioengineered Food Disclosure Law charges AMS with developing a national mandatory system for disclosing the presence of bioengineered material in foods or ingredients to increase consumer confidence and understanding of the foods they buy, and avoid uncertainty for food companies and farmers. AMS will ensure an open and transparent process for effectively establishing this new program.
 - g. Sheep Production and Marketing Grant Program: The 2014 Farm Bill amended 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 made funding available for a grant to one or more national entities whose mission is consistent with the purpose of the program. The grant was awarded in 2015.
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
Agricultural Act of 2014 (2014 Farm Bill)

- a. Transportation and Market Development: 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 markets. AMS also conducts

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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.

- b. Farmers Market and Local Food Promotion Program: This program was created through amendments of the Farmer-to-Consumer Direct Marketing Act of 1976. The 2008 Farm Bill made resources available for the Farmers Market Promotion Program 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.

In accordance with Executive Order 13781, "Comprehensive Plan for Reorganizing the Executive Branch," the Secretary of Agriculture reorganized the Department under section 4(a) of Reorganization Plan No. 2 of 1953 (5 U.S.C. App.; 7 U.S.C. 2201 note). This reorganization is designed to improve customer engagement, maximize efficiency, and improve agency collaboration. As a part of this reorganization, the Packers and Stockyards Program, Federal Grain Inspection Service, U.S. Warehouse Act Program, and International Commodity Purchasing were transferred to the Agricultural Marketing Service as new program areas in FY 2018.

5. Packers and Stockyards Program (P&SP):

Program activities are authorized by the Packers and Stockyards Act of 1921 (P&S Act), as amended, and Section 1324 of the Food Security Act of 1985. These activities are currently funded through appropriations. AMS' P&SP is responsible for administering the P&S Act, which prohibits unfair, deceptive, and fraudulent practices by market agencies, dealers, packers, swine contractors, and live poultry dealers in the livestock, poultry, and meatpacking industries. The P&S Act makes it unlawful for a regulated entity to engage in unfair, unjustly discriminatory, or deceptive practices. Packers, live poultry dealers, and swine contractors are also prohibited from engaging in specific anti-competitive practices. P&SP conducts two broad types of activities—regulatory and investigative—in its administration and enforcement of the P&S Act. P&SP activities cover two general areas: Business Practices and Financial Protection. Business Practices are further divided into Competition and Trade Practices.

6. Federal Grain Inspection Service (FGIS):

- a. The Grain Regulatory Program (GRP), which is carried out under the authority of the United States Grain Standards Act, as amended (USGSA), and the Agricultural Marketing Act of 1946 (AMA), is currently funded through appropriations, but user fees are proposed. As part of the GRP, AMS promotes and enforces the accurate and uniform application of the USGSA and applicable provisions of the AMA; identifies, evaluates, and implements new or improved techniques for measuring grain quality; and establishes and maintains testing and grading standards to facilitate the marketing of U.S. grain, oilseeds, and related products.
- b. Inspection and Weighing Services are authorized under both the USGSA and the AMA. The USGSA requires the mandatory inspection and weighing of grain at export ports by AMS or delegated State agency personnel, and the permissive inspection and weighing of grain at domestic locations by designated State and private agency personnel. The USGSA also requires USDA to supervise all official inspection and weighing activities. On a request basis, AMS' FGIS performs inspection of rice and related commodities

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under the AMA. Both statutes require FGIS to collect user fees to fund the costs of operations including the supervision and administration of Federal grain inspection and weighing activities.

7. Warehouse Examination Program:

USDA's warehouse activities make efficient use of commercial facilities in the storage of Commodity Credit Corporation-owned commodities, and license warehouses under the United States Warehouse Act (USWA). Under the United States Warehouse Act (USWA), first enacted in 1916 and reauthorized by the Grain Standards and Warehouse Improvement Act of 2000, P.L. 106-472, USDA operates a nationwide, voluntary program, under which AMS licenses warehouse operators who store agricultural products. Under the USWA, AMS also licenses qualified persons to sample, inspect, weigh, and grade agricultural products. Entities which receive a USWA license must meet minimum financial standards and maintain physical warehouse facilities capable of handling and storing applicable agricultural commodities. In order to ensure compliance with the provisions of these licenses, AMS periodically makes unannounced examinations of the license holders.

8. International Food Procurement:

AMS procures foods for international food aid programs for overseas use to meet USDA and USAID program requirements. USDA international food procurement activities are governed by the following legislation: Emergency Food Assistance Act of 1983, as amended; Agricultural Trade Development and Assistance Act of 1954 (Public Law 83-480, Title II), as amended; Food for Progress Act of 1985, as amended; the Food, Conservation, and Energy Act of 2008, and the Agricultural Act of 1949, Section 416(b), as amended.

9. 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 innovative 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 funded the SCBGP 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.

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

These programs are authorized by the following statutes:

Agricultural Marketing Act of 1946

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

- a. Grading, Certification, and Audit Verification: The grading process involves applying quality standards and verifying that agricultural commodities meet those standards. AMS provides grading and certification services on agricultural commodities for which USDA standards have been developed. 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 courts of law to settle commercial disputes. AMS audit verification services offer production and quality control system audits 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.

11. 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.

12. 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

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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 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 is 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, 2017, AMS had 2,486 employees, of whom 1,992 were permanent full-time and 494 were other than permanent full-time employees. Approximately 79 percent of AMS' employees are assigned to field

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offices. Of the 1,960 employees assigned to field office locations, 1,474 were permanent full-time and 486 were other-than permanent full-time employees.

Schedule A (Milk Market Administrator) employees as of September 30, 2017, totaled 339, of which 304 were permanent full-time and 35 were other than permanent full-time employees.

Office of Inspector General (OIG) Audits Completed:

#01601-0001-21	9/13/2017	National Organic Program – International Trade Arrangements and Agreements
#50016-0001-23	10/3/2017	Implementation of Suspension and Debarment Tools in the USDA

OIG Audits – In Progress:

None

Government Accountability Office (GAO) Audits Completed:

Job Code: 101125	10/24/2017	Freedom of Information Act (FOIA) Requests Related to USDA’s National Research and Promotion Programs
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Available Funds and Staff Years (SYs)

(Dollars in thousands)

Item	2016 Actual		2017 Actual		2018 Estimate		2019 President's Budget	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Agricultural Marketing Service								
Marketing Services, Discretionary.....	\$81,223	379	\$84,933	396	\$145,723	755	\$118,617	610
Payments to States and Possessions, Discretionary	1,235	1	1,235	1	1,227	1	1,109	1
Adjusted Appropriations, Discretionary	82,458	380	86,168	397	146,950	756	119,726	611
Congressional Relations Transfer In.....	102	-	90	-	-	-	-	-
Nat'l Bioengineered Food Disclosure Std Transfer In.....	-	-	1,000	-	-	-	-	-
Total Available, Discretionary	82,560	380	87,258	397	146,950	756	119,726	611
Farm Bill Initiatives:								
Farmers Market Promotion Program.....	15,000	3	15,000	3	15,000	3	-	-
Local Foods Promotion Program.....	15,000	4	15,000	4	15,000	4	-	-
Specialty Crop Block Grants.....	72,500	10	72,500	12	85,000	10	85,000	10
National Organic Cost Share.....	11,500	1	-	-	-	-	-	-
AMA Organic Cost Share, Mandatory.....	1,000	-	-	-	-	-	-	-
Nat'l Bioengineered Food Disclosure Std Transfer Out.....	-	-	-1,000	-	-	-	-	-
Sequestration.....	-7,820	-	-7,073	-	-7,590	-	-	-
Total, Farm Bill Initiatives, Mandatory.....	107,180	18	94,427	19	107,410	17	85,000	10
Permanent Appropriations, Mandatory:								
Funds for Strengthening Markets, Income,								
and Supply (Sec. 32)	10,316,645	154	10,929,841	155	10,370,878	154	10,624,198	154
Rescission	-215,568	-	-231,374	-	-255,582	-	-337,000	-
Sequestration	-77,452	-	-79,626	-	-77,418	-	-74,400	-
Recoveries of Prior Year Obligations	964	-	797	-	-	-	-	-
Offsetting Collections	11,879	-	-	-	-	-	-	-
Balance Available, SOY	-	-	-	-	54,150	-	-	-
Available Authority from Previously Precluded								
Balances, Start of Year	223,344	-	166,332	-	125,797	-	125,000	-
Transfers Out a/	-9,275,989	-	-9,817,173	-	-9,198,675	-	-9,424,198	-
Balance Available, EOY	-	-	-54,150	-	-	-	-	-
Unavailable Resources, End of Year	-166,332	-	-125,797	-	-125,000	-	-125,000	-
Subtotal, Permanent Appropriations, Mandatory.....	817,491	154	788,850	155	894,150	154	788,600	154
Total, AMS Appropriations.....	1,007,231	552	970,535	571	1,148,510	927	993,326	775
Obligations Under Other USDA Appropriations:								
International Food Procurement Reimbursement	-	-	-	-	8,327	37	7,081	37
Food & Nutrition Service for Commodity								
Procurement Services (Sec. 32).....	4,602	31	3,438	32	3,438	31	3,438	31
Total, Other USDA.....	4,602	31	3,438	32	11,765	68	10,519	68
Total, Agricultural Marketing Service Appropriations.....	1,011,833	583	973,973	603	1,160,275	995	1,003,845	843
Non-Federal Funds:								
Perishable Agricultural Commodities Act Fund, Mandatory.	11,452	67	11,609	64	10,590	69	10,733	69
Inspection and Weighing Services.....	-	-	-	-	55,000	421	60,000	421
Grain Regulatory	-	-	-	-	-	-	20,000	112
Warehouse Examinations	-	-	-	-	3,500	23	3,500	23
Research and Promotion Boards.....	4,626	29	4,861	29	4,812	29	4,831	29
Fees for Grading of Cotton and Tobacco	44,335	323	49,703	354	60,982	441	60,982	441
Grading of Farm Products for Producers, Processors, and								
Municipal, State and Federal Agencies	159,355	1,286	157,759	1,314	160,473	1,353	160,473	1,353
Wool Research, Development, and Promotion	2,261	-	2,248	-	2,102	-	2,250	-
Total, Non-Federal Funds	222,029	1,705	226,180	1,761	297,459	2,336	322,769	2,448
Total, Agricultural Marketing Service	1,233,862	2,288	1,200,153	2,364	1,457,734	3,331	1,326,614	3,291
Schedule A Staff Years		341		347		347		347

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

AGRICULTURAL MARKETING SERVICE

Permanent Positions by Grade and Staff Year Summary

Item	2016 Actual			2017 Actual			2018 Estimate			2019 President's Budget		
	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total
SES.....	9	1	10	9	1	10	11	1	12	11	1	12
GS-15.....	46	4	50	47	3	50	61	9	70	53	9	62
GS-14.....	88	33	121	85	34	119	108	62	170	105	55	160
GS-13.....	152	115	267	158	123	281	180	195	375	180	164	344
GS-12.....	103	182	285	96	181	277	112	301	413	112	257	369
GS-11.....	40	162	202	39	154	193	49	295	344	49	255	304
GS-10.....	2	14	16	4	14	18	4	21	25	1	21	22
GS-9.....	41	437	478	39	444	483	45	616	661	44	610	654
GS-8.....	5	252	257	5	311	316	13	284	297	13	281	294
GS-7.....	15	228	243	12	205	217	8	474	482	8	459	467
GS-6.....	7	46	53	8	45	53	6	124	130	6	124	130
GS-5.....	7	86	93	5	59	64	8	127	135	8	127	135
GS-4.....	-	6	6	-	3	3	7	77	84	7	77	84
GS-3.....	-	-	-	-	-	-	-	-	-	-	-	-
GS-2.....	-	-	-	-	-	-	-	-	-	-	-	-
GS-1.....	-	-	-	-	-	-	-	-	-	-	-	-
Ungraded Positions.....	-	5	5	-	5	5	-	2	2	-	2	2
Total Perm. Positions without Schedule A.....	515	1,571	2,086	507	1,582	2,089	612	2,588	3,200	597	2,442	3,039
Unfilled, EOY.....	-	169	169	-8	105	97	-	-	-	-	-	-
Total, Perm. Full-Time Employment, EOY.....	515	1,402	1,917	515	1,477	1,992	612	2,588	3,200	597	2,442	3,039
Staff Year Est.....	622	1,666	2,288	611	1,753	2,364	659	2,672	3,331	639	2,652	3,291
Schedule A Staff Years.....	12	329	341	12	335	347	12	335	347	12	335	347

AGRICULTURAL MARKETING SERVICE

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SIZE, COMPOSITION AND COST OF MOTOR VEHICLE FLEET

The estimated number of passenger motor vehicles available for 2019 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 plans on increasing the number of fleet passenger motor vehicle in 2019 by 90. Beginning in FY 2018, this exhibit incorporates Federal Grain Inspection Service and Packers and Stockyards Program vehicles.

Replacement of passenger motor vehicles. AMS plans to replace 15 of the 509 passenger motor vehicles in operation in 2019.

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, 2017, are as follows:

Number of Vehicles by Type *									
Fiscal Year	Sedans & Station Wagons	Light Trucks, SUVs and Vans		Medium Duty Vehicles	Ambulances	Buses	Heavy Duty Vehicles	Total Number of Vehicles	Annual Operating Costs ** (\$ in thou.)
		4X2	4X4						
2016	183	73	4	2	0	0	0	262	\$1,167
Change	+28	-9	+1	0	0	0	0	+20	+304
2017	211	64	5	2	0	0	0	282	1,471
Change	+80	+49	+7	0	+1	0	0	+137	+498
2018 ***	291	113	12	2	1	0	0	419	2,186
Change	+83	+5	+1	0	+1	0	0	+90	+678
2019	374	118	13	2	2	0	0	509	2,655

* 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.

*** Vehicles added under USDA reorganization in accordance with Executive Order 13781.

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Agriculture Marketing Service

Fiscal Year	Net Active Fleet, EOY	Disposals	Acquisitions			Net Active Fleet, EOY
			Replacements	Additions to Fleet	Total	
2016	262	-	-	-	-	262
2017	282	-	-	20	20	282
2018	419	-	-	137	137	419
2019	509	-	-	90	90	509

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Shared Funding Projects
(Dollars in thousands)

	2016	2017	2018	2019
	<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
Working Capital Fund:				
Administration:				
HR Enterprise System Management.....	\$51	\$51	\$64	\$92
Mail and Reproduction Management.....	590	632	782	787
Integrated Procurement System.....	315	313	423	426
Material Management Service Center.....	263	292	265	276
Procurement Operations.....	-	2	2	2
Subtotal.....	1,219	1,290	1,536	1,583
Communications:				
Creative Media & Broadcast Center.....	118	176	219	209
Finance and Management:				
NFC/USDA.....	896	894	1,196	1,201
Financial Management Services.....	3,329	3,555	3,993	4,247
Internal Control Support Services.....	74	85	87	87
Subtotal.....	4,299	4,534	5,276	5,535
Information Technology:				
NITC/USDA.....	3,999	3,595	3,504	3,504
Client Technology Services.....	457	1,511	2,268	2,277
Enterprise Network Services.....	484	423	586	762
Subtotal.....	4,940	5,529	6,358	6,543
Correspondence Management.....	122	132	139	150
Total, Working Capital Fund.....	10,698	11,661	13,528	14,020
Departmental Shared Cost Programs:				
1890's USDA Initiatives.....	85	101	119	119
Advisory Committee Liaison Services.....	35	37	43	43
Classified National Security Information.....	16	16	19	19
Continuity of Operations Planning.....	54	56	67	67
Emergency Operations Center.....	63	64	74	74
Facility and Infrastructure Review and Assessment.....	12	12	15	15
Faith-Based Initiatives and Neighborhood Partnerships.....	10	11	12	12
Hispanic-Serving Institutions National Program.....	48	53	63	63
Honor Awards.....	2	-	2	2
Human Resources Transformation (inc. Diversity Council).....	41	46	56	56
Identity & Access Management (HSPD-12).....	183	183	213	213
Intertribal Technical Assistance Network.....	-	-	-	-
Medical Services.....	50	47	63	63
People's Garden.....	17	18	21	21
Personnel and Document Security.....	23	22	24	24

AGRICULTURAL MARKETING SERVICE

Shared Funding Projects
(Dollars in thousands)

	2016	2017	2018	2019
	<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
Pre-authorizing Funding.....	101	112	118	118
Retirement Processor/Web Application.....	16	16	19	19
TARGET Center.....	39	40	46	46
USDA 1994 Program.....	19	22	25	25
Virtual University.....	54	55	63	63
Visitor Information Center.....	-	-	-	-
Total, Department Shared Cost Programs.....	<u>868</u>	<u>911</u>	<u>1,062</u>	<u>1,062</u>
E-Gov:				
Budget Formulation and Execution Line of Business.....	2	2	3	3
Enterprise Human Resources Integration.....	53	53	69	69
E-Rulemaking.....	61	124	158	131
E-Training.....	77	-	-	-
Financial Management Line of Business.....	5	5	6	6
Grants.gov.....	36	58	52	53
Human Resources Line of Business.....	7	7	10	10
FOIA.....	-	-	-	2
Integrated Acquisition Environment.....	47	38	39	42
Total, E-Gov.....	<u>288</u>	<u>287</u>	<u>337</u>	<u>316</u>
Agency Total.....	<u>11,854</u>	<u>12,859</u>	<u>14,927</u>	<u>15,398</u>

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

Marketing Services

For necessary expenses of the Agricultural Marketing Service [\$145,723,000] \$118,617,000: 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

Current Law

Budget Estimate, 2019.....	\$118,617,000
2018 Annualized Continuing Resolution.....	<u>84,356,000</u>
Change in Appropriation	<u>+34,261,000</u>

Adjustment in 2018:

2018 Annualized Continuing Resolution.....	\$84,356,000
Transferred Grain Regulatory, Packers and Stockyards, U.S. Warehouse Act and International Food Procurement.....	<u>+61,367,000</u>

Adjusted Base for 2018.....	\$145,723,000
Budget Estimate, 2019.....	<u>118,617,000</u>
Change in Appropriation	<u>-27,106,000</u>

Proposed Legislation

Budget Estimate, Current Law 2019.....	\$118,617,000
Change Due to Proposed Legislation.....	<u>-22,975,000</u>
Net 2019 Request	<u>95,642,000</u>

AGRICULTURAL MARKETING SERVICE

Marketing Services

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2016 Actual		2017 Actual		2018 Estimate		Inc. or Dec.		2019 President's Budget		
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Appropriations:											
Market News Service.....	\$33,219	217	\$33,659	223	\$33,430	232	-\$5,149	(1)	-30	\$28,281	202
Shell Egg Surveillance and Standardization:											
Shell Egg Surveillance.....	2,563	10	2,568	11	2,551	11	-621	(2)	-2	1,930	9
Standardization.....	4,971	33	5,018	30	4,984	34	-	(3)	-	4,984	34
Total, Surveillance and Standardization.....											
	7,534	43	7,586	41	7,535	45	-621		-2	6,914	43
Market Protection and Promotion:											
Federal Seed Act.....	2,299	14	2,325	16	2,309	15	-241	(4)	-	2,068	15
Country of Origin Labeling.....	4,718	16	4,744	16	4,712	18	-960	(5)	-	3,752	18
Pesticide Data.....	15,039	16	15,073	19	14,971	19	-	(6)	-	14,971	19
National Organic Standards.....	9,020	43	9,094	42	9,032	43	3,000	(7)	-	12,032	43
Total, Market Protection and Promotion.....											
	31,076	89	31,236	93	31,024	95	1,799		-	32,823	95
Transportation and Market Development:											
Nat'l Bioengineered Food Disclosure.....	-	-	1,000	2	993	4	-	(9)	-	993	4
GSA Rent & DHS\Security.....	1,277	-	1,277	-	1,268	-	-	(10)	-	1,268	-
Acer Access and Development Program.....	-	-	1,000	1	993	1	-993	(11)	-1	-	-
Packers and Stockyards.....	-	-	-	-	23,123	148	-148	(12)	-	22,975	148
Grain Regulatory a/.....	-	-	-	-	20,064	112	-20,064	(13)	-112	-	-
U.S. Warehouse Act.....	-	-	-	-	4,944	31	-	(14)	-	4,944	31
International Food Procurement.....	-	-	-	-	13,236	52	-	(15)	-	13,236	52
Total Appropriation.....											
	81,223	379	84,933	396	145,723	755	-27,106		-145	118,617	610
Transfers In:											
Congressional Relations.....	102	-	90	-	-	-	-		-	-	-
Nat'l Bioengineered Food Disclosure.....	-	-	1,000	-	-	-	-		-	-	-
Total Available.....											
	81,325	379	86,023	396	145,723	755	-27,106		-145	118,617	610
Lapsing Balances.....											
	-662	-	-996	-	-	-	-		-	-	-
Total Obligations.....											
	80,663	379	85,027	396	145,723	755	-27,106		-145	118,617	610

a/ New user fees will be established to recover the full cost of programs under the Federal Grain Inspection Service.

AGRICULTURAL MARKETING SERVICE

Marketing Services

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2016 Actual		2017 Actual		2018 Estimate		Inc. or Dec.		2019 President's Budget		
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Appropriations:											
Market News Service.....	\$33,213	217	\$33,698	223	\$33,430	232	-\$5,149	(1)	-30	\$28,281	202
Shell Egg Surveillance and Standardization:											
Shell Egg Surveillance.....	2,083	10	2,027	11	2,551	11	-621	(2)	-2	1,930	9
Standardization.....	4,821	33	5,393	30	4,984	34	-	(3)	-	4,984	34
Total, Surveillance and Standardization.....											
	6,904	43	7,420	41	7,535	45	-621		-2	6,914	43
Market Protection and Promotion:											
Federal Seed Act.....	2,285	14	2,282	16	2,309	15	-241	(4)	-	2,068	15
Country of Origin Labeling.....	4,640	16	4,593	16	4,712	18	-960	(5)	-	3,752	18
Pesticide Data.....	15,384	16	15,201	19	14,971	19	-	(6)	-	14,971	19
National Organic Standards.....	9,038	43	8,591	42	9,032	43	3,000	(7)	-	12,032	43
Total, Market Protection and Promotion.....											
	31,347	89	30,667	93	31,024	95	1,799		-	32,823	95
Transportation and Market Development.....											
	7,922	30	9,121	36	9,113	35	-1,930	(8)	-	7,183	35
Nat'l Bioengineered Food Disclosure.....	-	-	1,772	2	993	4	-	(9)	-	993	4
GSA Rent & DHS\Security.....	1,277	-	1,349	-	1,268	-	-	(10)	-	1,268	-
Acer Access and Development Program.....	-	-	1,000	1	993	1	-993	(11)	-1	-	-
Packers and Stockyards.....	-	-	-	-	23,123	148	-148	(12)	-	22,975	148
Grain Regulatory a/.....	-	-	-	-	20,064	112	-20,064	(13)	-112	-	-
U.S. Warehouse Act.....	-	-	-	-	4,944	31	-	(14)	-	4,944	31
International Food Procurement.....	-	-	-	-	13,236	52	-	(15)	-	13,236	52
Total Obligations.....											
	80,663	379	85,027	396	145,723	755	-27,106		-145	118,617	610
Lapsing Balances.....											
	662	-	996	-	-	-	-		-	-	-
Total Available.....											
	81,325	379	86,023	396	145,723	755	-27,106		-145	118,617	610
Transfers In:											
Congressional Relations.....	-102	-	-90	-	-	-	-		-	-	-
Nat'l Bioengineered Food Disclosure.....	-	-	-1,000	-	-	-	-		-	-	-
Total Appropriation.....											
	81,223	379	84,933	396	145,723	755	-27,106		-145	118,617	610

a/ New user fees will be established to recover the full cost of programs under the Federal Grain Inspection Service.

AGRICULTURAL MARKETING SERVICE

Marketing Services

Justifications of Increases and Decreases

- (1) A decrease of \$5,149,000 and 30 staff years for Market News (\$33,430,000 and 232 staff years available in 2018).

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 provides information to farmers, producers, buyers, and sellers across the agricultural industry, but the data 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 updating 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 region-based bioenergy reports.

Continued availability of market information is critical to increase agricultural opportunities by providing data about new markets and to 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.

To remain competitive in today's market, industry stakeholders need and demand better market coverage, smarter information, and faster access. 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 way 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 is continuing its efforts to harmonize and merge several market news information databases into one unified database and data capture system (the Market Analysis Reporting Services, or MARS). MARS is designed to simplify access to and maintenance of market news data, creating a better customer experience and improving the speed of information delivery.

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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 these data publicly 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, 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 critical information about the value of food in local and regional food systems and important international markets to help producers access appropriate risk management products. 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 these data publicly available. Funds will be used for salaries and benefits for 209 staff years, site travel, outreach, and data management systems necessary to collect, analyze, and make available large quantities of information, rent, utilities, communications, and indirect AMS and USDA costs.

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

The funding change is requested for the following items:

- a. A decrease of \$1,500,000 from reduced Market Analysis and Reporting Services (MARS) development expenses.

Market News has made great technological strides to improve access to market information through the development of MARS. MARS will allow AMS to manage and publish Market News data in one centralized customer facing database, replacing multiple legacy systems. This new system reflects advances in data management, improves market transparency, reduces information disadvantages that may exist between buyers and sellers, and continues our commitment to use experienced reporters to gather, analyze, and provide unbiased data through cooperative relationships and observation of different points within the agricultural supply chain. MARS will make Market News more flexible in a rapidly evolving digital market. It also makes quantifiable data available in a searchable database. The development of MARS began in FY 2015 with a development cost of approximately \$2 million per year. It is anticipated that basic development of MARS will be completed during FY 2019, reducing costs to annual system support and maintenance.

- b. A decrease of \$3,649,000 and 30 staff years through program savings.

To achieve these reductions, AMS will reduce staff through attrition, not fill positions, and adjust the following activities:

1. Reduce the amount and frequency of data collected for Market News Reporting:
 - Eliminate cotton and cottonseed prices that are collected at the gins; reduce the frequency of the data collection and reporting for the forward contracting; and eliminate the annual Cotton Variety Planted report and associated data collection.
 - Limit data for the Daily Spot Cotton Quotations report to mostly cotton merchants and brokers.
 - Adjust the frequency of the cotton forward contracting report from monthly to quarterly.
 - Eliminate the Annual Varieties Planted report.
 - Reduce the sample size of the weekly National Retail Report - Dairy from the current 150 retail chains to around 100 chains and limit the collection to the continental U.S.
 - Roll back or eliminate local and regional market reporting, including reporting of farmer's markets and farm-to-school reporting.
 - Reduce services and assistance to states that now support AMS with in-state reporting through the Federal - State agreements.
 - Eliminate the wholesale flower reporting in Boston and eliminate one position, retaining the f.o.b. shipping point reports for cut flowers in Miami.
 - Cease reporting the wholesale produce markets in St. Louis and Dallas, eliminating two reporter

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positions. Eliminate the field support staff position that provides travel support and data entry, merging those duties into existing positions at Headquarters.

2. Roll back the Organic Data Initiative for Dairy to FY 2016 levels. Discontinue collecting and reporting new organic information that was developed. Stop deployment of any new organic dairy information related to the expansion supported by the Farm Bill.

- (2) A decrease of \$621,000 and 2 staff years for the Shell Egg Surveillance Program (\$2,551,000 and 11 staff years available in 2018).

The Shell Egg Surveillance (SES) 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 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.”

Funds will be used for salaries and benefits for 9 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.

The funding change is requested for the following items:

- a. A decrease of \$621,000 and 2 staff years in program savings due to industry consolidation and improved compliance at shell egg facilities.

AMS can reduce the resources needed to conduct the mandatory quarterly inspections while still providing adequate oversight and information to administer a successful program. This is due to industry consolidation over time that has reduced the number of SES registered facilities that need inspection through the program. The number of SES facilities decreased from 1,023 facilities in 2000 to 761 facilities in 2017. As a result, the number of inspections that must be conducted at these facilities was reduced by 26 percent since 2000.

The program has been 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.

AMS will continue to meet the requirements by inspecting packing plants a minimum of four times annually and hatcheries once annually. Staff year reduction will be accomplished through attrition or reduced cross-utilization of personnel. This change will have little impact on regulated entities and the rural economy of the regions in which the facilities are located. Since these facilities are located throughout the country, there are no regions that will be impacted greater than others. With this change, we expect the rate of compliance to remain steady.

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(3) No change for Standardization (\$4,984,000 and 34 staff years available in 2018).

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 disrupt 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 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.

Funding will continue to allow program experts to participate in domestic and international standards development, support U.S. agriculture interests in international markets, and develop U.S. standards. Funds will be used for salaries and benefits for 34 staff years, customer outreach, participation in international standards-setting forums, rent, utilities, communications, and indirect AMS and USDA costs.

(4) A decrease of \$241,000 for the Federal Seed Act Program (\$2,309,000 and 15 staff years available in 2018).

The Federal Seed Program will continue to administer Federal Seed Act (Act) regulations on the interstate shipment of agricultural and vegetable seed. Stoppages of the program would 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.

Within base funding, the program has been working 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 are conducted in a timely manner to resolve truth-in-labeling disputes on interstate shipments of seed. This helps 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 also provides 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 to 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

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technology. Funds will be used for salaries and benefits for 15 staff years, cooperator training, seed testing, cooperative agreements, data management, rent, utilities, communications, and indirect AMS and USDA costs.

The funding change is requested for the following items:

a. A decrease of \$241,000 in program savings.

AMS will reduce non-salary expenses for equipment purchases, state government conference contributions, training workshops for cooperators, supplies, and travel. The program will maintain the number of investigations planned for FY 2019 by focusing on core processes.

(5) A decrease of \$960,000 for Country of Origin Labeling (\$4,712,000 and 18 staff years available in 2018).

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 reduce information for consumers.

The program will continue education and compliance monitoring activities for covered commodities and address non-compliance as appropriate. AMS collaborates 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 provides State cooperator training and outreach to maintain full partnerships with cooperating State agencies and conduct follow up reviews for retailers found to have 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.

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.

AMS will use these funds for salaries and benefits for 18 staff years, supervisory travel, agreements with cooperating State agencies, compliance data tracking, outreach, rent, utilities, communications, and indirect AMS and USDA costs.

The funding change is requested for the following items:

a. A decrease of \$960,000 in program savings by refocusing retail reviews.

AMS will reduce the overall number of initial reviews at retail locations and increase the program's focus on follow up reviews where non-compliances have been found. Costs savings will result from reductions to State cooperative agreements and associated training and certification of cooperating State employees.

(6) No change for the Pesticide Data Program (\$14,971,000 and 19 staff years available in 2018).

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 all 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,

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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, 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.

AMS will use these funds for salaries and benefits for 19 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.

(7) An increase of \$3,000,000 for the National Organic Program (\$9,032,000 and 43 staff years available in 2018).

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, and its communications and outreach work.

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 price 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 following 20 years of sustained growth.

AMS continues to expand market access for organic farms and businesses. In 2018, the industry encompasses over 22,000 certified organic businesses. AMS ensures the integrity of organic agricultural products through

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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, and New Zealand for recognition, and Canada, European Union, Japan, South Korea, and Switzerland for equivalency.

AMS collaborates with certifying agents and other USDA agencies to make organic certification more accessible, attainable, and affordable to U.S. producers. NOP will provide greater assistance to small and new farmers and businesses with entry into the organic market. Clear standards, sound and sensible certification, and greater organic literacy will facilitate market access and reliable international trade partnerships.

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.

The funding change is requested for the following items:

- a. An increase of \$3,000,000 for information technology improvements to strengthen enforcement of organic labeling.

AMS will fund technology investments and process improvements to enhance enforcement and traceability of the origin and handling of organic commodities for greater transparency and integrity.

A 2017 USDA OIG audit looked into challenges associated with the oversight of imported organic products, and recent cases involving allegations of fraud in the organic market have attracted significant industry, Congressional, and press attention. These events highlight the importance of implementing reforms to maintain consumer confidence in a fast-growing industry that is benefiting farmers and producers across the country. To strengthen enforcement, AMS will implement changes through technology investments, changes to the investigations process, and collaborations with other agencies such as FAS and APHIS.

Improved enforcement and traceability will be implemented through technology investments and improvements. Additional funding is requested for significant technology investments such as a transition to electronic certificates for organic imports and/or transactions. Electronic organic certificates would reduce paper processing and improve traceability and accountability. Implementing better measures to oversee the organic market will benefit organic farms, businesses, and trade partners that are playing by the rules.

These regulatory reforms will improve the USDA's ability to oversee the growing organic market, while also streamlining regulatory requirements for third-party certification agencies. Collaborating with other USDA agencies, as well as Customs and Border Protection, will improve targeted oversight of organic products at ports of entry and in other countries, protecting U.S. producers.

- (8) A decrease of \$1,930,000 for Transportation and Market Development (\$9,113,000 and 35 staff years available in 2018).

AMS will continue to promote producer access to local and regional markets, including direct-to-consumer, direct-to-restaurant, farm-to-school, and other emerging opportunities, and to 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. 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

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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. As an expert source for economic analysis and reporting on agricultural transportation from farm to market, AMS helps agricultural shippers and government policymakers make informed 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 comprehensive marketing strategies to increase 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, including both entry level and fully integrated markets. Local food is a multibillion-dollar market and growing, with significant expansion in farmers markets, community-supported agriculture, and food hubs 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, the program cooperates 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, direct-to-restaurant, farm-to-school, 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 8,600 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. These activities equip local producers to distribute and market healthy foods and develop additional farmers markets to promote healthier communities. Direct-to-consumer outlets give producers the marketing and distribution experience they need to scale up and build larger operations that can take advantage of larger markets.

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These funds will be used for salaries and benefits for 35 staff years, cooperative agreements for market development support, market and transportation studies, site travel, outreach, rent, utilities, communications, and indirect AMS and USDA costs.

The funding change is requested for the following items:

- a. A decrease of \$1,930,000 in program savings.

Program savings will be achieved by reducing cooperative activities and studies conducted in partnership with Federal and State agencies and universities. These activities are designed to analyze agricultural and rural transportation, collect primary marketing data, conduct marketing research, and assist in providing technical assistance to communities. This will reduce the number of additional markets that are established or expanded through technical assistance and the number of market development projects completed, but AMS will maintain the program's ability to fulfill its core functions and conduct market development activities that benefit agricultural producers and rural communities.

- (9) No change for National Bioengineered Food Disclosure Standard (\$993,000 and 4 staff years available in 2018).

AMS is required to implement a National Bioengineered Food Disclosure Standard (Pub. L. 114-216). The National Bioengineered Food Disclosure Law charges AMS with developing a national mandatory system for disclosing the presence of bioengineered material in foods and ingredients. AMS will conduct rulemaking to ensure an open and transparent process to effectively establish this new program, which will increase consumer confidence and understanding of the foods they buy, and reduce uncertainty for food companies and farmers.

Given the complex nature of molecular science, biotechnology innovations, food supply chain composition, and electronic disclosure issues, AMS requires specialized expertise to develop the proposed and final rules. This request funds salary and benefits for four employees to conduct the activities necessary to ensure implementation of the standard by the statutory deadline. The request also funds costs associated with legal review, patent and trademark vetting, and filing for intellectual property protections.

AMS anticipates significant public and stakeholder interest in the rulemaking process. The official public comment period is expected to result in over 1.5 million public comments during rulemaking. The complex integration of scientific concepts and industry issues will require specialized expertise to review and assimilate policy, and the time period to upload, review, and categorize comments will be short, given the mandate to publish a final rule by July 2018.

Industry stakeholders have consistently requested outreach for both industry and consumers after publication of the final rule to facilitate industry compliance with the new requirements and support successful implementation of the new regulations. AMS supports the need for consumer education about what the disclosures are, where to find them, and what they mean.

- (10) No change for appropriated GSA Rent and DHS Security.

- (11) A decrease of \$993,000 for Acer Access and Development Program grants (\$993,000 and 1 staff year available in 2018).

These funds were awarded through grants to the maple syrup industry for the purposes of section 12306 of P.L. 113-79.

The funding change is requested for the following items:

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a. A decrease of \$993,000 and 1 staff year in program savings.

AMS will continue industry relationships and will work with industry on request to explore building a research and promotion program similar to other sectors in agriculture. Research and promotion programs empower producers and agribusinesses to pool their resources to develop and strengthen markets and conduct research and promotion activities.

(12) A decrease of \$148,000 for the Packers and Stockyards Program (P&SP) (\$23,123,000 and 148 staff years available in 2018).

In accordance with Executive Order 13781, "Comprehensive Plan for Reorganizing the Executive Branch," the Secretary of Agriculture reorganized the Department under section 4(a) of Reorganization Plan No. 2 of 1953 (5 U.S.C. App.; 7 U.S.C. 2201 note). This reorganization was designed to improve customer engagement, maximize efficiency, and improve Agency collaboration. As a part of this reorganization, the Packers and Stockyards Program was transferred to the Agricultural Marketing Service as a new program area in FY 2018.

P&SP enforces the Packers and Stockyards Act (P&SA), which prohibits unfair, deceptive, and unjust discriminatory practices by market agencies, dealers, stockyards, packers, swine contractors, and live poultry dealers in the livestock, meat packing, and poultry industries. The P&S Act provides important protections for livestock producers and poultry growers in rural America. The program conducts routine and ongoing regulatory inspections and audits to assess whether subject entities are operating in compliance with the P&S Act, and conducts investigations of potential violations of the P&S Act identified by industry complaints, routine regulatory inspections, or market observations. A team of resident agents and auditors located throughout the country conduct initial investigative activities. Specialists in regional offices and in Washington, D.C. headquarters provide direction and assistance to the resident investigators. All P&SP employees utilize the Packers and Stockyards Automated System (PAS) to track case work electronically from start to finish.

The funding change is requested for the following items:

a. A decrease of \$148,000 for the Packers and Stockyards Program for cost savings.

Packers and Stockyards will reduce internships along with non-personnel costs such as training, equipment and non-mission essential travel.

(13) A decrease of \$20,064,000 and 112 staff years for Grain Regulatory Program (\$20,064,000 and 112 staff years available in 2018).

In accordance with Executive Order 13781, "Comprehensive Plan for Reorganizing the Executive Branch," the Secretary of Agriculture reorganized the Department under section 4(a) of Reorganization Plan No. 2 of 1953 (5 U.S.C. App.; 7 U.S.C. 2201 note). This reorganization is designed to improve customer engagement, maximize efficiency, and improve Agency collaboration. As a part of this reorganization, the Grain Regulatory Program was transferred to the Agricultural Marketing Service as a new program area in FY 2018.

The Grain Regulatory Program conducts activities that support Federal Grain Inspection Service (FGIS) inspection and weighing activities. The program promotes and enforces the accurate and uniform application of the United States Grain Standards Act (USGSA) and applicable provisions of the Agricultural Marketing Act of 1946 (AMA); identifies, evaluates, and implements new or improved techniques for measuring grain quality; and establishes and maintains testing and grading standards to facilitate the marketing of U.S. grain, oilseeds, and related products.

The funding change is requested for the following items:

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- a. A decrease of \$20,064,000 for the Grain Regulatory Program to be offset by new user fees.

AMS will establish new discretionary user fees to recover the full costs for the activities conducted under FGIS. Entities that receive marketing benefits from FGIS services should pay for the costs of these programs. For example, grain standards benefit and are used almost solely for the grain industry, which should bear the cost.

- (14) No change for U.S. Warehouse Act program (\$4,944,000 and 31 staff years available in 2018).

In accordance with Executive Order 13781, "Comprehensive Plan for Reorganizing the Executive Branch," the Secretary of Agriculture reorganized the Department under section 4(a) of Reorganization Plan No. 2 of 1953 (5 U.S.C. App.; 7 U.S.C. 2201 note). This reorganization is designed to improve customer engagement, maximize efficiency, and improve Agency collaboration. As a part of this reorganization, the U.S. Warehouse Act was transferred to the Agricultural Marketing Service as a new program area in FY 2018.

USDA's warehouse activities make efficient use of commercial facilities in the storage of Commodity Credit Corporation-owned commodities, and license warehouses under the United States Warehouse Act (USWA). Under the United States Warehouse Act (USWA), first enacted in 1916 and reauthorized by the Grain Standards and Warehouse Improvement Act of 2000, P.L. 106-472, USDA operates a nationwide, voluntary program, under which USDA licenses warehouse operators who store agricultural products. Under the USWA, USDA also licenses qualified persons to sample, inspect, weigh, and grade agricultural products. Entities which receive a USWA license must meet minimum financial standards and maintain physical warehouse facilities capable of handling and storing applicable agricultural commodities. In order to ensure compliance with the provisions of these licenses, USDA periodically makes unannounced examinations of the license holders.

AMS will continue to operate the USWA programs as it has since the transfer. Efficiency gains from the reorganization will be realized as improved customer service.

- (15) No change for International Food Procurement (\$13,236,000 and 52 staff years available in 2018).

In accordance with Executive Order 13781, "Comprehensive Plan for Reorganizing the Executive Branch," the Secretary of Agriculture reorganized the Department under section 4(a) of Reorganization Plan No.2 of 1953 (5 U.S.C. App.; 7 U.S.C. 2201 note). This reorganization is designed to improve customer engagement, maximize efficiency, and improve Agency collaboration. As a part of this reorganization, International Food Procurement was transferred to the Agricultural Marketing Service as a new program area in FY 2018.

AMS procures foods for international food aid programs for overseas use to meet USDA and USAID program requirements. USDA international food procurement activities are governed by the following legislation: Emergency Food Assistance Act of 1983, as amended; Agricultural Trade Development and Assistance Act of 1954 (Public Law 83-480, Title II), as amended; Food for Progress Act of 1985, as amended; the Food, Conservation, and Energy Act of 2008, and the Agricultural Act of 1949, Section 416(b), as amended.

AMS will continue to operate the International Procurement program as it has since the transfer. Efficiency gains from the reorganization will be realized as improved customer service and a consolidated food commodity procurement across USDA.

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Summary of Proposed Legislation

- Program:** Packers and Stockyards Program
- Proposal:** Amend the Packers and Stockyards Act to provide authority to collect license fees to cover the cost of the program.
- Rationale:** This proposal would require the beneficiaries of the program (i.e., livestock market agencies, dealers, stockyards, packers, live poultry dealers, and swine contractors) to pay for the services they receive. These market participants benefit because they are protected from the adverse effects of anticompetitive and unfair business practices in meat and poultry marketing and distribution.
- Goal:** Transfer the cost from the American taxpayer to the beneficiaries of the program.

(Dollars in thousands)

	2018	2019	2020	2021	2022
Budget Authority	0	-\$22,975	-\$22,975	-\$22,975	-\$22,975
Outlays	0	-22,975	-22,975	-22,975	-22,975

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Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	2016 Actual		2017 Actual		2018 Estimate		2019 President's Budget	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Alabama	\$166	1	\$175	2	\$175	1	\$175	1
Alaska	10	-	-	-	-	-	-	-
Arizona	694	6	696	6	621	6	621	6
Arkansas	131	1	76	1	276	3	135	2
California	4,478	10	4,054	9	4,340	10	4,341	10
Colorado	624	6	562	5	6,650	54	6,832	54
Connecticut.....	39	-	15	-	-	-	-	-
District of Columbia	45,829	205	52,906	225	66,695	345	46,879	218
Florida	2,099	3	1,611	3	2,029	2	2,029	2
Georgia	1,326	12	1,172	12	6,347	51	6,347	51
Hawaii.....	40	-	-	-	-	-	-	-
Idaho	460	4	438	5	574	5	454	5
Illinois	414	3	342	2	388	3	388	3
Indiana	70	-	-	-	-	-	-	-
Iowa	1,606	16	1,201	13	6,145	51	6,145	51
Kansas	226	2	253	3	260	2	260	2
Kentucky	192	2	168	2	210	2	210	2
Louisiana	128	1	57	-	747	5	162	1
Maine.....	11	-	-	-	-	-	-	-
Maryland.....	315	1	248	1	254	1	265	1
Massachusetts	459	4	405	3	481	4	451	4
Michigan	1,737	3	1,550	3	1,862	4	1,732	4
Minnesota	299	2	207	2	360	2	360	2
Mississippi	49	-	-	-	78	1	58	1
Missouri	659	6	602	7	26,437	93	22,189	89
Montana	120	1	103	1	135	2	135	2
Nebraska	136	1	117	1	112	1	112	1
Nevada	40	-	-	-	-	-	-	-
New Hampshire	18	-	-	-	-	-	-	-
New Jersey	42	-	-	-	-	-	36	-
New Mexico	228	2	213	2	235	3	225	3
New York	2,457	3	2,242	3	2,547	3	2,367	3
North Carolina	1,962	13	1,833	13	2,210	14	1,990	14
North Dakota	23	-	-	-	167	1	25	-
Ohio	1,203	-	1,150	-	1,423	7	1,175	3
Oklahoma	373	3	426	5	377	4	409	4
Oregon	116	1	91	1	557	6	125	3
Pennsylvania	868	8	639	6	717	7	720	7
South Carolina	216	2	218	2	194	2	204	2
South Dakota	244	2	221	2	216	2	220	2
Tennessee	2,880	21	3,390	21	3,418	21	3,418	22
Texas	2,125	7	2,131	7	2,874	10	2,119	7
Utah	28	-	-	-	-	-	30	-
Vermont	12	-	-	-	-	-	-	-
Virginia	2,267	12	2,134	12	2,388	13	2,190	14
Washington	1,480	3	1,670	3	1,591	3	1,431	4
West Virginia	19	-	-	-	-	-	20	-
Wisconsin	1,661	12	1,634	12	1,546	11	1,546	11
Wyoming	84	1	77	1	87	1	87	-
Obligations	80,663	379	85,027	396	145,723	755	118,617	610
Lapsing Balances	662	-	996	-	-	-	-	-
Total Available.....	81,325	379	86,023	396	145,723	755	118,617	610

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Marketing Services
Classification by Objects
(Dollars in thousands)

		2016	2017	2018	2019
		Actual	Actual	Estimate	President's Budget
Personnel Compensation:					
	Washington, D.C.....	\$17,868	\$18,484	\$40,331	\$23,125
	Field.....	14,472	14,971	32,667	28,290
11	Total personnel compensation.....	32,340	33,455	72,998	51,063
12	Personnel benefits.....	11,506	11,810	25,553	16,835
13.0	Benefits for former personnel.....	435	14	475	451
	Total, personnel comp. and benefits.....	44,281	45,279	99,026	68,349
Other Objects:					
21.0	Travel and transportation of persons.....	1,424	1,512	3,545	2,028
22.0	Transportation of things.....	18	22	48	28
23.1	Rental payments to GSA.....	1,151	1,163	4,302	4,314
23.2	Rental payments to others.....	1,253	911	1,055	1,247
23.3	Communications, utilities, and misc. charges.....	1,295	1,508	1,983	1,691
24.0	Printing and reproduction.....	335	219	370	345
25.2	Other services from non-Federal sources.....	21,841	24,031	24,094	29,119
25.3	Other purchases of goods and services				
	from Federal sources.....	7,125	6,864	8,134	9,969
25.4	Other services.....	5	78	5	5
25.6	Medical care.....	20	-	20	20
25.7	Operation and maintenance of equipment.....	133	473	133	134
26.0	Supplies and materials.....	574	424	800	562
31.0	Equipment.....	1,200	1,635	1,207	798
41.0	Grants, Subsidies and Contribution.....	0	907	993	0
42.0	Insurance Claims and Indemnities.....	8	1	8	8
	Total, Other Objects.....	36,382	39,748	46,697	50,268
99.9	Total, new obligations.....	80,663	85,027	145,723	118,617
	DHS Building Security Payment (included in 25.3).....	\$178	\$126	\$258	\$260
Position Data:					
	Average Salary (dollars), ES Position.....	\$168,532	\$167,888	\$168,953	\$171,078
	Average Salary (dollars), GS Position.....	\$90,636	\$86,982	\$87,050	\$88,635
	Average Grade, GS Position.....	12	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:

Organic Data – Market News has added new products and expanded the overall coverage for organic products at each of the market levels reported—shipping point, wholesale/terminal markets, and retail. Each market level has seen growth in reporting. In January 2017, AMS Market News added a new section to the *National Retail Report* which shows the spread between organic and conventional products, or the premium for organic over conventional, for that product, at that moment in time.

Redesign of Market News into Digital Data Service – Market News continues to implement Market Analysis and Reporting Services (MARS) advanced technical capabilities and in FY 2017 added market types including auction, point of sale, and direct sale; provided for many product grades and characteristics; and allowed for inventory reporting. Also in FY 2017, a “native application” was developed to allow collection by reporters in the field when they are out of reach of the internet. This functionality will allow Market News to combine all reporting functions in a single, user-managed platform. MARS has improved reporting speed, accuracy, and flexibility for the commodities in production. Improvements in data quality and management have been completed, and better cooperator relationship management tools have been implemented. Developers expect all voluntary Market News reporting data products to be collected and publicly disseminated through MARS by the end of FY 2018.

Customer Outreach and Training – AMS Market News routinely responds to requests for information from individuals, industry groups, and associations. In FY 2017, AMS participated in industry meetings that Market News used to highlight the various information products that Market News offers, and to educate the public on how to use those products and services. Market News delivered several new webinars in FY 2017 to demonstrate its services, including sessions focused on emerging market data available from Market News for its stakeholders interested in regional and emerging market information. Additionally, AMS Market News held commodity-specific stakeholder meetings to garner feedback and enhance customer service.

Market News plans to again conduct the Customer Satisfaction Survey in early 2018. The survey is built around the tool called the American Customer Satisfaction Index (ACSI), which allows agencies to do a direct comparison to other agencies in the US government. In one of the most recent surveys of Market News customers, the ACSI score was the 4th highest score of all of the agencies. The surveys also provide valuable feedback from regular users on which services and reports are most or least useful to them. Market News uses the information regularly in identifying both opportunities for growth and ideas to improve service.

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Emerging Market Customer Focus – In FY 2017, Market News revised four Federal-State agreements to expand collaboration with State Departments of Agriculture to capture additional local and regional food market prices and volumes to enhance the ability of producers to create business plans, secure financing, and have clearer knowledge of local market systems. The AMS Market News local and regional webpage allows users to easily view commodity prices at over 125 farmers markets and 7 farmers auctions, farm-to-school prices for 14 States, local organic commodity prices on a national level, and 13 reports highlighting direct-to-consumer sales. The AMS Market News organic webpage focuses on price reports detailing grains, feedstuffs, eggs, specialty crops, and dairy products from a robust contact base. The new AMS Weekly Retail Organic Price Comparison report shows price differences between organic and conventional products to assist stakeholders in analyzing commodity sales and consumers' willingness to pay for organic products. In FY 2018, Market News will further expand its organic market price reporting using Organic Data Initiative funding provided in the 2014 Farm Bill to better meet users' data needs. Additional resources and outreach efforts enable AMS to expand its organic producer and industry contact base and increase the number of organic commodities and markets reported.

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

Legislation requires livestock processing plants that annually slaughter (on average) a minimum of 125,000 cattle, 100,000 swine, 200,000 sows and boars, or 35,000 lambs to report market information to AMS in order to ensure the availability of information for market participants. Importers who annually import an average of at least 1,000 metric tons of lamb meat products are also required to report.

Of the total U.S. livestock markets, LMR provides information covering the following percentages of those commodity markets:

- 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; and
- 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. In addition, LMR reports daily and weekly meat sales information for boxed beef, wholesale pork, boxed lamb, and imported lamb. The published information is used by the livestock and meat industry to determine 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.

In FY 2017, consistent with the 2015 Act, AMS worked with USDA's Office of the Chief Economist and cattle, swine, and lamb producers, packers, and market participants to:

- analyze marketing practices;
- identify legislative and regulatory recommendations to ensure that LMR information:
 - can be readily understood,
 - reflects current marketing practices, and
 - is relevant and useful;
- analyze USDA's price and supply information reporting services; and
- address any other issues that the Secretary considers appropriate.

As a first step in the process, AMS commissioned a baseline study of the industry and LMR. Next, industry stakeholders were brought together in a series of meetings to discuss the marketing methods and challenges with reporting markets, and the needs of industry regarding future LMR revisions. AMS used the information gathered from these meetings, along with information from several studies, as the basis for a Report to Congress to promote an orderly reauthorization of LMR in 2020.

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The stakeholder discussions offered a valuable opportunity for AMS to increase awareness about LMR, and provide a comprehensive review of the program. Through stakeholder feedback, various recommendations and action items were identified for AMS to improve the program and provide industry with more data. To better serve all LMR stakeholders, AMS updated yield data and processing and packaging costs for boxed lamb, wholesale pork, and boxed beef. AMS publishes cutout values for these commodities based on the individual meat cuts reported. These updates ensure cutout values are reflective of current industry practices and will be updated on an annual basis.

Through information gathered in the baseline study and the stakeholder discussions, AMS addressed numerous industry interests and concerns and implemented modifications to its market reporting, including the following:

- A pressing concern for cattle stakeholders is the thinning negotiated market. AMS researched options for publishing more versions of negotiated cattle pricing and presented these options to stakeholders for consideration. AMS also initiated programming updates to clarify various purchase types for stakeholders and to report greater quantities of LMR information in a more concise, user-friendly report format. AMS began publishing the new Weekly Fed Cattle Comprehensive Report and the new National Weekly Direct Slaughter Cattle - Prior Week Slaughter and Contract Purchases Report in July 2017.
- The swine industry expressed its desire to capture and publish more robust LMR data used to calculate the CME Lean Hog Index. In July 2017, AMS developed new reporting guidance to clarify various purchase types for stakeholders. To meet swine and pork industry needs, AMS also changed its publication schedule before the weekend to allow industry to better utilize the information, as more timely and effective pricing tools and enhanced reports provide more accurate and representative values of products reported.
- Lamb industry stakeholders are mainly concerned with a lack of information reported due to confidentiality issues stemming from its very thin market. Due to confidentiality guidelines, AMS could not report weekly formula lamb market data for a period of time in 2016, and as a result, USDA's Risk Management Agency (RMA) was unable to calculate a weekly premium value needed for offering risk protection insurance to lamb producers. In response to this issue, AMS made three changes to its National Weekly Slaughter Sheep Review Report which enabled RMA to resume offering its Livestock Risk Protection (LRP) insurance product. Additionally, at the request of the lamb industry, AMS commissioned a study to examine alternative methods to report LMR lamb data while still preserving confidentiality requirements. AMS continues its discussions with industry stakeholders closely following this issue.

Dairy Product Mandatory Reporting – 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 these data to be used as the price discovery mechanism to establish minimum prices for the Federal milk order system, accounting for 60 percent of the U.S. milk supply.

Mandatory dairy product reporting provides sales information on:

- 11 percent of butter production;
- 37 percent of cheddar cheese production;
- 51 percent of nonfat dry milk production; and
- 36 percent of dry whey production.

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. Most of the new reports generated or products added are at the specific request of data users or customers of Market News. Specific examples of new and enhanced agricultural market reports are listed below.

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Cotton and Tobacco:

- Modified the Daily Spot Cotton Quotations at the request of the Intercontinental Exchange (ICE) to include strength discounts for cotton delivered against the ICE Cotton #2 futures contract
- Developed a new comma separated data file for the tenderable premiums and discounts. This was a result of changes requested by ICE to include strength differences
- Developed three new Cotton Quality Summaries. AMS developed the reports directly based on input from stakeholders. The reports show an annual summary by classing office, state, and region. This is the first time AMS has reported Cotton Quality by region.

Dairy:

- Expanded the International reporting base by collecting information and releasing reports on the South American dairy markets. In FY 2017, Dairy began to release three reports on a biweekly plan:
 - Report MD_DA130 *South America Dairy Market Overview*, details information on milk production, milk prices, dairy product production, and demand trends;
 - Report MD_DA137 Whole Milk Powder – South American: Southern Cone, details pricing and market information on whole milk powder in the region;
 - Report MD_DA136 Skim Milk Powder – South American: Southern Cone, details pricing and market information on skim milk powder in the region.
- Collected, summarized and disseminated additional organic market information through a cooperative effort of AMS Market News programs. Dairy contact lists were expanded, reporting of organic retail fluid milk prices collected by the Federal Milk Marketing Orders was added to the Market News organic reporting, and reporting of direct to consumer organic cheese and butter prices began.

Specialty Crops:

- New Areas Reported at Shipping Points – price and volume:
 - Expanded the apple juice concentrate (AJC) report at the request of industry. Added in organic, west coast arrivals of imported AJC, and are investigating the additional non-frozen – a minor product, but with growing interest for information from growers, handlers and processors. Western vegetables – several new minor products were added; both organic and conventional.
- Expanded focus on new products and locally grown or organic retail product advertisements:
 - Fruits and vegetables and specialty crops were reported from 30,320 outlets of 410 chain grocery stores (data pulled from nearly one million individual items advertised weekly).
 - Nearly 13 percent of the ads featured locally grown in the peak period of the summer months.
 - Over 20percent of the ads featured organic at the peak period, with some items shown as both local and organic.

Livestock, Poultry and Grain:

- Developed and published a new National Weekly Fed Cattle Comprehensive report which combines negotiated, formula net, forward contract net, and negotiated grid net purchase information into a single weekly price series.
- Enhanced transparency in the slaughter lamb market by publishing a weekly value for formula lambs which enabled the lamb industry to offer risk protection insurance for producers, and by creating a weekly comprehensive information section representing negotiated, formula, and cooperative member owned lambs.
- Enhanced wholesale pork reporting by adding individual ham muscles to the ham primal, providing a stronger and more reflective pork carcass cutout value.
- Enhanced the National Monthly Grass Fed Beef Report.
- Enhanced the Weekly National Whole/Broiler/Fryer Report.
- Published a new Monthly Cage-Free Egg Report.
- Published new guidance to enhance the transparency of the negotiated and swine or pork market formula purchase type categories.
- Expanded swine premium price reporting and enhanced the pork cutout by removing product from the belly primal to better reflect industry practices.

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- Updated yield data and processing and packaging costs, where applicable, for red meat commodities covered under the LMR Act.
- Enhanced the Corn Belt Weekly Feedstuffs report.

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.

Several occurrences of Avian Influenza (AI) were confirmed in wild and domestic bird flocks in the Midwest and southern U.S. during the early months of 2017, prompting AMS to postpone SES inspections at shell egg processing plants in affected areas as a precautionary measure against the spread of the disease. Similar actions were taken during the AI outbreaks in 2015 and 2016. Despite these delays, AMS conducted 2,328 SES inspections during FY 2017, an increase of 93 inspections over the previous year.

<u>Shell Egg Surveillance 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 EPIA 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 2013	474	2,282	307	310
FY 2014	462	2,019	267	266
FY 2015	471	1,834*	271	231*
FY 2016	475	1,994	268	241
FY 2017	480	2,043	281	285
<i>Note: Inspections above include both routine follow-up and other visits.</i>				
<i>*Suspended visits were due to biosecurity issues as a result of highly pathogenic avian influenza (HPAI).</i>				

Standardization

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

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

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

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Selected Examples of Recent Progress:

Standards Reviews – In FY 2017, AMS specialists reviewed commodity standards to ensure that they continue to accurately describe current products, including 21 for cotton products; 63 for fruit and vegetable products; 3 for meat products (beef, lamb, and pork); and 13 for tobacco. These reviews resulted in the following standard revisions:

- Beef Standards – On June 19, 2017, AMS sought comments through a Notice published in the *Federal Register* on specific updates to the U.S. Standards for Grades of Carcass Beef (beef standards) to allow additional methods (dentition and documentation of actual age) for determining maturity groupings and eligibility for certain official quality grades (USDA Prime, Choice, and Select). AMS has drafted the final Notice to make the changes to the beef standards; plans are to implement the new procedures approximately 30 days from the date the Notice is published in the *Federal Register* and at a time when beef marketing's are low (e.g., after the holiday season) in order to ensure the marketplace has time to adjust.
- Pork Standards – The current U.S. Grade Standards for Pork Carcasses (pork standards) were last revised in 1985 and are no longer relevant for today's marketing of pork. Based on significant amount of research showing that color and marbling are primary quality factors for today's consumer, AMS published a Notice in the *Federal Register* on October 23, 2017, seeking comment on the revised standard. Based on the responses, AMS will make a determination of whether to finalize the changes to the pork standards.
- Cauliflower Standards – Effective June 26, 2017, AMS revised the color requirement to allow all colors of cauliflower to be certified to a U.S. grade. In addition, AMS amended the size requirement to allow curds less than 4 inches in diameter to be certified to a grade, adding marking requirements for curd sizes less than 4 inches in diameter, and removed references to an unclassified category of cauliflower. AMS revised the standards in response to changes in marketing practices, allowing for more flexibility to meet consumer demand for mixed color packs and specialty sizes.
- Shelled Walnuts Standards – Effective September 21, 2017, AMS revised two U.S. walnut standards to allow grade certification of the red colored varieties of walnuts and to remove the obsolete references to an unclassified walnut category. AMS revised the standards in response to industry request to permit the grade certification of the Livermore and other red varieties to meet growing consumer demand.
- Frozen Onions Standards – Effective September 21, 2017, AMS developed new U.S. Standards for Grades of Frozen Onions. The new standards establish grade levels "A," "B," and "Substandard," as well as Acceptable Quality Levels (AQL) tolerances and acceptance numbers for each quality factor as defined for each grade level. AMS developed the new standards in response to industry requests to provide a common language for trade, a means of measuring value in the marketing of frozen onions, and guidance on the effective use of frozen onions.
- Various Specialty Crops Standards – Effective January 20, 2017, AMS revised 18 U.S. standards for canned vegetables. AMS replaced the two-term grading system (dual nomenclature) with a single term to describe each quality level. Terms using the letter grade were retained and the descriptive terms eliminated. For example, grade standards using the term "U.S. Grade A" or "U.S. Fancy" were revised to use only the term "U.S. Grade A." Likewise, grade standards using the term "U.S. Grade B" or "U.S. Extra Standard" were revised to use the single term "U.S. Grade B." The standards for the following commodities were revised: Asparagus, Beets, Carrots, Chili Sauce, Cream Style Corn, Hominy, Leafy Greens, Okra, Okra and Tomatoes, Onions, Peas and Carrots, Field and Black-eye Peas, Pimientos, Pumpkin (Squash), Sauerkraut, Spinach, Squash (Summer Type), and Succotash. The change conforms to recent changes in other grade standards; brings these grade standards in line with the present terminology; updates the standards to more accurately represent today's marketing practices; and, provides industry with greater marketing flexibility.

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- Commercial Item Descriptions (CIDs) – AMS also maintains 187 CIDs for products in all commodity areas. CIDs are official U.S. Government procurement documents that describe the most important characteristics of a commercial food product, such as the types and styles of products available. A CID also may contain information on analytical tests and requirements for food safety and quality for the product. CIDs are used by purchasers during the procurement process to specify the product they wish to purchase. In FY 2017, AMS revised nine CIDs and created one new CID for Fruits.
- Cotton Standards – AMS produced cotton grade standards boxes for the current crop year, consisting of approximately 1,500 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 2017 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). The committee has been deliberating draft standards and proposed work on draft standards impacting the dairy industry. The delegate submitted the official U.S. comments that address the export interests of the U.S. dairy industry and participated in developing a unified U.S. perspective on global dairy issues. During 2017, the CCMMP:
 - Gathered and submitted U.S. dairy industry comments on surface treatment of High Moisture Mozzarella cheese with preservatives and anticaking agents.
 - Made significant progress on a Codex standard for dairy permeate powder. The U.S. submitted comments on the draft standard in March and June. The standard was subsequently approved at the 40th Meeting of the Codex Alimentarius Commission in July.
 - Collected comments on a regional draft standard for Doogh, a Middle Eastern yogurt based beverage.
 - Participated in a U.S. government interagency group regarding stakeholder concerns related to the potential development of a Codex standard for Kefir, a fermented milk drink.
- Meat, Eggs, and Poultry: AMS serves as Vice Chair of UNECE's Specialized Section on the Standardization of Meat and led the development of global standards for edible meat co-products, retail meat cuts for veal and lamb, and eggs and egg products. AMS achieved official adoption by UNECE's Agricultural Working Party of the standards for edible meat co-products and retail meat cuts for veal and lamb. AMS was re-elected to serve as Vice Chair of the Specialized Section on Meat and will continue leading the effort to revise the standards for eggs and egg products. 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.
- The International Organization for Standardization's (ISO) Animal Welfare Standards: AMS chairs U.S. representation to the ISO Technical Committee (TC) 34/Working Group (WG) 16 that developed an animal welfare technical specification (TS) for food producing animals that achieved international industry consensus. AMS served as a lead drafter of the TS and as Chair of the U.S. Technical Advisory Group. AMS also convened conference meetings for the WG. In September 2016, AMS led the WG in finalizing TS 34700—Animal Welfare Management/General Requirements and Guidance for Organizations in the Food Supply Chain. This TS establishes a strong framework for verifying that industry animal welfare standards and programs are rooted in sound science and can be widely accepted. The TS was released in

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December 2016. Shortly thereafter, AMS announced a voluntary Quality Systems Verification Program (QSVP) under which it offers assessment of independent animal welfare standards and programs to determine conformance to the TS. To date, a number of organizations have expressed interest in having their welfare programs assessed against the TS 34700 and one has formally submitted their program for review.

- The International Organization for Standardization's (ISO) Agricultural Biotechnology Standards: AMS chairs and serves as the secretary for the ISO Technical Committee (TC) 34/Subcommittee 16 that has been working for the past 14 years to develop and maintain an internationally validated platform for the detection, identification and analysis of molecular traits in foods and agricultural products such as bioengineered organisms, identity preserved foods, organic foods and plant pathogens. In September 2017, AMS held the 7th ISO TC 34/SC 16 plenary at the USDA South Building with attendance by 50 delegates from 14 countries. AMS has served to coordinate all business and technical operations for the committee which has a membership of 40 national standards bodies and 500 experts and delegates. In FY 2017, AMS led the committee to produce four new international standards for methods of analysis for detection of bioengineered organisms, and to develop six new standards for qualitative analysis, crop and food lot sampling, requirements for plant pathogen laboratories, bio risk and biosafety, fraudulent food identity and bio banking.
 - UNECE Workshop and Conference on Eating Quality of Various Meats: In August 2017, AMS representatives attended a workshop in Dublin, Ireland, focused on eating quality, beef and lamb carcass grading to underpin consumer satisfaction, and the implementation of UNECE standards. While there, AMS attended the International Congress on Meat Science and Technology in Cork, Ireland, as part of the U.S. delegation. The conference hosted a variety of workshops, meetings, and a symposium to facilitate international collaboration on quality standards for meat and the development of sustainable meat markets.
 - UNECE Working Group on Quality Standards for Ducks and Geese: AMS participated in the working group meetings of the United Nations Specialized Section on the Standardization of Meat in Nanjing, China from September 18 - 22, 2017. AMS officials presented information on exporting U.S. meat and poultry products to major trade destinations around the world, and provided technical expertise in drafting revisions to UN standards for duck and goose meat.
- Specialty Crops: 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 (FDA); relevant domestic stakeholders; and Codex committees and working groups.
 - **Codex Committee on Spices and Culinary Herbs (CCSCH)** – AMS made significant contributions to the CCSCH electronic working groups, which completed draft Codex standards for pepper (black, white, and green), cumin, and thyme that were adopted by the 40th Session of the Codex Alimentarius Commission. AMS input was critical in the successful completion and adoption of the draft spices and herbs standard layout along with the new groupings of the spices and herbs standards with similar attributes. The adopted draft layout and new grouping were sent to the Codex Commission and made final. Two AMS discussion papers were accepted and adopted by the CCSCH: (i) the scope of CCSCH standards to clarify the term “Further Processing” as related to the spice industry; and (ii) a Glossary of Terms for use in CCSCH standards. AMS led the CCSCH Priorities Working Group that selected the products for standard development, and is a member of seven electronic working groups (eWGs) that are elaborating new standards. Additionally, AMS continuously undertakes outreach activities to build support for U.S. positions related to the Committee's work.
 - **Codex Committee on Processed Fruits and Vegetables (CCPFV)** – AMS worked closely with the U.S. delegation to the 40th Codex Alimentarius Commission (CAC) on the adoption of the revised

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- Codex standards for canned pineapples and seven frozen vegetables (broccoli, Brussels sprouts, cauliflower, French fried potatoes, green and wax beans, peas, and spinach). U.S. efforts to adjourn the CCPFV *sine die* were not successful since several countries presented proposals for new standards that were not submitted to the 28th CCPFV session directly to the CAC. The CAC accepted the U.S. compromise position that CCPFV would work by correspondence until CAC41 (2018) to: (i) prioritize its work on the proposals for new and pending work on the review of the existing standards; (ii) prepare a work plan to address its overall work; and (iii) prepare recommendations for CAC41 on the establishment of eWGs to carry out standard-development work, as prioritized in the work plan, for consideration by a physical meeting of CCPFV to be held in 2019.
- **Codex Committee on Fresh Fruits and Vegetables (CCFFV)** – AMS participated in the 20th Session in October 2017 held in Kampala, Uganda at which the standard for eggplants was finalized and forwarded to the 41st CAC (scheduled for July 2018) for final adoption. After 6 years of lobbying CCFFV members, there was consensus that “tolerances for decay, soft rot, and internal breakdown” are needed in all grades of FFV. AMS led revision of the CCFFV standard layout which was accepted and adopted by the CCFFV. Standards for garlic, kiwifruits and potatoes are in development; work on new standards for yams, joint standards for onion and shallots, and for berry fruits-excluding strawberries were approved and development has begun. The U.S. achieved most of its objectives at this meeting. U.S. leadership on most issues on the CCFFV agenda and two working group was highly praised. The outreach efforts undertaken to the regional Codex Committees (CCAFRICA and CCLAC) led by the U.S. Codex Office yielded positive results. The positions of those countries are increasingly closer to that of the U.S. on FFV standards and standardization issues.
 - **United Nations Economic Commission for Europe (UNECE) Specialized Section on Standardization of Fresh Fruits and Vegetables** – AMS participated in the 65th Session of the UNECE Specialized Section on Standardization of Fresh Fruits and Vegetables in Geneva, Switzerland in May 2017. Member countries agreed to proposals for inclusion of tolerances for soft rot decay and internal breakdown in all fresh fruit and vegetable standards; however, there was no conclusion on the allowance for Extra Class which is the UNECE highest Grade classification of “Extra Fancy,” the equivalent US designation. This is a significant achievement for the U.S. because international standards are now increasingly reflecting U.S. standardization and inspection practices, which is favorable for U.S. agricultural commodity exports and exporters. The participants agreed that the United States should prepare a presentation on the simplification of the section on tolerances for 2018 session. The members adopted the U.S. position on sizing requirements to be done in accordance with pre-existing trade practices. In fact, most of the U.S. positions at the meeting were adopted or influenced the final decision on most issues.
 - **UNECE Specialized Section on Standardization of Dry and Dried Produce** – AMS chaired the 64th Session of the UNECE Specialized Section on Standardization of Dry and Dried Produce in July 2017. Key outcomes included completion of the revised standard for walnut kernels and its accompanying explanatory brochure and color gauge (being prepared and paid for by the U.S. walnut industry), and amendment of the standard for in shell almonds to facilitate soft shell varieties. Ongoing development includes new explanatory posters for in shell walnuts, walnut kernels, dried apricots and in shell pistachios. New standards for dried coconut pieces and dried ripe bananas were submitted by the Working Party for adoption with a recommendation for a 1-year trial period while elaboration continues on dried papaya. AMS conducted outreach with government and industry officials to build support for the U.S. positions on UNECE standards. In addition, AMS conducted outreach to the international dried produce industry on May 19-21, 2017 at the International Nut and Dried Fruit 37th Congress in Chennai, India, the OECD heads of Inspection Services meeting in Rome, Italy, and within the working groups.
 - **Plant Variety:** AMS, through its Plant Variety Protection Office, is a member of the International Union for the Protection of New Varieties of Plants (UPOV), headquartered in Geneva, Switzerland. AMS participates in the annual administrative and technical meetings hosted by UPOV to provide input and feedback on the procedures and requirements of the union.

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- Seed: AMS serves as the U.S. National Designated Authority for Organization for Economic Cooperation and Development (OECD) Seed Schemes. Currently there are 59 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 2017, as well as the annual and TWG meetings held in Prague, Czech Republic in June 2017. In addition to active involvement in working groups focused on specific scheme rules and standards, 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.

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.

- AMS worked with the almond, pistachio, and peanut industries to address European Union border rejections. AMS assisted in analyzing issues to develop responses and long-term corrective actions. AMS participated with the peanut industry on a visit of European Union ports to learn how member countries treat imports and understand issues that may impede the importation of American products.
- AMS collaborated with the California pistachio industry in preparation for the European Commission audit that was performed in September 2017 to assess the U.S. control system for aflatoxin in U.S. pistachios intended for export to the European Union. AMS is awaiting the European Commission’s report and will work with the industry to address all recommendations.
- On January 4, 2017, an agreement was reached with the Republic of Korea on requirements to ship U.S. table eggs to their country. South Korea’s domestic supply had been decimated due to the worst outbreak of HPAI in the country since 2003. AMS, the Animal and Plant Health Inspection Service (APHIS), the Foreign Agricultural Service (FAS), and the Food Safety and Inspection Service (FSIS) worked quickly to develop and propose a program to meet South Korea’s requirements, and allow U.S. egg processors and exporters to ship product as soon as possible, but especially in advance of the Korean New Year celebration at the end of January. The agreement allowed U.S. exporters to ship product under certificates issued by AMS graders. In the first 10 days following the January 4 announcement, AMS had already certified 15,300 30-dozen cases of shell eggs for export to South Korea. By early March, when South Korea reinstated a ban on U.S. table eggs following a case of bird flu, AMS had certified a total of 26,783 30-dozen cases.
- An AMS representative actively participated in a multiagency working group led by the United States Trade Representative and FAS to inform Asia Pacific Economic Cooperation (APEC) member economies of the benefit of harmonized export certification requirements for agricultural and food products. A primary goal of the working group is to ensure uniform, simplified export certificate requirements for APEC member economies.
- AMS implemented a Pre-Export Check (PEC) program for almonds going to international markets in FY 2016. In FY 2017, AMS issued 13,258 certificates for 583 million pounds of U.S. almonds with a value of \$1.7 billion under the program, and conducted a validation audit of the PEC. Under this program, almonds may be checked for aflatoxin in the United States and a pre-export health certificate issued by the AMS Specialty Crop Inspection Program before export. Working with the Almond Board of California, AMS also developed the system-based audit review program that ensures the integrity of the PEC program and allows our inspectors to sign health certificates.

USDA Beef Exports to China and other Export Verification Programs – AMS activities include a wide range of audit-based Export Verification (EV) programs, services designed to assist companies in assuring international

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customers of their ability to provide consistent products that meet various import requirements. AMS currently has EV programs for 25 foreign countries/markets for such products as beef, veal, bison, pork, lamb, goat, eggs, egg products, poultry, and closed-face sandwiches. Cumulatively, the value of the products that flow into those 25 foreign markets under AMS Export Verification programs exceeds \$3.8 billion per year. AMS EV programs represent a return on investment of \$5,500 for every \$1 spent by the industry.

- During FY 2017, AMS played a significant role in re-opening the market for U.S. beef to be exported to China – representing a major victory for U.S. beef producers. China, a tremendous export opportunity for the U.S. beef industry, had been closed since 2003. On May 10, 2017, the U.S. and China agreed to a protocol to allow the import of U.S. beef to China for the first time in 14 years. A USDA delegation travelled to Beijing the week of June 5, 2017, to gain agreement with the Chinese government on an Export Verification (EV) Program. Upon their return, AMS announced the program and began working with companies seeking approval. As a result of the efforts of industry and AMS, the first shipment of U.S. beef arrived in Beijing exactly one week from the date the EV Program was launched. The successful completion of this protocol met the President’s 100-day deadline to have U.S. beef exported to China. AMS continues to provide ongoing support to U.S. companies seeking EV Program approval to access this and other export markets.

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. The Act also requires that all seed labeling information and advertisements pertaining to the seed must be truthful. Each State maintains its own seed laws, which creates a complicated web of regulations for seed businesses. The Act contains minimum requirements that bridge many of these State requirements, which helps promote domestic trade, encourage uniformity among State laws, and drive fair competition within the seed trade.

AMS also protects the intellectual property rights of plant breeders of new varieties of seeds. Through the Federal Seed Program, AMS enforces restrictions on advertisements and sales of plant varieties on which a certificate of protection has been issued under the Plant Variety Protection Act. Protecting the rights of breeders and plant variety owners encourages innovation and investments in the development of new plant varieties.

AMS relies on cooperative agreements with State agencies to monitor interstate commerce of agricultural and vegetable seeds with regard to seed labeling. State inspectors, trained and authorized by AMS, routinely inspect and sample seed shipments being marketed in their States. The States refer potential 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 violations and a monetary penalty for serious violations.

Selected Examples of Recent Progress

AMS Seed Regulatory Activity Summary							
FY	Complaints Received	Investigations Completed	Quality Tests Completed	Variety Field Tests Completed	Settlements		
					Warnings	Penalties	Penalty Assessments
2013	241	250	625	649	75	75	\$73,050
2014	208	169	423	257	44	91	58,375
2015	295	236	590	491	61	122	75,900
2016	375	337	843	411	109	73	55,875
2017	853	769	1971	260	305	86	90,750

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To ensure uniform application of the regulations, each year AMS conducts onsite training workshops and web-based seminars for seed analysts and inspectors from State regulatory agencies. This training for State cooperators is an extremely valuable service as high attrition rates, driven by shrinking State budgets, create gaps in institutional knowledge.

AMS partners with industry organizations to host certification examinations and workshops to ensure that industry scientists, conducting tests on seed lots for labeling purposes, are properly trained. These activities also ensure that seed scientists understand State and Federal seed laws, rules, standards, and testing techniques. AMS conducts workshops multiple times per year as needed or requested by States or industry.

AMS serves as the U.S. Designated Authority to the International Seed Testing Association (ISTA) and votes on behalf of the U.S. seed industry at ISTA meetings. ISTA is an organization of governments that develops, adopts, and publishes standard procedures for seed testing. Many countries require ISTA testing for seed imports. AMS serves as Vice Chair of the ISTA rules committee and, with input from U.S. stakeholders, develops U.S. positions on ISTA rule proposals. These positions ensure that U.S. seed shipments are accepted at foreign ports and testing requirements do not create unnecessary burdens for U.S. seed exporters.

Country of Origin Labeling

Current Activities: The AMS Country of Origin Labeling (COOL) provisions 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 COOL provisions state that “normal course of business” records and producer affidavits may be used for verification, the same requirements and penalties apply to both suppliers and retailers, and the maximum penalty per violation is \$1,000.

The COOL program published a proposed rule in FY 2017 to add muscle cut and ground venison to the list of covered commodities as required by provisions in the 2014 Farm Bill. Also, in FY 2017, the “rules of practice” governing formal adjudication proceedings for COOL violations by retailers and suppliers was published in the Federal Register. This authorizes the Secretary of Agriculture to assess penalties after giving notice and an opportunity for hearing.

Selected Examples of Recent Progress:

Training – During FY 2017, AMS developed COOL training modules and assessments for State reviewers, which were deployed electronically via Blackboard Learn. This effort helped save approximately \$152,000 in travel and training expenses, as compared to FY 2016, allowing the program to apply the savings to other program improvements.

Outreach – In FY 2017, AMS deployed three informational factsheets targeting consumers, retailers and suppliers, translated in Standard Modern Arabic. AMS now has outreach factsheets available online in 7 languages (English, Arabic, Chinese, French, Korean, Spanish, and Vietnamese). Also, AMS mailed over 1,100 COOL Information Packets, based on retailer requests for more information.

Enforcement Activities – The COOL Program continues to conduct retail surveillance reviews on all covered commodities using State cooperative agreements and AMS’ Quality Assessment Division to conduct COOL retail surveillance activities in each State. The majority of the retail review assignments distributed in FY 2017 were for regional, small and independently owned retailers who have never been reviewed, or have not been reviewed in over 5 years.

Based on the number of COOL covered commodities sold in a store location, overall retailer compliance to COOL was approximately 95 percent as of October 20, 2017, based upon 70 percent completion of retail store reviews assigned in FY 2017; the same as for FY 2016. The following table details the number of cooperative agreements, reviewers trained, and retail reviews conducted.

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FY	State Co-op Agreements	Reviewers Trained	Initial Reviews	Follow-up Reviews	Non-Compliant Retailers
2013	50	366	1,484	558	1,686
2014	49	350	2,969	555	3,073
2015	49	350	810	2,252	2,538
2016	47	321	1,158	1,929	2,275
2017	44	364	2,427	1,160	2,228 (As of Oct 30, 2017)

In addition to retail surveillance activities, products are audited through the supply chain for accuracy of and compliance with COOL. The following table details the product audits conducted, suppliers involved in the supply chain, and audits found to be noncompliant.

FY	Product Audits	Total Suppliers in Supply Chain	Non-Compliant Findings
2013	152	360	9
2014	113	241	4
2015	97	236	9
2016	75	176	17
2017	106	251	13

Pesticide Data Program

Current Activities: AMS's 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.

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

Communication with Federal Agencies – PDP continues to work with FAS to ensure that data needed to support exports is 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 is routinely used in FAS' Compliance Plans in instances where trade barriers have arisen and has been used by other countries in their own dietary risk assessments.

PDP staff routinely meet 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.

Selected Examples of Recent Progress:

During FY 2017, PDP conducted over 2.4 million individual tests on more than 10,300 food samples.

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 FY 2017, PDP reintroduced previously tested commodities and added olives, frozen cranberries, and canned pineapple, bringing the number of commodities surveyed to date to 120. Data on previously tested commodities are needed to determine if there were measurable changes in the residue profile.

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All commodities selected for testing are based on the Environmental Protection Agency's requests for data to monitor registration-driven changes mandated by the FQPA and to respond to public food safety concerns.

Sampling – During FY 2017, PDP achieved 99 percent of its goal in collecting samples. PDP uses statistical tools and marketing data to enhance sample collection rates. Availability issues are quickly identified through the use of a real time sample tracking database and the use of electronic sample information forms. PDP monitors product availability and makes necessary adjustments to sampling protocols to meet collection targets. For example, cranberries are a seasonal commodity that are not consistently available in the marketplace. PDP was still able to meet targets by collecting and testing both fresh and frozen cranberries. PDP is recruiting new collection sites to ensure representative samples are collected, including distribution centers for boxed-meal.

Testing Methods – PDP enhanced its testing methods to bring the total number of pesticides and metabolites tested to over 530. PDP laboratories continue to refine analytical screening methods and 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 has augmented data quality by continuing to lower limits of detection (LODs). PDP continues to expand pesticide testing by adding new chemistries as they emerge in the agricultural industry.

Outreach – In FY 2017, PDP conducted outreach to stakeholders, cooperating State agencies, and Federal data users.

Stakeholders:

- PDP implemented suggestions received at its 2016 Stakeholder Meeting, including the notification of growers/grower groups each time a commodity enters the program.
- PDP provided pesticide residue data for 41 target pesticides to the World Health Organization for inclusion in the Global Environment Monitoring System (GEMS) database. The PDP data in GEMS will be used as a benchmark, supporting international Maximum Residue Levels (MRLs) that facilitate trade. Use of PDP data is critical, since it is real-life data that will be used in place of theoretical data. The use of theoretical data could lead to inflated MRL estimates.
- PDP deployed a new online database search application (app). The app can be launched from any of the public PDP Web pages to search for pesticide residue findings on products tested across all published years (1994-2015). Each year, PDP collects over ten thousand samples from the U.S. food supply and analyzes the samples for a fixed list of pesticides. The test results are stored in the national PDP database, and the new search app, which was developed by AMS, provides easier and more transparent public access to PDP data. AMS expects the app to be used by USDA, Federal and State agencies, chemical companies, grower groups, environmental groups, and students.
- To improve communications, PDP staff met with minor crop and chemical industry representatives, including Crop Life 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. PDP staff participate in the Interagency Risk Assessment Consortium (IRAC) in policy and technical roles. In addition, PDP staff presented a program update on August 22, 2017 at the American Chemical Society's AGRO Symposium "Pesticide Registration Monitoring & Enforcement: The Big Picture".

States:

- PDP held sampling and technical working sessions with the PDP-participating States at the Annual PDP Federal/State Meeting. With these sessions, PDP increased its coordination with the participating States by issuing Certificates of Appreciation for all PDP sampling sites, revising the site invitation letter, and translating the letter into Spanish and Mandarin. PDP also established technical work groups to review instrument protocols and procedures. This ongoing exchange of information and ideas allows the States to enhance and harmonize instrument use across the program.
- Samplers worked to improve the sampling frame by continuing to invite new sites to the program, as identified by the Blue Book resource. This activity satisfies a recommendation from the GAO Audit, Engagement 361446, Pesticides and Residue on Food (initiated 2012), that advised PDP to increase its sampling scope.

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- PDP worked with the States to plan a sampling training program. This program will be a Train-the-Trainer type program and will be invaluable in training new samplers and providing continuing education for established samplers.
- PDP developed enhancements to its electronic sampling information collection system that allows field samplers to capture additional/new information and allows sampling supervisors to more efficiently view and manage sampling records and activities.

Community:

- PDP staff performed outreach at an area high school located in Prince George's County, MD. More than 215 junior and senior level students learned about potential career paths and occupational fields associated with agricultural chemistry as well as the USDA mission and highlights of PDP and its value to consumers and the agricultural industry.
- PDP staff performed community outreach at the Columbia Heights Educational Campus, serving as a panelist at this bilingual local high school in Washington, DC for Senior Portfolio presentations on math and science. This outreach activity was facilitated through a partnership between the high school and AMS.
- PDP sample collectors donated over 10,000 pounds of perishable, fresh product to local and national charities, food banks, senior assisted living centers, and shelters. Often, an entire case must be obtained at the distribution center while only three to five pounds is needed for testing, allowing the excess produce to be donated.

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: The organic agriculture sector has continued to see rapid growth in FY 2017. At the beginning of 2017, there were 24,650 certified organic operations in the United States (U.S), and 37,032 around the world. This count of U.S. certified organic farms and businesses reflects a 13 percent increase between the start of 2016 and the start of 2017, continuing the trend of double digit growth in the organic sector. According to the Organic Trade Association (OTA), 2016 organic sales in the U.S. totaled approximately \$47 billion, an increase of almost \$3.7 billion from the previous year. Organic food sales now account for over five percent of total food sales in the U.S.

The Agricultural Marketing Service (AMS) National Organic Program (NOP) is authorized by the Organic Foods Production Act of 1990 (7 U.S.C. 6501 et seq.). The program facilitates market access for organic farms and businesses and protects organic integrity by developing, implementing, and enforcing the USDA organic regulations. These regulations govern the production, handling, and labeling of organic agricultural products.

Organic certification is largely privatized. AMS accredits 82 third-party organic certifying agents (certifiers) who certify and oversee organic farms and businesses. Certifiers include businesses, non-profits, or State governments. AMS also supports organic exports and imports by establishing and maintaining organic recognition and equivalency arrangements with foreign governments. The United States currently holds arrangements with Canada, the European Union, Japan, South Korea, Switzerland, New Zealand, India, Israel, and Taiwan.

To maximize public participation, AMS also supports the work of the National Organic Standards Board (NOSB), a group of 15 volunteer private-sector appointees who provide recommendations related to organic agriculture to the Secretary of Agriculture. NOSB recommendations drive many published organic standards.

Selected Examples of Recent Progress:

Protecting Organic Integrity (Accreditation Activities/Compliance, Enforcement, and Appeals) – In FY 2017, AMS continued to protect the integrity of USDA organic products by conducting 60 audits with USDA-accredited organic certifiers to verify regulatory compliance. These included midterm accreditation audits, accreditation renewal audits, desk audits, witness audits, and international peer review and recognition audits.

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AMS completed 462 complaint investigations in FY 2017. These complaint reviews and investigations resulted in 18 Cease and Desist Orders, 100 Letters of Warning, and 162 referrals to certifiers and other investigative bodies. Finally, AMS entered into a total of 33 settlement arrangements with certifiers and operations to address violations of the Organic Foods Production Act, and levied \$187,500 in civil penalties. A total of 311 organic operations were newly suspended or revoked in FY 2017. AMS also evaluated 63 reinstatement requests from suspended operations, issuing proposed settlements with civil penalties to 9 of those operations due to sales of products during suspension.

Imports Oversight – Improving oversight of organic imports was a key focus area for AMS in FY 2017. The organic industry has been experiencing significant double-digit growth over the past several years, as consumers continue to choose organic products. This rapid growth has resulted in a significant increase in the complexity of organic supply chains, and increased allegations of fraud related to organically-labelled imports. In response, AMS engaged in significant investigative activities related to imports in FY 2017, resulting in proposed and final suspensions and revocations of certified operations in Eastern Europe.

AMS also engaged in a number of other actions to protect organic imports in FY 2017. AMS issued focused directives to certifiers working in Eastern European countries of interest, requiring increased inspections and sampling and testing of specific commodities coming out of the region. Auditors conducted compliance and satellite audits of certifiers operating in what have emerged as high risk regions. AMS also partnered with other Federal agencies for enforcement, including the APHIS and Customs and Border Protection (CBP). In January 2017, AMS and APHIS executed a Memorandum of Understanding (MOU) to document collaborative efforts to identify imported organic shipments of agricultural products that are treated for plant pests or are treated as a condition of entry.

In summer 2017, AMS delivered and posted training for both organic certifiers and operations on practices to ensure organic integrity across complex supply chains; these trainings have received thousands of views since they were posted. Near the end of FY 2017, AMS also completed a new Interim Instruction for organic certifiers to explain the current regulatory requirements for certifiers overseeing organic products imported into the United States. The Instruction also recommends best practices and provides examples of actions that certifiers can take to comply with the existing regulations. AMS also represented the U.S. at the Anti-Fraud Initiative conference in the Ukraine to support international efforts to ensure organic integrity in the supply chain.

In September 2017, the USDA Office of Inspector General (OIG) published an audit on organic trade arrangements and import oversight. The audit included 9 recommendations; all were accepted by AMS. AMS actions will include increased partnerships with other Federal agencies; designs for new systems to better trace organic product from farm to table, and back; and continued emphasis on data reporting from certifiers to facilitate enforcement activities. Implementing the OIG's recommendations will be a significant focal area in FY 2018.

The organic control system requires action at all levels of the organic system to protect organic integrity. USDA sets standards, accredits and oversees certifiers, and enforces. Organic certifiers complete inspections, conduct regular testing, and investigate complaints. Processors and buyers of products also do due diligence to make sure the products they are receiving are compliant. All participants in the system contribute to maintaining organic integrity within a rapidly growing and increasingly complex industry. The organic imports investigation is ongoing, and protecting the integrity of organic imports is a priority for USDA.

International Trade Arrangements – In FY 2017, AMS took actions to maintain existing equivalency and recognition arrangements. The NOP completed a peer review of the New Zealand recognition agreement, reviewed Taiwan's application for organic equivalency, and conducted an initial onsite review of Taiwan's organic program. To assess the possibility of organic equivalency with Mexico, the United States and Mexico continued the work of its Joint Organic Compliance Committee in FY 2017. The committee's work is strengthening monitoring and enforcement controls, including a new complaint referral process with Mexico. USDA and Mexican officials also organized a training workshop for Mexican certifiers to address capacity building needs identified through equivalency discussions.

AMS also continued its work under an interagency agreement with FAS to implement capacity building activities, including training workshops and technical meetings. In collaboration with FAS and the Inter-American

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Commission for Organic Agriculture (ICOA), AMS organized a training workshop in Chile, focused on strengthening the organic control systems of key international trading partners in the organic sector. AMS also represented the Agency on ICOA Board of Directors, promoted technical exchange between governments active in establishing and maintaining organic trade relationships. AMS also continued to develop a plurilateral organic equivalence arrangement concept, leading discussions with the European Union, Switzerland, Chile, Canada, Japan and South Korea.

Standards Development – Organic regulations and policies create clarity and expand markets. To support that clarity and meet statutory requirements, AMS published the following in FY 2017: the 2017 Sunset Review proposed and final rule; a Notice of 2017 Sunset Review; two new final guidance documents: Classification of Materials, and Materials for Organic Crop Production; one new draft guidance document: Calculating the Percentage of Organic Ingredients in Multi-Ingredient Products; and three accreditation instruction updates.

Advisory Board Management: National Organic Standards Board (NOSB): Farmers, processors and handlers, consumers, organic certifiers, environmental and resource conservationists, and scientists all have a seat at the table in setting organic standards. To maintain this public transparency, AMS held two public meetings of the NOSB in FY 2017. These meetings included web-based public oral comment sessions, reducing barriers to participation for people across the country. AMS also facilitated the onboarding and training of five new Board members, which reflected a 33 percent change in Board representation.

Outreach and Education – Each year, AMS conducts organic outreach and education with a wide range of stakeholders, including members of the NOSB; certifying agents; non-organic and organic producers, processors and handlers; and consumers. To reach these stakeholders and others, AMS conducts outreach and education through a variety of channels including: websites and blogs, fact sheets, newsletters, an email subscription service, educational conferences; presentations, and training. In FY 2017, AMS conducted training for NOSB members in Washington D.C., and face-to-face certifier training in Portland, Oregon. AMS also continued its quarterly organic compliance and enforcement report, increased the scope of enforcement postings on the AMS website, and revised the way it lists fraudulent organic certificates. These improvements are enhancing efficiencies and improving customer service.

Technology Investments – AMS completed its primary development activities for the Organic Integrity Database at the end of FY 2017. The National Organic Program also implemented a new management system to better track and manage accreditation activities, including audits and follow-up reporting related to the compliance of its third party organic certifiers. The new system is providing better and more up-to-date information about organic farms and businesses, and the products they produce. Any public user can conduct market research, confirm an operation's certification status, and look up suspended or revoked operations. Farms and businesses seeking organic certification can now find a certifier operating in their geographic area far more easily. These long-term technology investments were funded through the 2014 Farm Bill.

Acer Access and Development Program (Farm Bill-Authorized, Annually Appropriated)

Current Activities: The Acer Access and Development Program (Acer) was authorized by the Agricultural Act of 2014 (7 U.S.C. 1632c). The Act authorizes grants to promote the domestic maple syrup industry through the following activities:

- Promotion of research and education related to maple syrup production.
- Promotion of natural resource sustainability in the maple syrup industry.
- Market promotion for maple syrup and maple-sap products.
- Encouragement of owners and operators of privately held land containing species of trees in the genus *Acer*-
 - to initiate or expand maple-sugaring activities on the land; or
 - to voluntarily make the land available, including by lease or other means, for access by the public for maple-sugaring activities.

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Selected Examples of Recent Progress:

Funding was appropriated for the first time in FY 2017. AMS published a Request for Applications and received eleven applications for funding totaling more than \$3 million. These applications were reviewed by peer reviewers, who evaluated the applications based on criteria published in the Request for Applications. AMS awarded almost \$1 million in 3-year grants to three projects to support the purposes of the grant program. Information on the amounts awarded and the projects funded is available on <http://www.ams.usda.gov/services/grants/acer>.

Research and Promotion Programs

Current Activities: AMS provides administrative oversight to 22 industry-funded commodity research and promotion (checkoff) programs with over \$881 million in industry assessments. Industry research and promotion boards collect assessments from producers, feeders, seed stock producers, exporters, packers, importers, processors, manufacturers, and handlers. These pooled resources are used 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 occurs 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:

Training – AMS conducted seven training sessions for all research and promotion marketing specialists across all the program areas. The USDA's Center for Nutrition Policy and Promotion conducted a webinar on the Dietary Guidelines Communicator Guide. Also, FTC presented a training on the Green Guide to all marketing specialists. Other topics included: How to Respond to Difficult Questions during Board Meetings; Political Savviness; Organic checkoff program promulgation and question and answer session; and Board Diversity through the Equity Continuum.

Organic Assessment Exemption – AMS successfully implemented the expanded R&P organic assessment exemption impacting 22 R&P boards and an estimated 10,215 organic producers and processors. The exemption is estimated to total over \$13 million. To ensure success and uniform implementation, AMS developed an Agency organic assessment email address for questions from all boards, hosted and recorded four weekly Q&A conference calls to address questions from over 150 participants, and posted to the website as a resource for stakeholders and other interested parties.

Organic R&P – On May 15, 2015, the Organic Trade Association (OTA) submitted a formal proposal for an organic R&P program to AMS. The purpose of this program would be to: (1) develop and finance an effective and coordinated program of research, promotion, industry information, and consumer education regarding organic commodities; and (2) improve access to information and data across the organic sector, thereby maintaining and expanding existing markets for organic commodities. On May 3, 2016, the OTA submitted a revised proposal based on AMS feedback. USDA reviewed the proposal, conducted the required regulatory analyses, and published a proposed rule on January 18, 2017. The comment period closed on April 19, 2017. A total of 14,765 comments were received on the proposed order and referendum procedures during both public comment periods. USDA is currently reviewing the comments to determine next steps in the rulemaking process.

The proposed Order would cover certified organic products. Organic imports – both those certified under USDA organic regulations and those entering the U.S. under an organic equivalency arrangement – would also be covered. Producers and handlers with gross organic sales greater than \$250,000 for the previous marketing year will pay 0.1 of 1 percent of net organic sales and importers of organic products declaring a transaction value greater than \$250,000 for the prior marketing year will pay 0.1 of 1% of the declared transaction value of organic products

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imported into the U.S. Producers and handlers with gross organic sales of \$250,000 or less for the prior marketing year and importers with \$250,000 or less in transaction value of imported organic products for the prior marketing year would be exempt from mandatory assessments.

The Board would be composed of 17 members comprised of the following: 8 U.S. producers from 7 defined production regions and 7 U.S. handlers; 1 importer; and 1 non-voting public member. Organic stakeholders would nominate board members and the Secretary will appoint members from among the nominees. It is anticipated that the proposed program would generate approximately \$30 million in revenue from assessments.

Industry Research and Promotion Activities:

Cotton – The Cotton R&P Program continued to be faced with many critical challenges including competition from synthetic fibers. In 2017, the Cotton R&P focused promotional messages to highlight the advantages of cotton vs. other fibers, notably synthetic fibers. This is evident in multiple examples such as the digital bursts, trade promotion, television/digital commercials, and web-based materials. The following themes have been released: (1) cotton is derived from a flower, whereas polyester comes from oil, (2) cotton is more comfortable, (3) cotton sheets can provide you with a better night's sleep, (4) cotton washes cleaner and smells better than synthetic fibers, and (5) cotton garments/sheets are better for those with skin irritations.

The Cotton R&P is dedicated to providing valuable tools and resources to cotton growers as part of an overall commitment to improving profitability of growing cotton. To help achieve that goal, a joint-effort resource has been created with the Plant Management Network. This partnership offers a suite of “Focus on Cotton” webcasts giving real-time access to scientific information that can be used in the field. These webcasts feature frequently updated information from noted experts in the cotton industry covering topics such as agronomic practices, crop protection from insects and weeds, disease control, and agricultural engineering. These webcasts provide growers and crop consultants in the cotton-growing community the opportunity to access the best research-driven management practices at no cost.

- In 2017, the Cotton Board was recognized by the National Agri-Marketing Association (NAMA) at its annual *Best of NAMA* national awards ceremony, winning the Grand Champion title for its *Renew Your Faith in Cotton* campaign. Grand Champion is the highest honor given by NAMA for work in agricultural communications.

Dairy Products – The Dairy R&P Program continued its efforts to communicate the dairy industry's sustainability story and strengthen public trust in milk and dairy products through the assessment-funded Innovation for U.S. Dairy (Innovation Center).

- The Dairy R&P Program introduced its *Undeniably Dairy* campaign to unite the dairy industry with one unifying voice to help reconnect consumers with dairy. *Undeniably Dairy* reminds consumers of reasons they enjoy dairy products, while showcasing the industry's commitment to animal care, local communities, and the environment. In less than 6 months, the campaign generated 3.2 billion impressions and reached the average consumer 10 times. Since launch, more than 170 companies and organizations have participated in *Undeniably Dairy*.

The Dairy R&P Program also continued its focus on child health and wellness through its in-school program, Fuel Up to Play 60 (FUTP60), and renewed its commitment and collaboration among the dairy-created GenYOUth and the National Foundation of Fitness, Sports and Nutrition (Foundation), to boost physical activity and nutrition in schools. FUTP60 was launched by the National Dairy Council 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. Through the partnership, the Foundation provides important resources and opportunities, including: \$320,000 in physical activity resources to match the NFL Hometown Grant program's \$320,000 that supports grant funds in school districts of all 32 NFL markets, physical activity resources for 100 schools valued up to \$1,000 (\$100,000 value total), and an opportunity for FUTP60 to engage in the “#0to60” campaign that celebrates the 60th anniversary of the President's Council.

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Fluid Milk – The National Fluid Milk Processor Promotion Program continued its mission of educating consumers about the nutritional benefits of milk through its Milk Life® and Built with Chocolate Milk promotions funded by America’s milk processors, and its 5-year partnership between its Milk Life® campaign, and the U.S. Olympic Committee. As an official sponsor, Milk Life® supported the U.S. Olympic and Paralympic teams through the Rio de Janeiro, Brazil, 2016 games, showcasing that nine out of ten U.S. Olympians grew up drinking milk. The sponsorship continues with the winter 2018 games in Pyeongchang, South Korea, and includes a fully integrated national and local marketing campaign in support of Team USA running through the 2020 Olympic and Paralympic Games. Over 60 milk brands continue to activate the Olympic partnership in some way, through consumer promotions, advertising, and point of sale materials, hometown athlete partnerships, and local events. Fluid milk brands also incorporated Olympic marks on packages and created custom social media content. In total, the national and local efforts amassed nearly two billion impressions. The partnership and advertising campaigns were recognized in an article by MediaPost Communications that ranked Milk Life®’s Olympic campaign fourth in the category of “most shares and retweets across all platforms,” behind United Airlines and ahead of Hershey and Proctor and Gamble.

Peanuts – Through the National Peanut Board (Board), America’s peanut farmers have been dedicated to finding a solution for people with peanut allergies. Since 2001, the Board has allocated more than \$22 million to food allergy research, outreach and education. The Board was an early and consistent supporter of the Learning Early about Peanut (LEAP) study research and has been promoting the positive study outcomes and the subsequent addendum to the National Institute of Allergy and Infectious Diseases Guidelines (Guidelines) for Early Introduction. In fact, the Board’s new strategic plan includes a specific objective to drive the adoption of the early introduction of peanut foods in line with the new Guidelines.

The Board is working to ensure that pediatricians, physicians, other health professionals and even consumers know that early introduction of peanut foods is the most promising key to preventing peanut allergy. Through targeted advertising, outreach and education, the Board increases awareness to drive adoption of the Guidelines and has exhibited and presented on this topic at key influencer events, including the American Academy of Pediatrics, FoodFluence, School Nutrition Association, National Association of Pediatric Nurse Practitioners, National Association of School Nurses, National WIC Association, Culinary Institute of America and more. The Board also conducted a satellite media tour, deskside visits with leading media outlets, created and promoted videos, infographics, website content, and printed materials to promote early introduction messages. To guide future efforts, the Board has also commissioned research to determine what parents know about the LEAP study and new guidelines, if their behaviors have changed and what challenges they face in following the new Guidelines.

Eggs – The American Egg Board (AEB) continued to encourage increased consumer demand for eggs and egg products by focusing on their iconic *Incredible Edible Egg* campaign via a variety of media, including radio, print ads, digital online websites, public relations and social media, plus an additional emphasis on retail shopper marketing. AEB’s National Accounts program, targets Quick Service Restaurant chains and educates them as to the usage and benefits of eggs. The Egg Nutrition Center continued to educate health professionals and consumers on the health benefits of eggs and how eggs fit into healthy dietary patterns. AEB benefited from opportunistic funding to better leverage World Egg Day and National Egg Day as unique opportunities to raise awareness of the benefits of eggs and their important role in life.

Mushrooms – The Mushroom Council is seeing major wins with the Blend, a mushroom and meat blend that was conceived through a culinary partnership that they developed. The meat/mushroom blends are lower in calories and fat per serving compared to similar all-meat options.

The blended burger trend is being embraced by chefs nationwide. In 2017, the Mushroom Council and the James Beard Foundation continued to partner around the “Blended Burger Project®” a promotion featuring chefs nationwide menuing their own takes on the blend, with over 400 restaurants participating this year alone. In 2016, more than 15 percent of K-12 public schools served the blend. Thirty million blended burgers have been served in K-12 public schools in the past 3 years, with schools now featuring more than 20 varieties of mushroom blended foods such as tacos, sloppy joes and more. Many of the top foodservice operators have adopted the blend. One of

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the best known facilities management and foodservice operations has switched the all-beef burgers sold to their K-12 school district accounts to the meat and mushroom blend burger.

Hundreds of colleges and universities, including Yale, Harvard and the University of Southern California, are also recognizing the importance of adopting the blend and incorporating this technique into their burgers, sauces, taco fillings, chilies and more. Ten universities have converted entirely to the blend.

A national fast food chain is currently test marketing the blend in 5 markets.

Paper and Paper Based Packaging – The Paper and Packaging Board (Board) exhibited at South by Southwest 2017 (SXSW) as part of its “Paper and Packaging – How Life Unfolds” campaign. SXSW is an annual gathering of thought leaders from the tech, media, film and music industries, and takes place in mid-March in Austin, Texas, bringing together influencers from all over as tens of thousands of people congregate to exchange big ideas, explore new opportunities and make lifelong connections.

The Board participated in SXSW in an effort to change the way influencers think about paper and paper-based products, by showcasing some of the most modern and relevant uses of paper, paper-based packaging and cardboard products.

The Board’s booth, made entirely of cardboard, was visited by 4,400 festival goers who spent an average of 10 minutes in-booth, personalizing journals and interacting with the innovations on display including solutions for STEM education, homeless populations, virtual reality, and more. Media kits sent in advance and show floor buzz resulted in 12.1 million media impressions, including early coverage from AdWeek’s Technology editor, and 89.5 million social media impressions across 1,398 unique users reaching 67 million and 10,000 website visits. For more information visit: www.HowLifeUnfolds.com/PoweredByPaper

Hass Avocados – In August of 2017, a study was published in *Nutrients* that was funded by USDA and the Hass Avocado Board. The study, conducted at Tufts University, found that people who consumed one avocado per day for six months had higher serum lutein levels and greater macular pigment density (MPD) relative to baseline measurements. The avocado group also had significant improvements in cognition as measured by improvement in working memory. Additionally, as MPD increased, the improvements in working memory and efficiency of approaching a problem also significantly increased. The randomized controlled trial on 40 healthy adults, 50 plus years of age, investigated whether consuming one fresh avocado per day could improve cognition and macular pigment density, compared to a control group. A full copy of the study may be found at this link: <https://loveonetoday.com/health-professionals/research-initiative/avocado-consumption-increases-macular-pigment-density-older-adults/>

Research and Promotion Program Industry Revenue FY 2018 Estimate (Dollars in Millions)

<u>Commodity</u>	<u>Estimated Revenue</u>
Cotton	\$81.5
Dairy	345.0
Fluid Milk	94.0
Beef	40.9
Lamb	2.5
Pork	77.0
Soybeans	90.0
Sorghum	6.5
Eggs	30.4
Blueberries	8.0
Christmas Trees	1.6
Hass Avocado	64.0
Honey	7.4
Mango	6.5

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<u>Commodity</u>	<u>Estimated Revenue</u>
Mushroom	4.7
Paper and Packaging	23.5
Peanut	10.6
Popcorn	1.0
Potato	20.8
Processed Raspberries	2.2
Softwood Lumber	13
Watermelon	3.5
Total	934.6

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

National Bioengineered Food Disclosure Standard

Current Activities: On July 29, 2016, Congress amended the Agricultural Marketing Act of 1946 (the Act) and mandated USDA to develop a National Bioengineered Food Disclosure Standard. The Act establishes a national mandatory standard for labeling bioengineered foods and gives food manufacturers three options for disclosing bioengineered food: (1) text; (2) symbol; or (3) electronic or digital link to be selected by the food manufacturer. On option (3), the Act requires the Secretary to conduct a study to identify potential technological challenges that may impact whether consumers would have access to the bioengineered food disclosure through electronic or digital methods.

Selected Examples of Recent Progress:

- Summer 2016: AMS created the GMO Disclosure & Labeling website and developed a repository of resources, including email for the public to ask questions and provide comments.
- Summer/Fall 2016: AMS issued guidance to all U.S. States and Territories regarding preemption provisions of the statute.
- Summer 2017: AMS solicited public input on thirty questions regarding the development of the proposed rule. Over 112,000 responses were received; a portion of those responses have been posted to the AMS website.
- Summer 2017: AMS completed the study on electronic or digital link disclosures. The Study was published on September 6, 2017.

AMS is drafting the proposed rule, with a goal of publishing a final rule by the statutory deadline of July 2018.

Transportation and Market Development

Current Activities: AMS serves as the definitive source for economic analysis of agricultural transportation from farm to market. AMS experts support domestic and international agribusinesses by providing market reports, economic analysis, transportation disruption reports, technical assistance, and outreach to various industry stakeholders. Tracking developments in truck, rail, barge, and ocean transportation, AMS provides information and analysis on the four major modes of moving food from farm to table, port to market.

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.

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Selected Examples of Recent Progress:

Cooperative and Reimbursable Agreements – AMS initiated new research and outreach in response to House Report 114-531, which allocated an additional \$1 million for AMS to continue working with other Federal, State and local agencies, as well as producers and those involved in all sectors of agricultural transportation, to address rural infrastructure needs to ensure producers have domestic and international market access. Projects included:

- Rail, Barge, and Truck Multimodal Agricultural Route Mapping and Data for More Sophisticated Transportation Analysis—Oakridge National Laboratory, \$254,000.
- Agriculture Export Gateways: Transportation Infrastructure Investment Modeling—Washington State University, \$83,378.
- Agricultural Infrastructure Engagement Workshops—Texas A&M AgriLife Extension Service, \$105,490.
- Agricultural Infrastructure Engagement Workshops—Washington State University, \$266,269.
- Agricultural and Forest Product Shipper Workshops—Agriculture Transportation Coalition, \$81,000.
- Pacific Northwest Container Availability Study—Washington State University, \$80,387.
- Agricultural Freight Corridors, Railroad Capacity, and the Implications of Railroad Rates—University of Tennessee, \$118,705.
- Commodity Competition for Rail: Measuring Effects of Rail Traffic on Rates and Car loadings of Grain—University of Oregon, \$61,724.
- Dynamic Changes in Rail Shipping Mechanisms for Grain—North Dakota State University, \$118,000.
- River Transportation and the Poultry Industry in North Alabama—University of Tennessee, \$92,727.
- Impact of the Order of Lock Maintenance on Inland Waterway System Performance—Texas A&M AgriLife Extension Service and Texas A&M Transportation Institute, \$184,839.
- Agricultural Transportation Information for the Grain Transportation Report—North Dakota State University, \$64,476.
- Assessing Market Structure in Key U.S. Grain Transportation Markets—University of Saskatchewan, \$33,000.
- Brazil Soybean Transportation Data and Report—University of Sao Paulo, \$31,000.
- Update of Publication on Protecting Perishable Foods During Transport by Truck—University of Florida, \$34,870.
- Update of Publication on Refrigerated Trailer Transport of Perishable Products—University of California, \$37,513.

White House Infrastructure Initiative—AMS worked with the interagency infrastructure investment team on agricultural transportation needs and developed a briefing for the White House National Economic Council on the importance of the inland waterways to agriculture.

Update of the *Study of Rural Transportation Issues*—AMS developed a draft of the study and the U.S. Department of Transportation (DOT) incorporated its edits and comments into the 12 chapters. The report is in USDA and DOT clearance and will be followed by interagency clearance by the Office of Management and Budget.

Surface Transportation Board Regulatory Proceedings and Related Meetings—On behalf of agricultural transportation stakeholders, AMS filed USDA's comments with the Board, drafted memorandums and correspondence and participated in high-level meetings on rail issues.

AMS also participated in high-level meetings on rail regulatory issues, provided studies, and helped develop rail policy recommendations. Interaction with Board staff and meetings with stakeholders led to increased market transparency through the publication of weekly rail service metrics, used by agricultural shippers to help with their marketing and transportation decisions.

AMS reviewed stakeholder comments to the Board, under the authorities of the Agricultural Adjustment Act of 1938 and the Agricultural Marketing Act of 1946. Some of those comments are below:

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- Publication Requirements for Agricultural Products— filed comments on the Board’s proposed amendments to its regulations on the publication of rate and service terms for grain and all products thereof, and fertilizer.
- Expanding Access to Rate Relief—filed comments in support of the Board's overall goal of shortening the case timeline and reducing litigation costs.
- Petition for Rulemaking to Adopt Revised Competitive Switching Rules—filed comments in support of increased railroad competition to provide reasonable rates and service, while balancing the needs of shippers and carriers.
- Public Listening Session Regarding CSX’s Rail Service Issues—AMS filed Agriculture Secretary Sonny Perdue’s letter with Ann Begeman, Acting Board Chairman, regarding the service problems facing agricultural shippers who use CSX.
- Withholding of Mileage Allowances and Equalization and Assessment of New per-car and mileage-based Charges for Empty Tank Cars—reviewed comments of Cargill, POET Ethanol, POET Nutrition, and members of The Fertilizer Institute that own and lease tank cars that railroads move to and from repair facilities, previously without charge.
- Reasonableness of Unit Train Rates for Railcars Owned by a Rural Electric Utility—reviewed comments of Consumers Energy Company which must pass on increased freight rates to their electricity customers.

Other Transportation Reports and Studies – In addition to issuing many regular transportation reports that are published weekly, quarterly, and annually, AMS developed, co-authored, sponsored, and published on its AMS Transportation Research and Analysis website several new, one-time transportation analyses, articles, and resources in FY 2017. Examples include:

- *Economic Impacts Analysis of Inland Waterways Disruption on the Transport of Corn and Soybeans (Summary)*
- *Profiles of Top U.S. Agricultural Ports*
- *Estimated Impacts of Mexican Transportation Infrastructure Improvements on the U.S. Meat Complex (Summary)*

Transportation Outreach and Education – In conjunction with agricultural trade groups, State associations, and other stakeholders, AMS participated in several other freight transportation sessions and forums:

- Ag Shipper Workshops and Annual Meeting—AMS co-sponsored 7 annual workshops, facilitating discussion of ocean, rail, and truck regulatory, rate, and service issues for agricultural and forest product shippers and exporters. The workshops were held in Fresno and Sacramento, CA, Atlanta, GA, Boise, ID, Minneapolis, MN, Kansas City, MO, and Tacoma, WA. AMS also met with stakeholders at the Agriculture Transportation Coalition’s annual meeting.
- Inland Waterway Users Board Meetings—AMS participated at meetings which discussed funding for inland navigation projects and studies, the Inland Waterways Trust Fund, and the Harbor Maintenance Trust Fund, critical to the movement of grain, fertilizer, fuel, and coal for rural electric utilities.
- Committee on the Marine Transportation System—AMS represented USDA at board meetings concerned with harbor maintenance, dredging, navigation, locks, dams, supply chain, the marine environment, alternative fuels, and arctic transportation.
- Brazil Soybean Transportation—published the annual *Soybean Transportation Guide: Brazil* that describes Brazil’s infrastructure investments, as well as quarterly analyses on the major changes and events in the

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total cost of shipping soybeans from Brazil to major export markets that are also important to U.S. exporters.

- Transportation Research Board 96th Annual Meeting—participated in the freight day sessions and the Agricultural Transportation Committee.
- Annual Cargo Conference of the Association of Ship Brokers and Agents—participated in the sessions on future trends for tanker and dry cargo vessels important to U.S. exports of grain, feed, fertilizer, and ethanol.
- Regulatory Reform Task Force—reviewed the comments of agricultural and forest product stakeholders who believe that rate and service relief should be more accessible, in view of the consolidation of the rail industry into four major railroads, with many shippers captive to one railroad.
- Rail Energy Transportation Advisory Committee—served as a non-voting member at the meetings of this railroad and shipper committee, established by the Board to provide advice and guidance and to be a forum for the discussion of issues regarding the transportation by rail of energy resources—particularly coal and biofuels, such as ethanol.
- National Grain Car Council—participated in the annual meeting the Board’s advisory council of grain shippers and receivers, railroads, private rail car owners, rail car manufacturers, ports, and inspections agencies, to discuss ongoing operational and business issues in the grain industry.

Direct Marketing/Locally Grown/ Rural Business Creation

Demand by consumers for locally-grown products continues to rise. In FY 2017, AMS further expanded and developed its online local food directories. The directories include voluntarily-listed farmers markets, Community Supported Agriculture (CSA) enterprises, food hubs and on-farm markets. These directories connect local food sellers to buyers and expand market opportunities for small and mid-sized farms. As of the end of FY 2017, the directories included 8,699 farmers markets, 775 CSAs, 198 food hubs, and 1,449 on-farm markets, each having additional entries over previous years.

- Continued education and outreach efforts around the AMS publication entitled *The Economics of Local Food Systems: A Toolkit to Guide Community Discussions, Assessments and Choices (Toolkit)*. The Toolkit was developed by AMS in partnership with Colorado State University (CSU) and a dozen leading researchers and consultants to help communities better evaluate the economic impact of investing in local and regional food systems. Since the publication was released in 2016, it has been viewed online more than 51,000 times on both the AMS website and the CSU-hosted www.localfoodeconomics.com site.
- Members of the Toolkit team carried out 13 outreach trainings during FY 2017 to maximize exposure to the principles and methodologies outlined in the Toolkit across a diverse range of interested audience members. Training locations included:
 - Food Distribution Research Society (pre-conference), New Orleans, LA, October 2016
 - Food Distribution Research Society, New Orleans, LA, October 2016.
 - Evaluating the Economic Impacts of Local & Regional Food Systems: a Food LINC Project, Knoxville, TN, February 2017.
 - Growing Food Connections, Las Cruces, NM, February 2017.
 - University of Florida in-service extension training, Apopka, FL, March 2017.
 - Evaluating the Economic Impacts of Local & Regional Food Systems: a Food LINC Project, Memphis, TN, March 2017.
 - Orcas Food Cooperative Workshop, San Juan Islands, WA, March 2017.
 - Evaluating the Economic Impacts of Tribal Food Systems, Durant, OK, April 2017.

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- Local Foods Impact Conference, Washington, DC, April 2017.
- New England Farm to Institution Summit, Boston, MA, April 2017.
- Framing an Economic Evaluation of Community Food System Initiatives, Columbus, OH, April 2017.
- Western Agricultural Economics Association, Lake Tahoe, CA, July 2017.
- Cornell University in-service training, Ithaca, NY, September 2017.
- Since its release, nearly 30 training and distance learning events have taken place across the country featuring principles from the Toolkit, reaching approximately 2,000 participants. AMS was recognized with an award for distinguished outreach and extension in 2017 for its work on the Toolkit by the Agricultural and Applied Economics Association (the key trade association for agricultural economists).
- In FY 2017, AMS partnered with universities and other organizations to research, develop, and support the growth of local and regional food systems. Some of the partnerships include:
 - George Washington University – AMS partnered with George Washington University (GWU) to host a “Local Foods Impact Conference.” The conference brought together federal agencies, businesses, universities, and philanthropic organizations that make investments in local food systems to: identify best practices for quantifying the impact of local food system investments on farming and low-income communities; engage practitioners about successful data collection methods; and identify metrics that are most useful and effective to measure local food-related project impacts. Over 300 people attended the conference, 500 people live-streamed the keynote events, 1,300 people viewed the conference page and 227 people viewed the recorded speaker content on YouTube.
 - Colorado State University – AMS is partnering with CSU to provide a roadmap and set of assessment tools for those planning, applying for, and implementing the suite of AMS local food grant programs. The partnership will work to support the assessment of USDA’s larger portfolio of programs intended to support local and regional food system development and develop a new community of practice, allowing a network of community practitioners, academics and government partners to share examples and case studies, and refine the assessment approaches and tools used in this work. CSU will provide additional outreach and website maintenance, as well as a journal call to stakeholders who have utilized the Toolkit methodology to measure local food investments.
 - Department of Resource Economics, University of Massachusetts Amherst (UMass) – AMS will partner with UMass to determine consumer demand for retail value-added local food product attributes that may support producer profitability in the retail value-added supply chain by expanding marketing opportunities for local food.
 - Fair Food Network – AMS is partnering with Fair Food Network to support the marketing and evaluation of a food incentive program (Double-Up Food Bucks Program) in Flint, MI, to help address nutritional issues associated with the tainted water supply in Flint, MI. The project will encourage increased produce consumption for low-income families and emphasize the importance of lead mitigation through the consumption of food.
 - University of Arkansas Cooperative Extension – AMS is partnering with the University of Arkansas Cooperative Extension Service on the planning and execution of the 2018 National Direct Agricultural Marketing Conference. Topics will include new resources intended to assist farmer’s market managers and direct marketing farmers, new research and data on direct-to-consumer (DTC) markets, and technical assistance workshops led by successful Farmers Market Promotion Program grant recipients. The summit will be held in conjunction with the joint annual Food Distribution Research Society and National Value Added Agriculture conferences.

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- Cornell University – AMS partnered with Cornell University in FY 2016 to conduct a study entitled, *The Promise of Urban Agriculture: National Case Study of Commercial Farming in Urban Areas*, which included 14 in-depth case studies and testimony from over 150 practitioners, researchers, advocates and experts in urban agriculture and related fields. In FY 2017, AMS partnered with Cornell again to focus on outreach and distribution of the report results.
- Rural Development (RD), Economic Research Service (ERS), Food and Nutrition Service (FNS) – AMS partnered with RD, ERS, and FNS on a publication with the Federal Reserve Bank of St. Louis and the Board of Governors of the Federal Reserve System. The 17-chapter book, *Harvesting Opportunity: The Power of Regional Food System Investments to Transform Communities*, details how appropriately targeted policies and support can advance the economic and financial security of low- and moderate-income households and communities.
- The National Institute for Food and Agriculture (NIFA) – AMS partnered with NIFA and its sponsored Regional Rural Development Centers to assess challenges/needs of Farmers Market and Local Food Promotion Program grant recipients and develop a technical assistance program available to all recipients. The goal is to increase their probability of realizing economic impact through their projects.
- National Agricultural Statistics Service (NASS) – AMS partnered with NASS to bring more statistical rigor to the National Farmers Market Managers Survey for reference year 2018. The agreement covers the cost of planning, data collection, training, analysis, summary and publication of a final report that provides detailed information on U.S. farmers markets.

Technical Assistance/ Marketing Outreach/ Training

- As a part of the Local Food, Local Places (LFLP) initiative, AMS participated in 11 workshops in FY 2017, twice as many as FY 2016, with approximately 550 attendees to conduct outreach and training regarding AMS local food grant opportunities or provide food system planning assistance. 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. Workshops were held in the following locations:
 - Martinsville, WV
 - Hopkinsville, KY
 - Nampa, ID
 - Albany, KY
 - Henderson, NC
 - Lapwai, ID
 - Denver, CO
 - Spokane, WA
 - Albuquerque, NM
 - Nogales, AZ
 - Ukiah, CA
- AMS conducted 61 live presentations and webinars on local food market development, fielded over 400 specific technical assistance requests via phone or email, and tracked 4,753 total publication downloads. Total page views for all AMS online local and regional marketing supporting materials, information and directories for FY 2017 was 262,179.
- Food Safety Training for Limited Resource Farmers – Twenty-seven limited resource farmers and the extension agents who serve them each participated in a 12-hour classroom training on the Food Safety

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Modernization Act. This training was created as a result of an agreement between the Transportation and Marketing Program and the Specialty Crops Inspection Division.

Architectural Design Support

Although AMS does not provide funding for the construction of facilities, the Agency develops architectural plans and offers design assistance to local municipalities and food businesses to improve the efficiency and availability of permanent food market facilities. FY 2017 examples include:

- Sanctuary at ABQ Organic Farming, Albuquerque, NM – AMS provided two schemes for architectural floor plans and 3-D renderings of a rooftop renovation project. The rooftop garden consists of numerous growing towers, planting beds, and an aquaponics tank. The anticipated use of the rooftop garden would be to directly source the hospital's cafeteria with fresh produce and fish.
- Frenchtown Farmers Market @ Heritage Hub, Tallahassee, FL – AMS was provided with existing PDF files of Frenchtown Farmers Market floor plans, equipment schedules, and desired layouts. From the information provided to AMS, floor plans with equipment layouts, room sizes, and code items were developed into 3-D formatted drawings. The final product delivered by AMS consisted of a dimensioned design plan and equipment plan to scale.
- Texas Center for Local Food, A Project of the Growers Alliance of Central Texas, Elgin, TX – AMS provided design services in the adaptive re-use of a historic sausage production company. The Texas Center for Local Food proposed the development of a business incubator and commercial kitchen for producing local value-added products. AMS provided floor plans with equipment layouts, room sizes, and code items which were developed into 3-D formatted drawings.
- Zoning Administrator and Community Planner, City of Martinsville, Community Development Department, Martinsville, VA – AMS provided on-site architectural assistance in the form of hand drawings showing the existing structures' floor plans, and the proposed floor plans with desired food marketing uses.
- Farmers Market Meat Shop, Hyattsville, MD – AMS provided a floor plan review and comment where items and design are not code compliant. The meat shop will allow local meat producers a location for processing and direct retail sales.
- West Central Missouri Community Action Agency, Appleton City, MO – AMS provided architectural assistance in the form of hand drawings showing the potential for streetscapes and a local food street market.
- Henderson Vance Downtown Development Commission, Henderson, NC – AMS provided hand drawn and colored site plans for community review and comment. A preferred concept plan was developed and delivered.
- Ripley's First Monday Trade Day, Inc., Ripley, MS – AMS provided architectural design services in the development of a new farmers market. A floor plan and elevation were part of the design package submitted to the stakeholder.
- Working Landscapes, Chopping Facility, Warrenton, NC – AMS is providing architectural technical assistance with schematic and design drawings for the upgrade and addition of a chopped produce facility. The project will entail the interior renovation of an existing building to include new interior food grade finishes and equipment layouts. A proposed addition will provide facility the ability to maintain a cold chain operation with loading dock, and connect cold storage and preparation.

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

Current Activities: The Farmers Market and Local Food Promotion Program (FMLFPP) was authorized by the Farmer-to-Consumer Direct Marketing Act of 1976, as amended (7 U.S.C 3005). The Act authorizes grants through the Farmers Market Promotion Program (FMPP) and the Local Food Promotion Program (LFPP). Originally authorized by the 2008 Farm Bill, FMPP has awarded over \$84 million through 981 projects to support direct marketing efforts for local food. LFPP was introduced in the 2014 Farm Bill and since then, has awarded over \$51 million through 454 projects.

Selected Examples of Recent Progress:

In FY 2017, AMS received over 900 applications to FMLFPP requesting almost \$218 million. Specifically, FMPP received 507 applications requesting almost \$122 million and LFPP received 396 applications requesting almost \$96 million. These applications were reviewed by external peer reviewers, who evaluated the applications based on criteria published in the Request for Applications. AMS awarded a total of \$26.8 million in 3-year grants to establish, improve, and support 103 local food markets across the U.S. through FMLFPP. FMPP awarded \$13.4 million to 52 project recipients and LFPP awarded \$13.4 million to 51 project recipients. Information on the amounts awarded and the projects funded is available on <http://www.ams.usda.gov/services/grants/fmpp> for FMPP and <http://www.ams.usda.gov/services/grants/lfpp> for LFPP.

Because these are 3-year grants, FMLFPP is currently managing a total of 695 grant agreements (382 for FMPP and 313 for LFPP) with total funding of approximately \$74 million. AMS ensures that each grant agreement fulfills the purpose of the program and abides by Federal assistance regulations and laws by requiring and analyzing financial and performance reports, select source documentation for payment, and technical assistance for grant recipients. Over the course of FY 2017, AMS closed 319 grant agreements ensuring compliance with the Grants Oversight and New Efficiency (GONE) Act.

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

Current Activities: AMS provides impartial services verifying that agricultural products meet specified requirements. These services are voluntary, with users paying for the cost of the requested service.

These services include AMS' grading program, which confirms that product meets USDA grade standards. AMS has also developed voluntary testing and process verification programs in response to the industry's growing need to facilitate the marketing of agricultural products. AMS' laboratory testing service 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.

The USDA Process Verified Program (PVP) 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. Built upon the International Organization for Standardization (ISO) 9001 Quality Management Systems Standard, the PVP allows companies to market their products using the USDA PVP shield. Under the PVP, companies develop their own marketing claims, such as those addressing feeding (for example, grass-fed beef cattle) and production practices (the Certified Responsible Antibiotic Use program for poultry).

AMS' Quality Monitoring Program (QMP) is a flexible, cost-effective, quality assurance service that provides third-party monitoring of product quality and quality systems for fresh, frozen, and processed fruits and vegetables as they are received, handled, and/or produced. The program supports brand and product quality, monitors quality systems, measures supplier performance, and meets any unique quality assurance needs of the customer. In FY 2017, Doctor Produce became the newest QMP customer.

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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 2017:

<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 FY 2017, the Dairy Grading program issued more than 49,000 export certificates, which was about a 4 percent increase over FY 2016. Total U.S. dairy export sales value is up 20 percent during the first eight months of 2017, compared to the same period in Calendar Year 2016. AMS Dairy Programs continues to improve the certificate issuance program. In FY 2017, the eDOCS system was further enhanced to improve its functionality and user interface. In June 2017, the U.S. Food and Drug Administration signed a Memorandum of Understanding with China. AMS Dairy Grading was recognized as an approved agent to conduct audits to verify compliance with China regulatory requirements.

Specialty Crops Inspection – This program offers both grading and audit-based verification services for the food industry. In FY 2017, the program inspected and certified 3.4 trillion pounds of processed fruit and vegetable products and 52.2 billion pounds of fresh fruits and vegetables. These totals include 1,105,376,883 pounds of fresh and processed fruit and vegetable items valued at \$602.6 million that were purchased for USDA’s domestic nutrition assistance programs. The Unprocessed Fruit and Vegetable Pilot Program (for the National School Lunch Program) bought more than 14 million pounds of product valued at \$13.7 million for the 2017 school year. The program also inspected more than 4,500 lots, or 223 million servings, of military combat rations at 17 processing plants nationwide and in American Samoa to ensure the quality of the military’s food components. Grading and inspection services were provided by more than 454 Federal employees at 31 Federal receiving markets, 378 processing facilities, and 30 inspection points. AMS coordinates with the 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 – Enhances 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 2017, AMS and its licensed auditors conducted 4,154 food safety audits on more than 100 different commodities in all 50 States, Puerto Rico, and Canada.

- GroupGAP – In FY 2017, 9 applicants representing 296 producers took part in the GroupGAP program. AMS launched GroupGAP in 2016 as part of the USDA GAP suite of services. GroupGAP is a robust certification process that allows producers of all sizes to meet buyers’ requirements for food safety audits by sharing the costs and responsibilities associated with attaining USDA GAP food safety certification. AMS introduced this program to help farmers supply fresh, local produce to retail and institutional markets by demonstrating compliance with strong food safety standards and the requirements of the FDA’s Food

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Safety Modernization Act (FSMA). The program provides greater market access for farmers, more options for consumers, and strong verification of food safety practices.

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

- 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.
- 25 Department of Defense, Defense Logistics Agency prime vendor audits, which assess the quality of fresh and processed fruits and vegetables supplied by DLA vendors, and may include surveys of facility compliance with DLA contract requirements.
- 41 Domestic Origin Verification audits at facilities to confirm products supplied for USDA food purchases were of domestic origin.
- 8 Plant Systems audits to assess an operations quality assurance system.
- 8 Identity Preservation audits to assess a marketing claim about a unique characteristic of a product.
- 10 verification audits under the Qualified Through Verification program to assess the operation's Hazard Analysis Critical Control Point (HACCP) program within the fresh cut produce industry.
- 50 Potato Sustainability Audits to assess producers' adoption of sustainability practices in the U.S. by creating and maintaining an industry developed program for the potato supply chain.
- Performed audits at 3 facilities producing Ready-to-Use Therapeutic Food and at 2 facilities producing fortified cereal products, on behalf of the U.S. Agency for International Development. 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 1,317 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. In FY 2017, AMS approved 21 applications bringing the total number of approved vendors for the program to 82.

Military Support-Combat Ration Inspection – During FY 2017, AMS coordinated the inspection of 4,500 lots, or 223 million servings, of military combat rations at 17 processing plants nationwide and in American Samoa to ensure the quality of the military's food components. 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 fruit-flavored drinks, protein drink mixes, and flavored coffees. These items are used in a variety of DoD Operational Rations for both combat and training purposes, including Meals, Ready-to-Eat (MRE), and 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.

Fresh Electronic Inspection and Reporting System (FEIRS) – In FY 2017, AMS deployed computers with the FEIRS application to Federal-State terminal market inspectors in 13 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.

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Fees and Charges in Effect for Processed Fruit and Vegetable Grading in 2017:

<u>Service Performed</u>	<u>Fees</u>
Lot Inspections	\$75.00 per hour
In-plant Inspection under Annual Contract	72.00 per hour
Additional Graders (in-plant) or Less than Year-Round	83.00 per hour
Audit Services	108.00 per hour

Fees and Charges in Effect for Fresh Fruit and Vegetable Grading in 2017:

<u>Service Performed</u>	<u>Fees</u>
Quality and Condition Inspections for Whole Lots	\$191.00 per lot
Condition-Only Inspections for Whole Lots	159.00 per lot
Inspections for Additional Lots of the Same Product	87.00 per lot
Inspections for All Hourly Work	85.00 per hour
Audit Services	108.00 per hour

Livestock, Poultry, and Seed Auditing, Grading, and Verification--Auditing services – AMS conducts a wide variety of audits primarily serving the livestock, meat, poultry, and grain industries with a team of 20 auditors. In FY 2017, AMS conducted 1,603 audits for over 500 firms, almost a third of which were Export Verification (EV) audits aimed at facilitating the export of U.S. products to countries with additional import requirements (e.g., feeding practices, age or source requirements).

USDA Process Verified Program – In FY 2017, the Process Verified Program (PVP) remained strong with a total of 106 PVP programs audited by AMS. Production claims--such as those addressing the use of antibiotics, hormones, and vegetarian diets—continue to be high priority attributes that companies are utilizing the PVP to enhance, as are systems related to traceability and source verification. The variety of products covered by PVP programs include pork, poultry (chicken and turkey), beef, veal and lamb, as well as grains, feed, and feed ingredients.

Fees and Charges in Effect in 2017:

<u>Service Performed</u>	<u>Fees</u>
Audits	\$108.00 per hour

Meat Grading – During FY 2017, AMS provided grading services to 235 meat packing and processing plants. A total of 20.9 billion pounds of meat and meat products were graded using USDA quality standards (e.g., Prime, Choice, Select) or evaluated against company or trade specifications. Roughly 95 percent of steer/heifer, 59 percent of lamb, and 36 percent of veal commercial slaughter in the U.S. are voluntarily graded.

Fees and Charges in Effect in 2017:

<u>Service Performed</u>	<u>Fees</u>
Commitment Grading	\$66.00 per hour
Non-commitment Grading	87.00 per hour

Poultry and Egg Grading – During FY 2017, AMS provided grading services to 255 poultry plants, grading 7.5 billion pounds of poultry, and 275 shell egg plants where 3.7 billion dozen shell eggs were graded. Poultry grading services covered about 28 percent of the turkeys slaughtered, 20 percent of the broilers slaughtered, and 45 percent of the shell eggs produced in the U.S., excluding eggs used for breaking and hatching. AMS issued export certificates for over 134 million dozen shell eggs, assuring foreign buyers that their requirements for product quality were met.

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Fees and Charges in Effect in 2017:

<u>Service Performed</u>	<u>Fees</u>
Resident Service (In-plant)	\$48.00 per hour*
Fee Service (non-scheduled)	78.00 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 FY 2017, AMS tested 1,329 samples and issued 1,205 Seed Analysis Certificates. Most of the samples tested and certificates issued represent seed scheduled for export. Fees collected for these activities in 2017 totaled \$123,072.

Fees and Charges in Effect in 2017:

<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 FY 2017, AMS approved the shipment of approximately 164 million pounds of seed.

Cotton Grading – AMS classed 16.8 million bales of cotton under the grower-classing program in FY 2017, with all cotton classed by the High Volume Instrument (HVI) method. This represents a 22.35 percent production increase from the FY 2016 level of 13.0 million samples submitted. Classing information is provided electronically to owners of the cotton. In FY 2017, the Cotton Program disseminated classing data for over 58 million bales, an 18 percent decrease from FY 2016. This data represents multiple crop years or multiple requests for the same bale.

Futures Certification – The AMS Cotton and Tobacco Program provided classification/certification services on 693,589 bales of cotton submitted for futures certification during 2017. This futures certification total was a 36 percent increase as compared to FY 2016 when certification services were provided on 245,949 samples.

Fees and Charges in Effect in 2017:

<u>Service Performed</u>	<u>Fees</u>
Form 1 Grading Services or Review	\$2.30 per bale <u>a/</u>
Form A, Form C, Form D	2.30 per bale
Certification of Futures Contract (grading)	4.25 per bale
Foreign Growth	6.00 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).

Tobacco Grading – During FY 2017, AMS graded 25.1 million kilograms of imported tobacco and 97.5 million pounds of domestic tobacco for exporting. AMS performed pesticide testing on 15 million kilograms of tobacco to ensure that pesticide residue levels were within tolerance. In addition, 73.4 million pounds of tobacco were graded under a Memorandum of Understanding with USDA's Risk Management Agency (RMA), an increase of 26 percent from FY 2016. RMA provides producers with crop insurance services. The tobacco grading service provides the crop with a quality grade and value, which is used by RMA to assign a crop insurance rate and value to the crop should the crop become destroyed.

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Fees and Charges in Effect in 2017:

<u>Service Performed</u>	<u>Fees</u>
Domestic Permissive Inspection & Certification	\$55.00 per hour
Export Permissive Inspection & Certification	0.0025 per lb
Grading for Risk Management Agency	0.015 per lb
Pesticide Test Sampling	0.0065 per kg or .0029 per lb
Pesticide Retest Sampling	115.00 per sample or 55.00 per hour
Import Inspection and Certification	0.0170 per kg or .0080 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 meets 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, such as the Department of Defense (DOD), 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 2017, LATD administered laboratory approvals for three overarching programs: Export program, Aflatoxin program, and internal AMS programs. In total, 77 labs participate in these three programs. 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.

At the request of a peanut industry stakeholder, LATD established a satellite USDA laboratory on-site at a peanut shelling facility in order to provide cost effective testing services and laboratory supervision. This opportunity strengthened NSL's relationship with the peanut industry with regards to analytical testing. In addition to the testing for the local peanut plant, this USDA satellite lab began receiving all of this company's export samples from their various peanut facilities.

In FY 2017, the AMS NSL analyzed over 52,000 samples (a 22 percent increase from the previous year; producing over 1 million discreet analytical results) of various agricultural commodities, many of which were tested for multiple analyses. The NSL provided analytical testing services to other Federal programs, including DOD, NOP, ARS, and APHIS as well as private customers.

Fees and Charges in Effect in 2017:

<u>Service Performed</u>	<u>Fees</u>
Laboratory Testing Services	\$88.00 per hour
Laboratory Approval Services	185.00 per hour

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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 2017, AMS received 454 applications for plant variety protection of new seed and tuber propagated agricultural and ornamental plant varieties. A total of 248 applications, including some from previous years, were pending action at the end of FY 2017. During the fiscal year, AMS conducted searches on 227 applications to determine whether the plant constituted a new variety. On the basis of those searches, the program issued certificates of protection for all 227 of those applications. The program continues to process applications from receipt to issuance within 1.5 years or less. More than 7,600 certificates of protection are in force.

The Plant Variety Protection Office (PVPO) officially launched the electronic Plant Variety Protection (ePVP) system on October 2, 2017 to provide the capability to receive and examine 55 crops from the system. Additional crops will be added on a regular basis to cover all crops received by the PVPO. The ePVP system is available to the public and stakeholders at this time.

The ePVP system allows customers to file new plant variety applications electronically and gives the PVPO examination staff the tools to conduct full examinations including variety distinctness searches.

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

Limitation on Administrative Expenses

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

Budget Estimate, 2019	\$60,982,000
2018 Annualized Continuing Resolution.....	<u>60,982,000</u>
Change in Appropriation.....	<u><u>-</u></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)), [~~\$1,227,000~~] \$1,109,000.

Lead-Off Tabular Statement

Budget Estimate, 2019.....	\$1,109,000
2018 Annualized Continuing Resolution.....	<u>1,227,000</u>
Change in Appropriation.....	<u>-118,000</u>

Payments to States and Possessions

Federal-State Marketing Improvement Program

Project Statement

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

Program	<u>2016 Actual</u>		<u>2017 Actual</u>		<u>2018 Estimate</u>		<u>Inc. or Dec.</u>		President's <u>Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Appropriations:										
Payments to States and Possessions.....										
	\$1,235	1	\$1,235	1	\$1,227	1	-\$118	-	\$1,109	1
Total Appropriation.....	<u>1,235</u>	<u>1</u>	<u>1,235</u>	<u>1</u>	<u>1,227</u>	<u>1</u>	<u>-118</u>	<u>-</u>	<u>1,109</u>	<u>1</u>
Total Available.....	<u>1,235</u>	<u>1</u>	<u>1,235</u>	<u>1</u>	<u>1,227</u>	<u>1</u>	<u>-118</u>	<u>-</u>	<u>1,109</u>	<u>1</u>
Lapsing Balances.....	<u>-16</u>	<u>-</u>	<u>-58</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Obligations.....	<u><u>1,219</u></u>	<u><u>1</u></u>	<u><u>1,177</u></u>	<u><u>1</u></u>	<u><u>1,227</u></u>	<u><u>1</u></u>	<u><u>-118</u></u>	<u><u>-</u></u>	<u><u>1,109</u></u>	<u><u>1</u></u>

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	<u>2016 Actual</u>		<u>2017 Actuals</u>		<u>2018 Estimate</u>		<u>Inc. or Dec.</u>		<u>2019 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Obligations:										
Payments to States and Possessions.....	\$1,219	1	\$1,177	1	\$1,227	1	-\$118	-	\$1,109	1
Total Obligations.....	1,219	1	1,177	1	1,227	1	-118	-	1,109	1
Lapsing Balances.....	16	-	58	-	-	-	-	-	-	-
Total Available.....	1,235	1	1,235	1	1,227	1	-118	-	1,109	1
Total Appropriation.....	1,235	1	1,235	1	1,227	1	-118	-	1,109	1

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Justifications of Increases and Decreases

- (1) A decrease of \$118,000 to the Federal-State Marketing Improvement Program (\$1,227,000 and 1 staff year available in 2018).

The Federal-State Marketing Improvement Program (FSMIP) is a competitive grant program that 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.

The funding change is requested for the following items:

- a. A decrease of \$118,000 in program savings.

This savings will be achieved by reducing the funds available to State agencies for competitive matching grants to explore new market opportunities and marketing innovation.

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions
Federal-State Marketing Improvement Program

Distribution of obligations by State is not available until projects have been selected. Projects for 2018 will be selected in the fourth quarter of 2018. Funds in 2018 for the Federal-State Marketing Improvement Program total \$1,227,000. Funds in 2019 for the Federal-State Marketing Improvement Program total \$1,109,000.

Geographic Breakdown of Obligations
(Dollars in thousands)

	<u>2016 Actual</u>	<u>2017 Actual</u>
Alaska.....	\$99	-
California.....	-	\$197
Colorado.....	-	-
Delaware.....	-	-
Hawaii.....	-	103
Indiana.....	95	-
Kansas.....	152	177
Kentucky.....	74	-
Massachusetts.....	-	-
Michigan.....	136	-
Minnesota.....	121	-
New Jersey.....	-	-
New York.....	57	-
Oregon.....	-	149
Puerto Rico.....	74	-
Rhode Island.....	75	-
South Carolina.....	-	-
Tennessee.....	-	312
Vermont.....	-	-
Washington.....	99	-
Wisconsin.....	-	-
Wyoming.....	-	-
Subtotal, Grant Obligations.....	<u>982</u>	<u>938</u>
Administrative Expenses (D.C.).....	237	239
Lapsing Balances.....	16	58
Total, Available.....	<u><u>1,235</u></u>	<u><u>1,235</u></u>

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Specialty Crop Block Grants

FY 2017 funding of \$62,497,000 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 in March 2017.

Applications were accepted through June 2017 and awarded in September 2017. This is a formula block grant program; 2018 and 2019 amounts are estimates based on the formula.

Geographic Breakdown of Obligations

(Dollars in thousands)

	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2018 Estimate</u>	<u>2019 President's Budget</u>
Alabama	\$334	\$424	\$496	\$577
Alaska	213	213	252	290
Arizona	918	1,146	1,499	1,559
Arkansas	295	303	351	412
California	22,370	19,286	22,625	26,243
Colorado	627	691	874	940
Connecticut	270	321	414	437
Delaware	303	299	362	407
District of Columbia	209	202	241	275
Florida	3,885	3,744	4,336	5,095
Georgia	1,072	1,123	1,335	1,528
Hawaii	423	427	501	581
Idaho	1,905	1,761	2,066	2,396
Illinois	522	552	691	751
Indiana	384	410	495	558
Iowa	244	282	334	384
Kansas	284	296	349	403
Kentucky	241	287	341	391
Louisiana	315	347	407	472
Maine	549	530	585	721
Maryland	376	408	498	555
Massachusetts	348	372	435	506
Michigan	1,887	1,805	2,149	2,456
Minnesota	1,186	1,195	1,395	1,626
Mississippi	337	356	441	484
Missouri	327	375	441	510
Montana	1,294	1,265	1,580	1,721
Nebraska	621	600	696	816
Nevada	250	250	295	340
New Hampshire	170	256	298	348
New Jersey	634	672	797	914

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Specialty Crop Block Grants

Geographic Breakdown of Obligations

(Dollars in thousands)

(continued)

	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2018 Estimate</u>	<u>2019 Presidents Budget</u>
New Mexico	496	503	611	684
New York	1,154	1,167	1,362	1,588
North Carolina	1,044	1,093	1,292	1,487
North Dakota	2,564	2,485	3,005	3,381
Ohio	528	577	684	785
Oklahoma	469	529	630	720
Oregon	1,615	1,739	2,066	2,366
Pennsylvania	925	969	1,128	1,320
Rhode Island	225	233	277	317
South Carolina	442	474	561	645
South Dakota	270	290	348	395
Tennessee	395	487	555	663
Texas	1,373	1,652	2,097	2,248
Utah	275	298	357	405
Vermont	257	275	333	374
Virginia	394	481	556	655
Washington	4,313	4,110	5,098	5,593
West Virginia	240	249	296	340
Wisconsin	1,185	1,182	1,423	1,608
Wyoming	303	298	353	405
American Samoa	251	239	283	325
Guam	211	204	243	278
Northern Mariana Islands.....	211	204	242	278
Puerto Rico	490	452	535	615
Virgin Islands	210	203	242	276
Subtotal, Grant Obligations	62,633	60,591	72,156	82,447
Administrative Expenses	1,803	1,902	2,234	2,553
Lapsing Balances.....	134	4	-	-
Total, Available or Estimate	64,570	62,497	74,390	85,000

Note: Total available funding in FY 16 - 18 was reduced by sequestration and by transfers to the Multi-State Program. Total transfers of \$15,000,000 were authorized through FY 2018 for the Specialty Crop Multi-State Program pursuant to the 2014 Farm Bill (Public Law 113-79). \$2,669,216 was awarded for four projects in FY 2015. Remaining funds have been rolled over into funding for the grant awards in FY 2018 and subsequent years.

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions
Federal-State Marketing Improvement Program

Classification by Objects
(Dollars in thousands)

	2016	2017	2018	2019
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>President's Budget</u>
Personnel Compensation:				
Washington, D.C.....	\$142	\$142	\$80	\$83
Field.....	-	-	-	-
11 Total personnel compensation.....	142	119	80	83
12 Personnel benefits.....	42	37	24	25
Total, personnel comp. and benefits.....	184	156	104	108
Other Objects:				
23.3 Communications, utilities, and misc. charges...	1	8	7	6
25.4 Operation and maintenance of facilities.....	52	74	70	60
41.0 Grants, subsidies, and contributions.....	982	939	1,046	935
Total, Other Objects.....	1,035	1,021	1,123	1,001
99.9 Total, new obligations.....	1,219	1,177	1,227	1,109
Position Data:				
Average Salary (dollars), GS Position.....	\$141,555	\$141,555	\$79,720	\$82,720
Average Grade, GS Position.....	14	14	12	12

AGRICULTURAL MARKETING SERVICE

Status of Programs

Payments to States and Possessions

Federal-State Marketing Improvement Program (FSMIP)

Current Activities: The Federal-State Marketing Improvement Program (FSMIP) was authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1623(b)). It 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 2017, AMS received 31 applications requesting almost \$4 million. These applications were reviewed by external peer reviewers, who evaluated the applications based on criteria published in the Requests for Applications. AMS awarded approximately \$1 million in 3-year grants to support six projects exploring agricultural marketing opportunities or addressing agricultural marketing challenges that have Statewide or regional impact on farmers and agri-businesses. Information on the amounts awarded and the projects funded is available on <http://www.ams.usda.gov/services/grants/fsmip>.

In FY 2017, FSMIP managed a total of 42 grant agreements amounting to almost \$3 million. AMS ensures that each grant agreement fulfills the purpose of the program and abides by Federal assistance regulations and laws by requiring and analyzing financial and performance reports, select source documentation for payment requests, and technical assistance for grant recipients. Over the course of FY 2017, AMS closed three grant agreements ensuring compliance with the GONE Act.

Specialty Crop Block Grant Program (SCBGP) (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, American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands 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 and provided funding at the following levels: \$72.5 million for FY 2014 through FY 2017 and \$85 million for FY 2018 and each fiscal year thereafter. The 2014 Farm Bill allocated part of the funding for multi-state grants and also amended the formula to average the most recently-available specialty crop production value and acreage.

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 FY 2017 Request for Applications was published on March 2, 2017, with a grant application deadline of June 6, 2017. During FY 2017, grants were awarded to all 56 eligible entities. Grant awards totaled approximately \$60.6 million for 678 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 2017, the SCBGP monitored its grantees through site visits and review of performance reports. SCBGP staff conducted 11 site visits with State departments of agriculture recipients and identified 59 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

AGRICULTURAL MARKETING SERVICE

improved public accountability. In addition, program staff reviewed 165 performance and financial reports containing almost 3,000 projects and totaling over \$252 million in grant funds to evaluate the significance and impact of the Program in enhancing the competitiveness of specialty crops. Over the course of FY 2017, AMS closed 55 of grant agreements ensuring compliance with the GONE Act.

Specialty Crop Multi-State Program (SCMP) (Farm Bill Funded)

Current Activities: The 2014 Farm Bill directed 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 Specialty Crop Multi-State Program (SCMP) is a competitive grant program for State departments of agriculture to enhance the competitiveness of specialty crops by funding collaborative, multi-state projects that address regional or national level specialty crop issues. SCMP grants are funded from a portion of the SCBGP funds provided for FY 2014-2018, which remain available until expended.

Selected Examples of Recent Progress: In FY 2017, SCMP published a Request for Applications (RFA) to award \$7 million to State departments of agriculture and their multi-state partners to help develop solutions to problems affecting the specialty crop industry across State boundaries. The due date for this RFA was October 24, 2017. Awards for this program will be made in FY 2018. Information on the previous amounts awarded and the projects funded is available on <http://www.ams.usda.gov/services/grants/scmp>.

In FY 2017, SCMP managed a total of 4 grant agreements funded at approximately \$2.7 million. AMS ensures that each grant agreement fulfills the purpose of the program and abides by Federal assistance regulations and laws by requiring and analyzing financial and performance reports, select source documentation for requests for payment, and one-on-one and group technical assistance for grant recipients.

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

Limitation on Fee Funded Inspection, Weighing, and Examination Services Expenses

Not to exceed \$[55,000,000]80,000,000 (from fees collected) shall be obligated during the current fiscal year for inspection and weighing services, including activities of the Federal Grain Inspection Service: *Provided*, That if grain export activities require additional supervision and oversight, or other uncontrollable factors occur, this limitation may be exceeded up to 10 percent with notification to the Committees of Appropriation of both Houses of Congress:

- 1 Provided further, That the Secretary of Agriculture may collect fees for the inspection and weighing activities of the Federal Grain Inspection Service: *Provided further, That such fees shall remain available until expended, and shall be available for the promotion and enforcement of the United States Grain Standards Act and applicable provisions of the Agricultural Marketing Act of 1946; identification, evaluation, and implementation of new or improved techniques for measuring grain quality; and establishment and maintenance of testing and grading standards to facilitate the marketing of U.S. grain, oilseeds, and related products: *Provided further, That obligations for such Federal Grain Inspection Service activities shall not exceed \$20,000,000 during the current fiscal year.**

- 2 In addition, amounts collected pursuant to the U.S. Warehouse Act (7 U.S.C 241 et seq.) shall be deposited in this account and available until expended for the purposes specified in 7 U.S.C 241 et seq., and shall not be subject to the obligation limitations in the first paragraph.

The first change in language is to reflect new user fees to be established to recover the full cost of the program under the Federal Grain Inspection Service.

The second change is to add fees collected pursuant to the U.S. Warehouse Act to this account and exclude those fees from obligation limitations.

Lead-Off Tabular Statement

Budget Estimate, 2019	\$80,000,000
2018 Annualized Continuing Resolution.....	<u>0</u>
Change in Appropriation.....	<u>80,000,000</u>
Adjustment in 2018:	
2018 Annualized Continuing Resolution.....	0
Transferred Inspection and Weighing Fees to Agricultural Marketing Service.....	<u>+55,000,000</u>
Adjusted Base for 2018.....	55,000,000
Budget Estimate, 2019.....	<u>80,000,000</u>
Change in Appropriation	<u>+25,000,000</u>

AGRICULTURAL MARKETING SERVICE

Limitation on Fee Funded Inspection, Weighing, and
Examination Services

Project Statement

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

Program	<u>2016 Actual</u>		<u>2017 Actual</u>		<u>2018 Estimate</u>		<u>Inc. or Dec.</u>		<u>2019 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Appropriations:										
Fee Funded Inspection, Weighing, and Examination Activities.....	-	-	-	-	\$55,000	421	\$25,000	112	\$80,000	533
Bal. Available, SOY.....	-	-	-	-	55,000	-	25,000	-	80,000	-
Bal. Available, EOY.....	-	-	-	-	-	-	-	-	-	-
Total Obligations.....	-	-	-	-	55,000	-	25,000	112	80,000	533

Limitation on Fee Funded Inspection, Weighing, and
Examination Services

Project Statement

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

Program	<u>2016 Actual</u>		<u>2017 Actual</u>		<u>2018 Estimate</u>		<u>Inc. or Dec.</u>		<u>2019 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Obligations:										
Fee Funded Inspection, Weighing, and Examination Activities.....	-	-	-	-	\$55,000	421	\$25,000	112	\$80,000	533
Bal. Available, SOY.....	-	-	-	-	55,000	-	25,000	-	80,000	-
Bal. Available, EOY.....	-	-	-	-	-	-	-	-	-	-
Total Collections.....	-	-	-	-	55,000	421	25,000	112	80,000	533

AGRICULTURAL MARKETING SERVICE

Limitation on Fee Funded Inspection, Weighing, and
Examination Services

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

State/Territory	2016 Actual		2017 Actual		2018 Estimate		2019 President's Budget	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Arkansas	-	-	-	-	\$2,467	27	\$2,608	28
District of Columbia	-	-	-	-	12,723	43	26,244	72
Louisiana	-	-	-	-	22,951	193	25,642	197
Missouri	-	-	-	-	630	18	8,230	85
North Dakota	-	-	-	-	1,491	13	1,658	14
Ohio.....	-	-	-	-	2,228	20	2,536	24
Oregon	-	-	-	-	4,289	36	4,621	39
Texas	-	-	-	-	8,221	71	8,461	74
Obligations	-	-	-	-	55,000	421	80,000	533

AGRICULTURAL MARKETING SERVICE

Limitation on Fee Funded Inspection, Weighing, and
Examination Services

Classification by Objects

(Dollars in thousands)

				2019
	2016	2017	2018	President's
	Actual	Actual	Estimate	Budget
Personnel Compensation:				
Washington D.C.	-	-	\$6,331	\$8,629
Field	-	-	26,613	35,481
11 Total personnel compensation	-	-	32,944	44,110
12 Personnel benefits	-	-	9,371	12,918
13 Benefits for former personnel	-	-	50	62
Total, personnel comp. and benefits	-	-	42,365	57,090
Other Objects:				
21 Travel and transportation of persons	-	-	1,500	2,800
22 Transportation of things	-	-	29	66
23.1 Rental payments to GSA	-	-	524	3,405
23.2 Rental payments to others	-	-	500	530
23.3 Communications, utilities, and misc. charges ...	-	-	747	1,165
24 Printing and reproduction	-	-	41	86
25.2 Other services from non-Federal sources	-	-	2,200	4,810
25.3 Other purchases of goods and services				
from Federal sources	-	-	5,965	6,533
26 Supplies and materials	-	-	614	1,000
31 Equipment	-	-	500	2,500
32 Land and structures	-	-	5	5
42 Insurance Claims	-	-	10	10
Total, Other Objects	-	-	12,635	22,910
99.9 Total, new obligations	-	-	55,000	80,000
DHS Building Security Payments (included in 25.3)	-	-	10	10
Position Data:				
Average Salary (dollars), ES Position	-	-	\$121,017	\$121,017
Average Salary (dollars), GS Position	-	-	\$55,332	\$55,332
Average Grade, GS Position	-	-	8	8

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Lead-Off Tabular Statement

Budget Estimate, 2019.....	\$10,733,000
2018 Annualized Continuing Resolution.....	<u>10,590,000</u>
Change in Appropriation.....	<u>+143,000</u>

Perishable Agricultural Commodities Act Fund

Project Statement

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

Program	<u>2016 Actual</u>		<u>2017 Actual</u>		<u>2018 Estimate</u>		<u>Inc. or Dec.</u>		<u>2019 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Appropriations:										
Appropriation (from receipts).....	\$11,452	67	\$11,609	64	\$10,590	69	+\$143	-	\$10,733	69
Recoveries.....	203	-	199	-	-	-	-	-	-	-
Sequestration.....	-747	-	-719	-	-699	-	+699	-	-	-
Sequestration Prior Year Return..	802	-	747	-	719	-	-	-	-	-
Bal. Available, SOY.....	<u>12,536</u>	-	<u>14,073</u>	-	<u>14,073</u>	-	-	-	<u>14,073</u>	-
Total Available.....	24,246	67	25,909	64	24,683	69	+842	-	24,806	69
Bal. Available, EOY.....	<u>-14,073</u>	-	<u>-14,590</u>	-	<u>-14,093</u>	-	<u>-699</u>	-	<u>-14,073</u>	-
Total Obligations.....	<u>10,173</u>	67	<u>11,319</u>	64	<u>10,590</u>	69	<u>+143</u>	-	<u>10,733</u>	69

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Project Statement

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

Program	<u>2016 Actual</u>		<u>2017 Actual</u>		<u>2018 Estimate</u>		<u>Inc. or Dec.</u>		<u>2019 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
	Mandatory Obligations:									
Total Obligations.....	\$10,173	67	\$11,319	64	\$10,590	69	+\$143	-	\$10,733	69
Balance Available, EOY.....	14,073	-	14,590	-	14,093	-	+699	-	14,073	-
Total Available.....	24,246	67	25,909	64	24,683	69	+842	-	24,806	69
Recoveries.....	-203	-	-199	-	-	-	-	-	-	-
Sequestration.....	747	-	719	-	699	-	-699	-	-	-
Sequestration Prior Year Return...	-802	-	-747	-	-719	-	-	-	-	-
Bal. Available, SOY.....	-12,536	-	-14,073	-	-14,073	-	-	-	-14,073	-
Total Appropriation (from receipts).....	11,452	67	11,609	64	10,590	69	+143	-	10,733	69

Perishable Agricultural Commodities Act Fund

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

State/Territory	<u>2016 Actual</u>		<u>2017 Actual</u>		<u>2018 Estimate</u>		<u>2019 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
	Arizona.....	\$875	8	\$449	8	\$1,131	8	\$1,131
District of Columbia.....	7,079	41	9,468	38	7,024	43	7,167	43
Texas.....	894	7	143	7	1,184	7	1,184	7
Virginia.....	1,325	11	1,259	11	1,251	11	1,251	11
Obligations.....	10,173	67	11,319	64	10,590	69	10,733	69
Bal. Available, EOY.....	14,073	-	14,590	-	14,093	-	14,073	-
Total, Available.....	24,246	67	25,909	64	24,683	69	24,806	69

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 to prevent the unwarranted destruction or dumping of farm products.

AMS's 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 2017, AMS was contacted by members of the specialty crop industry for assistance in resolving 1,009 informal commercial disputes. AMS resolved approximately 93 percent of those disputes informally within four months, with informal settlement amounts of over \$11.5 million. Decisions and orders were issued in 306 formal reparation cases involving award amounts totaling approximately \$7 million. AMS initiated 38 disciplinary complaints against firms for alleged violations of PACA. In addition, the PACA program assisted 2,821 telephone callers needing immediate transactional assistance.

Fees and Charges in Effect in 2017:

<u>Service Performed</u>	<u>Fees</u>
Basic License	\$995.00 per year
Branch License	600.00 per location
Number of Licensees:	14,200
Informal Complaints Filed:	1,009
Formal Complaints Filed:	263
Counterclaims Filed:	11

Industry Outreach – AMS continued to increase efforts to inform the produce industry of the rights and responsibilities under the PACA. Some of the educational seminars and outreach events that PACA has conducted and participated in are:

Daaks International Inc.	OTR Hauling Transportation Company
University of Georgia's Echols County	Idaho Grower and Shippers Association (IGSA)
Viva Fresh Produce Expo	Florida Fruit & Vegetable Association (FFVA) Convention
University of Arkansas School of Law	PMA Fresh Summit Convention & Expo
United Fruit and Vegetable Association	United Fresh Produce Association
Tom Lange International	7 th Street LA Market Centennial Celebration (1917-2017)
Robinson Fresh Produce Company	

AGRICULTURAL MARKETING SERVICE

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

AGRICULTURAL MARKETING SERVICE

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

Lead-Off Tabular Statement

Permanent Appropriation, 2018	\$10,370,877,502
Prior Year Appropriation Available, start of year	125,796,888
Less Food and Nutrition Service (FNS) transfer from prior year funds for the Farm Bill Fresh Fruit and Vegetable Program (FFVP) <u>a/</u>	-125,000,000
Less annual transfers to:	
Department of Commerce	-154,867,577
FNS, Child Nutrition Programs	-8,872,806,813
Total, Transfers	-9,027,674,390
Farm Bill Spending Authority, 2018	1,344,000,000
Less Rescission	-255,582,000
Less Sequester	-77,418,000
Less Current Year Unavailable, held for the Farm Bill FFVP <u>b/</u>	-125,000,000
Total AMS Budget Authority, 2018	886,000,000
Less FNS transfer for the Farm Bill FFVP	-46,000,000
Unobligated balance brought forward, start of year	54,150,181
Total Available for Obligation, 2018	894,150,181
Budget Estimate, 2019:	
Permanent Appropriation, 2019	10,624,197,505
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	-155,000,000
FNS, Child Nutrition Programs	-9,095,197,505
Total, Transfers	-9,250,197,505
Farm Bill Spending Authority, 2019	1,374,000,000
Less Proposed Rescission	-337,000,000
Less Proposed Sequestration	-74,400,000
Less Current Year Unavailable, held for the Farm Bill FFVP <u>c/</u>	-125,000,000
Total AMS Budget Authority, 2019	837,600,000
Less FNS transfer for the Farm Bill FFVP	-49,000,000
Agency Request, 2019	788,600,000
Change in Appropriation	-105,550,181

a/ Public Law 115-31, General Provisions, Section 715, directs the transfer on October 1, 2017, of the 2017 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/ Public Laws 115-56, 115-90, 115-97 and 115-120 direct the transfer on October 1, 2018, of 2018 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 2019 Budget assumes that \$125 million of the July 1, 2019 transfer will not be made available until October 1, 2019.

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	<u>2016 Actual</u>		<u>2017 Actual</u>		<u>2018 Estimate</u>		<u>Inc. or Dec.</u>		<u>2019 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Appropriations:										
Permanent Appropriation.....	\$10,316,645	154	\$10,929,841	155	\$10,370,878	154	+\$253,320	-	\$10,624,198	154
Transfers Out:										
Food and Nutrition Service (FNS),										
Child Nutrition Programs.....	-8,969,178	-	-9,503,998	-	-8,872,807	-	-222,391	-	-9,095,198	-
FNS Transfer from PY funds.....	-122,000	-	-125,000	-	-125,000	-	-	-	-125,000	-
FNS, Fresh Fruit and										
Vegetable Program.....	-39,000	-	-43,000	-	-46,000	-	-3,000	-	-49,000	-
Department of Commerce.....	-145,811	-	-145,175	-	-154,868	-	-132	-	-155,000	-
Subtotal.....	-9,275,989	-	-9,817,173	-	-9,198,675	-	-225,523	-	-9,424,198	-
Rescission.....	-215,568	-	-231,374	-	-255,582	-	-81,418	-	-337,000	-
Sequestration.....	-77,452	-	-79,626	-	-77,418	-	+3,018	-	-74,400	-
Bal. Available, SOY.....	-	-	-	-	54,150	-	-54,150	-	-	-
Prior Year Appropriation.....										
Available, SOY.....	223,344	-	166,332	-	125,797	-	-797	-	125,000	-
Recoveries.....	964	-	797	-	-	-	-	-	-	-
Offsetting Collections.....	11,879	-	-	-	-	-	-	-	-	-
Bal. Available, EOY.....	-	-	-54,150	-	-	-	-	-	-	-
Unavailable Resources, EOY.....	-166,332	-	-125,797	-	-125,000	-	-	-	-125,000	-
Total Obligations.....	817,491	154	788,850	155	894,150	154	-105,550	-	788,600	154

Note: A rescission of unobligated balances is proposed for FY 2019.

AGRICULTURAL MARKETING SERVICE

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

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

Program	2016 Actual		2017 Actual		2018 Estimate		Inc. or Dec.		2019 President's Budget	
	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.....	298,744	-	270,145	-	-	-	-	-	-	-
Estimated Future Needs.....	-	-	-	-	100,355	-	-\$51,597	-	48,758	-
Subtotal.....	763,744	-	735,145	-	771,355	-	-51,597	-	719,758	-
State Option Contract.....	-	-	-	-	5,000	-	-	-	5,000	-
Removal of Defective Commodities.	-	-	96	-	2,500	-	-	-	2,500	-
Disaster Relief.....	300	-	877	-	5,000	-	-	-	5,000	-
Direct Payments	-	-	-	-	54,150	-	-54,150	-	-	-
Prior Year Adjustment.....	441	-	11	-	-	-	-	-	-	-
Administrative Funds:										
Commodity Purchases Services.....	33,689	61	35,246	63	35,440	61	+413 (1)	-	35,853	61
Marketing Agreements and Orders.	19,317	93	17,475	92	20,705	93	-216 (2)	-	20,489	93
Subtotal.....	53,006	154	52,721	155	56,145	154	+197	-	56,342	154
Total Obligations.....	817,491	154	788,850	155	894,150	154	-105,550	-	788,600	154
Recoveries.....	-964	-	-797	-	-	-	-	-	-	-
Offsetting Collections.....	-11,879	-	-	-	-	-	-	-	-	-
Precluded from Obligation										
in Current Year.....	-125,000	-	-125,000	-	-125,000	-	-	-	-125,000	-
Bal. Available, EOY.....	-	-	54,150	-	-	-	-	-	-	-
Unavailable Resources, EOY.....	166,332	-	125,797	-	125,000	-	-	-	125,000	-
Transfer to FNS.....	223,344	-	166,332	-	125,797	-	-797	-	125,000	-
Bal. Available, SOY.....	-	-	-	-	-54,150	-	+54,150	-	-	-
Prior Year Appropriation										
Available, SOY.....	-223,344	-	-166,332	-	-125,797	-	+797	-	-125,000	-
Total Appropriation.....	845,980	154	843,000	155	840,000	154	-51,400	-	788,600	154

AGRICULTURAL MARKETING SERVICE

Section 32

Justifications of Increases and Decreases

- (1) An increase of \$413,000 for Commodity Purchase Services (\$35,440,000 and 61 staff years available in 2018).

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

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

Administrative costs fund the salaries and benefits of AMS commodity procurement staff (61 staff years) and associated operating costs such as goods and services from Federal and non-Federal sources, communications costs, supplies and equipment. 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, FNS, and the United States Agency for International Development (USAID).

- (2) A decrease of \$216,000 for Marketing Agreements and Orders administration (\$20,705,000 and 93 staff years available in 2018).

Administration of the Marketing Agreements and Orders Program at the national level is authorized from Section 32 funds through annual appropriations. This funding will finance Federal expenses for program oversight and for public hearings and referenda necessary to determine producer sentiment concerning new programs and proposed revisions of marketing orders already in effect. This reduction will increase the funds available for Section 32 estimated future needs.

AGRICULTURAL MARKETING SERVICE

Summary of Proposed Legislation

- Program:** Marketing Agreements & Orders
- Proposal:** Establish mandatory user fees to recover the cost of Federal oversight of Marketing Agreements and Orders (MA&O). MA&O programs help provide stable markets for dairy and specialty crops while protecting “consumer interests by requiring prices that the Secretary . . . deems to be in the public interest and feasible in view of the current consumptive demand in domestic and foreign markets.” (Agricultural Marketing Agreement Act of 1937 (AMAA)).
- Rationale:** MA&O programs are industry-run "self-help" initiatives for the Dairy and Specialty Crops industries. The industries that substantially benefit from their operation should pay for the Federal oversight of these programs.
- Goal:** To reduce the deficit, regain control of Federal spending, and redefine the proper role and scope of the Federal Government, so that assistance can be targeted to those who need it most.

(Dollars in thousands)

	2018	2019	2020	2021	2022
Budget Authority	0	-\$20,489	-\$20,489	-\$20,489	-\$20,489
Outlays	0	-20,489	-20,489	-20,489	-20,489

Section 32 Administrative Funds

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	2016 Actual		2017 Actual		2018 Estimate		2019 President's	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
California.....	\$975	8	\$775	8	\$855	9	\$857	9
District of Columbia.....	50,262	135	50,178	135	53,516	134	53,706	134
Florida.....	749	5	841	5	796	5	798	5
Oregon.....	823	5	720	5	769	5	771	5
Texas.....	1	-	1	-	1	-	1	-
Virginia.....	196	1	206	1	208	1	209	1
Total, Available.....	53,006	154	52,721	155	56,145	154	56,342	154

AGRICULTURAL MARKETING SERVICE

Status of Program

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 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. The administrative costs for food buying operations and coordination with FNS 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 FY 2008, \$393 million for FY 2009, \$399 million for FY 2010, \$403 million for FY 2011, and \$406 million for FY 2012 and each fiscal year thereafter. In FY 2017, AMS purchased over \$507.9 million of specialty crop products which is approximately 25.1 percent over the minimum purchase level.

Selected Examples of Recent Progress:

Commodity Purchases – In FY 2017, 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 32.0 cents per meal.

AMS also purchased an additional \$978.2 million of Group A (non-price supported) commodities consisting of fruits, vegetables, meat and poultry products, and \$491.1 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 \$1.469 billion worth of entitlement commodities with FNS appropriated funds.

In FY 2017, across all funding groups, AMS purchased 1,275.6 million pounds of specialty crops (fruits and vegetables) commodities, valued at \$724.2 million, distributed by FNS through the Department's various nutrition assistance programs.

Section 32 Purchases to Encourage Domestic Consumption – Section 32 purchases of commodities to encourage domestic consumption are donated through FNS designated programs and institutions in addition to entitlement purchases. The following chart reports the commodities purchased under this provision and reflects the variety of producers that received assistance:

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FY 2017 Section 32 Expenditures to Encourage Domestic Consumption	
Commodity	Amount
Alaskan Pollock	\$19,790,000
Apples, Processed and Fresh	14,980,000
Beans, Pinto	13,500,000
Beans, Dark Red Kidney	5,950,000
Beans, Little Red	9,490,000
Blueberries, Highbush	11,975,000
Blueberries, Wild	10,000,000
Catfish	4,814,700
Cherries, Sweet	2,849,300
Cherries, Tart	9,907,400
Cranberry Products	9,920,000
Dairy	19,996,600
Eggs	11,300,000
Figs	10,665,200
Grape Juice, Concord	18,000,000
Peaches, Canned	7,000,000
Pears, Canned	8,050,000
Plums, Canned	241,000
Prunes, Dried	9,946,000
Raisins	25,000,000
Turkey	46,770,000
Total	270,145,200

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 2017, \$58,500 of Section 32 funding was obligated to cover the cost of foods purchased to distribute to those individuals impacted by the flooding in Louisiana. AMS also obligated \$319,000 in Section 32 funding to purchase replacement foods for those affected by Hurricane Matthew and \$500,000 in Section 32 funding to purchase baby food, infant cereal and formula for victims of Hurricane Irma for delivery to the United States Virgin Islands and Puerto Rico. All disasters described above were Presidentially-declared major events.

Total Commodity Purchase Activity – FY 2017 (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	978.2
Appropriated Funds - Group B	Dairy, Grain, and Oilseed	491.1
Section 32 – Surplus Removal	Fruits, Vegetables, Meats and Poultry	270.2
Disaster Assistance	Commodity, Transportation and Storage	0.9
Defective Commodities	Defective Meat	0.1
TOTAL	ALL COMMODITY PURCHASES	2,205.5

Web-Based Supply Chain Management (WBSCM) System – AMS is authorized to use Section 32 administrative funds to develop and operate the WBSCM computer system that supports the shared interests of USDA commodity purchase programs. AMS is the lead Agency for the system in USDA. From its inception in FY 2011, the WBSCM

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system has improved the procurement, delivery, and management of more than 200 commodities and 50.8 billion pounds of 100 percent domestically-produced farm food commodities at an approximate value of \$16.3 billion. These commodities are distributed through domestic and foreign feeding programs administered by AMS, 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.

The WBSCM Project Management Office (PMO), with the assistance of the General Services Administration, awarded a new contract for the Operations and Maintenance of WBSCM to CACI Inc. starting on March 2, 2016. The WBSCM contract with CACI is currently in Option Year 1. During FY 2017, CPS managed and conducted testing for eleven system releases focusing on internal and external customer needs.

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 WBSCM FY 2017 Acquisition Approval Request was approved in August 2017 authorizing \$38.9 million for Operations and Maintenance and new Development activities.

WBSCM currently has a "green" CIO rating which is assigned by USDA's Office of the Chief Information Officer (OCIO) as a measure of the overall health of the investment. This CIO rating is based on a set of criteria used to assess how well IT investments meet certain requirements. Examples of the criteria used include documented IT Governance processes (like Risk Management, Program Management Plans, etc.), Cost and Schedule Variances, Operating Metrics, and Acquisition Strategy. Each month or quarter, OCIO will score WBSCM based on these criteria, flagging any areas of concern. The number of areas flagged for concern can result in either a Green, Yellow, or Red CIO rating.

Product Development and Market Research – During FY 2017, 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 expanding variety and updating packaging of USDA Foods in household food distribution programs, including The Emergency Food Assistance Program (TEFAP). For example, dried fruit nut mix, two varieties of canned beans, canned sweet potatoes, frozen diced carrots, farina, and macaroni and cheese were introduced to the TEFAP ordering catalog. These products offer more choices for vegetables, fruits, and grain products, and may help with economies of scale for contracting. USDA also conducted market research on applesauce cups in a 6 count sleeve, which would be especially helpful to food banks with child feeding initiatives, such as weekend "backpack" programs. USDA continues to update specifications, including new package sizes, to align with changes in program requirements and the retail marketplace.

A major USDA Foods initiative during FY 2017 was the continued support for "traditional foods" to the Food Distribution Programs on Indian Reservations (FDPIR). CPS again purchased frozen bison, awarding contracts for the delivery of approximately 1 million pounds of frozen ground bison to FDPIR during the FY 2017 program year. CPS also executed purchases of 646,272 pounds of whole-grain blue cornmeal for FDPIR recipients. CPS made initial purchases of two additional "traditional" foods requested by FDPIR, purchasing 55,000 pounds of long grain wild rice and 216,000 pounds of frozen salmon fillets.

CPS continues to work with FNS, which manages FDPIR at the federal level, to make changes and additions to the program's food package, to support the dietary initiatives and specific nutritional needs of program recipients. For example, USDA reduced the sodium content in canned beef stew by 20 percent, and developed a specification for a fully cooked, smoked boneless whole muscle ham to offer during November and December as a seasonal item. In FY 2018, USDA will offer bakery flour mix in a retail style 20-ounce reclosable pouch to allow efficient distribution to smaller sized households.

CPS made several changes and additions to USDA Foods for the NSLP. Frozen butternut squash and diced potatoes were added to help serve these popular choices more efficiently in menu planning and preparation. To further expand variety, CPS plans to offer frozen mixed vegetables in FY 2018. CPS also added a whole grain breaded Alaska Pollock fish stick, frozen unsweetened sliced strawberries, and peach high protein yogurt. To encourage whole grain rich options, CPS clarified whole grain rich requirements for tortillas, and updated flour specifications

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to include white whole wheat flour. CPS also made technical changes to oven-roasted chicken, unseasoned chicken strips and packaging requirements for individually packaged peanut butter. Based on recipient feedback, CPS updated the specifications for frozen green beans to reduce variability across suppliers, and offered frozen wild blueberries and liquid whole eggs in smaller package sizes.

CPS developed several new product pack sizes to help efficiently remove product from the marketplace through Section 32 purchases aimed at encouraging domestic consumption, while simultaneously providing products in forms appropriate to the recipient programs receiving the donated foods. For example, CPS offered frozen eggs in 2 pound cartons instead of 5 pound cartons, to help food banks distribute this product in a family-friendly size. CPS continues to explore retail style or individual sized packaging, as well as new product development initiatives to support these 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 School Breakfast Program, Child and Adult Care Food Program (CACFP), and NSLP) and the *Dietary Guidelines* (for all domestic food distribution programs). To align with changes to the CACFP, USDA included an upper limit for sugars for high protein yogurt. Special consideration is given during product development to identify new and existing commodity foods with lower fat and sodium content. During FY 2017, CPS reduced sodium levels in ham products and continues to follow industry's lead in other product categories.

CPS also continues to identify suppliers of kosher 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. Based on industry feedback, CPS successfully added kosher requirements for sunflower seed butter as an alternative to peanut butter for schools that seek more kosher options.

The CPS Nutritionist was instrumental in coordinating cross-agency promotional efforts, including National Nutrition Month, the USDA Farmer's Market, and training on the Dietary Guidelines Communicator on-line resource. The nutritionist also conducted scientific literature reviews and presented findings to AMS' Marketing Order and Research & Promotion commodity boards (including cranberries, tart cherries, red raspberries, avocados, pecans, peanuts, almonds, walnuts and onions), and trained board representatives and AMS Program staff in best practices to translate scientific reports on how to reference FDA health claims in marketing communications.

Pilot Project for the Procurement of Unprocessed Fruits and Vegetables – Per the 2014 Farm Bill, AMS and FNS are conducting a pilot project in 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.

AMS developed and implemented vendor requirements, and for FY 2017, approved 93 suppliers, with an additional 13 applications pending. During FY 2017, all eight States received deliveries under the pilot, and CPS successfully paid invoices through WBSCM worth approximately \$11.7 million. CPS continues to seek feedback from pilot participants—School Food Authorities, 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 2017 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 36 new vendor applications during FY 2017, of

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which 23 were small businesses. Of those 23, one is Native-American owned, one is Women-owned and one is owned by a Service-Disabled Veteran.

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 49.10 percent, which is 3.3 percent higher than FY 2016; a Veteran-owned small business rate of 5.74 percent; a Service-Disabled Veteran-Owned small business rate of 2.39 percent; and a Women-Owned Small Business rate of 0.76 percent. Over \$1 billion in purchases by CPS were made from small business concerns during FY 2017.

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), resulting in 34 plans being submitted, reviewed, and approved by CPS, OSDBU, and the Small Business Administration (SBA).

Business Process Review (BPR)/USDA Business Management Improvement (BMI) – The USDA Foods Business Management Improvement (BMI) project is co-sponsored by FNS, the Agricultural Marketing Service (AMS) and the United States Agency on International Development (USAID). This project began in September 2015 to redesign business operations and management processes which support ordering, procurement, and distribution of domestic agricultural products in FNS nutrition assistance and International food aid programs. AMS Commodity Procurement Staff (CPS) awarded a contract through GSA to Capgemini in September 2015 to lead the agencies through the process.

In FY 2017, the effort moved from the documentation of “to-be” processes and opportunities, and CPS worked with Capgemini to develop a business case for those processes and opportunities. The business case was approved on June 15, 2017. Multiple workgroups of AMS, FNS, and USAID staff have been formed to begin working toward implementation of the proposed business changes. The objectives of the workgroups include: determine and finalize the scope for all business change opportunities; identify, determine project success factors, and implement pilot tests to validate the business changes; and develop project plans for full rollout of the business changes. The various workgroups, facilitated by a contractor, began meeting in late August. Additionally, AMS and FNS sponsors of the BMI project met with the Web-Based Supply Chain Management System's (WBSCM) Program Management Office and contractor to begin the process of determining and planning system changes necessary to accommodate business process changes. WBSCM, a SAP-based system, supports all business activities for the nutrition, food aid, and agricultural programs administered by the various agencies.

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

Selected Examples of Recent Progress:

Dairy Program:

- California, Milk Marketing Order – AMS held a 40-day hearing in the Fall of 2015 to take evidence as to whether to promulgate a California Federal milk marketing order intended to replace the State milk

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marketing order system with a Federal milk marketing order (FMMO) covering the entire State. The hearing was requested by dairy cooperatives representing over 75 percent of the milk produced in California. In February 2017, AMS issued a recommended decision proposing promulgation of a California FMMO. The proposed package of provisions contains the same dairy product classification and pricing provisions used throughout the current FMMO system, as well as recognition of the California quota program as administered by the California Department of Food and Agriculture. AMS received 23 public comments in response to the recommended decision. AMS is evaluating the public comments and a final decision is expected in late 2017. Once a final decision is published, a producer referendum on the proposed FMMO will be conducted. The proposed FMMO will be implemented if two-thirds of the voting producers or two-thirds of the milk represented by voting producers vote in the affirmative.

- Florida Hurricane Assistance: AMS has received a request to hold an emergency formal rulemaking hearing for the Florida milk marketing order to provide temporary amendments for limited reimbursement to handlers who experienced extraordinary losses from Hurricane Irma during September 2017. AMS plans to hold a hearing in December 2017. Early communication with industry stakeholders indicates widespread support for the amendments.

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 145 marketing order board/committee meetings and approved 29 operating budgets. AMS specialists reviewed more than 2,000 promotional pieces to ensure board/committee messaging was compliant with Departmental guidelines. AMS also reviewed proposals for dozens of research projects funded by industry assessments, each of which is designed to address issues like pest management and post-harvest handling. Specialty crop marketing orders directly affect and benefit more than 60,000 U.S. farmers.

- Referenda – In accordance with marketing order requirements, AMS conducted a referendum among producers and processors, where applicable, operating under one marketing order who voted to keep their handling regulations in place. Most of the active marketing orders require a continuance referendum every five years. This year, AMS held continuance referendums for four marketing orders: Washington Sweet Cherries, Oregon/Washington Pears (fresh and processed), Pistachios, and Washington Irish Potatoes. All received significant industry support and will continue their marketing order operations. In December, AMS will conduct a referendum to amend the raisin marketing order to include continuance referenda.
- Aflatoxin Testing – AMS worked with nut industries to discuss matters of industry concern and to consider program updates and alternatives to current practices.
 - AMS worked with the California pistachio industry in 2017 to prepare for a European Commission audit that was performed in September to assess the U.S. control system for aflatoxin in U.S. pistachios intended for export to the European Union. AMS is awaiting the European Commission's report and will work with the industry to address all recommendations.
 - In FY 2017, thanks to AMS's continuing efforts, the pre-export check program is successfully meeting European Commission requirements. AMS signed 12,000 certificates. In addition, the EU accounted for approximately 40 percent of the market share of almond exports. The industry continues to be encouraged by growth in the market. It has expanded marketing activities in the United Kingdom, France and Germany, and launched a marketing program in Italy.
- Enforcement – AMS is responsible for the enforcement of 29 Federal marketing orders and 14 section 8e import regulations, as well as export regulations for apples and grapes (export requirements for plums are suspended) and the U.S. Peanut Standards. Industry administrative committees are responsible for conducting initial investigations and reporting complaints of possible violations to AMS.

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- Compliance Reviews – AMS conducted 14 compliance reviews, approved 26 e-compliance plans, and followed up on 1,700 inspections for failing section 8e entries. For importers not complying with section 8e, AMS issued 13 official warning letters and 2 stipulation agreements, including civil penalties. AMS granted more than 5,846 FV-6 exemptions for 8e commodities used for processing, donated to charity, or other exempted outlets.
- Outreach – AMS participated in frequent outreach sessions and conferences to educate specialty crop importers about changes to the importing process, including electronic filing. In addition, AMS created and recorded a presentation on Section 8e import requirements and the compliance process, which is posted to the USDA YouTube channel and website.
- Comprehensive Compliance Database System – AMS completed its development of the Compliance and Enforcement Management System (CEMS), meeting the December 2016 date mandated by Customs and Border Protection (CBP). Although electronic filing with specific participating Agency interfaces is not currently mandated by CBP, CEMS is fully functional and able to receive electronic filing from importers for commodities subject to Section 8e Regulations arriving at any port in the United States, destined for any city. This has been a coordinated effort with CBP for connectivity with its Automated Commercial Environment, and with AMS' Specialty Crop Inspection program for the receipt of inspection data needed to verify compliance. In FY 2017, AMS has received 10,002 electronic filings from 26 filers in 15 States.

Legal Cases -

- Sun-Maid petitioned USDA in early 2015 for a hearing to remove volume control from the Federal marketing order for California raisins. On June 22, 2015, the Supreme Court determined volume control in the raisin marketing order was unconstitutional. USDA issued a letter to the raisin industry, indicating the reserve authority would not be authorized, effective immediately. The USDA Office of the General Counsel and the Department of Justice contend Sun-Maid's case is moot and are working to have the suit dismissed. A lower court has granted Sun-Maid's petition to stay this proceedings until after AMS' publication of the final rule pertaining to the California raisin marketing order.
- On August 21, 2015, August 26, 2015, and December 28, 2015, respectively, *Lion Farms, LLC*, *Bruce Ciapessoni et al.*, and *Earl O. Boyajian et al.* filed complaints in U.S. Court of Federal Claims for just compensation under the Fifth Amendment following the Supreme Court's ruling in *Marvin Horne v. USDA*. The Department of Justice filed motions to dismiss the three cases. On May 2, 2017, DOJ and Plaintiffs began settlement negotiations, which are ongoing. On May 11, 2017, the Court certified the class to include all producers whose claims were not previously litigated, as defined in the marketing order, who held natural seedless raisins in reserve during the affected crop years identified. By December 7, 2017, Plaintiffs shall certify final membership in the class, and provide the list to the Court and Defendants.
- Burnette Foods filed a petition in 2011 challenging many provisions of the Tart Cherry Marketing Order. The Administrative Law Judge ruled for USDA on all counts. Burnette Foods appealed to District Court, who dismissed all but the claim that the Board is improperly constituted. On January 4, 2017, the Court found that the case will be resolved by review of the administrative record, which DOJ filed. Burnette Foods filed its combined Reply and Opposition on August 7, 2017. DOJ filed its Reply in Support of its Cross-Motion for Summary Judgment on August 21, 2017. Oral arguments on the motions have not yet been scheduled.

Rulemaking – AMS oversees formal and informal rulemaking processes for marketing order boards, committees, and councils. AMS processed 21 work plans, 19 proposed/interim rules, 17 final/ final interim rules, 24 notices to trade and press releases, 2 continuance referenda, 2 rulemaking referenda and 1 formal final order during FY 2017.

AMS created a robust formal rulemaking database that serves as an electronic archive of formal rulemaking actions for all marketing orders. The archive holds records dating back to the inception of each marketing order. Staff can access the archive through a master spreadsheet which links to Notice of Hearings, transcripts, Recommended Decisions, Secretary Decisions, and other formal rulemaking documents. The archive serves as a repository of institutional knowledge, providing staff with resources to research questions, guide boards and committees, and study the intent behind each marketing order's authorities.

AGRICULTURAL MARKETING SERVICE

Summary of Budget and Performance

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.

The Grain Inspection, Packers and Stockyards Administration (GIPSA) was established October 20, 1994, under the authority of the Department of Agriculture Reorganization Act of 1994 (P.L. 103-354), to administer the programs and functions of the former Federal Grain Inspection Service (FGIS) and the Packers and Stockyards Administration. The Agency's mission is to facilitate the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products, and to promote fair and competitive trading practices for the overall benefit of consumers and American agriculture. GIPSA is composed of three major activities: (1) Packers and Stockyards Program (P&SP), (2) Grain Regulatory Program (GRP), and (3) Inspection and Weighing Services.

In accordance with Executive Order 13781, "Comprehensive Plan for Reorganizing the Executive Branch," Secretary Perdue reorganized the Department under section 4(a) of Reorganization Plan No.2 of 1953 (5 U.S.C. App.; 7 U.S.C. 2201 note). As a part of this reorganization, the Grain Inspection Packers and Stockyards Administration merged with the Agricultural Marketing Service in 2018.

USDA Strategic Goal 2: Maximize the ability of American agricultural producers to prosper by feeding and clothing the world.

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2018 Target	2019 Target
<u>Market News</u> – Generate information to increase market opportunities for U.S. agriculture							
Number of Market News reports and data sets developed, enhanced and reformed to better reflect current marketing channels and meet industry needs ¹	N/A	N/A	N/A	220	510	750	650
Average percent of reports released on time	85%	85%	85%	95%	96%	96%	96%
Local and Regional Markets Reported	N/A	N/A	170	206	206	221	150
International Markets Reported	N/A	N/A	15	15	102	109	65
Cost (thousands)	\$31,102	\$33,170	\$33,488	\$33,213	\$33,698	\$33,430	\$28,281
<u>Shell Egg Surveillance</u> – Safeguard the quality and wholesomeness of agricultural products							
Percent of firms complying with EPIA and the Shell Egg Surveillance program	95%	95%	95%	95%	97%	97%	97%
Cost (thousands)	\$2,565	\$2,732	\$2,563	\$2,083	\$2,027	\$2,551	\$1,930

¹ These are annual numbers; not cumulative. By the end of 2019, all Market News reports and data sets will be transitioned into MARS, and will therefore be reformed and enhanced by increasing the utility and functionality of the information presented to the public. Once all reports and data sets have been incorporated into MARS, continual updates and changing industry practices and participants will require an ongoing effort by Market News to remain current.

AGRICULTURAL MARKETING SERVICE

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2018 Target	2019 Target
<u>Commodity Standards</u> – Develop domestic and international commodity standards to facilitate trade and economic growth for U.S. agricultural products							
Number of commodity standards that are revised, eliminated, improved or developed in order to maintain quality and accuracy	N/A	N/A	N/A	574	558	542	475
Cost (thousands)	\$4,667	\$4,976	\$4,971	\$4,821	\$5,393	\$4,984	\$4,984
<u>Federal Seed Act Program</u> – Enforce fair marketing practices for producers							
Percent of seed shipped in interstate commerce that is accurately labeled	98%	98%	98%	98%	98%	98%	98%
Percentage of interstate compliance cases submitted that are completed	N/A	N/A	86%	95%	95%	95%	95%
Cost (thousands)	\$2,302	\$2,405	\$2,299	\$2,285	\$2,282	\$2,309	\$2,068
<u>Country of Origin Labeling (COOL)</u> – Enforce marketing practices and inform buyers							
Percent of retailer compliance with Country of Origin Labeling	94%	94%	96%	96%	96%	97%	97%
Cost (thousands)	\$4,720	\$5,015	\$4,718	\$4,640	\$4,593	\$4,712	\$3,752
<u>Pesticide Data Program (PDP)</u> – Generate residue information that supports risk assessment and trade							
Cumulative number of countries and commodities covered by laboratory approval programs developed to increase export market access	N/A	N/A	N/A	5	5	5	5
Cost (thousands)	\$15,330	\$14,471	\$15,347	\$15,384	\$15,201	\$14,971	\$14,971
<u>National Organic Program</u> – Enforce marketing practices that expand opportunities for farms and businesses							
Percent in compliance with certification and accreditation criteria ²	95%	95%	95%	94%	92%	90%	90%
Number of complaints received each year. (Should decrease over time as the market continues to improve and self-regulate)	N/A	N/A	N/A	505	379	400	440
Number of memoranda of agreement with other agencies that lead to specific actions that improve the monitoring and oversight of organic industry	N/A	N/A	N/A	N/A	1	1	2
Cost (thousands)	\$6,531	\$9,026	\$9,020	\$9,038	\$8,591	\$9,032	\$12,032

² The NOP strengthened its auditing activities in 2017, which increased detection of noncompliance at the certifier level. The resulting decrease in the compliance rate to 90 percent reflects an increase in the robustness of compliance audits. These measures are associated with regulatory reforms in 2019; we would not expect targets to decrease until after that.

AGRICULTURAL MARKETING SERVICE

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2018 Target	2019 Target
Transportation and Market Development – Support and expand access to domestic markets and food systems							
New markets established or expanded through technical assistance (including cooperative research reports and marketing and training tools)	200	200	250	100	100	98	75
Number of market development and architectural design projects completed	N/A	N/A	N/A	125	150	147	125
Cost (thousands)	\$6,357	\$7,193	\$8,117	\$7,922	\$9,121	\$9,113	\$7,183

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

- Market News increased the number of reports and data sets developed, enhanced and reformed to better reflect current marketing channels and meet industry needs by 230 percent over FY 2016.
- Despite delays resulting from several occurrences of Avian Influenza (AI) in wild and domestic bird flocks in the Midwest and southern U.S. during the early months of 2017, AMS conducted 2,328 Shell Egg Surveillance inspections during FY 2017, an increase of 93 inspections over the previous year.
- To support labeling accuracy of interstate seed shipment, the Federal Seed Program investigated and settled more than twice the number of mislabeling complaints in FY 2017 over the previous year.
- The Pesticide Data Program conducted over 2.4 million individual pesticide residue tests on more than 10,300 food samples in FY 2017. Test results are maintained in USDA’s database on pesticides in children’s foods and can be used to assist in removing trade barriers to support U.S. agricultural exports.
- The National Organic Program strengthened its auditing activities in 2017, which increased detection of noncompliance at the certifier level.

Selected Accomplishments Expected at the FY 2019 Proposed Resource Level:

- The cumulative number of Market News reports and data sets developed, enhanced and reformed to better reflect current marketing channels and meet industry needs will continue to increase as AMS finalizes the development of the MARS system. This effort will greatly increase the utility and functionality of the information presented to the public.
- The Pesticide Data Program will deliver data for all of the top 24 children’s commodities and continue close collaboration with EPA, FDA, USDA agencies, State cooperators, and stakeholders.
- The National Organic Program will institute technical and process changes to better protect the integrity of organic products in the U.S. and throughout the world. These changes will include strengthened collaboration with other agencies to monitor organic imports, and development of technology solutions to help support fraud detection and prevention.

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2018 Target	2019 Target
Packers and Stockyards Program ³							
Percent of industry compliance with the Packers and Stockyards Act.	-	-	-	-	-	84	84
Cost (thousands)	-	-	-	-	-	\$23,123	\$22,975

Selected Accomplishments Expected at the FY 2019 Proposed Resource Level:

³ This program was under GIPSA administration through FY 2017.

AGRICULTURAL MARKETING SERVICE

- AMS projects that it will be positioned to realize 84 percent industry compliance with P&SP in FY 2018. AMS measures performance by monitoring industry compliance with AMS regulation, while additional focus on activities to achieve industry compliance can result in increased compliance, general economic conditions within the industry will also affect year-to-year compliance. Weak economic conditions may increase the incentive for industry non-compliance more quickly in the financial components than in the business practice areas.

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2018 Target	2019 Target
Federal Grain Inspection Service (FGIS) ⁴							
Percent enhancement of customer experience through addressing stakeholders' needs for standards review and methods development.	-	-	-	-	-	28	34
Cost (thousands)	-	-	-	-	-	\$20,064	\$20,000
Percent accuracy of grain inspection certificates.	-	-	-	-	-	93	94
Cost (thousands)	-	-	-	-	-	\$55,000	\$60,000

Selected Accomplishments Expected at the FY 2019 Proposed Resource Level:

- AMS's challenge for FGIS' Grain Regulatory Program (GRP) is to not only maintain the current system, but to keep pace with the rapidly changing information needs of the marketplace. Greater crop diversity and more specific end use product needs require AMS to monitor market needs, and respond by new and innovative services. If funding remains relatively the same, AMS should be able to make a 6 percent progress on this measure annually.
- Development of new factor determinations and revised certificate requirements to meet end-user needs may impact certificate accuracy.

⁴ This program was under GIPSA administration through FY 2017.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Grain Inspection, Packers and Stockyards Administration

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Purpose Statement

The Grain Inspection, Packers and Stockyards Administration (GIPSA) was established October 20, 1994, under the authority of the Agriculture Reorganization Act of 1994 (P.L. 103-354), to administer the programs and functions of the former Federal Grain Inspection Service (FGIS) and the Packers and Stockyards Administration. The mission of the Agency is to facilitate the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products, and to promote fair and competitive trading practices for the overall benefit of consumers and American agriculture. GIPSA is composed of three major activities: (1) Packers and Stockyards Program (P&SP), (2) Grain Regulatory Program (GRP), and (3) Inspection and Weighing Services.

P&SP activities are authorized by the Packers and Stockyards Act of 1921 (P&S Act), as amended, and Section 1324 of the Food Security Act of 1985. These activities are currently funded through appropriations. GIPSA's P&SP is responsible for administering the P&S Act, which prohibits unfair, deceptive, and fraudulent practices by market agencies, dealers, packers, swine contractors, and live poultry dealers in the livestock, poultry, and meatpacking industries. The P&S Act makes it unlawful for a regulated entity to engage in unfair, unjustly discriminatory, or deceptive practices. Packers, live poultry dealers, and swine contractors are also prohibited from engaging in specific anti-competitive practices. P&SP conducts two broad types of activities—regulatory and investigative—in its administration and enforcement of the P&S Act. P&SP activities cover two general areas: Business Practices and Financial Protection. Business Practices are further divided into Competition and Trade Practices.

GIPSA's GRP, which is carried out under the authority of the United States Grain Standards Act, as amended (USGSA), and the Agricultural Marketing Act of 1946 (AMA), is currently funded through appropriations. As part of the GRP, GIPSA promotes and enforces the accurate and uniform application of the USGSA and applicable provisions of the AMA; identifies, evaluates, and implements new or improved techniques for measuring grain quality; and establishes and maintains testing and grading standards to facilitate the marketing of U.S. grain, oilseeds, and related products.

Inspection and Weighing Services are authorized under both the USGSA and the AMA. The USGSA requires the mandatory inspection and weighing of grain at export ports by GIPSA or delegated State agency personnel, and the permissive inspection and weighing of grain at domestic locations by designated State and private agency personnel. The USGSA also requires GIPSA to supervise all official inspection and weighing activities. On a request basis, GIPSA performs inspection of rice and related commodities under the AMA. Both statutes require GIPSA to collect user fees to fund the costs of operations including the supervision and administration of Federal grain inspection and weighing activities.

GIPSA headquarters is located in Washington, D.C. GIPSA's grain-related field activities are located in 7 field offices, 1 Federal/State office, and 1 sub office. P&SP field activities are located in 3 regional offices with 43 resident agents, 4 resident auditors, 1 market inspector, and 3 resident agent supervisors. As of September 30, 2016, there were a total of 693 employees of which 610 were permanent full-time and 83 were other than permanent full-time employees. Of the 610 permanent full-time employees, 64 were in the headquarters office and 546 were in field offices.

In accordance with Executive Order 13781, "Comprehensive Plan for Reorganizing the Executive Branch," Secretary Perdue reorganized the Department under section 4(a) of Reorganization Plan No.2 of 1953 (5 U.S.C. App.; 7 U.S.C. 2201 note). As a part of this reorganization effort, the Grain Inspection Packers and Stockyards Administration merged with the Agricultural Marketing Service in 2018.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Available Funds and Staff Years (SYs)

(Dollars in thousands)

Item	2016 Actual		2017 Actual		2018 Estimate		2019 President's Budget	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
	Salaries and Expenses:							
Discretionary Appropriations	\$43,057	270	\$43,482	260	-	-	-	-
Total Available.....	43,057	270	43,482	260	-	-	-	-
Lapsing Balances.....	(369)	-	(113)	-	-	-	-	-
Obligations.....	42,688	270	43,369	260	-	-	-	-
Non-Federal Funds								
Inspection and Weighing.....	49,945	411	51,596	411	-	-	-	-
Total, GIPSA.....	92,633	681	94,965	671	-	-	-	-

Permanent Positions by Grade and Staff Year Summary

Item	2016 Actual			2017 Actual			2018 Estimate			2019 President's Budget		
	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total
SES.....	4	1	5	2	-	2	-	-	-	-	-	-
GS-15.....	4	4	8	6	6	12	-	-	-	-	-	-
GS-14.....	19	26	45	18	24	42	-	-	-	-	-	-
GS-13.....	23	49	72	23	47	70	-	-	-	-	-	-
GS-12.....	7	89	96	7	86	93	-	-	-	-	-	-
GS-11.....	4	81	85	3	86	89	-	-	-	-	-	-
GS-10.....	-	7	7	-	7	7	-	-	-	-	-	-
GS-9.....	4	139	143	1	135	136	-	-	-	-	-	-
GS-8.....	3	12	15	4	9	13	-	-	-	-	-	-
GS-7.....	1	55	56	-	42	42	-	-	-	-	-	-
GS-6.....	-	71	71	-	77	77	-	-	-	-	-	-
GS-5.....	1	34	35	-	26	26	-	-	-	-	-	-
GS-4.....	-	2	2	-	1	1	-	-	-	-	-	-
GS-3.....	-	-	-	-	-	-	-	-	-	-	-	-
GS-2.....	-	-	-	-	-	-	-	-	-	-	-	-
Total Perm. Positions.....	70	570	640	64	546	610	-	-	-	-	-	-
Total, Perm. Full-Time Employment,												
EOY.....	70	570	640	64	546	610	-	-	-	-	-	-
Staff Year Est.....	97	584	681	98	583	681	-	-	-	-	-	-

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Size, Composition, and Cost of Motor Vehicle Fleet

GIPSA's passenger motor vehicles are mainly used by professional resident agents, auditors, marketing specialists, economists, and managers to conduct competition, financial and trade practice, compliance and investigative activities. These activities are located in rural areas and a high degree of mobility is required. The use of common carriers is seldom feasible. Comparative studies of cost requirements involved in the use of private and Government vehicles have shown that it is more economical to make Government vehicles available than to make reimbursements for the use of private cars. Leased vehicles are replaced based on the General Services Administration (GSA) age and mileage requirements. GIPSA pools the use of motor vehicles for different activities in order to keep the number of vehicles to a minimum and reduce overall costs of maintenance.

Fiscal Year	Number of Vehicles by Type *								Annual Operating Costs (\$ in 000) **
	Sedans and Station Wagons	Light Trucks, SUVs, and Vans		Medium Duty Vehicles	Ambulances	Buses	Heavy Duty Vehicles	Total Number of Vehicles	
		4x2	4x4						
2016	62	53	7	1	-	-	-	123	\$584
Change	-1	-4	-	-	-	-	-	-4	+8
2017	61	50	7	1	-	-	-	119	582
Change	-61	-50	-7	-1	-	-	-	-119	-582
2018	-	-	-	-	-	-	-	-	-

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

** Excludes acquisition costs and gains from sale of vehicles as shown in FAST.

For 2018 and 2019, vehicles were added to the AMS inventory under the USDA reorganization.

Statement of Proposed Purchase of Passenger Motor Vehicles

Fiscal Year	Net Active Fleet, SOY	Disposals	Acquisitions			Net Active Fleet, EOY
			Replacements	Additions to Fleet	Total	
2016	63	3	-	-	-	61
2017	62	2	4	1	5	64
2018	-	-	-	-	-	-

Additions to Fleet:

N/A.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Shared Funding Projects
(Dollars in thousands)

	2016 <u>Actual</u>	2017 <u>Actual</u>	2018 <u>Estimate</u>	2019 <u>President's Budget</u>
Working Capital Fund:				
Administration:				
HR Enterprise System Management	\$7	\$7	-	-
Material Management Service Center	20	25	-	-
Mail and Reproduction Management	105	108	-	-
Integrated Procurement System.....	122	121	-	-
Procurement Operations Division	-	-	-	-
Subtotal	254	261	-	-
Communications:				
Creative Media & Broadcast Center	2	5	-	-
Finance and Management:				
NFC/USDA	206	208	-	-
Financial Management Services.....	636	679	-	-
Subtotal	842	887	-	-
Information Technology:				
NITC/USDA	658	436	-	-
Client Technology Services.....	429	752	-	-
Enterprise Network Services	85	151	-	-
Subtotal	1,172	1,339	-	-
Correspondence Management	24	22	-	-
Total, Working Capital Fund.....	2,294	2,515	-	-
Departmental Shared Cost Programs:				
1890's USDA Initiatives	20	24	-	-
Advisory Committee Liaison Services	2	2	-	-
Classified National Security Information	4	4	-	-
Continuity of Operations Planning	12	14	-	-
E-GOV Initiatives HSPD-12	42	43	-	-
Emergency Operations Center	15	15	-	-
Facility and Infrastructure Review and Assessment	3	3	-	-
Faith-Based Initiatives and Neighborhood Partnerships	2	3	-	-
Hispanic-Serving Institutions National Program	11	13	-	-
Human Resources Transformation (inc Diversity Council)	10	11	-	-
Medical Services	5	6	-	-
People's Garden	4	4	-	-
Personnel and Document Security	5	5	-	-
Pre-authorizing Funding	23	24	-	-
Retirement Processor/Web Application	4	4	-	-
TARGET Center	9	9	-	-
USDA 1994 Program	4	5	-	-

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Shared Funding Projects
(Dollars in thousands)

	<u>2016</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Estimate</u>	<u>2019</u> <u>President's</u> <u>Budget</u>
Virtual University	13	12	-	-
Total, Departmental Shared Cost Programs.....	198	187	-	-
E-Gov:				
Budget Formulation and Execution Line of Business	1	-	-	-
Enterprise Human Resources Integration	14	12	-	-
Rulemaking	5	4	-	-
E-Training	18	16	-	-
Financial Management Line of Business	1	1	-	-
Human Resources Line of Business	2	2	-	-
Integrated Acquisition Environment - Loans and Grants	12	8	-	-
Integrated Acquisition Environment	4	-	-	-
Total, E-Gov	57	43	-	-
Agency Total	3,033	2,525	-	-

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

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

[Salaries and Expenses:

1. [For necessary expenses of the Grain Inspection, Packers and Stockyards Administration, \$42,975,000: *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.]

The first and only change in language is removing the GIPSA appropriation entirely. In accordance with Executive Order 13781, "Comprehensive Plan for Reorganizing the Executive Branch," Agriculture Secretary reorganized the Department under section 4(a) of Reorganization Plan No.2 of 1953 (5 U.S.C. App.; 7 U.S.C. 2201 note). As a part of this reorganization, the Grain Inspection Packers and Stockyards Administration is transferred to the Agricultural Marketing Service.]

Lead-Off Tabular Statement

Current Law

Budget Estimate, 2019.....	0
2018 Annualized Continuing Resolution.....	\$43,187,000
Change in Appropriation	0

Adjustment in 2018:

2018 Annualized Continuing Resolution.....	\$43,187,000
Transferred Packers and Stockyards and Grain Regulatory to Agricultural Marketing Service	-43,187,000

Adjusted Base for 2018	0
Budget Estimate, 2019.....	0
Change in Appropriation	0

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Salaries and Expenses

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

Program	<u>2016 Actual</u>		<u>2017 Actual</u>		<u>2018 Estimate</u>		<u>Inc. or Dec.</u>		<u>2019 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Appropriations:										
Packers and Stockyards	\$23,052	147	\$23,281	148	-	-	-	-	-	-
Grain Regulatory	20,005	123	20,201	112	-	-	-	-	-	-
Subtotal	43,057	270	43,482	260	-	-	-	-	-	-
Total Adjusted Approp.	43,057	270	43,482	260	-	-	-	-	-	-
Rescissions, Transfers, and Seq. (Net)	-	-	-	-	-	-	-	-	-	-
Total Appropriation	43,057	270	43,482	260	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-	-	-
Total Available	43,057	270	43,482	260	-	-	-	-	-	-
Lapsing Balances	-369	-	-113	-	-	-	-	-	-	-
Total Obligations	42,688	270	43,369	260	-	-	-	-	-	-

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

Program	<u>2016 Actual</u>		<u>2017 Actual</u>		<u>2018 Estimate</u>		<u>Inc. or Dec.</u>		<u>2019 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Obligations:										
Packers and Stockyards ..	\$23,090	147	\$23,474	148	-	-	-	-	-	-
Grain Regulatory	19,598	123	19,895	112	-	-	-	-	-	-
Subtotal	42,688	270	43,369	260	-	-	-	-	-	-
Total Obligations	42,688	270	43,369	260	-	-	-	-	-	-
Lapsing Balances	369	-	113	-	-	-	-	-	-	-
Total Available	43,057	270	43,482	260	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-	-	-
Total Appropriation	43,057	270	43,482	260	-	-	-	-	-	-

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Salaries and Expenses

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	2016 Actual		2017 Actual		2018 Estimate		2019 President's Budget	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Arkansas	\$154	1	\$141	1	-	-	-	-
Colorado	6,137	46	6,297	48	-	-	-	-
District of Columbia	15,998	55	18,205	55	-	-	-	-
Georgia	5,792	41	4,976	38	-	-	-	-
Iowa	5,285	35	4,518	36	-	-	-	-
Louisiana	858	9	585	4	-	-	-	-
Missouri	7,327	72	7,600	67	-	-	-	-
North Dakota	216	2	167	1	-	-	-	-
Ohio	299	3	308	4	-	-	-	-
Oregon	352	3	332	3	-	-	-	-
Texas	270	3	240	3	-	-	-	-
Washington	-	-	-	-	-	-	-	-
Obligations	42,688	270	43,369	260	-	-	-	-
Lapsing Balances	369	-	113	-	-	-	-	-
Bal. Available, EOY	-	-	-	-	-	-	-	-
Total, Available	43,057	270	43,482	260	-	-	-	-

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Salaries and Expenses

Classification by Objects
(Dollars in thousands)

	2016	2017	2018	2019
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>President's Budget</u>
Personnel Compensation:				
Washington D.C.	\$4,499	\$4,656	-	-
Field	18,911	18,625	-	-
11 Total personnel compensation	23,410	23,281	-	-
12 Personnel benefits	7,981	7,883	-	-
13 Benefits for former personnel	31	31	-	-
Total, personnel comp. and benefits	31,422	31,195	-	-
Other Objects:				
21 Travel and transportation of persons	1,371	1,216	-	-
22 Transportation of things	46	46	-	-
23.1 Rental payments to GSA	3,143	3,195	-	-
23.2 Rental payments to others	55	52	-	-
23.3 Communications, utilities, and misc. charges ..	614	641	-	-
24 Printing and reproduction	52	104	-	-
25.2 Other services from non-Federal sources	5,221	5,276	-	-
25.3 Other purchases of goods and services			-	-
from Federal sources	321	212	-	-
26 Supplies and materials	436	558	-	-
31 Equipment	7	874	-	-
Total, Other Objects	11,266	12,174	-	-
99.9 Total, new obligations	42,688	43,369	-	-
DHS Building Security Payments (included in 25.3)	160	134	-	-
Position Data:				
Average Salary (dollars), ES Position	\$155,963	\$129,792	-	-
Average Salary (dollars), GS Position	\$68,462	\$68,676	-	-
Average Grade, GS Position	11	11	-	-

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Status of Programs

Salaries and Expenses

Packers and Stockyards Program

Current Activities: The Packers and Stockyards Program (P&SP) is responsible for administering the Packers and Stockyards Act of 1921 (P&S Act). The P&S Act promotes fair business practices and competitive market environments and prohibits unfair, deceptive, and fraudulent practices by market agencies, livestock dealers, packers, swine contractors, and live poultry dealers in the livestock, poultry, and certain meatpacking industries. P&SP's work protects consumers and members of the livestock, meat, and poultry industries. The P&S Act affords livestock sellers and poultry growers with specified financial protections. By assuring fair competition and payment protection, P&SP helps sustain the economic viability of U.S. meat production.

Selected Examples of Recent Progress:

P&SP conducts two broad types of activities—regulatory and investigative. Investigations are conducted when there is reason to believe a violation of the P&S Act is occurring or has occurred. Regulatory activities are monitoring activities that determine if a regulated entity is complying with the P&S Act and result in the correction of identified deficiencies.

Investigations under the P&S Act are grouped into three broad categories: competition, financial, or trade practice violations. Competition violations often involve preferential treatment or restriction of competition, such as through apportionment of territory. Examples of financial violations include misuse of custodial accounts, failure to pay, and failure to pay when due. Examples of trade practice violations include offenses such as unfair or deceptive practices, failure to register properly, tariff misrepresentation, and misuse of scales and improper weighing practices, including any location where scales are used to weigh feed when feed is a factor affecting payment to livestock producers or poultry growers. P&SP further divides the cases by either livestock or poultry.

In FY 2017, P&SP opened 2,084 investigations. Most investigative work focused on the livestock sector, with financial investigations accounting for more than 60 percent of the total and trade practices investigations comprising almost 36 percent. Competition investigations and all poultry investigations covered the remaining 4 percent of investigative work.

P&SP closed 1,830 investigations without referral to the Office of the General Counsel (OGC). P&SP regional offices closed the vast majority of investigations. Custodial account reviews uncovered 193 violations with recoveries or shortage corrections of \$1,668,901. Of the 109 cases referred to Headquarters, 53 were closed after the responding entity stipulated to responsibility for the violation and agreed to pay penalties totaling \$128,575. P&SP closed 47 investigations after referral to OGC, including 6 that had been referred further to the Department of Justice (DOJ). From the cases referred to OGC and DOJ, respondent entities were ordered to pay a total of \$489,900 in civil penalties.

	Investigations Opened / Closed in Regional Offices during FY 2017						Totals
	<u>Competition</u>		<u>Financial</u>		<u>Trade Practices</u>		
	Livestock	Poultry	Livestock	Poultry	Livestock	Poultry	
Opened	6	0	1,258	8	746	66	2,084
Closed	10	0	1,103	5	651	61	1,830

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Program Evaluations – P&SP measures overall performance by reviewing targeted operations at randomly selected entities. P&SP calculates the percent of regulated entities in compliance by using random samples designed to provide an estimate with a 90-percent confidence level for the estimated population. The performance measure encompasses activities that directly or indirectly influence compliance. P&SP's overall performance rate is a composite index of five program-wide audit and inspection activities. In FY 2017, the index included: 1) poultry contract compliance and prompt payments for poultry; 2) financial audits of custodial accounts; 3) financial reviews of prompt payments for livestock; 4) inspection of scales and weighing practices at markets, dealers, and live poultry dealers; and 5) inspection of all dynamic scale systems and a random sample of scales, trolleys and weighing practices at packing plants that purchase more than 1,000 head of livestock per year.

Compliance – In FY 2017, the industry compliance rate decreased to 79.9 percent from 82.7 percent in FY 2016. Most components of the compliance index decreased slightly from FY 2016, except custodial audit compliance which increased from 69.0 percent in FY 2016 to 71.4 percent in FY 2017. Poultry contract compliance was lowest at 64.2 percent, down from 67.7 percent in FY 2016. In reviewing poultry contracts, P&SP agents determine whether contracts properly disclose information required by the P&S Act and whether poultry dealers pay for poultry or grower services live within the time required by the Act. P&SP works with live poultry dealers to ensure that their contracts with growers comply with the P&S Act and regulations. Nonetheless, poultry contract reviews continue to reveal a higher percentage of noncompliance than other performance measures. Packer scales inspection also disclosed lower levels of compliance at 85.6 percent, as did the other two components of the P&SP performance measures: Prompt payments for livestock at 88.5 percent; and Scales and weighing practices-dealers, markets at 89.6 percent. As P&SP continues its work with regulated entities to improve compliance, AMS expects the overall compliance rate to improve to 84 percent in FY 2018.

Grain Regulatory Program

Current Activities: Federal Grain Inspection Service (FGIS) conducted three studies in response to Grain Inspection Advisory Committee resolutions and stakeholder feedback to provide the market with additional equipment and instrumentation for inspecting grain. The studies were to: (1) develop criteria and potentially approve light emitting diode lighting technology for inspection labs that provides greater energy efficiency; (2) conduct a field study of four near infrared transmittance (NIRT) models for equivalence to the FGIS approved model in order to expand inspection instrument options and promote marketplace competition; and (3) conduct a field study to determine if the test weight per bushel feature on the approved moistures could be used for official determinations in lieu of the test weight apparatus, which would allow for faster and less costly assessment of this important grain quality attribute.

In 2014, FGIS initiated a quality assurance program for the evaluation and improvement of Falling Number testing, which is the primary method for evaluating the effect of sprout damage in wheat. The program consists of two components – inspection monitoring and check sample surveys. Weekly and annual reports are issued that compare original inspection results to those obtained by the reference laboratory. Check sample surveys are performed twice per year and consist of distribution of sample sets to official service providers. The check sample surveys provide supplemental information to inspection monitoring for assessment of lab performance. Feedback issued for both the inspection monitoring and check sample programs allows FGIS official service providers to confirm that they are producing accurate results or to make adjustments, if needed.

Selected Examples of Recent Progress:

In September 2017, FGIS reviewed the NIRT study data for the four models with current National Type Evaluation Program Certificates of Conformance indicating that the models and approved calibrations are legal for trade for state regulated grain inspections. One new model, which uses FGIS approved calibrations, was determined to be equivalent to the current approved model and was issued an FGIS Certificate of Model Approval allowing it to be used for official protein, oil, and starch determinations.

In FY 2017, FGIS continued to gather data under the National Falling Number Quality Assurance Program. The program has provided continuous feedback on system performance and has enabled FGIS to identify avenues for reducing bias and improving reliability of Falling Number measurements on a nationwide basis. FGIS provided wheat samples and collaborated with the USDA's Agricultural Research Service in developing a new correction for

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Falling Number based on barometric pressure. This correction will further reduce the bias that is associated with the fact that inspection locations are at different elevations relative to sea level.

Program Evaluations – In FY 2016, FGIS began monitoring certificate accuracy through a comprehensive review of certificates issued by FGIS, designated State and private agencies, and delegated States. An accurate certificate is defined as correctly stating the U.S. grade without any errors relating to grade, factor level determinations, remarks, and spelling. In FY 2017, FGIS certificate accuracy was 97.6 percent.

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Inspection and Weighing

Project Statement

Adjusted Appropriation Detail and Staff Years (SYs)

(Dollars in thousands)

Program	<u>2016 Actual</u>		<u>2017 Actual</u>		<u>2018 Estimate</u>		<u>Inc. or Dec.</u>		<u>2019 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Obligations:										
Inspection and Weighing Activities	\$49,962	411	\$51,596	421	-	-	-	-	-	-
Bal. Available, SOY.	-10,816	-	-5,038	-	-	-	-	-	-	-
Bal. Available, EOY.	5,038	-	3,404	-	-	-	-	-	-	-
Total, Collections	49,962	411	51,596	421	-	-	-	-	-	-

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	<u>2016 Actual</u>		<u>2017 Actual</u>		<u>2018 Estimate</u>		<u>2019 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Arkansas	\$2,441	29	\$2,335	27	-	-	-	-
District of Columbia	10,605	42	10,760	43	-	-	-	-
Louisiana	20,196	185	21,115	193	-	-	-	-
Missouri	1,460	14	2,043	18	-	-	-	-
North Dakota	1,359	12	1,222	13	-	-	-	-
Ohio	2,239	21	2,349	20	-	-	-	-
Oregon	3,721	39	3,662	36	-	-	-	-
Texas	7,880	68	8,110	71	-	-	-	-
Washington	61	1	-	-	-	-	-	-
Obligations	49,962	411	51,596	421	-	-	-	-

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Classification by Objects
(Dollars in thousands)

	2016	2017	2018	2019
	Actual	Actual	Estimate	President's Budget
Personnel Compensation:				
Washington D.C.	\$6,147	\$6,153	-	-
Field	25,838	26,232	-	-
11 Total personnel compensation	31,985	32,385	-	-
12 Personnel benefits	9,178	10,343	-	-
13 Benefits for former personnel	41	43	-	-
Total, personnel comp. and benefits	41,204	42,771	-	-
Other Objects:				
21 Travel and transportation of persons	1,418	1,444	-	-
22 Transportation of things	25	137	-	-
23.1 Rental payments to GSA	524	533	-	-
23.2 Rental payments to others	457	497	-	-
23.3 Communications, utilities, and misc. charges ...	696	590	-	-
24 Printing and reproduction	34	39	-	-
25.2 Other services from non-Federal sources	926	679	-	-
25.3 Other purchases of goods and services			-	-
from Federal sources	3,855	3,981	-	-
26 Supplies and materials	649	525	-	-
31 Equipment	167	391	-	-
32 Land and structures	-	1	-	-
42 Insurance Claims	7	8	-	-
Total, Other Objects	8,758	8,825	-	-
99.9 Total, new obligations	49,962	51,596	-	-
DHS Building Security Payments (included in 25.3)	10	10	-	-
Position Data:				
Average Salary (dollars), ES Position	141,158	121,017	-	-
Average Salary (dollars), GS Position	\$53,960	\$55,332	-	-
Average Grade, GS Position	8	8	-	-

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Status of Programs

Inspection and Weighing Services

Federal Grain Inspection Service

Grain inspection and weighing services are authorized under both the U.S. Grain Standards Act (USGSA) and the Agricultural Marketing Act (AMA). The USGSA requires the mandatory inspection and weighing of grain at export ports by Federal Grain Inspection Service (FGIS) personnel or delegated State agency personnel, and the permissive inspection and weighing of grain at domestic locations by designated State and private agency personnel. The USGSA also requires FGIS personnel to supervise all official inspection and weighing activities. Under the AMA, FGIS performs inspections of rice and related commodities on a voluntary request basis.

Current Activities:

Sensory Inspections 2017 Sorghum Odor Alignment Project – In FY 2017, FGIS continued work on the sorghum odor alignment project, which is a collaboration with official agencies and the sorghum industry. Because sorghum odor determination is inherently difficult, FGIS developed a program to strengthen alignment between origin and destination odor results. The sorghum alignment project is a three-way calibration procedure used to confirm results between inland origin inspectors and inspectors at FGIS export facilities with the Board of Appeals and Review (BAR). These odor assessments are made independently of each other and forwarded to the BAR, where the results are cataloged and analyzed for accuracy. The project helped build cohesion between all three groups, which led to consistent and reliable results for U.S. exporters. In FY 2017, inspectors at domestic and export service points have been able to achieve an alignment accuracy rate of 97 percent with the BAR.

Providing Scale Testing for the Grain and Railroad Industries – FGIS provides service to the grain industry by testing scales at grain handling/loading facilities throughout the country and recovers costs through user fees. FGIS tests approximately 1000 vehicle scales, hopper scales, railroad track scales, and export elevator scales annually. Most of these scales are tested at least twice per year. To provide service to the railroad industries, FGIS owns and operates five specially designed and built railroad track scale test cars for testing master scales, grain industry railroad track scales, and other commercial railroad track scales. The test cars are maintained and operated out of the FGIS Master Scale Depot in Chicago, IL.

The Master Scale Depot performs weight calibrations on test weights and test weight cars ranging from 25 to 112,000 pounds. Commercial test weights ranging from 25 to 1,000 pounds are calibrated on a cost-recovery basis. Test weight cars are calibrated at the Master Scale Depot, and costs are recovered through a funding arrangement with the Association of American Railroads (AAR). Under an agreement with the AAR, FGIS annually tests all master scales and performs a number of field calibrations associated with the program. The AAR agreement with FGIS provides annual funding that supports the Master Scale Calibration Program.

Promoting U.S. Grain to International Customers – FGIS personnel frequently meet with delegations visiting from other countries to brief them on the U.S. grain marketing system, our national inspection and weighing system, U.S. grain standards, and FGIS' mission. Many of these delegations are sponsored by USDA Cooperator organizations like U.S. Wheat Associates and U.S. Grains Council, which arrange visits to grain production areas, FGIS field offices, onsite laboratories at export grain elevators, and the FGIS National Grain Center (NGC) in Kansas City, Missouri. At the NGC, delegations often receive technical training on analytical testing procedures and grain inspection methods and procedures. Briefings are tailored to address each group's interests and concerns. Presentations include explanations of the various services available from FGIS, the Agency's use of the latest technology to provide grain traders with accurate and reliable inspection and weighing information and, for importers or potential importers new to the U.S. grain market, information on contracting for the quality they desire.

These briefings foster a better understanding of the entire U.S. grain marketing system and serve to enhance purchasers' confidence in U.S. grain. In FY 2017, to further assist the marketing of grain in foreign markets, FGIS translated the U.S. Standards for wheat, corn, and soybean into Arabic, Korean, and Simplified Chinese. Ultimately, these efforts help move our nation's harvest to end-users around the globe.

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Selected Examples of Recent Progress

U.S. grain exports had a record year in 2017. In FY 2017, FGIS conducted 3.4 million official inspections of grain resulting in 340.3 million metric tons (MMT) of standardized grain officially inspected. This total includes grains for which FGIS maintains official standards: barley, canola, corn, flaxseed, oats, rye, sorghum, soybeans, sunflower seed, triticale, wheat, and mixed grain.

Standardized Grain Officially Inspected	Quantity in MMT 2017	Percentage of Total
Domestic	194.3	57.1
Export by FGIS	90.9	26.7
by Delegated States	40.2	11.8
by Designated Agencies	14.9	4.4
Total	340.3	100.0

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Summary of Budget and Performance

The Grain Inspection, Packers and Stockyards Administration (GIPSA) was established October 20, 1994, under the authority of the Department of Agriculture Reorganization Act of 1994 (P.L. 103-354), to administer the programs and functions of the former Federal Grain Inspection Service (FGIS) and the Packers and Stockyards Administration. The Agency's mission is to facilitate the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products, and to promote fair and competitive trading practices for the overall benefit of consumers and American agriculture. GIPSA is composed of three major activities: (1) Packers and Stockyards Program (P&SP), (2) Grain Regulatory Program (GRP), and (3) Inspection and Weighing Services.

In accordance with Executive Order 13781, "Comprehensive Plan for Reorganizing the Executive Branch," Secretary Perdue reorganized the Department under section 4(a) of Reorganization Plan No.2 of 1953 (5 U.S.C. App.; 7 U.S.C. 2201 note). As a part of this reorganization, the Grain Inspection Packers and Stockyards Administration merged with the Agricultural Marketing Service in 2018.

USDA Strategic Goal 2: Maximize the ability of American agricultural producers to prosper by feeding and clothing the world.

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2018 Target	2019 Target
<u>Packers and Stockyards Program</u> ⁵							
Percent of industry compliance with the Packers and Stockyards Act.	81	84	82.4	82.7	80	-	-
Cost (thousands)	\$20,799	\$22,348	\$23,047	\$23,052	\$23,281	-	-

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

- AMS measures the overall performance of P&SP by annually measuring the regulated entities' compliance with the P&S Act. The performance measure encompasses activities P&SP conducts that directly or indirectly influence industry compliance. P&SP's overall performance rate is a composite index of five program-wide audit and inspection activities based on a scientifically-drawn random sample of subject entities. In 2017 the index included: 1) poultry contract compliance and prompt payments for poultry; 2) financial audits of custodial accounts; 3) financial reviews of prompt payments for livestock; 4) inspection of scales and weighing practices at markets, dealers, and live poultry dealers, and 5) inspection of all dynamic scale systems and a random sample of scales, trolleys and weighing practices at packing plants purchasing more than 1,000 head per year. In FY 2017, the industry compliance decreased to 80 percent. GIPSA projects that it will be positioned to realize 84 percent industry compliance in FY 2018.

⁵ This program was reorganized under AMS administration in FY 2018.

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	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2018 Target	2019 Target
<u>Federal Grain Inspection Service (FGIS)</u> ⁶							
Percent enhancement of customer experience through addressing stakeholders' needs for standards review and methods development.	N/A	N/A	N/A	12	22	-	-
Cost (thousands)			\$20,001	\$20,005	\$20,201	-	-
Percent accuracy of grain inspection certificates.	N/A	N/A	98.5	98.6	97.6	-	-
Cost (thousands)			\$46,881	\$49,962	\$51,596	-	-

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

- The performance measure focuses on FGIS' role in providing standardization and methods development for grains and other commodities. In FY 2017, FGIS refreshed this metric to reflect the current market needs requests by FGIS stakeholders. Additionally, FGIS projects will enhance the customer experience to 28 percent in FY 2018.
- FGIS measures certificate accuracy through a comprehensive review of certificates issued through its Certificates program and third-party programs, and warehoused in the FGIS online Inspection Data Warehouse. GRP instituted changes to its quality assurance practices and made automation enhancements through FGIS online, resulting in the ability to accurately measure and capture data that was not previously available. FGIS conducts quality management audits of official service providers. Official service providers include field offices, official agencies, and state agencies. As part of the review, FGIS identifies and quantifies certificate accuracy for a subset of certificates issued. Certificate errors are identified and provided to the official service provider for correction and establishment of procedures to prevent their recurrence. In FY 2017, FGIS certificate accuracy was at 97.6 percent.

⁶ This program was reorganized under AMS administration in FY 2018.