

2020 USDA EXPLANATORY NOTES – AGRICULTURAL MARKETING SERVICE

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AGENCY-WIDE

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 service 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 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 to egg breaking plants that are not at least U.S. Consumer Grade B and cannot be sold in shell form, 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 aid industry-sponsored activities.

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

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

a. Pesticide Data Program (PDP): Established under authority of the Agricultural Marketing Act of 1946 and the 1996 Food Quality Protection Act, PDP develops and communicates comprehensive, statistically-reliable information on pesticide residues in food to improve Government dietary risk assessments. This program provides data on a continual basis to the Environmental Protection Agency (EPA) for use in the pesticide registration process and to other Federal and State agencies for use in determining policies intended to safeguard public health. The program particularly focuses on the foods most likely consumed 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 follow the national organic standards. AMS also accredits foreign agents who certify products labeled organic for export to the U.S. Foreign governments that operate an organic accreditation program for organic exports to the U.S. 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.

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. 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 COOL 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.

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, 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 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.

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 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. The 2018 Farm Bill established the Local Agriculture Market Program, which continued the Farmers Market and Local Foods Promotion Program through 2023. Regional Partnership grants were also established to be administered by AMS, in coordination with the Rural Business Cooperative Service's Value Added Grants program. These grants support building partnerships to plan and develop local and regional food systems. 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 was 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 following statutes:
Packers and Stockyards Act of 1921 (P&S Act), as amended
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):

These activities are authorized by the following statutes:
United States Grain Standards Act (USGSA), as amended
Agricultural Marketing Act of 1946 (AMA)

a. The Grain Regulatory Program (GRP), 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 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. U.S. Warehouse Activities—Warehouse and Commodity Management:

This program is authorized by the following statutes:

U.S. Warehouse Act (USWA)

Grain Standards and Warehouse Improvement Act of 2000

USDA's warehouse activities make efficient use of commercial facilities in the storage of Commodity Credit Corporation-owned commodities, and licenses warehouses under the USWA. Under the 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. To ensure compliance with the provisions of these licenses, AMS periodically makes unannounced examinations of the license holders. Voluntary licensees pay associated user fees.

AMS also manages Commodity Credit Corporation (CCC) storage agreements and performs warehouse examinations to ensure the integrity of both the commodities stored in these facilities, as well as the facilities themselves. AMS conducts commodity management activities that include:

- Acquires, barter, sells and manages CCC-owned inventories; and routinely analyzes locations, conditions and quantity of the stocks as part of their quality assurance processes.
- Establishes the Posted County Prices (PCPs) that are used to determine alternative loan repayment rates for CCC marketing assistance loans and loan deficiency payments. These prices conform to legislation and policy and program objectives.
- Operates the Economic Adjustment Assistance Program (EAAP) for upland cotton, and the Special Competitive Provisions Program for Extra Long Staple (ELS) cotton.
- Boost fair trade practices by strengthening internal controls and price management and providing reliable protections for producers storing products in USWA-licensed or CCC-approved warehouses.

8. International Food Procurement:

USDA international food procurement activities are governed by the following statutes:

P.L. 480 International Food Aid Programs

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

Food, Conservation, and Energy Act of 2008

Agricultural Act of 1949, Section 416(b), as amended.

The International Food Aid Commodity Procurement program, previously administered by the Farm Service Agency, was merged into the AMS Commodity Procurement Program in fiscal year 2018. The enlarged AMS Commodity Procurement Program consolidates USDA commodity procurement and allows for greater efficiencies in the acquisition of food commodities. Under International Food Procurement, AMS purchases and delivers U.S.-produced food aid commodities for international food aid programs for overseas use to meet USDA and USAID program requirements; assisting vulnerable populations around the world.

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 grant 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 2018 Farm Bill funded the SCBGP through 2023. 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

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 several 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 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 domestically produced and processed food 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 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 purchase levels for specialty crops. 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. USDA has approved diversions in many forms. These include experiments or demonstrations to develop new uses, such as cotton for insulation; and operations involving increased use of surpluses in by-product or secondary uses, such as potatoes for livestock feed and starch, and tobacco for insecticides. 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 35 active specialty crop marketing agreement and order programs covering 29 commodities, and 11 milk marketing orders including the new California order. Proposed orders are subject to approval by producers of the regulated commodity. Section 32 funds have been authorized through the appropriations bill to allow AMS to use public funds for administering the Marketing Agreements and Orders Program at the national level, and to conduct public hearings and referenda concerning new programs and proposed revisions of marketing orders already in effect. Program activities and administration at the local level are financed through assessments on fluid milk processors and specialty crop handlers.

13. **Milk Donation Program:** The 2018 Farm Bill (Title 1, Section 1404), authorized the Milk Donation Program, which will be conducted by AMS beginning in 2019. This program reimburses eligible dairy organizations for costs incurred for donating milk in a Federal milk marketing order pool for nutrition assistance. The program is funded through a transfer from CCC.

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, 2018, AMS had 3,318 employees, of whom 2,643 were permanent full-time and 675 were other than permanent full-time employees. Approximately 83 percent of AMS' employees are assigned to field offices. Of the 2,762 employees assigned to field office locations, 2,091 were permanent full-time and 671 were other-than permanent full-time employees.

Schedule A (Milk Market Administrator) employees as of September 30, 2018, totaled 329, of which 289 were permanent full-time and 40 were other than permanent full-time employees.

OIG and GAO Reports

Table AMS-1. Completed OIG Reports

ID	Date	Title
03601-0002-41	9/26/2018	AMS Commodity Purchases for International Food Assistance Programs
01026-0001-41	8/7/2018	AMS - Final Action Verification - Procurement and Inspection of Fruits and Vegetables

Table AMS-2. In-Progress OIG Reports

ID	Title
01601-0002-41	AMS Storage and Handling of Commodities for International Food Assistance Programs
01601-0002-23	AMS Controls Over Specialty Crop Block Grant Program
01601-0001-24	AMS Oversight of the Farmers Market and Local Food Promotion Program
30601-0001-21	Controls Over Inspection of Exported Grain

Table AMS-3. Completed GAO Reports

ID	Date	Title	Result
100774	12/2018	Federal Budget: Government-Wide Inventory of Accounts with Spending Authority and Permanent Appropriations, Fiscal Years 1995 to 2015	AMS is evaluating GAO recommendations.
101092	4/10/2018	Additional Data Analysis Could Enhance Monitoring of U.S. Cattle Market	AMS is evaluating GAO recommendations.
101360	8/10/2018	Agencies Could Better Leverage Review Process and Public Outreach to Improve Burden Estimates	AMS is evaluating GAO recommendations.
101061	11/21/2017	Agricultural Promotion Programs: USDA Could Build on Existing Efforts to Further Strengthen Its Oversight	AMS is evaluating GAO recommendations.

Table AMS-4. In-Progress GAO Reports

ID	Title
102486	Dairy Cooperatives and the Structures of the U.S. Dairy Market
102339	Federal Economic Adjustment Assistance Programs

AVAILABLE FUNDS AND STAFF YEARS**Table AMS-5. Available Funds and Staff Years (thousands of dollars, staff years (SY))**

Item	2017 Actual	SY	2018 Actual	SY	2019 Estimate	SY	2020 Budget	SY
Agricultural Marketing Service:								
Marketing Services, Discretionary								
Appropriations	\$84,933	396	\$151,595	638	\$151,595	755	\$115,143	597
Congressional Relations & Nat'l								
BioTransfers In	\$1,090	-	\$90	-	-	-	-	-
Transfers Out.....	-	-	-1,000	-	-	-	-	-
Payments to States and Possessions:								
Payments to States and Possessions,								
Discretionary Appropriations.....	1,235	1	1,235	1	1,235	1	1,109	1
Farm Bill Initiatives:								
Farmers Market & Local Foods								
Promotion Programs	30,000	7	30,000	6	-	-	-	-
Organic Production & Market Data								
Initiatives	-	-	-	-	3,500	-	-	-
Local Agriculture Market Program ..	-	-	-	-	30,978	-	30,978	-
Milk Donation Program	-	-	-	-	9,000	-	5,000	-
Modernization Technology Upgrade								
for National Organic Program....	-	-	-	-	5,000	-	-	-
Sheep Production and Marketing								
Grant Program	-	-	-	-	2,000	-	-	-
Specialty Crop Block Grants.....	72,500	12	85,000	12	85,000	12	85,000	10
Wool Research, Development, and								
Promotion	2,095	-	2,410	-	2,110	-	2,250	-
Sequestration.....	-7,073	-	-7,590	-	-5,270	-	-	-
Transfers Out.....	-1,000	-	-	-	-	-	-	-
Adjusted Appropriation.....	183,780	416	261,740	657	285,148	768	239,480	608
Balance Available, SOY	3,232	-	7,113	-	-	-	-	-
Other Adjustments (Net)	-	-	5	-	-	-	-	-
Total Available.....	187,012	416	268,858	657	285,148	768	239,480	608
Lapsing Balances	-1,083	-	-2,427	-	-	-	-	-
Balance Available, EOY	-7,113	-	-4,937	-	-	-	-	-
Obligations.....	178,816	416	261,494	657	285,148	768	239,480	608
Permanent Appropriations, Mandatory:								
Funds for Strengthening Markets,								
Income, and Supply (Sec. 32)....	10,929,841	155	10,370,878	153	10,624,198	154	15,123,425	154
Rescission	-231,374	-	-	-	-	-	-	-
Sequestration.....	-79,626	-	-77,352	-	-74,276	-	-	-
Transfers Out.....	-9,817,173	-	-9,324,675	-	-9,426,849	-	-13,932,567	-
Total, Other Funding.....	801,668	155	968,851	153	1,123,073	154	1,190,858	154
Balance Available, SOY	166,332	-	179,947	-	312,600	-	33,142	-
Recoveries of Prior Year								
Obligations.....	797	-	585	-	-	-	-	-
Total Available.....	968,797	155	1,149,383	153	1,435,673	154	1,224,000	154
Bal. Available, EOY	-179,947	-	-312,600	-	-33,142	-	-	-
Obligations	788,850	155	836,783	153	1,402,531	154	1,224,000	154
Subtotal Obligations, AMS	967,666	571	1,098,277	810	1,687,679	922	1,463,480	762
Ob. Under Other USDA Appr.:								
International Food Procurement								
Reimbursement			5,026	-	7,081	37	7,081	37
Food & Nutrition Service for								
Commodity Procurement								
Services (Sec. 32)	3,438	32	3,758	33	3,849	31	3,849	31
Total, Other USDA	3,438	32	8,784	33	10,930	68	10,930	68
Total, Agricultural Marketing								
Service Appropriations	971,104	603	1,107,061	843	1,698,609	990	1,474,410	830
Non-Federal Funds:								

2020 USDA EXPLANATORY NOTES – AGRICULTURAL MARKETING SERVICE

Item	2017 Actual	SY	2018 Actual	SY	2019 Estimate	SY	2020 Budget	SY
Perishable Agricultural								
Commodities Act Fund, Mandatory.....	11,319	64	10,336	59	10,733	69	10,733	69
Grain Regulatory, Inspection and Weighing Services.....	-	-	50,524	381	55,000	421	80,000	533
Fees for Grading of Cotton and Tobacco	46,768	354	48,964	398	61,227	441	60,982	441
Grading of Farm Products for Producers, Processors, and Municipal, State and Federal Agencies	164,102	1,314	168,238	1,328	163,973	1,374	163,973	1,376
Research and Promotion Boards	4,861	29	4,849	26	5,204	29	5,204	29
Total, Non-Federal	227,050	1,761	282,911	2,192	296,137	2,334	320,892	2,448
Total, AMS	1,198,154	2,364	1,389,972	3,035	1,994,746	3,324	1,795,302	3,278
Schedule A Staff Years		347		330		370		390

PERMANENT POSITIONS BY GRADE AND STAFF YEARS*Table AMS-6. Permanent Positions by Grade and Staff Years*

Item	2017 Actual			2018 Actual			2019 Estimate			2020 Budget		
	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total
ES	-	-	-	-	-	-	3	2	5	3	2	5
SES	9	1	10	12	1	13	14	1	15	14	1	15
GS-15.....	47	3	50	49	8	57	64	16	80	64	16	80
GS-14.....	85	34	119	83	62	145	105	66	171	105	66	171
GS-13.....	158	123	281	132	177	309	172	186	358	172	186	358
GS-12.....	96	181	277	79	309	388	102	288	390	102	288	390
GS-11.....	39	154	193	33	261	294	41	278	319	41	278	319
GS-10.....	4	14	18	2	18	20	-	22	22	-	22	22
GS-9.....	39	444	483	28	587	615	38	638	676	38	638	676
GS-8.....	5	311	316	8	330	338	8	337	345	8	337	345
GS-7.....	12	205	217	16	218	234	46	320	366	46	320	366
GS-6.....	8	45	53	4	111	115	4	113	117	4	113	117
GS-5.....	5	59	64	5	91	96	5	146	151	5	146	151
GS-4.....	-	3	3	-	6	6	1	28	29	1	28	29
GS-3.....	-	-	-	-	-	-	7	-	7	7	-	7
GS-1.....	-	-	-	-	-	-	-	1	1	-	1	1
Other Graded	-	-	-	-	4	4	-	1	1	-	1	1
Ungraded	-	5	5	-	2	2	-	6	6	-	6	6
Total Permanent.....	507	1,582	2,089	451	2,185	2,636	610	2,449	3,059	610	2,449	3,059
Unfilled, EOY.....	-8	105	97	-99	92	-7	-	-	-	-	-	-
Total Perm. FT EOY	515	1,477	1,992	550	2,093	2,643	610	2,449	3,059	610	2,449	3,059
Staff Year Est.....	611	2,100	2,711	716	2,649	3,365	716	2,978	3,694	716	2,952	3,668

VEHICLE FLEET**Motor Vehicle Fleet**

The estimated number of passenger motor vehicles available for 2020 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) professional resident agents, auditors, marketing specialists, economists, and managers to conduct competition, financial and trade practice, compliance and investigative activities; 3) 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 4) 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.

Additions to the fleet

AMS plans to add 3 passenger motor vehicles to the fleet in 2020. These vehicles are required to effectively carry out mission essential functions in Dairy, FGIS, and FTTP and are expected to reduce operational costs.

Replacement of passenger motor vehicles

AMS plans to replace 27 of the 409 passenger motor vehicles in operation in 2020.

Table AMS-7. Size, Composition, and Annual Costs of Motor Vehicle Fleet^a

Fiscal Year	Sedans and Station Wagons	Lt. Trucks, SUVs, and Vans (4x2)	Lt. Trucks, SUVs, and Vans (4x4)	Medium Duty Vehicles	Heavy Duty Vehicles	Total Vehicles	Annual Operating Costs^b
2017	211	64	5	2	-	282	1,471
Change	+64	+59	-3	+4	-	+124	+370
2018 ^c	275	123	2	6	-	406	1,841
Change	-	-2	-	+2	-	-	-
2019	275	121	2	8	-	406	1,841
Change	+3	-	-	-	-	+3	+13
2020	278	121	2	8	-	409	1,854

^a Vehicle count include those owned by agency and leased from commercial sources or GSA.

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

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

SHARED FUNDING PROJECTS**Table AMS-8. Departmental Shared Cost Programs**

Item	2017 Actual	2018 Actual	2019 Estimate	2020 Estimate
Departmental Shared Cost Programs:				
1890 USDA Initiatives	\$101	-	-	-
Advisory Committee Liaison Services	37	\$41	\$49	\$49
Agency Partnership Outreach.....	-	260	267	267
Classified National Security Information	16	-	-	-
Continuity of Operations Planning.....	56	-	-	-
Emergency Operations Center.....	64	-	-	-
Facility and Infrastructure Review and Assessment.....	12	-	-	-
Faith-Based and Neighborhood Partnerships	11	-	-	-
Hispanic-Serving Institutions National Program.....	53	-	-	-
Honor Awards	-	1	2	2
Human Resources Self-Service Dashboard.....	16	20	20	22
Human Resources Transformation	46	31	-	-
Identity and Access Management.....	183	-	-	-
Intertribal Technical Assistance Network	-	-	-	-
Medical Services.....	47	47	48	48
Office of Customer Experience.....	-	67	107	129
People's Garden.....	18	17	-	-
Personnel and Document Security	-	50	46	46
Personnel Security Branch	22	-	-	-
Security Detail.....	112	154	158	158
Security Operations.....	-	362	361	361
TARGET Center	40	46	40	40
USDA 1994 Program.....	22	-	-	-
USDA Enterprise Data Analytics Services	-	-	-	184
Virtual University	55	35	-	-
Total, Departmental Shared Cost Programs	911	1,130	1,099	1,308
E-Gov:				
Budget Formulation & Execution LoB	2	2	2	2
Enterprise HR Integration	53	53	53	53
E-Payroll	-	-	-	-
E-Travel	-	-	-	-
Financial Management LOB	5	5	5	5
HR Management LOB	7	8	8	8
Integrated Acquisition Environment	38	39	42	-
Recruitment One-Stop.....	-	-	-	-
Disaster Assistance Improvement Plan	-	-	-	-
E-Rulemaking	124	154	127	-
Geospatial LoB	-	-	-	-
Gov Benefits	-	-	-	-
Grants.gov	58	56	53	53
Total, E-Gov	287	316	290	121
Working Capital Fund:				
Administration:				
HR Enterprise System Management	58	64	77	82
Integrated Procurement Systems	435	422	292	301
Mail and Reproduction Services	740	782	858	835
Materiel Management Service Center.....	317	266	234	257
Procurement Operations Division	2	2	2	-

2020 USDA EXPLANATORY NOTES – AGRICULTURAL MARKETING SERVICE

Item	2017 Actual	2018 Actual	2019 Estimate	2020 Estimate
Communications:				
Creative Media and Broadcast Center	181	219	217	222
Correspondence Management Services:				
Office of the Executive Secretariat.....	154	139	536	533
Finance and Management:				
Financial Shared Services	4,234	3,992	4,945	5,130
Internal Control Support Services	85	87	87	87
National Finance Center.....	1,102	1,196	1,183	1,239
Information Technology:				
Client Experience Center	2,263	2,268	2,912	2,868
Digital Infrastructure Services Center	4,031	3,504	4,747	4,747
Enterprise Network Services	574	586	1,687	1,686
Total, Working Capital Fund	14,176	13,528	17,777	17,987

ACCOUNT 1: MARKETING SERVICES

APPROPRIATIONS LANGUAGE

The appropriations language follows (new language underscored; deleted matter enclosed in brackets):

For necessary expenses of the Agricultural Marketing Service, \$115,043,000: 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; Provided further, That up to \$ 4,454,000 of this appropriation may be used for United States Warehouse Act activities to supplement amounts made available by the United States Warehouse Act.

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

Table AMS-9. Lead-Off Tabular Statement

Item	Amount
2019 Annualized Continuing Resolution	\$151,595,000
Change in Appropriation.....	<u>-36,452</u>
Budget Estimate, 2020	<u><u>115,143,000</u></u>

PROJECT STATEMENT**Table AMS-10. Project Statement (thousands of dollars, staff years (SY))**

Item	2017		2018		2019		Inc. or Dec.	Chg Key	SY	2020	
	Actual	SY	Actual	SY	Estimate	SY				Budget	SY
Discretionary											
Appropriations:											
Market News	33,659	223	33,659	210	33,659	232	-4,732	(1)	-30	28,927	202
Shell Egg Surveillance	2,568	11	2,568	11	2,568	11	-638	(2)	-2	1,930	9
Standardization.....	5,018	30	5,018	28	5,018	34	-34	(3)	-	4,984	34
Federal Seed Act	2,325	16	2,325	14	2,325	15	-257	(4)	-	2,068	15
Country of Origin Labeling	4,744	16	4,744	15	4,744	18	-992	(5)	-	3,752	18
Pesticide Data Program	15,073	19	15,073	15	15,073	19	-102	(6)	-	14,971	19
National Organics Standards	9,094	42	12,094	37	12,094	43	-62	(7)	-	12,032	43
Transportation and Market Development	9,175	36	9,175	35	9,175	35	-1,992	(8)	-	7,183	35
Nat'l Bioengineered Food Disclosure	1,000	2	1,000	1	1,000	4	-7	(9)	-	993	4
GSA Rent & Security	1,277	-	1,277	-	1,277	-	-9	(10)	-	1,268	-
Acer Access and Development Program .	1,000	1	3,000	1	3,000	1	-3,000	(11)	-1	-	-
Packers and Stockyards.....	-	-	23,281	139	23,281	148	-306	(12)	-	22,975	148
Grain Regulatory.....	-	-	20,201	98	20,201	112	-20,201	(13)	-112	-	-
U.S. Warehouse Activities .	-	-	9,606	22	9,606	70	+4,454	(14)	-	14,060	70
International Food Procurement.....	-	-	8,574	12	8,574	13	-8,574	(15)	-13	-	-
Subtotal	84,933	396	151,595	638	151,595	755	-36,452		-158	115,143	597
Total Adjusted Approp.....	84,933	396	151,595	638	151,595	755	-36,452		-158	115,143	597
Total Appropriation.....	84,933	396	151,595	638	151,595	755	-36,452		-158	115,143	597
Transfers In:											
Congressional Relations.....	90	-	90	-	-	-	-		-	-	-
Nat'l Bioengineered Food Disclosure	1,000	-	-	-	-	-	-		-	-	-
Total.....	1,090	-	90	-	-	-	-		-	-	-
Transfers Out:											
Working Capital Fund.....	-	-	-1,000	-	-	-	-		-	-	-
Subtotal	-	-	-1,000	-	-	-	-		-	-	-
Total Available.....	86,023	396	150,685	638	151,595	755	-36,452		-158	115,143	597
Lapsing Balances.	-996	-	-2,212	-	-	-	-		-	-	-
Total Obligations.....	85,027	396	148,473	638	151,595	755	-36,452		-158	115,143	597

The numbered justifications items are keyed to the Change Key (Chg Key) column on the Project Statement.

Market News

(1) A decrease of \$4,732,000 and 30 staff years for Market News (\$33,659,000 and 232 staff years available in 2019).

The 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.

Base funds for Market News will provide continued availability of market information, which is critical to increase agricultural opportunities by providing data about new markets and to support a competitive agricultural system. 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. MARS offers a unified reporting capability with a single, flexible, data-centric information management system that delivers a consistent, unified set of market transactions that span all commodities and supply chain levels. Completion of the base MARS system is scheduled for 2019.

The Agency partners with other key USDA data agencies, as well as with key stakeholders and secondary disseminators, to 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 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. AMS will review and adapt emerging tools for information capture and dissemination to better meet customers' information needs. Funds will be used for salaries and benefits, site travel, outreach, rent, utilities, communications, and data management systems necessary to collect, analyze, and make available large quantities of information.

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.
- AMS reports are commonly used as a reliable price tool in marketing contracts, as well as in dispute resolution.

The funding change is requested for the following items:

- a. A decrease of \$1,500,000 from 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 \$3,232,000 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:

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.
- 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, retaining the f.o.b. shipping point reports for cut flowers in Miami Cease reporting the wholesale produce markets in St. Louis and Dallas.

Shell Egg Surveillance

- (2) A decrease of \$638,000 and 2 staff years for the Shell Egg Surveillance (SES) Program (\$2,568,000 and 11 staff years available in 2019).

The program inspects registered shell egg packing facilities a minimum of four times annually and hatcheries once annually, to control the disposition of certain types of under grade and restricted eggs.

Base funds for Shell Egg Surveillance will be used for salaries and benefits, supervisory travel, and agreements with cooperating State agencies, and for AMS inspectors. The program cross-utilizes grading personnel to conduct inspections where State personnel are not available. 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.”

The funding change is requested for the following items:

A decrease of \$638,000 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. With this change, we expect the rate of compliance to remain steady.

Standardization

(3) A decrease of \$34,000 for Standardization (\$5,018,000 and 34 staff years available in 2019).

The program develops, reviews, and maintains agricultural commodity standards that describe product quality attributes for trade purposes.

Base funds for Standardization 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. Standards describe product quality attributes such as taste, color, texture, 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. Funds will be used for salaries and benefits, customer outreach, participation in international standards-setting forums, rent, utilities and communications. 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.

The funding change is requested for the following items:

A decrease of \$34,000 in program savings.

AMS will reduce travel to participate in industry meetings and events. A more strategic approach to participation in these activities will allow program personnel to continue to monitor changes to technology and consumer preferences that influence marketing standards.

Federal Seed

(4) A decrease of \$257,000 for the Federal Seed Act Program (\$2,325,000 and 15 staff years available in 2019).

The program administers the Federal Seed Act (Act) and its regulations related to the interstate shipments of agricultural and vegetable seed. The program also protects the intellectual property rights of owners of new varieties in domestic and foreign markets by enforcing Title V of the Act, which limits sale of protected varieties to certified classes of seed.

Base funds for the Federal Seed Act program will continue to assist with eliminating delays in regulatory seed testing and labeling investigations so that mislabeled seed lots are removed from the market before they are sold to farmers, businesses, and homeowners. Timely completion of investigations facilitates the resolution of disagreements between States, agricultural producers, and other seed buyers by providing unbiased and universally recognized testing results and regulatory decisions. These results and decisions regularly serve as the determining factor in resolving interstate seed disputes which often reduces the need for costly civil suits. Base funds for the program also support program scientists in their mission to simplify and standardize complex testing protocols which promotes industry competition by allowing small or emerging businesses to better compete. To help expand seed markets, the program provides expert technical and regulatory advice which helps new and small seed businesses to navigate the complicated web of seed laws which frequently differ between States.

The program leverages resources, reduces costs, and maximizes outreach by collaborating with State seed programs authorized by the Federal Seed program to inspect, sample, and test seed subject to the Act. Through cooperative agreements, the program maintains access to over 600 State seed inspectors and analysts nationwide who conduct work on behalf of the Federal program at no cost. In return, the Federal Seed program trains State seed scientists, authorizes inspectors, and represents the interests of State seed programs at national and international industry meetings. Funds will be used for salaries and benefits, cooperator training, seed testing, cooperative agreements, data management, rent, utilities and communications.

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 funding change is requested for the following items:

A decrease of \$257,000 in program savings.

AMS will reduce 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 2020 by focusing on core processes.

Country of Origin Labeling (COOL)

(5) A decrease of \$992,000 for Country of Origin Labeling (\$4,744,000 and 18 staff years available in 2019).

AMS conducts COOL retail surveillance reviews and supplier traceback audits to ensure a high level of compliance with labeling provisions for covered commodities.

COOL funds are used toward education and outreach and compliance and enforcement. Currently, AMS has 45 cooperative agreements with State Departments of Agriculture 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 to enforce the regulatory requirements through education and outreach while conducting retail surveillance 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. AMS will use these funds for salaries and benefits, supervisory travel, agreements with cooperating State agencies, compliance data tracking, outreach, rent, utilities, and communications.

Continuation of the program is critical because:

- The audit-based Country of Origin Labeling (COOL) compliance program ensures that the public receives accurate information at the point of sale regarding the source of specific foods to enable more informed choices.
- COOL provisions of the Agricultural Marketing Act of 1946 (7 U.S.C §1621 - 1638d) of the Final Rule, Title 7 CFR Part 60 and 65 require retailers to notify their customers of the country of origin and method of production

of covered commodities.

The funding change is requested for the following items:

A decrease of \$992,000 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.

Pesticide Data Program (PDP)

(6) A decrease of \$102,000 for the Pesticide Data Program (\$15,073,000 and 19 staff years available in 2019).

Base funds for PDP will continue to meet 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 will use these funds for salaries and benefits, agreements with cooperating State and Federal agencies for sampling and testing services, specialized testing equipment, data management, rent, utilities, and communications.

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.
- PDP plays a critical role in ensuring that America's children have access to safe, nutritious, and balanced meals, by focusing on the testing of foods, particularly foods most likely consumed by infants and children.
- PDP supports the global marketing of U.S. products, since pesticide data results are used in promoting exports of U.S. commodities.

The funding change is requested for the following items:

A decrease of \$102,000 in program savings.

AMS will reduce the amount allocated to State agreements for sample collection and testing.

National Organic Program (NOP)

(7) A decrease of \$62,000 for the National Organic Program (\$12,094,000 and 43 staff years available in 2019).

The program facilitates market access for organic farms and businesses and protects organic integrity by developing, implementing, and enforcing the USDA organic regulations.

Base funds for National Organic Standards will enable the program's central enforcement mission, including addressing complaints and appeals, and conducting investigations in a timely manner. Base funds also support the oversight and auditing of third-party accredited certifiers; the development of certifier training to increase consistency across the market; the maintenance and addition of international organic equivalency arrangements, where they support the enforcement mission; and continuing core standards development activities. NOP will also continue its technical and administrative support to the National Organic Standards Board, and its communications and outreach work.

The program supports 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.

Rapid organic growth has increased the complexity of supply chains that carry organic products from farm to table. As such AMS is focusing on three areas to ensure producer and consumer confidence in the organic seal: strong organic control systems, farm to market traceability, and robust enforcement. Strong organic control systems ensure that the organic industry has trusted people, processes, and rules in place. Farm to market traceability is needed to confirm for customers that their organic product can be traced back to the farm. In robust enforcement, AMS is advancing complex investigations involving imports and is increasing its on-the-ground surveillance of domestic farms and businesses to assess compliance. These funds will be used for salaries and core travel related to

investigations and international arrangements, a data management system, outreach, meetings of the National Organic Standards Board, technical resources for National List reviews, rent, utilities and communications.

Continuation of the program is critical because:

- Certification gives producers an opportunity to receive a price premium for their products.
- Organic agriculture creates jobs and expands opportunities for farms and businesses, and domestic consumer sales of organic products continue to steadily increase.
- Enforcing the organic standards is central to maintaining consumer confidence and ensuring the fair and efficient marketing of organic products.

The funding change is requested for the following items:

A decrease of \$62,000 in program savings.

AMS will reduce expenses for non-personnel program support such as contractual services and training.

Transportation and Market Development

(8) A decrease of \$1,992,000 for Transportation and Market Development (\$9,175,000 and 35 staff years available in 2019).

The program serves as the expert source for economic analysis and reporting on agricultural transportation from farm to markets. It also supports and enhances the distribution of U.S. agricultural products and increases marketing opportunities for agricultural producers and local businesses through applied research and technical services. These funds will be used for salaries and benefits for staff years, cooperative agreements for market development support, market and transportation studies, program efficiencies/improvements, technical assistance, site travel, outreach, staff training, rent, utilities, and communications.

Base funds for Transportation and Market Development will enable the implementation of projects that:

- Facilitate economic research and analysis of domestic and international agricultural transportation issues;
- Deliver technical assistance and information on agricultural and food transportation to producers, shippers, rural communities, carriers, government agencies, and universities;
- Help agricultural shippers make better decisions to improve farm income, expand exports, and better utilize the transportation system to meet the growing needs of rural America;
- Represent the impact of Federal regulations/policies on the agricultural shipping community during regulatory proceedings carried out by the Surface Transportation Board, Federal Motor Carrier Safety Administration, and other relevant Federal agencies;
- Develop and evaluate agricultural marketing solutions, including strategies for strengthening farmers markets and other direct-to-consumer marketing channels;
- Provide design, construction, and renovation recommendations for food market facilities;
- Identify emerging marketing opportunities for agricultural products, and conduct applied research to help producers, processors, and distributors of such products take advantage of these opportunities;
- Investigate and encourage adoption of improved technologies and practices;
- Present marketing information and education through outreach activities, training workshops, and an Internet-based information clearinghouse; and
- Build collaborations with stakeholders, universities, and industry representatives to leverage resources and knowledge that will strengthen local and regional food distribution.

Continuation of the program is critical because it:

- Increases consumer demand for locally-produced food, which creates 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.
- 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.
- 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.
- 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.

- Ensures equal access to domestic and international markets, builds financial sustainability for producers, and enhances global food security.

The funding change is requested for the following items:

A decrease of \$1,992,000 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.

National Bioengineered Food Disclosure Standard (NBFDS)

(9) A decrease of \$7,000 for development of a National Bioengineered Food Disclosure Standard (\$1,000,000 and 4 staff years available in 2019).

The program develops a national mandatory system for disclosing the presence of bioengineered material in foods and ingredients.

Base funds for National Bioengineered Food Disclosure Standard will support the implementation of a National Bioengineered Food Disclosure Standard. Given the complex nature of molecular science, biotechnology innovations, food supply chain composition, and electronic disclosure issues, AMS requires specialized expertise. AMS anticipates continued public and stakeholder interest as the program is implemented. 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. This request funds salary and benefits for employees to conduct the activities necessary to ensure implementation of the standard. The request also funds costs associated with legal review, patent and trademark vetting, and filing for intellectual property protections.

Continuation of the program is critical because:

- USDA is required to develop and implement a National Bioengineered Food Disclosure Standard (Pub. L. 114-216).
- Outreach efforts on the requirements of the National Bioengineered Food Disclosure Standard will increase consumer confidence and understanding of the foods purchased, while reducing uncertainty for food companies and farmers.

The funding change is requested for the following items:

A decrease of \$7,000 in program savings for non-personnel expenses.

GSA Rent & DHS Security

(10) A decrease of \$9,000 for GSA Rent & DHS Security (\$1,277,000 and 0 staff years available in 2019).

This program supports the payment of GSA Rent and DHS Security expenses.

Acer Development Program

(11) A decrease of \$3,000,000 and 1 staff year for the Acer Access and Development Program (\$3,000,000 and 1 staff year available in 2019).

These funds were awarded through grants to the maple syrup industry for the purposes of section 12306 of P.L. 113-79. The statute states that the grants be used to promote the domestic maple 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.

Eligible applicants include States, tribal governments, and research institutions.

The funding change is requested for the following items:

A decrease of \$3,000,000 and 1 staff year in program savings.

AMS will discontinue awarding grants to the maple syrup industry but will continue to foster industry relationships and will work with industry on requests to explore building a research and promotion program like 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.

Packers and Stockyards

(12) A decrease of \$306,000 for Packers and Stockyards (\$23,281,000 and 148 staff years available in 2019).

The Packers and Stockyards Program (PSP) is responsible for administering the Packers & Stockyards Act (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 meat packing industries.

Base funds for PSP will be used to conduct two broad types of activities—regulatory and investigative—in its administration and enforcement of the P&S Act. PSP activities cover two general areas: Business Practices and Financial Protection. Business Practices are further divided into Competition and Trade Practices. A team of resident agents, marketing specialists, and auditors located throughout the country conduct initial investigative activities, while direction and assistance are provided by specialists in regional offices and headquarters. All division employees utilize the Packers and Stockyards Automated System to track case work electronically from start to finish.

Continuation of the program is critical because it:

- Enforces the Packers and Stockyards Act, 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.
- Conducts routine and ongoing regulatory inspections and audits to assess whether subject entities are operating in compliance with the P&S Act.
- Conducts investigations of potential violations of the P&S Act identified by industry complaints, routine regulatory inspections, or market observations.

The funding change is requested for the following items:

A decrease of \$306,000 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.

Grain Regulatory Program

(13) A decrease of \$20,201,000 and 112 staff years for Grain Regulatory Program (\$20,201,000 and 112 staff years available in 2019).

The funding change is requested for the following items:

A decrease of \$20,201,000 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.

US Warehouse Activities

(14) An increase of \$4,454,000 for U.S. Warehouse Activities (\$9,606,000 and 70 staff years available in 2019).

The program operates a nationwide, voluntary program, under which AMS licenses warehouse operators who store agricultural products. Under the United States Warehouse Act (USWA), AMS also licenses qualified persons to sample, inspect, weigh, and grade agricultural products.

This one-time appropriated increase in funding will support IT security patches and other requirements needed to qualify for Authority to Operate (ATO) for four IT applications, associated Operation and Maintenance and National Information Technology Center hosting costs, and the modernization of two legacy IT systems. Base funds for U.S. Warehouse Activities will improve the customer experience for inspections and audits through data collection, accessibility and quality using updated technologies for improved efficiencies. Entities which receive a USWA license must meet minimum financial standards and maintain physical warehouse facilities capable of handling and storing applicable agricultural commodities. To ensure compliance with the provisions of these licenses, USDA periodically makes unannounced examinations of the license holders. The USWA authorizes the use of user fees to cover the costs of administering that Act. Warehouses engaged in export food aid operations are now required to be licensed under the USWA and are also subject to a licensing fee structure and unannounced warehouse examinations.

Continuation of the program is critical because it:

- Administers the U.S. Warehouse Act (USWA) and the Commodity Credit Corporation (CCC) storage agreements. This includes issuing licenses and storage agreements and performing warehouse examinations to ensure the integrity of both the commodities stored in these facilities, as well as the facilities themselves.
- Acquires, barter, sells and manages CCC-owned inventories; and routinely analyzes locations, conditions and quantity of the stocks as part of their quality assurance processes.
- Establishes the Posted County Prices (PCPs) that are used to determine alternative loan repayment rates for CCC marketing assistance loans and loan deficiency payments. These prices conform to legislation and policy and program objectives.
- Operates the Economic Adjustment Assistance Program (EAAP) for upland cotton, and the Special Competitive Provisions Program for Extra Long Staple (ELS) cotton.
- Boost fair trade practices by strengthening internal controls and price management and providing reliable protections for producers storing products in USWA-licensed or CCC-approved warehouses.

International Food Procurement

(15) A decrease of \$8,574,000 and 13 staff years for International Food Procurement (\$8,574,000 and 13 staff years available in 2019).

The program procures foods for international food aid programs for overseas use to meet USDA and USAID program requirements. 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.

The funding change is requested for the following items:

A decrease of \$8,574,000 for International Food Procurement.

USDA proposes to eliminate funding to procure domestic product for international food aid, consistent with the proposal to eliminate the Foreign Agriculture Service's international food aid funding. The reduction is part of an Administration effort to streamline foreign assistance, prioritize funding, and use funding as effectively and efficiently as possible.

PROPOSED LEGISLATION

Marketing Services

Packers and Stockyards Program

Current legislative authority to be amended:

Amend the Packers and Stockyards Act to provide authority to collect license fees to cover the cost of the program. 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.

Dollars in Thousands

Item	2020	2021	2022	10 Year Total
Budget Authority.....	-\$22,975	-\$22,975	-\$22,975	-\$229,750
Outlays	-\$22,975	-\$22,975	-\$22,975	-\$229,750

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS*Table AMS-11. Geographic Breakdown of Obligations and Staff Years (thousands of dollars, staff years (SY))*

State/Territory/Country	2017		2018		2019		2020	
	Actual	SY	Actual	SY	Estimate	SY	Budget	SY
Alabama.....	\$175	2	\$217	1	\$200	1	\$200	1
Alaska.....	-	-	10	-	10	-	10	-
Arizona.....	696	6	908	6	900	6	900	6
Arkansas.....	76	1	256	2	250	2	250	2
California.....	4,054	9	4,234	10	4,200	10	4,200	10
Colorado.....	562	5	6,527	54	6,500	54	6,500	54
Connecticut.....	15	-	27	-	15	-	15	-
Delaware.....	-	-	12	-	10	-	10	-
District of Columbia.....	52,906	225	76,809	228	80,440	345	43,988	187
Florida.....	1,611	3	1,969	2	1,960	2	1,960	2
Georgia.....	1,172	12	5,952	51	5,950	51	5,950	51
Hawaii.....	-	-	24	-	10	-	10	-
Idaho.....	438	5	388	5	380	5	380	5
Illinois.....	342	2	434	3	430	3	430	3
Indiana.....	-	-	46	-	40	-	40	-
Iowa.....	1,201	13	6,648	51	6,600	51	6,600	51
Kansas.....	253	3	135	2	130	2	130	2
Kentucky.....	168	2	210	2	210	2	210	2
Louisiana.....	57	-	697	5	690	5	690	5
Maine.....	-	-	17	-	10	-	10	-
Maryland.....	248	1	313	1	300	1	300	1
Massachusetts.....	405	3	478	4	470	4	470	4
Michigan.....	1,550	3	1,778	4	1,770	4	1,770	4
Minnesota.....	207	2	257	2	250	2	250	2
Mississippi.....	-	-	25	1	10	1	10	1
Missouri.....	602	7	17,579	93	17,500	93	17,500	93
Montana.....	103	1	105	2	100	2	100	2
Nebraska.....	117	1	150	1	150	1	150	1
Nevada.....	-	-	25	-	10	-	10	-
New Hampshire.....	-	-	17	-	10	-	10	-
New Jersey.....	-	-	80	-	80	-	80	-
New Mexico.....	213	2	288	3	280	3	280	3
New York.....	2,242	3	2,905	3	2,900	3	2,900	3
North Carolina.....	1,833	13	1,968	14	1,960	14	1,960	14
North Dakota.....	-	-	184	1	180	1	180	1
Ohio.....	1,150	-	1,778	7	1,770	7	1,770	7
Oklahoma.....	426	5	446	4	440	4	440	4
Oregon.....	91	1	436	6	430	6	430	6
Pennsylvania.....	639	6	669	7	660	7	660	7
Rhode Island.....	-	-	499	-	490	-	490	-
South Carolina.....	218	2	248	2	240	2	240	2
South Dakota.....	221	2	331	2	330	2	330	2
Tennessee.....	3,390	21	3,141	21	3,140	21	3,140	21
Texas.....	2,131	7	2,360	10	2,350	10	2,350	10
Utah.....	-	-	26	-	10	-	10	-
Vermont.....	-	-	1,456	-	1,450	-	1,450	-
Virginia.....	2,134	12	2,164	-	2,160	-	2,160	-
Washington.....	1,670	3	1,531	13	1,530	13	1,530	13
West Virginia.....	-	-	21	3	10	3	10	3
Wisconsin.....	1,634	12	1,611	11	1,600	11	1,600	11
Wyoming.....	77	1	89	1	80	1	80	1
Obligations.....	85,027	396	148,473	638	151,595	755	115,143	597
State/Territory/Country	2017 Actual	SY	2018 Actual	SY	2019 Estimate	SY	2020 Budget	SY
Lapsing Balances.....	996	-	2,212	-	-	-	-	-
Total, Available.....	86,023	396	150,685	638	151,595	755	115,143	597

CLASSIFICATION BY OBJECTS*Table AMS-12 Classification by Objects (thousands of dollars)*

Item No.	Item	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
	Personnel Compensation:				
	Washington D.C.....	\$18,484	\$33,851	\$40,422	\$20,625
	Personnel Compensation, Field.....	14,971	26,575	34,448	27,290
11	Total personnel compensation.....	33,455	60,426	74,870	47,915
12	Personal benefits	11,810	21,477	27,553	14,535
13.0	Benefits for former personnel.....	14	352	475	451
	Total, personnel comp. and benefits.....	45,279	82,255	102,898	62,901
	Other Objects:				
21.0	Travel and transportation of persons	1,512	2,711	3,545	1,954
22.0	Transportation of things	22	32	48	28
23.1	Rental payments to GSA	1,163	4,260	4,302	4,314
23.2	Rental payments to others	911	1,050	1,055	1,247
23.3	Communications, utilities, and misc. charges	1,508	1,986	1,983	1,691
24.0	Printing and reproduction.....	219	253	370	345
25.2	Other services from non-Federal sources	24,031	28,304	24,094	26,419
25.3	Other goods and services from Federal sources	6,864	24,533	8,134	12,717
25.4	Operation and maintenance of facilities	78	-	5	5
25.6	Medical care.....	-	-	20	20
25.7	Operation and maintenance of equipment	473	223	133	134
26.0	Supplies and materials.....	424	888	800	562
31.0	Equipment	1,635	2,474	1,207	798
41.0	Grants, subsidies, and contributions.....	907	2,672	2,993	2,000
42.0	Insurance Claims and Indemnities.....	1	-	8	8
	Total, Other Objects	39,748	66,218	48,697	47,142
99.9	Total, new obligations	85,027	148,473	151,595	115,143
11	DHS Building Security Payments (included in 25.3)....	126	258	260	260
	Position Data:				
	Average Salary (dollars), ES Position	\$167,888	\$168,953	\$171,078	\$173,203
	Average Salary (dollars), GS Position.....	\$86,982	\$87,050	\$88,635	\$90,220
	Average Grade, GS Position	12.0	12.0	12.0	12.0

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 except for 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 continues to expand its organic market price reporting services, while boosting outreach to reporters and industry contacts to increase the products and markets covered, as well as the number of key contacts in the organic sector. 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. The AMS Market News organic webpage focuses on market reports detailing grains, feedstuffs, eggs, specialty crops, and dairy products. The 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.

Redesign of Market News into Digital Data Service: Market News continues to implement Market Analysis and Reporting Services' (MARS) advanced technical capabilities and additional market types such as various auctions. In FY 2018, MARS and its public facing website, My Market News, went live to the public. Through My Market News, users can now access 69 unique market reports disseminated from over 12 Market News offices across the country. Currently, users can access all dairy information through My Market News. Cotton, hay, rice, and livestock auction information are in development and data for those commodities will be accessible to the public by the beginning of calendar year 2019. Developers expect all voluntary Market News reporting data products to be collected and publicly disseminated through MARS by the end of FY 2019.

Additionally, in FY 2018, AMS introduced the MARS Application Programming Interface (API). The API allows users to automatically download data in custom formats. After a one-time setup, the API will continue to deliver the requested information to the user in the established format without further action. MARS has improved reporting speed, accuracy, and flexibility for all commodities reported through the system. Market News also completed improvements in data quality and management such as the creation of a report scheduler and file repository, and implemented better cooperator relationship management tools.

Customer Outreach and Training: AMS Market News routinely responds to requests for information from individuals, industry groups, and associations. In FY 2018, AMS participated in industry meetings 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 2018 to demonstrate its services, including sessions focused on the Market Analysis and Reporting Services (MARS) platform. Additionally, Market News held commodity-specific stakeholder meetings to garner feedback and enhance customer service.

Market News plans to again conduct its Customer Satisfaction Survey in late 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 U.S. government. In a previous survey of Market News customers, the ACSI score was the 4th highest score of all 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 to identify both opportunities for growth and ideas to improve service. The survey will be enhanced this year with qualitative

research to more clearly define customer needs and preferences for the reports and information products made publicly available by Market News. The qualitative portion of the survey will include several focus groups to be held at key industry events, as well as a limited number of in-depth stakeholder interviews.

Emerging Market Customer Focus: In FY 2018, Market News revised six Federal-State agreements to expand collaboration with State Departments of Agriculture to capture additional local and regional livestock, grain, and 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 8 farmers auctions, farm-to-school prices for 14 States, local organic commodity prices on a national level, and 14 reports highlighting direct-to-consumer sales.

Livestock Mandatory Reporting (LMR): AMS' LMR program was initiated on April 2, 2001, and most recently 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 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 2018, consistent with the 2015 Act, AMS delivered a Report to Congress that reviewed LMR to inform the next reauthorization of the program in 2020. The basis of this report was a study completed through AMS, in partnership with USDA's Office of the Chief Economist, and in consultation with the livestock and meat industry to analyze current livestock marketing practices; identify future legislative or regulatory recommendations; analyze price and supply information reporting services of USDA related to cattle, swine, and lamb; and address any other issues that the Secretary considered appropriate.

To gather feedback from industry stakeholders, AMS invited national livestock and meat industry associations, meat processors, and other market participants to participate in a series of stakeholder meetings during fiscal years 2017 and 2018 and openly discuss marketing methods, current challenges with reporting livestock and meat markets, and needs of the industry regarding future revisions to LMR. Through these stakeholder meetings, AMS identified, and in many cases implemented, recommendations to strengthen LMR and provide industry with more meaningful data.

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

- Published an enhanced Weekly Average Weight of Barrows and Gilts report that provides national average weight data on carcass and live hogs along with regional data;
- Updated yield data and processing and packaging costs for wholesale pork and boxed beef;
- Added price and weight information for cooperative member-owned lambs to the National Weekly Slaughter Sheep Review report, and included cooperative lambs priced on a formula basis;
- Published Monthly Colorado Lamb Feedlot Inventory Summary report; and

- Enhanced National Weekly Fed Cattle Comprehensive report.

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 this data to be used as the price discovery mechanism to establish minimum prices for the Federal milk order system, accounting for 64 percent of the U.S. milk supply.

Mandatory dairy product reporting provides sales information on:

- 13 percent of butter production;
- 34 percent of cheddar cheese production;
- 55 percent of nonfat dry milk production; and
- 34 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.

Cotton and Tobacco:

- Market News revised the Daily Spot Cotton Quotations and the Cotton Price Statistics, including changes to 21 text reports, and 3 consolidated PDF reports. The reports were updated to reflect changes in cotton quality and/or how cotton is being marketed. The changes include adding quotations for Pima Staple 50, a new extraneous matter discount for plastic, and adding staple 37 and longer to the ICE tenderable premiums and discounts.
- The Daily Cotton Quality Summary was revised to include the number of gins, the percent tenderable, the average loan, the percent predominate color grade, and the percent predominate leaf grade.
- A Monthly Cotton Quality Summary by Office was added.

Dairy:

- Key activities centered around implementation of the MARS platform for collecting, analyzing, and disseminating Dairy Market News reports in February 2018. AMS performed intense testing of the MARS system ahead of the implementation to verify the functionality and data integrity.
- Expanded the My Market News website for report and data access by Market News customers.
- Continued to operate the historic Oracle database system until all reports and data were verified during the transition to MARS/My Market News.
- Added a report: MD_DA500, Chicago Mercantile Exchange Dry Whey - information on daily, cash dry whey pricing.
- Modified five reports: MD_DA997, MD_DA998, and monthly/yearly average reports to include the cash dry whey pricing.
- Inside the MARS platform, staff collected, summarized, and disseminated organic commodities types for direct-to-consumer outlets and farmers markets. Additional commodity types were added.

Specialty Crops:

New Conventional Shipping Point Reports:

- Central Coast, California: Collard Greens
- Central San Joaquin Valley: Green Leaf, Red Leaf, Boston, and Romaine
- Mexico Crossings through Nogales, Arizona: Cantaloupe, Grapefruit, and Oranges
- Mexico Crossings through Otay Mesa, California: Tomato, Cherry type
- South and Central California and Mexico Crossings through Southern California and San Luis, Arizona: Snow and Sugar Snap Peas
- Tennessee: Plum Tomato
- Dominican Republic Imports Ports of Entry South Florida: Avocado
- Peru Imports Ports of Entry Philadelphia Area and New York City Area: Tangelo
- Peru Imports Ports of Entry Philadelphia Area and New York City Area: Avocado

New Organic F.O.B. Reports:

- Central and Southern California and Arizona: Lemons and Oranges
- Coachella Valley, California, Western Arizona, and Mexico Crossings through Southern California and San Luis, Arizona: Celery
- Imperial and Coachella Valleys, California: Corn
- Apple Juice Concentrate

Expanded Price Reports:

- Los Angeles Wholesale Market Nuts report – extending from seasonal to year-round
- Michigan Asparagus F.O.B. report – from bi-weekly to daily
- Peru Blueberries from Trends Only – to daily F.O.B. report

Expanded Movement (Shipment and Imports) Reporting:

- California citrus shipments, both conventional and organic
- Star Apple imports
- Frozen berries imports; including strawberries, blackberries, blueberries, and raspberries

Livestock, Poultry and Grain:

- Added 33 new market reports, enhanced 6 reports, and eliminated 10 reports.
- Published National Egg Market Summary report that combines highlights from existing reports to provide stakeholders a more complete picture of the national egg market.
- Published an expanded National Weekly Shell Egg Inventory report that includes inventory figures for specialty, cage-free, and organic eggs by region.
- Published an enhanced Weekly Average Weight of Barrows and Gilts report that provides national average weight data on carcass and live hogs along with regional data.
- Published an improved Kansas City Daily Wheat Bids report that provides cash bid information for more detailed protein levels for hard red winter wheat.
- Updated yield data and processing and packaging costs for wholesale pork and boxed beef covered under LMR.
- Published a new report covering the Pulaski Stockyard in Pulaski, TN, providing additional regional livestock data.
- Expanded hay reporting in Wyoming.
- Released Southern Oklahoma Video Auction report to capture additional feeder cattle market information.
- Published new Norwood Sheep and Goat Sale report in Norwood, MO.
- Added price and weight information for cooperative member-owned lambs to the National Weekly Slaughter Sheep Review report, and included cooperative lambs priced on a formula basis.
- Published Monthly Colorado Lamb Feedlot Inventory Summary report.
- Enhanced National Weekly Fed Cattle Comprehensive report.
- Offered data in new ways, including PDF format reports and through the API (application programming interface) as part of the greater modernization effort to improve the accessibility of Market News data and information for all customers.

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.

When outbreaks of pathogenic diseases are confirmed in wild and domestic flocks in the U.S., AMS may choose to postpone SES inspections at shell egg processing plants in affected areas as a precautionary measure against the spread of the disease. Such actions have been taken in past years, and again in FY 2018. SES activities in California were suspended during the late summer due to confirmed cases of virulent Newcastle Disease and Low Pathogenic Avian Influenza.

SES activities are conducted either by state agencies under a cooperative agreement with AMS, or by cross-utilizing AMS grading personnel already stationed nationwide. During FY 2018, AMS conducted an analysis of state-run programs and as a result reduced the burden on the regulated shell egg industry by removing 34 facilities from the

program who no longer met the threshold requirements mandating surveillance visits. In all, the program completed 2,168 SES inspections during FY 2018, 160 fewer than 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 Egg Products Inspection Act is found, a follow-up visit is made during the quarter.</i>				
	Shell Egg Handlers		Hatcheries	
	<u>Number of Handlers</u>	<u>Total Inspections</u>	<u>Number of Hatcheries</u>	<u>Total Inspections</u>
FY 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
FY 2018	470	1905	268	263
<i>Note: Inspections above include both routine follow-up and other visits.</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).

Selected Examples of Recent Progress

Standards Reviews

In FY 2018, AMS specialists reviewed commodity standards to ensure that they continue to accurately describe current products, including 21 for cotton products; 30 for fruit and vegetable products; 3 for meat products (beef, pork and poultry); and 13 for tobacco. These reviews resulted in the following standard revisions:

Beef Standards: AMS announced changes to the U.S. Standards for Grades of Carcass Beef (beef standards) on December 5, 2017. The changes provide companies using the USDA grading program with additional options – specifically, dentition or age documentation – to establish the maturity of animals and ensure that cattle 30 months old or less, are included in the youngest maturity group recognized as “beef” (A maturity). By closely coordinating with the industry, there were virtually no interruptions to the plant operations during implementation of the new grading procedures. Due to the increased accuracy in classifying the maturity of carcasses presented, the number of beef carcasses eligible to grade at Choice or Prime increased by about 2.5 percent.

Poultry Standards: AMS updated to the voluntary U.S. Classes, Standards, and Grades for Poultry (poultry standards) on August 6, 2018, to align with the USDA Food Safety Inspection Service definitions for “roaster and

roasting chickens” used in labeling compliance. The update lowered the age requirement for the “roaster and roasting chickens” class of poultry and identifies the ready-to-cook weight as 5.5 pounds or more.

Specialty Crops Standards. AMS maintains 324 grade standards for fresh and processed fruits, vegetables, nuts, and miscellaneous products. In FY 2018, AMS proposed removing “midget” terminology from the U.S. standards for canned lima beans, canned mushrooms, pickles, and green olives. AMS also published a final rule clarifying that packaged honey bearing “an official US grade mark must include in its label the country of origin in letters at least the same size and in close proximity to the grade mark” to clarify the obligations of a honey packer regarding country-of-origin labeling. In FY 2018, AMS worked with the California Walnut Board to issue a reprint of the USDA Walnut Color Chart, which illustrates the color classifications defined in the United States Standards for Grades of Shelled Walnuts and United States Standards for Grades of Walnuts in the Shell. This visual aid supports industry’s ability to market walnuts to specific grade and color classifications

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 2018, AMS developed a new CID for Frozen Fruit Purees and revised six CIDs (Precooked Bacon in Flexible Pouch; Refried Beans; Fluid Milk; Green and Red Dehydrated Peppers, Fruit Aseptic Purees; and, Snack Foods).

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

These activities are authorized by the following statutes:

National Technology Transfer Act of 1995 (detailed in OMB Circular A-119)

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:

ISO Agricultural Biotechnology Standards: AMS serves as the elected secretary and provides credentialed experts for the International Organization for Standardization’s (ISO) Technical Committee (TC) 34/Subcommittee 16 (Horizontal methods for molecular biomarker analysis) This committee was created with AMS sponsorship 15 years ago. Now sponsored publicly and hosted in the US. TC 34/SC continues to develop, draft and maintain an internationally validated portfolio of standards for methods of detection, identification and analysis of molecular traits in foods and agricultural products such as bioengineered foods, identity preserved foods, meat, fish and poultry species, genetic traits of seeds and grains, organic foods and plant pathogens. AMS served to coordinate all business and technical operations for this committee which has a membership of 40 national standards bodies and 500 experts and delegates. In October 2018, AMS hosted the 24th plenary and 13th chairman’s advisory group meetings of ISO TC 34 “Food products”, the parent committee for TC 34/SC 16 at Patriot’s Plaza III with attendance by 200 delegates from 77 countries. In FY2019 with the input of AMS experts TC 34/SC 16 released and published six international standards covering qualitative measurement methods, GMO detection, protein-based methods and meat, fish and poultry species identification. All of which have applications in domestic and international agricultural production and trade. The 2018 final rule establishing the new national mandatory bioengineered food disclosure standard cites ISO TC 34/SC 16 and its 26 international standards both established and in development for use in the detection and identification of bioengineered foods. Thus, these ISO standards and those developed and released in the future will be integral in applying this new rule

AMS provided an expert to participate in the development of an ISO international workshop agreement (IWA) on screening of GMOs in cotton and textiles. The IWA will be published in 2019. AMS also provides expert representation to other ISO medical and industrial biotechnology committees to ensure sound science and consistency and prevent conflicts between international voluntary biotech standards.

ISO Meat, Poultry, Fish, Egg Standards: AMS represents U.S. interests as chair and secretary for the ISO Technical Committee (TC) 34/Subcommittee (SC) 6 Meat, Poultry, Fish, Eggs and their products. For the past two plus years, AMS has led this subcommittee and working group (WG) in the establishment of an international standard on animal welfare. AMS has been influential in the promotion and acceptance of this controversial subject. In addition to the welfare standard, AMS has participated in the plenary sessions recently held in Nanjing, China where a number of standards were reviewed, and ballot initiatives submitted for consideration. Some of the items include standards for fish quality in addition to laboratory cultured protein. Laboratory methods of analysis specifically related to SC6 products are also reviewed and amended when necessary. There is some consideration of future collaboration with TC34SC16 for laboratory cultured protein, and AMS stands to represent the interests of all concerned.

UNECE Working Group on Eating Quality Standards: AMS representative attended and participated in the working group meeting of the United Nations Specialized Section on the Standardization of Meat in Geneva, Switzerland from July 2-4, 2018. AMS represented the US position on the eating quality standards for pork and goose to the working group in addition to being re-elected as the Vice Chair. The AMS representative was instrumental in drafting the newly amended goose standards and pork quality standards.

Specialty Crops: is an ongoing participant in activities that facilitate the development of international standards, and standards interpretations and positions that benefit American agriculture by building strong markets for U.S. specialty crops worldwide. In FY 2018, AMS representatives participated in Codex committees and working groups established to advance standards for fresh and processed fruits and vegetables and spiced herbs.. 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 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 standards-development work, as prioritized in the work plan, for consideration by a physical meeting of CCPFV to be held in 2019.

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. In FY 2018, AMS launched its electronic Plant Variety Protection (ePVP) system. Through the ePVP system, AMS has developed application forms using the UPOV Test Guidelines for more than six crops in order to align more closely with the UPOV system of examination. This provides international customers with a more familiar format for submitting applications without additional grow-out trials required.

Seed: AMS serves as the U.S. National Designated Authority for Organization for Economic Cooperation and Development (OECD) Seed Schemes. Currently, there are 60 participating countries that certify seed for varietal purity for international trade. AMS participated in an OECD Seed Schemes Technical Working Group (TWG) meeting in Paris, France in January 2018, as well as the annual and TWG meetings held in Paris in June 2018. In addition to active involvement in several Ad Hoc Working Groups (AHWG) focused on specific 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.

Egg Exports to Mexico: AMS led the technical segment of negotiations that resulted in keeping the Mexican market open to exports of U.S. shell eggs. Mexico is a leading export destination for eggs produced in the U.S., generating over \$13 million for U.S. eggs producers and marketers. Mexico adopted regulatory requirements that all washed eggs entering the country must have their shell surfaces oiled, a practice that was discontinued years ago in this country. AMS worked through the FAS office in Mexico to offer options to Mexican officials that would keep their market open to U.S. eggs. Subsequently, Mexican officials delayed implementation of the requirements for washed eggs and agreed to revise their regulatory requirements, using language provided by AMS, to keep their markets open to U.S. produced shell eggs.

Harmonization Efforts for Beef Trade in North America: In an effort to help major trading partners understand the U.S. beef grading system, AMS has worked with the Mexican government over the past year, as they developed and published a proposed standard and grading program. AMS also conducted a technical correlation with counterparts in Canada's beef grading agency. Both activities support the Agency's efforts to facilitate trade among key partners through standardizing and harmonizing technical requirements.

Nut Exports to the EU: 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.

Eggs: AMS facilitates the export of U.S. table eggs, processed egg products, and hard-cooked eggs by certifying they meet the requirements of importing countries. AMS programs helped open access to several new markets in FY 2018, including Guatemala and Honduras in Central America – an area with an increasing appetite for U.S. agricultural products, and the July 2018 announcement of the opening of South Africa and India to U.S. shell/table eggs represented additional opportunities for U.S. product to meet foreign demand.

Asia Pacific Economic Cooperation (APEC): An AMS representative actively participated in a multiagency working group led by the United States Trade Representative and FAS to inform 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.

USDA Export Verification Programs Open New Markets

AMS activities include a wide range of audit-based Export Verification (EV) programs, services designed to assist companies in assuring international customers of their ability to provide consistent products that meet various import requirements. AMS currently has EV programs for 28 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 is more than \$3.9 billion per year. AMS EV programs represent a return on investment of \$5,500 for every \$1 spent by the industry. Some recent activity includes:

- In April 2018, AMS announced an EV Program for pork exports to Argentina, specifically for product participating in the National Pork Board's Pork Quality Assurance (PQA) Plus program.
- In July 2018, AMS announced an EV Program for thermal processed (retorted) beef, beef products, and beef flavorings for export to the Australian market.
- Also in July, AMS established an EV Program for U.S. sheep and goat exports to Japan; development of this export program reestablished a potential export market for U.S. sheep and goat exports into Japan for the first time in more than 14 years.

AMS implemented a Microbiological Testing Program as a part of the Export Verification (EV) Program for Ready-To-Eat (RTE) products destined for Canada. Canada requires that closed-faced sandwiches be produced under a Hazard Analysis and Critical Control Point (HACCP) plan. Under the EV program, the sandwiches will be produced in establishments that are under the Food Safety Inspection Service's (FSIS) voluntary reimbursable inspection service and AMS will conduct a microbiological testing program, on behalf of FSIS, to verify the adequacy of

establishment's food safety system in producing RTE products. Only establishments participating in this program can export closed-faced sandwiches to Canada.

Federal Seed Act

Current Activities:

The Federal Seed Act (FSA) is a truth in labeling law that promotes domestic trade and drives fair competition through regulation of agricultural and vegetable seed shipped in interstate commerce. The Seed Regulatory and Testing Division (SRTD) administers the FSA and contributes to the success of the U.S. seed market by providing regulatory support to State seed programs and clear guidance to seed businesses on how to navigate the complex web of 50 State seed statutes. This guidance and support is delivered in the form of standardized test development, national enforcement of State and Federal noxious weed seed laws, intellectual property protection through enforcement of certified seed varieties, facilitation of U.S. seed exports through representation at international meetings, and issuance of USDA Seed Analysis Certificates for foreign countries that only accept government approved and tested seed. A high priority this year is updating the FSA Regulations to better align with industry practices.

SRTD also maintains an influential and effective nationwide presence through its cooperative work agreements with each of the 50 State departments of agriculture and every principal seed organization in the United States. Leveraging these agreements allows SRTD to train and authorize a nationwide network of over 500 seed samplers, inspectors, and scientists to sample, collect, and test seed lots from almost any location in the United States at no additional cost to the program.

SRTD promotes and protects international trade options for U.S. seed exporters by actively participating in and influencing rule and policy proposals at international meetings. Organizations hosting these meetings include the Organization for Economic Cooperation and Development and the International Seed Testing Association, which together represent approximately 70 countries. Domestically, SRTD serves as an unbiased authority in quality seed testing and regulation. Seed industry organizations and State cooperators rely on SRTD for technical and regulatory training of seed scientists and State inspectors; voluntary mediation between States, organizations, or businesses; and for regulatory assistance when seed dealers based beyond State jurisdictions trade adulterated, contaminated, or poor-quality seed.

SRTD plays an integral role in maintaining the robust U.S. seed market by ensuring seed laws in every State are enforced, trade disputes at both national and international levels are resolved quickly, and that businesses have confidence that their seed can meet customer and regulatory requirements.

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
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
2018	364	579	1448	300	195	111	\$94,000

Online Seed Identification Tool: The cost of weed control and crop loss due to weeds amounts to approximately \$4 billion each year. To prevent the spread of noxious weed seeds to farm lands across the country, the Federal Seed Act Program partnered with the Canadian Food Inspection Service to develop an online seed identification tool. This online tool was launched on October 1st, 2018, and will be used by State seed control officials, industry scientists, students, and homeowners across North America to identify weed seeds in agricultural and vegetable lots before

they are planted. This online identification tool will also help promote truth in labeling by assisting seed companies in identifying unknown seeds found during testing.

Weed Seed Contamination in Exports: The Federal Seed Act Program is also partnering with AMS' Federal Grain Inspection Service and USDA's Animal and Plant Health Inspection Service to ensure that U.S. soybean shipments to China are not hampered by a new law limiting the amount of weed seed content allowed in seed lots. To meet the requirements of the law, the Federal Seed Act Program tests seed lots from ports and warehouses around the country for weed seed contamination, ensuring that only high-quality American seed is exported.

Training Workshops: To ensure uniform application of the regulations, AMS annually conducts onsite training workshops and web-based seminars for seed analysts and inspectors from State regulatory agencies. This training for State cooperators is extremely valuable to program delivery because high attrition rates, driven by shrinking State budgets, create gaps in institutional knowledge and threaten to leave State seed control programs ill-equipped to handle mislabeled seed lots.

International Seed Testing Association (ISTA): AMS is the U.S. Designated Authority to the ISTA, and the Federal Seed Act Program represents AMS at these vital meetings and votes on behalf of the U.S. seed industry. 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 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 that 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.

Selected Examples of Recent Progress

Training: During FY 2018, AMS executed its first training contract with ProProfs to provide COOL Retail Review online training for FY 2018 at a cost of \$3,000. This contract saved AMS approximately \$47,000, as compared to the cost in FY 2017 for the Blackboard Learn system, and approximately \$200,000 in overall savings as compared to FY 2016 training costs. With ProProfs online training, AMS provided reviewers with professionally bound training manuals that also serve as a resource during reviews. AMS conducted an open forum meeting by conference call with State cooperators to discuss the new training and other matters of interest.

Outreach: In FY 2018, AMS realigned COOL activities into the newly formed Fair Trade Practices Program. To inform all interested parties, AMS provided direct outreach to its COOL state cooperators, explaining the reorganization. AMS also attended and gave presentations at industry meetings, including the Grocery Manufacturers Association training in May 2018. AMS, in conjunction with the USDA Office of Communications began work on a consumer information video to ultimately be posted on the USDA YouTube channel in 2018.

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. AMS reestablished a cooperative agreement with the Delaware Department of Agriculture, bringing the total number of State cooperative agreements to 45. The retail review assignments distributed in FY 2018 included large national chain stores as well as many 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 24, 2018, based upon 75 percent completion of retail store reviews assigned in FY 2018; the same as for FY 2017. The following table details the number of cooperative agreements, reviewers trained, and retail reviews conducted.

FY	State Co-op Agreements	Reviewers Trained	Initial Reviews	Follow-up Reviews
2014	49	350	2,969	555
2015	49	350	810	2,252
2016	47	321	1,158	1,929
2017	44	364	2,427	1,160
2018	45	322	3,242	391

In addition to retail surveillance activities, AMS audits products through the supply chain for accuracy of and compliance with COOL requirements. 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
2014	113	241	4
2015	97	236	9
2016	75	176	17
2017	106	251	13
2018	75	195	12

To reduce the burden on suppliers, AMS offers a supplier certification program to verify the effectiveness of COOL compliance procedures through onsite visits to the Nation’s largest covered commodity supply firms. Suppliers with sufficient systems are not subject to routine supplier traceback desk audits. Two suppliers were granted a 3-year certification in 2018.

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. EPA relies on PDP data to conduct dietary risk assessments and to ensure that any pesticide residues in foods remain at safe levels. USDA uses the data to better understand the relationship of pesticide residues to agricultural practices and to enhance USDA’s Integrated Pest Management objectives. 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 USDA’s Foreign Agricultural Service (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 2018, PDP conducted over 2.5 million individual tests on more than 10,700 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. During FY 2018, fresh and processed fruits and vegetables, milk, heavy cream, wheat flour, and bottled water were surveyed. Also, PDP reintroduced previously tested commodities and added kiwi fruit and canned cranberries, bringing the number of commodities surveyed to date to 122. Data on previously tested commodities are needed to determine if there were measurable changes in the residue profile. All commodities selected for testing are based on EPA's requests for data to monitor registration-driven changes mandated by the FQPA and to respond to public food safety concerns.

Sampling: During FY 2018, PDP achieved 100 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, canned, and frozen cranberries. PDP is recruiting new collection sites to ensure representative samples are collected, including distribution centers for boxed-meal companies.

Testing Methods: PDP enhanced its testing methods to bring the total number of pesticides and metabolites tested to over 540. 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 2018, PDP conducted outreach to stakeholders, cooperating State agencies, and Federal data users.

Stakeholder Outreach: PDP released 2017 honey data early, as requested by industry, because the EPA, the Organization for Economic Cooperation and Development, and other national pesticide regulatory authorities are contemplating ways to regulate pesticide residues that may occur in honey. The latest honey data will support efforts to inform, develop, and evaluate regulatory approaches under consideration.

In collaboration with FAS, PDP staff traveled to Vietnam to present 10 separate training modules on pesticide and microbial sampling, testing, program policy, and risk assessment. This effort was designed to help Vietnam establish pesticide monitoring programs and risk-based microbial food testing programs.

State Outreach: 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 sharing and discussing laboratories' best practices for creating data packages and managing standards, and States' best practices for improving site relations and adding new sites. PDP's established technical working group continues to review lab instrument protocols and procedures for improvement. The group attended the North American Chemical Residue Workshop (NACRW) conference to develop and improve technical knowledge. This ongoing exchange of information and ideas allows the States to enhance and harmonize instrument use across the program.

PDP worked with the States to complete development of the first three of six planned sections in the PDP Sampler Training Manual. This manual will be invaluable in training new samplers and providing continuing education for established samplers.

Community Outreach: PDP staff performed outreach at an area elementary school in Silver Spring, MD where students learned about careers in science, technology, engineering, and medicine. The PDP Chemist discussed the role of science in agriculture and pesticides along with the role of a chemist at USDA. Through a demonstration, students were introduced to the topic of chromatography, a technique for separating components, by observing the movement and separation of colors of marker ink on paper.

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. In some cases, this is the only fresh produce the charitable location receives and distributes.

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>. PDP responded to 60 data and informational requests from government and private organizations and citizens within 3 or less days, including 15 on the same day, exemplifying PDP’s commitment to providing outstanding customer service.

National Organic Program

Current Activities

The organic agriculture sector continued to see rapid growth in FY 2018. As of January 2018, there were 26,445 certified organic operations in the United States, which reflected 7 percent growth over start of 2017. There were 41,217 certified operations around the world, reflecting 11 percent growth over the start of 2017.

According to the Organic Trade Association (OTA), 2017 organic sales in the U.S. totaled approximately \$49.4 billion, an increase of almost \$3.4 billion above the previous year. Organic food sales now account for over 5.5 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 protects organic integrity by developing, implementing, and enforcing the USDA organic regulations. The organic regulations govern the production, handling, and labeling of organic agricultural products.

Organic certification is largely privatized. AMS accredits 80 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, Korea, Switzerland, New Zealand, India, Israel, and Taiwan.

To maximize public participation, AMS 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

Imports Oversight: In FY 2018, AMS focused significant attention on investigating organic imports, evaluating full supply chains for multiple vessels of imported grain, and completing economic analysis of production capacities of supplier farms in the Black Sea region. AMS also collaborated with APHIS and Customs and Border Protection to support investigations of imported organic grains by providing specified information.

Because of this work, the Federal government was able to block shipments of products fraudulently labeled as organic from entering the United States. In addition, trade data show a 95 percent drop in volume in organic corn from Turkey between January 2016 and August 2018. There has been a significant decrease in the number of certified organic operations in the Black Sea region, with more than 300 suspensions and surrenders of organic farms and businesses in the region between 2017 and 2018.

In FY 2018, AMS submitted responses to all recommendations published in the USDA Office of Inspector General’s (OIG) September 2017 audit on organic trade arrangements and import oversight. AMS actions included publishing a response to the OIG report that outlined future collaboration opportunities with Customs and Border Protection and APHIS to protect organic imports and presenting a technology needs assessment for international traceability systems.

AMS:

- Coordinated with Customs and Border Protection to determine required steps for integrating the organic import certificate into CBP’s systems and submitted a formal Request for Development of the certificate, which Customs and Border Protection prioritized in July 2018.
- AMS published a letter to perishable commodity licensees on organic import oversight and two policy memos outlining APHIS requirements related to fumigated product and prohibited commodities.
- The National Organic Program updated its description of equivalency arrangement processes to address OIG recommendations related to peer review frequency and the transparency of side-by-side comparisons of country-level organic standards.

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 conduct due diligence to make sure the products they are receiving are compliant. Everyone in the system contributes 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.

Compliance, Enforcement and Appeals: The National Organic Program completed 375 case investigations and compliance inquiries in FY 2018. To respond to allegations of systemic compliance issues with organic dairy, AMS initiated its first Organic Dairy Compliance Project. This included periodic visits to organic dairy operations across the United States to evaluate compliance with grazing requirements, as well as separate full onsite investigations based on incoming complaints.

AMS received 42 new appeals of proposed adverse actions (suspensions, revocations, and denials of certification) in FY 2018 and closed a total of 43 appeals. The average length to closure was 127 days. Except for 2 appeals, all appeals received prior to June 2018 were resolved by September 2018. AMS also evaluated 56 reinstatement requests from operations that had been suspended from organic certification, which included issuing civil penalties to operations that had sold product as organic while suspended.

Accreditation Oversight: AMS conducted 41 audits to verify third-party certifier competency and compliance with the USDA organic regulations. This included 5 compliance audits of certifiers that had been found to have significant non-compliances in past audit cycles. Certifier noncompliance analysis results show certifiers are 95 percent in compliance with accreditation criteria.

Three certifiers exited organic accreditation during FY 2018: one allowed its accreditation to expire; one surrendered accreditation, and the third was suspended through a consent agreement with USDA. AMS also negotiated settlement agreements with certifiers to bring them into full compliance with the organic program. To keep the organic industry informed of enforcement mission successes, NOP published a Quarterly Compliance and Enforcement/Appeals Report summarizing counts of incoming complaints and appeals, initial actions taken, suspensions, revocations, and case dispositions.

International Trade Arrangements: In FY 2018, AMS took actions to maintain existing equivalency and recognition arrangements, including:

- Advancing technical negotiations with Mexico for an organic equivalency arrangement; and travelled to Mexico for technical discussions and to reaffirm the U.S. emphasis on compliance and enforcement.
- Engaging in discussions with the United Kingdom regarding the establishment of an equivalency arrangement and conducted an initial review of United Kingdom's organic program.
- Maintaining existing equivalency arrangements with Canada, European Union, Japan, South Korea, and Switzerland; and recognition agreements with India, Israel, and New Zealand.
- Participating in formal peer reviews with both Canadian and Korean delegations.
- Participating in a multi-country steering committee to discuss future projects to streamline inter-country peer assessments.

Standards Development: During FY 2018, AMS published the Notification of the 2018 Sunset Review and two proposed rules to amend the National List. One rule addresses fall 2017 NOSB recommendations; the other proposes 35 changes to the National List based on NOSB recommendations spanning from 2000 to 2016. AMS also:

- Streamlined National List rulemaking to act more quickly on National Organic Standards Board (NOSB) recommendations related to materials, getting new tools to farmers and processors faster.
- Published proposed and final rules to withdraw the organic livestock and poultry practices rule.
- Submitted an information collection renewal package to the Office of Management and Budget (OMB), which reduces reporting costs by 42 percent and overall reporting and recordkeeping costs by 27 percent over the prior approval. The revised figures are based on a reassessment of the estimates and assumptions about recordkeeping and reporting burdens.

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 2018. 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 two new Board members, appointed in spring 2018.

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, fact sheets, newsletters, an email subscription service, educational conferences; presentations, and training. In FY 2018, AMS conducted training for NOSB members in Washington D.C., and face-to-face certifier training in both the United States and Europe.

Technology Investments: In FY 2018, AMS completed development of an Organic Export Certificate Module in the AMS eTrade Document Exchange (eTDE) System. This new module makes electronic export certificates available for U.S. organic producers wanting to export products to other countries with equivalency arrangements with the U.S. AMS also completed additional reporting for the Organic Integrity Database, including county-level maps and reports to support State emergency pest treatment projects and future acreage reporting. AMS also initiated development of an online Learning Management System support the continuing education needs of organic certifiers and inspectors.

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) (Act) and extended by the Agriculture Improvement Act of 2018. The Act provides funds to States, Tribal governments, and research institutions for the purposes of market development and promotion projects that improve consumer, producer, and landowner awareness and understanding of the American maple syrup and maple-sap industry and related products and production.

Selected Examples of Recent Progress

In FY 2018, AMS received nine applications requesting over \$4.1 million. AMS awarded almost \$2.7 million to six projects in September 2018. Applications were reviewed by external peer reviewers, who evaluate the applications based on criteria published in the Requests for Applications. This review serves as the basis for establishing 3-year grant agreements with the highest-ranking applications. Information on the amounts awarded and the projects funded is available on <http://www.ams.usda.gov/services/grants/acer>.

AMS ensures that recipients fulfill the purpose of the program and abide by Federal assistance regulations and laws by analyzing financial and performance reports, requiring source documentation for payment requests, and by providing technical assistance for grant recipients.

AMS also managed three Acer grant agreements amounting to almost \$1 million that were awarded in FY 2017. The maple industry is using several new practices and equipment improvements to increase sap yield. The University of Vermont and State Agricultural College used FY 2017 funds to research ways to identify new maple tapping practices to increase and maintain yields and production given changing seasonal conditions. This project is expected to be completed by FY 2020.

Research and Promotion Programs

Current Activities

AMS provides administrative oversight to 22 industry-funded commodity research and promotion (checkoff) programs with over \$939 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

GAO Review: The Government Accountability Office (GAO) reviewed AMS' oversight of all 22 AMS R&P programs in 2017 and issued a report in November 2017 containing five recommendations. AMS developed a Statement of Action in response to the recommendations, and during 2018 provided guidance to all 22 R&P boards.

AMS outlined the GAO’s recommendations and assigned deadlines to update Board websites with bylaws, budget summaries, annual reports, financial audits, and independent economic evaluations. All boards have complied with the recommendations.

As part of its response to GAO recommendations, AMS also reviewed and updated four R&P standard operating procedures (SOPs) and reviewed and updated oversight guidelines documents. The SOPs updated included Management Reviews, Contract Review, Financial Reporting, and Annual Independent Audit. In addition, AMS created two new SOPs to help strengthen oversight of these programs. The new SOPs include Procedures for Processing R&P Board or Committee Nominations and Appointments and R&P Economic Evaluation Review Procedures.

AMS reviewed and revised the *USDA Guidelines for AMS Oversight of Commodity Research and Promotion Programs* (Oversight Guidelines) to align with the GAO recommendations. AMS also revised and issued Communications Guidelines for all R&P programs to provide consolidated policy and guidance information in the areas of marketing and communication from USDA, the Federal Trade Commission and the Food and Drug Administration. The Communication Guidelines is a companion to the Oversight Guidelines document.

Industry Research and Promotion Activities:

Cotton: The Cotton R&P Program continued to be faced with many critical challenges including plastic contamination. Plastic contamination is an increasing problem for U.S. cotton as it has the potential to erode the premium that U.S. cotton generally receives in the global market due to historically low contamination. The Cotton R&P is working with industry partners, including the USDA Agricultural Research Service’s Gin Research Lab to work toward system solutions.

Another challenge to cotton is the continued competition from synthetic fibers. The Cotton R&P created a series of short, shareable video bursts to position cotton as an alternative to synthetics. Meant to be shared on social media, these short-animated videos are an engaging way to remind consumers to check the label for cotton. Three bursts were released with topics including: odor retention in synthetics, the origins of polyester versus cotton, and getting a better sleep on cotton sheets. The Cotton R&P launched a new consumer campaign called Leave Comfort to Clothes. The campaign leverages the consumers’ connection between cotton and comfort but inspires them to rethink the way they view comfort. The message is for consumers, emphasizing softness, durability, ease of care, and versatility. The campaign aims to reach women and men 18-49 and extends beyond TV to custom digital content.

Since 2010, the Cotton R&P has funded annual farm tours for brands and retailers as part of a concentrated effort to educate decision makers in the supply chain about cotton production. This has now become a key component of sustainability initiatives. When these key decision-makers see cotton in the field, meet the growers and witness firsthand the scope of the effort of continuous improvement in terms of sustainability, they often leave as ambassadors for U.S. cotton.

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 continued its *Undeniably Dairy* campaign to unite the dairy industry to help reconnect consumers with dairy products. *Undeniably Dairy* reminds consumers of all the reasons they love nutrient-rich dairy products, while showcasing the dairy community’s commitment to animal care, their local communities, and the environment. The *Undeniably Dairy* videos have generated more than 55 million views and more than 365 million total paid impressions. Since launch, more than 300 companies and organizations have engaged 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.

The Dairy R&P Program partnered with Discovery Education to create a Virtual Field Trip, a 360° video experience and an interactive 360° hot spot image, with accompanying activities and educator guides. The Virtual Field Trip provides classrooms nationwide with curriculum-aligned content and resources to help them explore the world of dairy. Since launching in October 2017, more than 1.4 million students have been reached through the content.

Students learn about modern farming, dairy's journey from farm to school, and the innovations that are helping care for cows and communities.

Fluid Milk: The National Fluid Milk Processor Promotion Program (MilkPEP) continued its efforts to increase the consumption of fluid milk through its Milk Life® and Built with Chocolate Milk promotional campaigns. This year's campaigns supporting white milk focused on winning with kids and touting the nutritional benefits of milk to moms. This endeavor evolved into the new Milk It! advertising campaign showing extraordinary kids reaching their full potential with milk, helping to remind kids to choose milk, not only because of its great taste and nutrition, but because milk helps them be their best every day. The campaign ran for six months and drove over 11 million gallons of incremental milk sales at 1.89 gallons per marketing dollar spent.

The Milk It! campaign ran synergistically with MilkPEP's Olympics campaign, featuring Team Milk Gold Medalist free skier Maddie Bowman and her mom in a television and online advertisement, driving home the strong claim that 9 out of 10 U.S. Olympians grew up drinking milk. The introduction of Team Milk provided paying milk processors and industry partners with a local Olympic Hopeful athlete unique to their brand, placing milk brands at the center of the Olympics. The program was well received, and in its first year, over 24 brands and Dairy Council state and regional organizations requested the opportunity to promote a Team USA athlete, resulting in 33 Team Milk athletes nationwide. Team Milk created Olympic buzz for the individual brands in their local markets, and the surround-sound created by MilkPEP's national efforts for the upcoming Winter Games, benefitted both the brands and the entire fluid milk category.

Eggs: The American Egg Board (AEB) continued to encourage increased consumer demand for eggs and egg products by focusing on its iconic incredible egg brand 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. In 2019, it is estimated that the average person will consume 281 eggs per person, which is up from the 2018 total of 278. In addition, retail sales of fresh eggs (in equalized dozens) have increased by 3 percent. The most recent ROI study determined a return of more than \$9 for every \$1 (9:1) invested by America's egg farmers. Overall, AEB's marketing efforts have shown a positive impact. 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 on eggs' contribution to a healthy diet, while also sponsoring important scientific research to learn more about egg nutrition.

Peanuts: Raising consumer awareness of the National Institute of Allergy and Infectious Diseases (NIAID) Guidelines (Guidelines) for early introduction of peanuts to prevent peanut allergy remained a top priority for the National Peanut Board in 2018. Working with online influencers, the Peanut Board's campaign changed consumer perceptions. In fact, those exposed to the Peanut Board's campaign were twice as likely to have a positive perception of the idea of introducing peanut foods to infants. The Peanut Board also worked to reach health influencers, such as pediatricians, Women Infants and Children dietitians and nurse practitioners, with news about the Guidelines through trade advertising and conference exhibits and presentations. Since 2001, the Peanut Board has allocated more than \$23 million to food allergy research, outreach and education. With U.S. peanut consumption high, the Peanut Board continued its work toward making peanuts the most relevant and talked about nut among millennial consumers through its digital presence on Twitter and Instagram with its "peanut vendor" brand personae. At the same time, the Peanut Board seized business development opportunities to introduce retailers, food service operators and other influencers to innovative peanut products and menu items through advertising, tradeshows and other outreach. One highlight was the 2018 introduction of Elmhurst's Milked Peanuts dairy alternative beverage, which was developed by the Peanut Board.

Mangos: In 2018, the National Mango Board launched the Go Mango! The Super Fun Superfruit campaign. This campaign taps into the unique benefits of mangos and is complemented by a new brand style guide, which depicts fun with expressive, vibrant and delicious colors inspired by bright signage authentic to mango producing regions in the Caribbean, United States, Central and South America. The campaign focused on consumer, retail, and food service. Consumer programs focus on building awareness of mangos' availability for all seasons to encourage them to purchase more mangos, emphasizing the versatility of mangos. Two fun and personal videos from spokeswoman, Ayesha Curry, educated and inspired families to create delicious mango-centric recipes in a fun, relatable way. With retail stores being crucial to the success of mangos, the *Super Fun* branding found its way into each aspect of the Mango Board's retail marketing; from a new bright turquoise tradeshow booth featuring a swirling mango pattern to exciting point-of-sale materials and in-store mango bins with shiny balloons, each piece of printed collateral got a refresh to entice consumers to buy more mangos at the store level. The campaign invested in and made an impact on 24,000 stores and distributed 6,200 mango bins nationwide at more than 30 retailers.

The Mango Board worked with Omni Hotels & Resorts across the United States to feature the [“Summer of Mango.”](#) from charred mango hummus to a sparkling mango fizz, poolside at all 60 locations. Mangos were also featured in the Morrison Healthcare system which has foodservice locations in 820 hospitals and healthcare institutions across the country, and the Board’s *Super Fun* branding was included on nutrition cards in the cafeterias that touted the health benefits of mangos.

Mushrooms: For the eighth consecutive year, fresh mushroom shipments continue to grow, reaching almost 938 million pounds. The Mushroom Council is also continuing to see major wins with The Blend; this mushroom and meat alternative is becoming a well-known term mentioned in top publications. In 2017, 35 public universities adopted The Blend either as their main burger in dining halls or in high volume retail establishments. Further, over 25 mid-size to large retailers carried, sampled or promoted The Blend in their meat, deli, or produce departments, and more than 5,700,000 blended burgers were served in K-12 schools.

Paper and Paper Based Packaging: The Paper and Packaging Board (Paper Board) has spent the last year fine-tuning their campaign – “Paper and Packaging – How Life Unfolds” – to try to bring an impact on the manufacturer and importers investment. The Paper Board reported in their annual report that the “Paper and Packaging – How Life Unfolds” marketing campaign has contributed nearly 500,000 short tons a year to the paper-based packaging consumption from 2015 to 2017. While consumers report stronger feelings than ever about paper, these good feelings have not yet translated into a slower rate of decline for paper.

Despite the continued decline in paper consumption, the Paper Board still believes that these positive preference trends will translate to increased consumption in time. Since August 2015, when the Paper Board aired its first commercial, they have tracked consumption, industry reputation and consumer attitudes among their “highly valued” audience. In the Paper Board’s April 2018 tracking study, it shows continued improvement in reputation and attitude measures.

Late in 2017, the Paper Board decided to change their approach in promoting paper and paper-based packaging. The Paper Board moved from a storytelling approach to introducing brand ambassador characters. The Paper Board reached out to the paper and paper-based packaging industry to name the characters, which are named Casey (box) and Page (paper). Casey and Page personify the product benefits and are the heroes in new ads appearing in TV, print, digital, mobile and social media channels. Casey and Page created an instantly recognizable connection to the industry and products to help build awareness. The Paper Board is very optimistic about Casey and Page, and how they will remind consumers how paper and packaging are core to our success and getting the job done!

Softwood Lumber: In its 2018 referendum, softwood lumber manufacturers gave their USDA check-off program a super-majority mandate to continue its work: 94 percent of industry production representing 78 percent of companies voting in the referendum supported continuation—a strong demonstration of approval of the Softwood Lumber Board’s (SLB) performance. As of the end of 2017, the SLB’s third-party evaluation showed a return of \$19.74 for every industry dollar invested in the program. Since inception the Board’s funded programs have increased demand for softwood lumber by more than 4 billion board feet.

The primary objective of the Softwood Lumber Board is to increase the demand and use of softwood lumber. The Board funds four “centers of excellence”: (1) Research on wood standards conducted by the American Wood Council; (2) a communications program (THINKWOOD), which includes continuing education courses for architects, web and print messaging, and use of industry influencers (e.g., presentations given by known architects); (3) a construction and design program (WoodWorks) that provides technical support to architects and structural engineers about using wood; and (4) a retail program designed to increase sales of softwood lumber products in retail channels. The Board also funds research on using wood to build tall buildings.

Hass Avocados: The Hass Avocado Promotion Research and Information Act and Order have enabled the Hass Avocado industry to invest millions of dollars in marketing campaigns that have made fresh Hass avocados a part of our pop culture. In addition, the Hass Avocado Board has funded human nutrition research with world class researchers and institutions. Through this research, the most impactful lesson the Hass Avocado Board has learned is that avocado consumption reduces the ratio of total cholesterol to HDL in the body, which is the most powerful clinical predictor of cardiovascular disease. Through accomplishments like these, the Hass Avocado Board has expanded markets in the United States and strengthened our domestic avocado industry.

Christmas Trees: The Christmas tree industry passed their first referendum with a 73.8 percent participation rate with 51 percent of the industry supporting the continuation of the program. Despite the narrow approval margin, the Christmas Tree Promotion Board (Christmas Tree Board) is moving full steam ahead with their 2018 Holiday campaign. This year, one of the first key components to the Christmas Tree Board’s campaign is a video series

featuring families participating in and enjoying the Christmas tree selection process. The Christmas Tree Board is focused on improving the future of the industry by increasing the value and demand for cut Christmas trees through promotion, research and education. They heard their industry and are working on building a solid research program allocating \$200,000 towards projects, even putting out a request for proposals describing projects like genetic improvement, environmental benefit of real trees, insect/pest management, improved technology, and disease management/resistance. As the Christmas Tree Board moves forward with their 2018 Holiday campaign and research proposal, they are gearing up for another referendum in April 2019.

Watermelons: In 2017, the National Watermelon Promotion Board (Watermelon Board) tackled the challenges of value and food waste by serving the *whole* watermelon (flesh, juice and rind) in the “Use the Whole Watermelon” campaign. The Watermelon Board sought to introduce new and useful techniques, reimaged recipes, and watermelon’s virtues as a 100 percent edible, compostable product that is available year-round. The 2018 integrated campaign included a hub entitled “Watermelon on the Go” housed on Watermelon.org. The landing page inspires on-the-go applications – from gym smoothies to backpack snacks – as well as tips, techniques and reasons for taking watermelon out the door.

Potatoes: Production research trials continue for both the National Fry Program Trials and National Chip Program Trials for Potatoes USA. These trials support the development of better varieties to increase yields and quality for these potatoes. For FY 2019, the National Fry Program Trials and National Chip Program Trials were allotted \$224,000 and \$312,000 respectively, by Potatoes USA. Amounts expended for these programs are also offset by an equal amount provided in contributions.

This year Potatoes USA has launched their What Are You Eating Campaign, designed to educate consumers on how potatoes can help fuel performance in athletic activities. The new marketing campaign highlights the nutritional benefits of potatoes and their impact on energy and recovery. The 2017 program evaluation shows a strong return on investment overall for both retail marketing and export marketing. The only area that did not show a return was the refrigerated potato to consumer activities in the foodservice market. This area provided a negative return on investment of 7.3 percent. All other sectors of both domestic retail and export marketing provided a return of investment reaching upwards to over 1200 percent.

Blueberries: The US Highbush Blueberry Council conducts multiple research programs each year. A highlight of their current research exploring health benefits of blueberries includes the MIND Study, a research project to see if diet intervention can help prevent Alzheimer’s disease in human subjects. The Council has helped grow demand from that of the jelly and bakery preserves to over 25 major categories including nutraceuticals, pet foods, healthcare and natural cosmetics.

Japan and South Korea continue to be the largest export market for US Highbush Blueberries. These markets receive a focused effort to support the Council’s goal of building international demand. The Council continues to build relationships through in-country representation throughout Asia as the success of these markets supports the investment.

Research and Promotion Program Industry Revenue
FY 2019 Estimate
(Dollars in Millions)

<u>Commodity</u>	<u>Estimated Revenue</u>
Cotton.....	\$88.1
Dairy	333.7
Fluid Milk	88.2
Beef.....	3.9
Lamb	2.25
Pork.....	68.0
Soybeans	109.6
Sorghum.....	5.75
Eggs	30.0
Blueberries	9.5
Christmas Trees.....	1.5
Hass Avocado	61.0
Honey.....	6.9
Mango	6.5

Mushroom.....	5.3
Paper and Packaging	24.0
Peanut.....	13.5
Popcorn	1.0
Potato	20.5
Processed Raspberries.....	1.9
Softwood Lumber.....	15
Watermelon.....	3.6
Total	939.7

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

Congress amended the Agricultural Marketing Act of 1946 (the Act) on July 29, 2016, and mandated USDA to develop a National Bioengineered Food Disclosure Standard (NBFDS). The Act directs the Secretary to establish requirements and procedures necessary to carry out the new standard and creates a nationwide mandatory labeling requirement for foods that are or may be bioengineered. AMS solicited public input on thirty questions regarding the development of the proposed rule in the summer of 2017 and received over 112,000 responses. AMS published the study on electronic or digital link disclosures on September 6, 2017.

Selected Examples of Recent Progress

May 4, 2018 - AMS published a Notice of Proposed Rulemaking (NPRM) in the *Federal Register* that set forth the proposed NBFDS; received over 14,000 public comments.

AMS has submitted draft final rule to OMB for review with a goal of publishing a final rule on or about December 1, 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, regulatory representation, transportation disruption reports, technical assistance, and outreach to various Federal agencies and 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.

Selected Examples of Recent Progress

Congressional Directive on Rural Infrastructure, H.Rept.115-232: AMS completed research on prioritizing transportation infrastructure investments and met separately with wheat, soybean, tree nuts, and broiler exporters in Seattle, Washington; St. Louis, Missouri; Oakland, California; and Atlanta, Georgia. At these workshops, Washington State University presented findings from recent research efforts sponsored by AMS that models and measures infrastructure progress that supports specific export supply chains, and could be utilized to prioritize national, regional, and local transportation infrastructure investments. Similarly, AMS met with agricultural supply chain stakeholders in Weslaco and Laredo, Texas; Tucson, Arizona; and San Diego, California as Texas A&M Transportation Institute presented findings from recent research efforts sponsored by AMS that models and measures infrastructure progress that supports specific cross-border export supply chains. AMS also conducted outreach in response to House Report 115-232, which “urges AMS to make public the results of the research and agricultural transportation workshops so that stakeholders, policymakers, and transportation planners can address rural infrastructure deficiencies.”

2018 Ag Transportation Summit: Over 200 stakeholders, including producers, commodity groups, and transportation providers, along with representatives from Federal agencies and State governments, attended the 2018 Ag Transportation Summit, in Arlington, Virginia, sponsored by the National Grain and Feed Association and the Soy

Transportation Coalition, with support from AMS. The theme—*Connecting Growing Supply with Growing Demand*—was reflected in the remarks of speakers from government and industry. An overarching takeaway from the sessions was the need to address critical funding projects now, to make the connection between a growing supply and demand and to avoid missed opportunities. Many speakers mentioned that competition in the global market for agricultural products is becoming increasingly stronger, and the U.S.’s competitive advantage in transportation allows many American producers to compete against lower cost producers abroad. By not investing in transportation now, American producers face an increased likelihood of missing competitive opportunities in the future.

Workshops: Immediately following the summit, researchers from Washington State University and Texas A&M University presented the results of a series of workshops held across the country to develop a tool to help agricultural stakeholders and local policy makers prioritize investments in transportation, which would enhance the competitiveness of agricultural export supply chains. Ultimately, agricultural stakeholders and policy makers can use these tools to set regional priorities; mobilize additional resources from across jurisdictional boundaries; improve synergies across local agencies; and create more efficient infrastructure investments.

AMS also co-sponsored 7 Ag Shipper Workshops with the Agriculture Transportation Coalition (AgTC), facilitating discussion of ocean, rail, and truck regulatory, rate, and service issues for agricultural and forest product shippers and exporters in Fresno, Los Angeles, and Sacramento, California, Atlanta, Georgia, Boise, Idaho, Minneapolis, Minnesota, Kansas City, Missouri, and Portland, Oregon. In addition, AMS and AgTC hosted a roundtable with 52 members of the Agriculture Transportation Coalition and 19 leaders of the International Longshore and Warehouse Union who handle U.S. agricultural and forest product exports at all the West Coast container ports. AMS hosted a Port Terminals and Trucking workshop in which agriculture and forest products exporters—concerned when their cargo is subjected to fees and delay, government-imposed mandates, and carrier/terminal charges—met with terminal operators, trucking companies, and port decision-makers to explore these challenges and potential solutions at Los Angeles and Long Beach port terminals.

Electronic Logging Device and Hours of Service of Drivers: AMS supported USDA’s Office of the Secretary in multiple meetings with agricultural stakeholders and U.S. Department of Transportation and Federal Motor Carrier Safety Administration (FMCSA) officials regarding the electronic logging device (ELD) mandate and the hours of service (HOS) for drivers, in support of waivers, exemptions, and regulatory reform for hauling livestock and specialty crops. FMCSA granted two 90-day agricultural commodity ELD waivers, created a website for agricultural operations, provided additional truck driver flexibility concerning: (1) the use of a laden truck as a personal conveyance, and (2) the source of the agricultural commodity under the statutory 150 air-mile radius exemption from HOS. FMCSA also reached out to USDA regarding FMCSA’s interpretation of the statutory definition of agricultural commodity in 49 U.S.C. 31136 note.

Railroad Disruptions, Rate Reform, and Rail Service: In fall 2017, AMS met with the Surface Transportation Board to elaborate on the suggestions provided by Agriculture Secretary Perdue in his letter to Board Chairman Begeman on the service problems facing agricultural shippers who use CSX. USDA met with CSX’s Vice President of Federal Affairs, Vice President of Agricultural and Fertilizer Products, and Assistant Vice President of Federal Affairs, to discuss the latest progress on CSX’s precision scheduled railroading operating plan and the plan’s impact on agricultural shippers who contacted the Board, members of Congress, and USDA with their concerns. In spring 2018, CSX rail service improved.

AMS met with the Surface Transportation Board’s Rate Reform Task Force to discuss alternatives and provide suggestions on how the Board’s rate challenge procedures could be made more accessible to agricultural shippers. The Board postponed formal consideration of any significant changes pending Senate confirmation of three nominees for the Board.

AMS met with BNSF Railway’s Vice President for Agricultural Products for an update on the BNSF’s operations regarding agricultural products and participated in BNSF’s Ag Rail Business Council, National Grain Car Council, and Rail Energy Transportation Advisory Council meetings.

Direct Marketing/Locally Grown/ Rural Business Creation: Demand by consumers for locally-grown products continues to rise. In FY 2018, AMS further expanded and developed its on-line 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 mid-October 2018, the directories listed 8,739 farmers markets, 814 CSAs, 223 food hubs, and 1,482 on-farm markets, each category registering additional entries over FY 2017.

To bring more statistical rigor into the USDA National Farmers Market Managers Survey, AMS' Transportation and Marketing Program, Marketing Services Division (MSD) established a Memorandum of Understanding with the National Agricultural Statistics Service (NASS) to develop and administer a co-branded survey that takes advantage of NASS's statistical expertise and survey administration capacity coupled with AMS' industry knowledge. A draft survey instrument has been developed by AMS and NASS and is slated for circulation in FY 2019, with the publication of results expected in FY 2020. The survey is designed to provide detailed information on U.S. farmers markets activities and performance to help market managers and planners better assess the status of their operations using national and regional benchmarks, and plan more effectively for profitable outcomes.

During Fiscal Year 2018 (through August 2018), the AMS website generated:

- 218,304 pageviews
- 178,419 unique pageviews
- More than 100,000 visits to our four national Local Food Directories
- 240 new directory listings
- Nearly 6,000 visits to our 2016 report, *The Economics of Local Food Systems: A Toolkit to Guide Community Discussions, Assessments and Choices* (see below).
- Approximately 2,800 publication downloads (led by *The Economics of Local Food Systems* and *Community Supported Agriculture - New Models for Changing Markets* (2017), a report of a cooperative research study carried out by the University of Kentucky on emerging CSA business practices.

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 its initial release in February 2016, it has been viewed online nearly 60,000 times on both the AMS website and the partially AMS-funded resource portal www.localfoodeconomics.com.

Education and outreach efforts related to *The Economics of Local Food Systems* continued during FY 2018, bringing the number of in-person and virtual training workshops carried out by Toolkit authors to 30, reaching approximately 2,000 participants within fewer than three years. In FY 2018 these included:

2017 Local Foods for Local Tables Symposium, October 27-28, Omaha, NE, held in partnership with American Farmland Trust, University of Nebraska/ Nebraska College of Technical Agriculture Extension, and the Omaha-based nonprofit No More Empty Pots (a past recipient of an LFPP grant to develop a community kitchen and food hub). On October 27, the organizing team hosted a technically-focused Local Food Economic Development Toolkit Workshop for around 35 key stakeholders associated with American Farmland Trust's NIFA-funded "communities of opportunity" initiative. On the next day, October 28, MSD staff served as breakout session facilitators at a public gathering of approximately 170 people hosted by the Office of Congressman Don Bacon (R-Nebraska) to discuss local agricultural issues.

Local Food Economics Summit, May 31-June 1, Lawrence, KS and environs. The Summit aimed to educate Kansas stakeholders and policymakers about the economic and wealth creation benefits of local food systems, so that they would be more empowered to make the economic case for local food system investments and be better prepared to achieve their goals. The event was organized by AMS in partnership with American Farmland Trust, Johnson County (Kansas) government, Kansas State University Extension, and the Topeka, KS-based Sunflower Foundation. Formal training aspects of the Summit were augmented by testimony from local farmers and financial backers of farm enterprises.

An evaluation of Toolkit content and training carried out by Colorado State researchers in summer 2018 indicated that approximately 80 percent of respondents believed the materials improved their understanding of how to evaluate the economic impacts of local food systems, and 45 percent had already used the Toolkit's information or methods to support their local or regional food systems work.

To provide additional examples to the public on how to assess the economic impact of local and regional food system investments, in October 2018, AMS issued a call for papers from entities that had used AMS's economic impact assessment Toolkit or similar methods to guide their own local or regional food system initiatives. Accepted papers would appear in a special issue commissioned by AMS in the open-access Journal of Agriculture, Food Systems and Community Development (JAFSCD). The deadline for abstract submissions was November 30, 2017, and completed papers were due April 5, 2018. During the first phase of soliciting papers, MSD reviewed and provisionally accepted 20 papers from a wide cross-section of economists, community economic development and local food practitioners. Approximately a dozen papers have been approved for publication following an intensive peer review process and are scheduled to be published in winter 2019.

Technical Assistance/ Marketing Outreach/ Training:

Local Food, Local Places: AMS' MSD continued to serve as the lead organization representing USDA in the interagency initiative Local Foods, Local Places (LFLP), housed within the EPA Office of Community Revitalization. Under this initiative, six MSD employees participated in 10 on-site technical assistance workshops in FY 2018 designed to help community stakeholders, mostly in highly rural locations, use local/regional food system development as a strategy for generating local business growth and improvements in community quality of life. Services offered by MSD staff during these technical assistance workshops ranged from on-the-spot architectural design and schematic drawings, to education about business models, direct farm market operations, consumer and market trends, and Federal resources. All 10 workshops in which MSD employees participated took place in rural communities under 50,000 in population, and eight took place in communities under 25,000 in population, supporting rural prosperity. To provide sustained support to community members involved in local food system development activities, MSD staff also participated in multiple planning calls with local steering committee members before and after each workshop, and several MSD representatives participated in bi-monthly conference calls with other LFLP task force members to review the status of workshops and resolve outstanding concerns and issues. Workshops were held in the following locations:

- Helena, AR (population 11,320)
- Hindman, KY (population 733)
- Biddeford, ME (population 21,362)
- Duck Hill, MS (population 1,348).
- Farmington, New Mexico (population 41,629)
- Silver City, New Mexico (population 9,907)
- Cortland, NY (population 18,975)
- Andarko, OK (population 6,723)
- Coamo, PR (population 39,862)
- Hopewell, VA (population 22,735)

Early signals suggest that these LFLP workshops have had a notably positive affect on the ability of targeted communities to move forward with their local food system development goals. In March 2018, EPA's Office of Sustainable Communities released the results of a customer service survey sent to past participants, which revealed that community stakeholders viewed the technical assistance workshops as an important asset and motivator in advancing the development and implementation of their local food action plans. Nearly 80 percent of survey respondents noted that the action plans developed during their LFLP workshops were still active and continued to serve as a primary guidance document in planning next step strategies, while more than 70 percent observed that the workshops and recommended action steps had helped to strengthen local partnerships and increase community engagement around local food issues. Furthermore, nearly 30 percent of respondents commented that they had succeeded in completing all the goals outlined in their LFLP action plans, while the remaining respondents indicated that they had succeeded on average in achieving nearly half of the goals that they had initially outlined.

Wholesale Market Stakeholder Meeting: On January 25, MSD hosted the first-ever Wholesale Market Stakeholder meeting with the National Association of Produce Market Managers (NAPMM) and United Fresh Produce Association in Washington, DC, at the request of wholesale industry representatives who sought to reinvigorate AMS's historic support of wholesale produce market facilities. Other Federal partners in the meeting included Rural Development, the Food and Drug Administration (FDA), Department of Transportation (DOT), and the Department of Housing and Urban Development (HUD). The meeting focused on understanding the important role wholesale markets play in providing critical infrastructure linking food to population centers, as well as, Federal programs and services that could support market managers' efforts to facilitate the marketing and distribution of food. As a result of the meeting, AMS partnered with meeting participants to accomplish the following:

- Developed a short visual guide that outlines the respective regulatory implications of the Food Safety Modernization Act (FSMA) regulations on wholesale facility managers and market operators.
- Conducted food safety training for commercial producers in partnership with 1890 land-grant institutions, which has the longer-term potential to enable more small- and medium-sized produce farmers to directly supply their regional public wholesale terminal market.
- Provided the Maryland Food Center Authority (MFCFA), Jessup, MD with floor plans and renderings of the planned renovation concept for the Seafood Market. Reviewed designs by third-parties and conceptual recommendations were also presented to the MFCFA to improve the likelihood of successful project implementation.
- Facilitated two breakout sessions at the NAPMM annual conference in May to determine next steps on the

agreed upon goals from the wholesale stakeholder meeting in January.

- Initiated conversations with NAPMM leadership to identify data priorities and interactive functions that could be incorporated into a potential online wholesale market directory.
- Organized and participated in a panel discussion on the evolving relationship between USDA, wholesale produce markets and local food hubs at the Agriculture, Food and Human Values conference in June 2018 to encourage further research and analysis on the linkages between traditional produce market structures and local food supply chains.
- Facilitated an introduction between The Common Market local food hub and the Maryland Food Center Authority, which resulted in a new lease arrangement for the Maryland facility. The Common Market took possession of leased space at the Jessup, MD, facility and hired its first two D.C.-area based employees.
- Provided technical assistance to the Berkeley, CA-based Sustainable Agriculture and Education Center regarding the creation of a prospectus developed in June 2018 aimed at securing funding for a wholesale food center located in San Jose, CA.

National Direct Agricultural Marketing Summit: In September 2018 and in partnership with the University of Arkansas Cooperative Extension Service, Farm Credit Council (FCC), the Farmers Market Coalition (FMC), the Food Distribution Research Society (FDRS) and the National Value-Added Agriculture Conference (NVAA), organized the first-ever National Direct Agricultural Marketing Summit, held in Arlington, VA. The Summit offered 400 attendees the opportunity to receive training and technical assistance that would help them enhance their direct agricultural marketing and value-added food businesses.

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 Modernization Act and AMS food certification programs available to assist accessing new markets. This training was created as a result of an agreement between AMS and the 1890 Universities Foundation. Initial customer satisfaction surveys revealed that the participants found the training valuable to their efforts to increase their farm incomes, and their efforts to assist farmers in that goal.

AMS Marketing Service Division personnel also participated in 7 national or regional webinars, 10 in-person presentations to stakeholder groups, and approximately 30 in-person meetings during FY 2018 with various peer groups and visiting delegations to share knowledge, provide assistance, direct stakeholders to relevant resources, and explore opportunities for future partnerships.

External Partnerships: In FY 2018, AMS partnered with a number of land-grant universities and Federal agencies to research, develop, and support the growth of local and regional food systems. Some of the partnerships included:

Colorado State University -- Provided a roadmap and set of assessment tools for those planning, applying for, and implementing the suite of AMS local food grant programs. The partnership supported 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 provided additional outreach and website maintenance, as well as a journal call to stakeholders who have utilized the Toolkit methodology to measure local food investments.

Federal Reserve Board and the Federal Reserve Bank of St. Louis -- Partnered to publicize content from the joint Federal Reserve/USDA publication, *Harvesting Opportunity: The Power of Regional Food System Investments to Transform Communities*, released in August 2017. AMS took part in five regional "publication rollout" meetings organized by Federal Reserve Banks across the country to educate funders and financial intermediaries about opportunities for investments in the regional food sector, and identify potential areas of public/private partnership that could help support its growth.

Oregon State University -- Partnered to conduct education and outreach regarding findings resulting from OSU's forthcoming analysis of 35 previous AMS investments in local/regional meat and poultry projects.

University of Arkansas Cooperative Extension – Partnered with the University of Arkansas Cooperative Extension Service and the organizers of the National Value-Added Agriculture conference on the planning and execution of the 2019 National Direct Agricultural Marketing Conference, which is slated to be held in the Chicago area in fall 2019. In addition, the Illinois Farm Bureau has agreed to co-sponsor the event.

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 2018 examples include:

Frenchtown Farmers Market @ Heritage Hub, Tallahassee, FL -- MSD received existing PDF files of Frenchtown Farmers Market floor plans, equipment schedules, and desired layouts, and used this material to develop floor plans with equipment layouts, room sizes, and code items. These plans were subsequently developed into 3D-formatted drawings. The final product delivered by MSD consisted of a dimensioned design plan and equipment plan to scale.

Farmers Market Meat Shop, Hyattsville, MD -- MSD provided a floor plan review and noted where existing items and designs were not code compliant. The meat shop will allow local meat producers a location for both processing and direct retail sales.

Ripley's Flea Market, Ripley, MS -- MSD provided a preliminary design for a new market pavilion and event space located on the grounds of the existing flea market intended to bring together farmers, ranchers, artisans, artists, and customers in a safe, family-oriented, and inexpensive venue. As reported in Fleamarketzone.com, market owner Jerry Windham wanted to add on a farmer's market to his popular monthly flea market. Since contacting MSD, in partnership with his regional economic development commission and a local non-profit, Windham has been very satisfied with the service he has received. Overall, Windham comments that he's been "really impressed with their design and the structure [of the proposed farmers market]." He would recommend this USDA program to other markets looking to add on a farmer's market to their business. "They are very nice people and very eager to help," he says, noting that "they consider a lot of different things like crowd expectations, supply and logistics, and offer a lot of great insight." At present, Windham is working with local professionals to complete the design and construction of the new farmers market facility. Additional information about the project is available from www.firstmonday.ripley.ms

Produce Chopping Facility, Warrenton, NC -- MSD provided architectural technical assistance to Working Landscapes for the upgrade and build-out of a chopped produce facility. The project will entail renovating the interior of an existing building to include new food grade finishes and equipment layout. A proposed addition will provide the facility with the ability to maintain a cold chain operation with its loading dock, and connect cold storage access to the food preparation area

Texas Center for Local Food, Elgin, TX -- MSD provided design services to support the adaptive re-use of a historic sausage production factory and the establishment of a new Local Food Center building which would provide a location for a business incubator and commercial kitchen for value-added production. MSD provided floor plans with equipment layouts, room sizes, and code items which were subsequently developed into 3D renderings. Using these materials, the Texas Center for Local Food issued a bid for renovating the sausage factory and was able to convince the Elgin Economic Development Corporation Board to pledge \$800,000 toward construction of the new Elgin Local Food Center.

The Center for Integrated Agricultural Systems, University of Wisconsin, Madison, WI -- MSD developed floor plans with room sizes and code items and 3D-formatted drawings based on PDFs of an existing former Oscar Meyer plant that is being considered for local food aggregation activities by a nearby food hub. The final product delivered by AMS consisted of a dimensioned design plan to scale.

Packers and Stockyards Program

Current Activities

The Packers and Stockyards Division (PSD) 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. PSD'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, PSD helps sustain the economic viability of U.S. meat production.

Selected Examples of Recent Progress

PSD 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. PSD further divides the cases by either livestock or poultry.

In FY 2018, PSD opened 2,045 investigations. Most investigative work focused on the livestock sector, with financial investigations accounting for more than 58 percent of the total and trade practices investigations comprising about 37 percent. Competition investigations and all poultry investigations covered the remaining 5 percent of investigative work.

PSD closed 1,958 investigations without referral to the Office of the General Counsel (OGC). Custodial account reviews uncovered 171 violations with recoveries or shortage corrections of \$1,577,974. Of the 73 cases referred to Headquarters, 27 were closed after the responding entity stipulated to responsibility for the violation and agreed to pay penalties totaling \$77,725. PSD closed 34 investigations after referral to OGC, including 5 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 \$299,950 in civil penalties.

Investigations Opened / Closed in Regional Offices During FY 2018

	<u>Competition</u>		<u>Financial</u>		<u>Trade Practices</u>		Totals
	Livestock	Poultry	Livestock	Poultry	Livestock	Poultry	
Opened	12	0	1,185	3	765	80	2,045
Closed	11	0	1,174	3	710	60	1,958

Program Evaluations

PSD measures overall performance by reviewing targeted operations at randomly selected entities. PSD 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. PSD's overall performance rate is a composite index of five program-wide audit and inspection activities. In FY 2018, 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 2018, the industry compliance rate increased to 89.3 percent from 79.9 percent in FY 2017. All components of the compliance index increased from FY 2017. Poultry contract compliance exhibited the greatest improvement, increasing to 83.3 percent from 64.2 percent in FY 2017. In reviewing poultry contracts, PSD agents determine whether contracts properly disclose information required by the P&S Act and whether poultry dealers pay for poultry or poultry grower services within the time required by the Act. PSD works with live poultry dealers to ensure that their contracts with growers comply with the P&S Act and regulations. Poultry contract reviews have revealed lower levels of compliance than other performance measures in recent years but in FY 2018 the compliance rate was over 83 percent. The compliance rate for packer scales inspection rate increased to 91.3 percent from 85.6 in the prior year. Compliance in prompt payments for livestock also increased to 91.0 percent from 88.5 percent in the prior year. Scales and weighing practices for dealers, markets and feed mills rose to 100 percent from 89.6 percent in the prior year. In FY 2018, PSD realized an 89 percent level of industry compliance, exceeding its goal of 84 percent compliance. As PSD continues its work with regulated entities, AMS anticipates an overall industry compliance rate of 84 percent in FY 2019.

Grain Regulatory Program

Current Activities

Export Registration - In 2017, China passed a law requiring that all grain exporting countries to China must supply addresses of export locations. If an exporter was not on the list of U.S. exporters, the grain shipment would be rejected. In FY 2018, FGIS worked diligently to make sure all the U.S. grain exporters and grain export facilities were registered with FGIS by the implementation date of January 1, 2018. FGIS provided biweekly updated lists of

registrants to Chinese officials to ensure U. S. grain shipment continued to enter China uninterrupted. FGIS requires all grain exporters to register with the program on an annual basis.

Translated Official Materials - To improve communication with other countries and promote the quality of FGIS inspection services, International Affairs translated U.S. Grain Standards into Chinese, Spanish, French, Arabic, Korean, and Japanese. FGIS sent the translated standards to U.S. Embassies and USDA Cooperator Organization global offices. FGIS is working on translating PowerPoint presentations on various inspection topics and descriptions of damaged kernel line prints. So far, FGIS has translated the damaged kernel line prints into Chinese and Spanish. These translations help other countries better understand the Official U.S. Grain Inspection System.

Testing Method Improvement - In response to current challenges in determining Hard and Vitreous Kernels of Amber Color (HVAC) in durum wheat, FGIS began a research project to determine if a bleaching process can improve the speed and consistency in assessing this quality factor. Initial work indicates a bleaching process could increase accuracy and consistency, while maintaining or reducing the time it takes to determine HVAC. After refinement of the bleaching process, additional work will be performed to confirm that the new procedure provides results in alignment with the current procedure. We also plan to investigate potential imaging platforms, which could automate the process of evaluating the bleached kernels providing even greater speed and consistency in measuring this important quality factor.

Program Evaluations

FGIS began monitoring certificate accuracy in FY 2016, 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 2018, FGIS certificate accuracy was 98.0 percent.

Warehouse and Commodity Management

Current Activities

Warehouse and Commodity Management activities were transferred to AMS in 2018. AMS' Warehouse and Commodity Management Division (WCMD) supports the agricultural community through a variety of programs which are essential to promoting agricultural production and food security. WCMD administers the U.S. Warehouse Act of 1916 (USWA) and certain provisions of the Commodity Credit Corporation (CCC) Charter Act of 1933. WCMD's mission is to oversee the formulation of national policies and procedures to administer a nationwide warehousing system, establish posted county prices for major farm program commodities, and manage CCC commodity inventories and cotton economic assistance programs. WCMD acquires, barter, sells and manages CCC-owned inventories; routinely analyzes locations, conditions and quantity of the stocks as part of its quality assurance processes; and, establishes the Posted County Prices (PCPs) that are used to determine alternative loan repayment rates for CCC marketing assistance loans and loan deficiency payments. These prices conform to legislation and policy and program objectives. WCMD also operates the Economic Adjustment Assistance Program (EAAP) for upland cotton, and the Special Competitive Provisions Program for Extra Long Staple (ELS) cotton. The division fosters fair trade practices by strengthening internal controls and price management and by providing reliable protections for producers storing products in USWA-licensed or CCC-approved warehouses.

Selected Examples of Recent Progress

CCC-owned Inventories, Storage, and Handling: In FY 2018, The Commodity Credit Corporation (CCC) sold 258.90 tons of peanuts and 31,313.84 bushels of wheat. CCC exchanged 77,770,920 pounds of peanuts for 12,674,888 pounds of peanut butter. At the end of FY 2018, CCC maintained 59,478.73 tons of peanuts and 7,099.63 bushels of wheat in inventory. The total amount of storage paid by the Commodity Management Branch was \$283,649.29.

Economic Adjustment Assistance Program for Domestic Users of Upland Cotton: The 2014 Farm Bill authorized USDA to provide economic adjustment assistance to domestic users of upland cotton in the form of payments. In FY 2018, \$48.2 million was paid to domestic users of upland cotton to support U.S. manufacturing infrastructure.

Extra-Long Staple (ELS) Cotton Competitiveness Program: The ELS Program did not "trigger" during FY 2018. The domestic price of ELS cotton remained above the statutorily defined limit of 134 percent of the loan rate.

Market Rates/Posted County Prices (PCPs): Extensive market research is done on a daily basis to value 23 commodities that are eligible under the Marketing Assistance Loan (MAL) program. Over 350,000 prices are calculated daily to establish PCPs, based on market research. This process is directly tied to the Farm Bill and is used by other components of USDA.

Licensing Activities: In FY 2018, 794 USWA licenses were in effect at 3,217 locations. There were 27 staff years, which includes Federal examiners, used in administering the Federal licensing of warehouses under the USWA, performing audits for CCC programs, performing quality assurance reviews at suppliers' facilities and review of on-site examinations at 2,700 grain, 164 cotton, 314 peanut, and 86 miscellaneous commodity warehouses. In addition, CCC storage agreement onsite examinations were performed at multiple commodity warehouses (130 grains, 276 cotton, and 130 sugar commodity warehouses).

Storage Agreement Activities: In FY 2018, CCC had storage agreements with about 1,500 commercial warehouse operators in over 6,100 locations in the U.S. for the storage of Government-owned and loan grain and rice, cotton, peanuts, sugar and processed commodities.

The capacities of the warehouses with CCC storage agreements in FY 2018 were as follows: 9.6 billion bushels of grain and rice; 19.6 million bales of cotton; 3.8 million short tons of peanuts; 13.7 billion pounds of sugar, and 13.7 million pounds of processed (dry) grain, rice, and cotton. Warehouses that are not licensed under the USWA may be assessed fees for CCC storage agreements; the collection of these fees is currently suspended.

International Food Procurement

Current Activities

AMS Commodity Procurement Program (CPP) is responsible for coordinating the procurement of domestic agricultural products and services for distribution through international food aid programs. Consistent with Executive Order 13781, "Comprehensive Plan for Reorganizing the Executive Branch", the International Food Procurement activity was transferred to AMS 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.

Section 3001 of the 2008 Farm Bill provides for purchases by USDA under Food for Peace Act. Title II of the Food for Peace Act: Emergency and Private Assistance Programs—provide for the direct donation of U.S. agricultural commodities for emergency relief and development programs. In FY 2018, AMS purchased \$447.3 million of commodities under this authority.

Section 3105 of the 2008 Farm Bill provides for purchases by USDA under the Food for Progress Act of 1985. Food for Progress helps developing countries and emerging democracies modernize and strengthen their agricultural sectors. U.S. agricultural commodities donated to recipient countries are sold on the local market and the proceeds are used to support agricultural, economic or infrastructure development programs. In FY 2018, AMS purchased \$72.7 million of commodities under this authority.

Section 3106 of the 2008 Farm Bill provides for purchases by USDA under the McGovern-Dole International Food for Education and Child Nutrition Program. The McGovern-Dole International Food for Education and Child Nutrition Program helps support education, child development and food security in low-income, food-deficit countries around the globe. The program provides for the donation of U.S. agricultural commodities, as well as financial and technical assistance, to support school feeding and maternal and child nutrition projects. In FY 2018, AMS purchased \$33.2 million of commodities under this authority.

Selected Examples of Recent Progress:

Foreign Food-Aid Humanitarian and Developmental Assistance Programs – In FY 2018, AMS procured more than 1.5 million metric tons of grains, processed grain products, vegetable oil, pulses (such as dried beans, peas, and lentils), empty bags, and other products valued at approximately \$553.2 million for food assistance programs throughout the world.

The following chart reports the products that were procured under these programs:

FY 2018 International Program Purchases		
Item	Quantity	Unit
Bags	8,932,000	Count
Bulk Grain Products	1,066,550	Metric Tons
Peas, Beans and Lentils	165,550	Metric Tons
Milled Corn Products	76,760	Metric Tons

Oil Products	115,612	Metric Tons
Milled Wheat Products	12,670	Metric Tons
Rice Products	51,190	Metric Tons
Bagged Whole Grain	32,390	Metric Tons

Commodity Exchanges – In FY 2018 approximately 39,000 tons of CCC-owned peanuts, acquired through loan forfeitures, were exchanged for over 12.6 million pounds of peanut butter to be used in food banks throughout the United States and its territories. This is in support of domestic programs administered by the Food and Nutrition Service (FNS).

Pursuit and Recovery of Foreign Agriculture Service Funds – At the request of the Foreign Agricultural Service, the program pursued debts for losses incurred on international food aid shipments, successfully resolving the outstanding liability. As a result, FAS will receive over \$1.1 million for reprogramming and the purchase of additional food aid for the Food for Peace Program and the McGovern Dole Food for International Education Program. These funds would have been time-barred and lost had CPP not assisted in their recovery.

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 AMS services include grading programs, under which products are evaluated according to U.S. standards for classes and grades. AMS audit-based assessment programs in response to the industry’s growing need for independent analysis of products and processes to facilitate the marketing of agricultural products. The agency’s laboratory services provide analytical testing to AMS commodity purchase programs, other Federal agencies, and the agricultural and food community, to ensure products meet food safety and quality requirements.

Selected Examples of Recent Progress:

Dairy Products Grading – The Dairy Grading Branch continues to provide buyers and sellers with an impartial evaluation of product quality, so businesses and consumers can buy with confidence. The marketing of dairy products worldwide continues to be the on-going mission of the Dairy Grading Program.

Fees and Charges in Effect in 2018:

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

As international market access continues to expand through trade negotiations, AMS Dairy Grading Program continues to work to improve services provided to customers by enhancing its current systems. Enhancements to the Electronic Document Creation System (eDocs) within the last year have allowed customers to request Columbia and Turkey Sanitary Export Certificates using a secure web-based service. In September 2018, the U.S. and Turkey governments reached an agreement on the export of dairy products leaving the U.S. going to Turkey. With this agreement, the dairy industry will now request Turkey export certificates on-line through eDocs. Export certificate requests to Turkey increased 79 percent in 2018. It is anticipated that certificate requests will continue to increase with the new agreement now in place.

In FY 2018, the Dairy Grading program issued more than 53,000 export certificates, representing a 15 percent increase over FY 2017. Export certificate requests to China during FY 2018 continue to remain the highest of all countries, showing a 17 percent increase over the previous fiscal year. The impacts of the imposition of retaliatory tariffs by Mexico and China on a range of U.S dairy products has not been truly felt as these tariffs have only been in effect since July. Despite these tariffs the Dairy Grading Branch audit team continues to fulfill requests from plants currently or interested in shipping dairy products to China. To date over 200 China audits have been completed.

Specialty Crops Inspection – This program offers both grading and audit-based verification services for the food industry. In FY 2018, the program inspected and certified 10.7 billion pounds of processed fruit and vegetable products and 49.9 billion pounds of fresh fruits and vegetables. These totals include more than 1.2 billion pounds of fresh and processed fruit and vegetable items valued at \$713 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 product valued at \$11 million for the 2018 school year. The program also inspected more than 7,183 lots, or 410 million servings, of military combat rations at 18 processing plants nationwide and in American Samoa to ensure the quality of the military’s food components. The program expanded this year to cover inspections of added production volume needed to replenish ration stocks depleted due to hurricane relief. Grading and inspection services were provided by 451 Federal employees at 31 Federal receiving markets, 378 processing facilities, and 28 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.

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.

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 2018, AMS and its licensed auditors conducted more than 3,300 food safety audits on more than 100 different commodities in all 50 States, Puerto Rico, and Canada.

AMS aligned the USDA Harmonized GAP audit with the technical requirements of the Food Safety Modernization Act Produce Safety Rule to streamline complex regulatory requirements; provide the 250,000 farms subject to the PSR, which grow or handle some \$43 billion of fresh produce for human consumption each year, with metrics that help them assess how ready they are to meet the Rule’s goal of increasing food safety; and, facilitate market access for the specialty crops industry.

AMS achieved technical equivalency of the USDA Harmonized GAP Plus+ audit to the Global Food Safety Initiative’s *Technical Equivalence for Government based Certification Programs* requirements to save America’s growers and handlers time, money, and effort by providing a single government-based certification program audit that is aligned with industry-recognized food safety audit requirements and meets multiple U.S. and international regulatory and market requirements.

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.
- 23 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.
- 42 Domestic Origin Verification audits at facilities to confirm products supplied for USDA food purchases were of domestic origin.
- 8 Unprocessed Fruit and Vegetable Pilot vendor audits.
- 6 Plant Systems audits to assess an operations quality assurance system.
- 5 Identity Preservation audits to assess a marketing claim about a unique characteristic of a product.
- 5 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.
- 27 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 2 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 1,422 label applications under the Child Nutrition (CN) Labeling program, which is managed by AMS; conducted outreach; and provided training to CN manufacturers and school food service professionals on program and procedures.

National School Lunch Program Support – In FY 2018, AMS inspected 1.2 million pounds of fresh and processed fruit and vegetable items valued at \$713 million for domestic feeding programs (school lunch). 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 2018, AMS updated the microbiological testing requirements for fresh cut produce and revised the specifications for bulk apples for further processing, and the testing requirements for fresh-cut produce to facilitate the acquisition of the best product for the best price while maintaining fairness for growers and processors. We also revised the eligible vendor requirements for the Pilot. In FY 2018, AMS approved 21 of the 45 applications reviewed, bringing the total number of approved vendors for the program to 92. We also conducted 8 audits of vendors in the program.

Military Support-Combat Ration Inspection – During FY 2018, AMS coordinated the inspection of 7,183 lots, or 410 million servings, of military combat rations at 18 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 and reduce costs, including by ensuring packaging integrity, enhancing product shelf life, and streamlining inspections.

AMS has begun work to develop a new automated business platform for specialty crops inspections and audits. The new system will replace existing legacy systems and other feeder programs.

Fees and Charges in Effect for Processed Fruit and Vegetable Grading in 2018:

<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 2018:

<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 Grain Auditing Services: AMS conducts a wide variety of audits primarily serving the livestock, meat, poultry, and grain industries with a team of 22 auditors. In FY 2018, AMS conducted 2,000 audits for 850 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). AMS received 137 new service agreements for auditing services in the past 12 months.

USDA Process Verified Program – The USDA Process Verified Program (PVP) is built upon the International Organization for Standardization (ISO) 9001 Quality Management Systems Standard and provides agricultural producers and product marketers the opportunity to assure customers of their ability to provide consistent quality through independent, third party audits. Under the USDA PVP, companies develop their own marketing claims regarding production practices (e.g., grass-fed beef cattle, and poultry raised without antibiotics).

In FY 2018, the USDA PVP program sustained its strong demand, with a total of 122 PVP programs audited by AMS. Production claims continue to be high priority attributes for USDA process verification customers, 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.

Livestock/Poultry/Grain Audit Fees and Charges in Effect in 2018:

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

Meat Grading Service – During FY 2018, AMS provided grading services to 232 meat packing and processing plants, including the addition of 32 new meat service agreements. A total of 23.0 billion pounds of beef, 77.6 million pounds of lamb, and 23.4 million pounds of veal/calf products were graded using USDA quality standards (e.g., Prime, Choice, Select) or evaluated against various company or trade-developed specifications. Roughly 96 percent of steer/heifer, 59.3 percent of lamb, and 27.1 percent of veal commercial slaughter in the U.S. are voluntarily graded.

Fees and Charges in Effect in FY 2018:

<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 2018, AMS graded 7 billion pounds of poultry and 2.9 billion dozen shell eggs, at 529 poultry and shell egg plants across the U.S. AMS received 110 new poultry and shell egg grading service agreements in FY 2018, and these grading services covered about 28 percent of the turkeys slaughtered, 20 percent of the broilers slaughtered, and 55 percent of the shell eggs produced in the U.S. (excluding eggs used for breaking and hatching). AMS issued export certificates for over 85.9 million dozen shell eggs, assuring foreign buyers that their requirements for product quality were met.

Fees and Charges in Effect in FY 2018:

<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 2018, AMS tested 1,629 samples and issued 1,520 Seed Analysis Certificates. Most of the samples tested and certificates issued represent seed scheduled for export. Fees collected for these activities in 2018 totaled \$139,283.

Fees and Charges in Effect in 2018:

<u>Service Performed</u>	<u>Fees</u>
Laboratory Testing	\$58.00 per hour
Administrative Fee	14.50 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 2018, AMS approved the shipment of approximately 140 million pounds of seed.

Cotton Grading – AMS classed 20.4 million bales of cotton under the grower-classing program in FY 2018, with all cotton classed by the High Volume Instrument (HVI) method. This represents a 21.43 percent production increase from the FY 2017 level of 16.8 million samples submitted. Classing information is provided electronically to owners of the cotton. In FY 2018, the Cotton Program disseminated classing data for over 67 million bales, a 16 percent increase from FY 2017. 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 232,330 bales of cotton submitted for futures certification during 2018. This futures certification total was a 33 percent decrease as compared to FY 2017 when certification services were provided on 693,589 samples.

Fees and Charges in Effect in 2018:

<u>Service Performed</u>	<u>Fees</u>
Form 1 Grading Services or Review	\$2.30 per bale <i>a/</i>
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 2018, AMS graded 13.2 million kilograms of imported tobacco and 46.8 million pounds of domestic tobacco for exporting. Cotton and Tobacco Program performed sampling for pesticide testing on 8.8 million kilograms of tobacco to ensure that pesticide residue levels are within acceptable tolerance. In addition, 74.4 million pounds of tobacco were graded under a Memorandum of Understanding with USDA’s Risk Management Agency (RMA), an increase of 1.03 percent from FY 2017. RMA provides producers with crop insurance services. Cotton and Tobacco Program provides RMA and the producer with a quality grade, which is used by RMA to assign a crop insurance rate and value to the crop.

Fees and Charges in Effect in 2018:

<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 Testing Sampling	0.0065 per kg
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) – AMS 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, AMS:

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.

- NSL’s primary mission is to serve AMS commodity programs, other Federal agencies, such as the Department of Defense (DOD), academia, research institutions, and industries, with analytical testing in support of grading, commodity purchases, exports, compliance, product specifications, and research.
- 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 2018, AMS administered laboratory approvals for four overarching programs: Export of Meat and Poultry, Aflatoxin Testing in Nuts, Microbiological Testing for the Federal Purchase Program, and for the AMS Dairy Program. In total, 73 labs participate in these three programs. In administering these programs, AMS 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, AMS continues to provide testing services and laboratory supervision at its satellite laboratory on-site at a peanut shelling facility. In addition to the testing for the local peanut plant, this USDA satellite lab tests export samples from their various peanut facilities. In FY 2018, AMS expanded its adulteration and additive testing section. This was in direct response to the needs of the honey and citrus industries.

In FY 2018, the NSL analyzed over 41,000 samples of various agricultural commodities, many of which were tested for multiple analyses. NSL provided analytical testing services to other Federal programs, including DOD, NOP, ARS, and APHIS as well as private customers. In FY 2018, NSL successfully handled a 54% surge in military rations samples by cross-utilizing a severely streamlined staff and implementing process improvements; implemented adulteration/authenticity testing that industries urgently need to confront adulteration challenges in honey, citrus juices and olive oil; renewed accreditation to ISO 17025 at all three NSL locations, receiving complements for continuing to improve the quality aspects of the labs; and expanded the usefulness of the LabWorks LIMS to build economies of scale and further automate lab functions and processes.

During FY 2018, LAS led the EU audit of the US pistachio industry and coordinated recommendations, improvements, and responses to the EU in response to the audit. Also, LAS continued to improve all aspects of the programs and received positive feedback from numerous customers throughout the audit year.

Fees and Charges in Effect in 2018:

<u>Service Performed</u>	<u>Fees</u>
Laboratory Testing Services	\$88.00 per hour
Laboratory Approval Services	188.00 per hour

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 managed by the Plant Variety Protection Office (PVPO) and funded through application fees for certificates of protection. During FY 2018, PVPO officially launched the electronic Plant Variety Protection (ePVP) System (October 2, 2017), providing customers with an online system to submit and track applications, attach files, respond to requests for data, and pay fees. Also, several enhancements were released in August including, volume upload of corn applications, advanced reporting, refinements to the variety distinctness search tool, retirement of the legacy STAR Database System, and numerous enhancements to the customer portal making entering applications and paying fees easier. PVPO also launched (July 30, 2018) a separate pay.gov form to allow customers to pay application fees outside of the ePVP System.

Also, PVPO developed forms for new characteristics for strawberry and quinoa applications, adopting the International Union for the Protection of New Varieties of Plants (UPOV) table of characteristics making it easier for applicants outside the US to apply for US PVP and aligning the two forms with the international community on the reporting and examining of strawberry and quinoa varieties.

Selected Examples of Recent Progress

More than 140 species of plants are currently protected under the PVP Act. In FY 2018, AMS received 526 applications for plant variety protection of new seed and tuber propagated agricultural and ornamental plant varieties. PVPO conducted examinations on 616 applications to determine whether the plant constituted a new variety. PVPO continues to process applications from receipt to issuance within 1.5 years or less. More than 8,030 certificates of protection are in force.

PVPO launched a new fee payment form from the pay.gov system to give customers another way to make payments for applications. The new pay.gov form has already been used by more than ten customers to make electronic payments.

The ePVP system was officially launched at the beginning of fiscal year 2018 on October 2, 2017. 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. The ePVP system replaced the legacy STAR Database system, which was decommissioned on December 29, 2017 after 29 years of service to the program.

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

LIMITATION ON ADMINISTRATIVE EXPENSES

The appropriations language follows (new language underscored; deleted matter enclosed in brackets):

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, 2020	\$60,982,000
2019 Annualized Continuing Resolution.....	<u>61,227,000</u>
Change in Appropriation.....	<u><u>-245,000</u></u>

ACCOUNT 2: PAYMENTS TO STATES AND POSSESSIONS**APPROPRIATIONS LANGUAGE**

The appropriations language follows (new language underscored; deleted matter enclosed in brackets):

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)), \$1,109,000.

LEAD-OFF TABULAR STATEMENT**Table AMS-13. Lead-Off Tabular Statement**

Item	Amount
2019 Annualized Continuing Resolution	\$1,235,000
Change in Appropriation.....	-126,000
Budget Estimate, 2020	<u>1,109,000</u>

PROJECT STATEMENT**Table AMS-14. Project Statement (thousands of dollars, staff years (SY))**

Item	2017		2018		2019		Inc. or Dec.	Chg Key	2020	2020	
	Actual	SY	Actual	SY	Estimate	SY				Budget	SY
Discretionary Appropriations:											
Payments to States and Possessions											
	\$1,235	1	\$1,235	1	\$1,235	1	-\$126	(1)	-	\$1,109	1
Total Appropriation.....	1,235	1	1,235	1	1,235	1	-126		-	1,109	1
Total Available.....	1,235	1	1,235	1	1,235	1	-126		-	1,109	1
Lapsing Balances	-58	-	-12	-	-	-	-		-	-	-
Total Obligations.....	1,177	1	1,223	1	1,235	1	-126		-	1,109	1

The numbered justifications items are keyed to the Change Key (Chg Key) column on the Project Statement.

Federal-State Marketing Improvement Program

The program is a competitive grant program that provides matching funds to State departments of agriculture, State agricultural experiment stations, and other appropriate State agencies for marketing improvement efforts.

State agencies may perform the work or contract with others but must contribute at least one-half of the cost of the projects. This program has funded many types of projects, such as electronic marketing and agricultural product diversification. Grants were awarded for nine projects in 2018 to State agencies and universities.

- (1) A decrease of \$126,000 to the Federal-State Marketing Improvement Program (\$1,235,000 and 1 staff year available in 2019).

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.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS

Table AMS-15. Geographic Breakdown of Obligations (thousands of dollars)

Federal-State Marketing Improvement Program

Distribution of obligations by States is not available until projects have been selected. Projects for 2019 will be selected in the fourth quarter of 2019. Funds in 2019 for the Federal-State Marketing Improvement Program total \$1,235,000. Funds in 2020 for the Federal-State Marketing Improvement Program would total \$1,109,000.

State/Territory/Country	2017 Actual	2018 Actual
Arizona	-	\$98
California.....	\$197	-
Colorado	-	137
Hawaii.....	103	-
Kansas.....	177	-
Michigan.....	-	220
New York	-	144
Oregon	149	-
Rhode Island.....	-	51
Tennessee.....	312	182
Texas.....	-	146
Vermont.....	-	132
Obligations.....	938	1,110
Lapsing Balances	58	12
Administrative Expenses	239	113

Specialty Crop Block Grants

FY 2018 funding of \$74,390,000 was provided for the Specialty Crop Block Grant Program pursuant to the 2014 Farm Bill (Public Law 113-79). Solicitation of grants applications was released March 7, 2018. Applications were accepted through May 24, 2018 and awarded on September 12 and 13, 2018. This is a formula block grant program; 2019 and 2020 amounts are estimates based on the formula net sequester.

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Alabama	\$424	\$495	\$577	\$577
Alaska	213	252	290	290
American Samoa.....	239	284	325	325
Arizona.....	1,146	1,501	1,559	1,559
Arkansas.....	303	351	412	412
California	19,286	22,678	26,243	26,243
Colorado.....	691	875	940	940
Connecticut	321	414	437	437
Delaware	299	363	407	407
District of Columbia.....	202	240	275	275
Florida.....	3,744	4,345	5,095	5,095
Georgia.....	1,123	1,337	1,528	1,528
Guam.....	204	243	278	278
Hawaii	427	502	581	581
Idaho	1,761	2,070	2,396	2,396
Illinois	552	692	751	751
Indiana	410	496	558	558
Iowa	282	334	384	384
Kansas.....	296	349	403	403
Kentucky.....	287	341	391	391
Louisiana.....	347	407	472	472

2020 USDA EXPLANATORY NOTES – AGRICULTURAL MARKETING SERVICE

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Maine	530	586	721	721
Maryland	408	498	555	555
Massachusetts	372	436	506	506
Michigan	1,805	2,153	2,456	2,456
Minnesota	1,195	1,397	1,626	1,626
Mississippi	356	441	484	484
Missouri	375	442	510	510
Montana	1,265	1,582	1,721	1,721
N. Mariana Islands	204	242	278	278
Nebraska	600	697	816	816
Nevada	250	295	340	340
New Hampshire	256	298	348	348
New Jersey	672	798	914	914
New Mexico	503	612	684	684
New York	1,167	1,364	1,588	1,588
North Carolina	1,093	1,293	1,487	1,487
North Dakota	2,485	3,011	3,381	3,381
Ohio	577	586	785	785
Oklahoma	529	631	720	720
Oregon	1,739	2,069	2,366	2,366
Pennsylvania	969	1,129	1,320	1,320
Puerto Rico	452	535	615	615
Rhode Island	233	277	317	317
South Carolina	474	562	645	645
South Dakota	290	327	395	395
Tennessee	487	556	663	663
Texas	1,652	2,100	2,248	2,248
Utah	298	358	405	405
Vermont	275	333	374	374
Virgin Islands	203	242	276	276
Virginia	481	556	655	655
Washington	4,110	5,108	5,593	5,593
West Virginia	249	296	340	340
Wisconsin	1,182	1,426	1,608	1,608
Wyoming	298	353	405	405
Obligations	60,591	72,158	82,447	82,447
Lapsing Balances	4	-	-	-
Administrative Expenses	1,902	2,232	2,553	2,553
Total, Available	62,497	74,390	85,000	85,000

CLASSIFICATION BY OBJECTS

Table AMS-16. Classification by Objects (thousands of dollars)

Item No.	Item	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
	Personnel Compensation:				
	Washington D.C.....	\$142	\$80	\$83	\$82
	Personnel Compensation, Field.....		-	-	-
11	Total personnel compensation	119	80	83	82
12	Personal benefits	37	24	25	24
	Total, personnel comp. and benefits.....	156	104	108	106
23.3	Communications, utilities, and misc. charges	8	7	6	5
25.4	Operation and maintenance of facilities	74	70	60	55
41.0	Grants, subsidies, and contributions.....	939	1,046	1,061	943
	Total, Other Objects.....	1,021	1,123	1,127	1,003
99.9	Total, new obligations.....	1,177	1,223	1,235	1,109
	Position Data:				
	Average Salary (dollars), GS Position	\$141,555	\$79,720	\$82,720	\$85,720
	Average Grade, GS Position	14	12	12	12

STATUS OF PROGRAMS

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 dollar-for-dollar 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 2018, AMS received 26 applications requesting over \$3.5 million. AMS awarded approximately \$1.1 million to support nine projects as of September 2018. Funds for this program are awarded through a competitive process in which applications are reviewed by external peer reviewers, who evaluated the applications based on criteria published in the Requests for Applications. This review serves as the basis for establishing 3-year grant agreements with the highest-ranking applications. Information on the amounts awarded and the projects funded is available on <http://www.ams.usda.gov/services/grants/fsmip>.

AMS ensures that recipients fulfill the purpose of the program and abide by Federal assistance regulations and laws by requiring and analyzing financial and performance reports, select source documentation for payment requests, and providing technical assistance for grant recipients. In FY 2018, AMS managed a total of 30 FSMIP grant agreements amounting to almost \$2.3 million that consisted of grants awarded from FY 2015 to FY 2017. Over the course of FY 2018, AMS closed 15 of these grant agreements ensuring compliance with the Grants Oversight and New Efficiency (GONE) Act.

The Kansas Department of Agriculture (KDA) completed a project in FY 2018 in which project staff provided workshops and resources that provided Kansas poultry producers with the knowledge of how to grade eggs to encourage uniformity and consistency in commercial practices, resulting in better marketing and an increase in profit. Collaborating with Kansas State University, KDA held four workshops throughout Kansas, training 120 poultry producers throughout the State in topics ranging from egg-grading to food safety and egg stamp and licensing to poultry disease screening. It also developed an egg-grading resource manual that included an egg fact sheet, safe handling practices handout, stamp information, poultry disease handout, and USDA egg-grading manual.

Program Evaluations: In FY 2018, AMS partnered with Auburn University's Auburn Center for Evaluation (ACE) to identify the impact on the agricultural industry and consider improvements to FSMIP. ACE will make recommendations by: analyzing economic impacts, identifying common project categories, suggesting performance measures, and presenting program efficiency improvements. This evaluation will be conducted throughout FY 2019, with results expected to become available by December 2019.

Specialty Crop Block Grant Program (SCBGP) (Farm Bill Funded)

Current Activities

The Specialty Crop Block Grant Program was authorized by the Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621 note). It provides non-competitive, formula funds to the State departments of agriculture to enhance the competitiveness of specialty crops. Specialty crops are defined as fruits and vegetables, tree nuts, dried fruits, and nursery crops (including floriculture).

Selected Examples of Recent Progress:

In FY 2018, AMS received 56 applications from the State departments of agriculture, requesting to implement a total of 788 projects amounting to \$72.2 million. Awards were made in September 2018. Funds for this program are awarded through a non-competitive process in which applications are reviewed to ensure that projects meet the purpose of the program and align with Federal assistance regulations and laws. This review serves as the basis for establishing 3-year grant agreements. Information on the amounts awarded and the projects funded is available on <http://www.ams.usda.gov/services/grants/scbgp>.

AMS ensures that recipients fulfill the purpose of the program and abide 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. In FY 2018, AMS managed approximately 168 SCBGP grant agreements amounting to almost \$252 million that implemented almost 3,000 projects that consisted of grants made from FY 2014 to FY 2017. In addition, AMS closed 50 of these grant agreements ensuring compliance with the Grants Oversight and New Efficiency (GONE) Act.

The Tennessee Department of Agriculture completed a grant agreement in FY 2018 that enabled 14 selected projects to prepare a manual for Christmas tree farmers; look at ways to help field-grown nurseries respond to fire ants; improve Northeast Tennessee buyer-producer networks; and examine ways to increase sales and income for Tennessee's specialty crop producers.

Program Evaluations: In FY 2017, AMS partnered with Purdue University's Evaluation and Learning Research Center (ELRC) to identify the impact on the specialty crop industry and consider improvements to the SCBGP. This evaluation took place during FY 2018 and AMS is expecting the results by December 2018. The evaluation specifically conducted a multi-phase evaluation of the FY 2013 grant agreements framed around specific evaluation questions and the FY 2016 program's standardized outcome measures and indicators.

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

Current Activities

The Specialty Crop Multi-State Program (SCMP) was authorized by the Specialty Crop Competitiveness Act of 2004 (7 U.S.C. 1621 note), as amended by the Agricultural Act of 2014 (Public Law 113-79). It provides funds to 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. Specialty crops are defined as fruits and vegetables, tree nuts, dried fruits, and nursery crops (including floriculture). SCMP grants are funded from a portion of the SCBGP funds, which remain available until expended.

Selected Examples of Recent Progress

In FY 2017, SCMP published a Request for Applications 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. AMS received 57 applications requesting almost \$38 million. AMS awarded \$7 million to eleven projects in FY 2018. Awards were made in April 2018. Funds for this program are awarded through a competitive review in which applications are reviewed by external peer reviewers, who evaluated the applications based on criteria published in the Requests for Applications. This review serves as the basis for establishing 3-year grant agreements with the highest-ranking applications. Information on the previous amounts awarded and the projects funded is available on <http://www.ams.usda.gov/services/grants/scmp>.

AMS ensures that recipients fulfill the purpose of the program and abide 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. In FY 2018, AMS managed a total of 15 SCMP grant agreements funded at approximately \$9.7 million that consisted of grants awarded from FY 2016 to FY 2018.

An ongoing grant with the Pennsylvania Department of Agriculture in partnership with Clemson University, Michigan State University, University of Georgia and the University of Georgia Cooperative Extension sought to find ways to mitigate Armillaria root rot which threatens both forest and fruit tree crops, impacting farmers in many states. These partners used an SCMP grant to launch a project to evaluate potential solutions including an Above Ground Root Collar Excavation (AGRCE) planting system. So far in this multiyear project, they have demonstrated the system to South Carolina growers, established a test site at the Cumberland Valley Nursery to assess growth rate and sizing in Armillaria resistant rootstock, and tested in vitro Prunus spp. accessions to analyze their response to Armillaria mellea infection. This project is expected to be completed by the end of FY 2019.

ACCOUNT 3: LIMITATION ON FEE FUNDED INSPECTION AND WEIGHING, AND EXAMINATION SERVICES

APPROPRIATIONS LANGUAGE

The appropriations language follows (new language underscored; deleted matter enclosed in brackets):

Not to exceed \$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, authorized under the U.S. Grain Standards Act, 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:

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.

LEAD-OFF TABULAR STATEMENT

Table AMS-17. Lead-Off Tabular Statement

Item	Amount
2019 Annualized Continuing Resolution.....	55,000,000
Change in Appropriation	25,000,000
Budget Estimate, 2020.....	<u>80,000,000</u>

PROJECT STATEMENT

Table AMS-18. Project Statement (thousands of dollars, staff years (SY))

Item	2017		2018		2019		Inc. or	Chg	2020		
	Actual	SY	Actual	SY	Estimate	SY	Dec.	Key	SY	Budget	SY
Mandatory Appropriations:											
Inspection and Weighing.....	-	-	\$50,523	381	\$55,000	421	\$25,000	(1)	112	\$80,000	533
Subtotal	-	-	50,523	381	55,000	421	25,000		112	80,000	533
Total Available.....	-	-	50,523	381	55,000	421	25,000		112	80,000	533
Total Obligations.....	-	-	50,523	381	55,000	421	25,000		112	80,000	533

Grain Inspection and weighing services are authorized under both the U.S. Grain Standards Act (USGA) and the Agricultural Marketing Act (AMA). The USGA requires the mandatory inspection and weighing of grain at export ports by 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 USGA also requires FGIS personnel to supervise all official inspection and weighing activities. Under the AMA, FGIS perform inspections of rice and related commodities on a voluntary request basis.

FGIS also conducts grain regulatory activities, including 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.

The appropriations language amends the Limitation on Inspection and Weighing Services authorization account to fund Grain Regulatory activities that were appropriated through FY 2019. This language requires the beneficiaries of the program to pay for all the services they receive. These market participants benefit because they are protected from the adverse effects of anticompetitive and unfair business practices. No other source of funding for Grain Regulatory activities is included in the FY 2020 Budget.

- (1) An increase of \$25,000,000 and 112 staff years to the limitation for Inspection and Weighing for the Federal Grain Inspection Service (\$55,000,000 and 421 staff years available in 2019) to fund previously appropriated Federal Grain Inspection Service activities and anticipated increase in demand.

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.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS

Table AMS-19. Geographic Breakdown of Obligations and Staff Years (thousands of dollars, staff years (SY))

State/Territory/Country	2017		2018		2019		2020	
	Actual	SY	Actual	SY	Estimate	SY	Budget	SY
Arkansas.....	-	-	\$403	27	\$2,608	22	\$2,608	28
District of Columbia.....	-	-	15,113	65	17,113	57	26,244	72
Louisiana.....	-	-	20,684	150	22,684	156	25,642	197
Missouri	-	-	1,316	18	1,793	67	8,230	85
North Dakota.....	-	-	682	13	682	11	1,658	14
Ohio	-	-	2,039	15	2,039	19	2,536	24
Oregon	-	-	3,176	36	3,176	31	4,621	39
Texas	-	-	7,110	57	7,110	58	8,461	74
Obligations	-	-	50,523	381	55,000	421	80,000	533
Total, Available.....	-	-	50,523	381	55,000	421	80,000	533

CLASSIFICATION BY OBJECTS

Table AMS-20. Classification by Objects (thousands of dollars)

Item No.	Item	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Personnel Compensation:					
	Washington D.C.	-	\$21,465	\$21,465	\$8,629
	Personnel Compensation, Field	-	9,598	9,598	35,481
11	Total personnel compensation	-	31,063	31,063	44,110
12	Personal benefits	-	9,716	9,716	12,918
13.0	Benefits for former personnel	-	24	24	62
	Total, personnel comp. and benefits	-	40,803	40,803	57,090
Other Objects:					
21.0	Travel and transportation of persons.....	-	1,085	1,190	2,800
22.0	Transportation of things.....	-	15	50	66
23.1	Rental payments to GSA.....	-	318	1,400	3,405
23.2	Rental payments to others.....	-	502	602	530
23.3	Communications, utilities, and misc. charges	-	421	700	1,165
24.0	Printing and reproduction	-	27	50	86
25.2	Other services from non-Federal sources.....	-	999	3,000	4,810
25.3	Other goods and services from Federal sources.....	-	4,474	5,000	6,533
25.4	Operation and maintenance of facilities.....	-	1	1	1
25.7	Operation and maintenance of equipment.....	-	206	240	-
25.8	Subsistence and support of persons	-	50	55	-
26.0	Supplies and materials	-	588	705	1,000
31.0	Equipment.....	-	1,081	1,200	2,500
32.0	Land and structures	-	-	-	5
41.0	Grants, subsidies, and contributions	-	2	4	9
	Total, Other Objects	-	9,769	14,197	22,910
99.9	Total, new obligations.....	-	50,523	55,000	80,000
Position Data:					
	Average Salary (dollars), ES Position.....	-	\$167,799	\$169,883	\$171,967
	Average Salary (dollars), GS Position	-	\$47,518	\$48,108	\$48,698
	Average Grade, GS Position	0.0	7	7	7

STATUS OF PROGRAMS***Federal Grain Inspection Service,******Current Activities***

Federal Grain Inspection Service (FGIS) provides inspection and weighing services 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 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 grain official inspection and weighing activities. Under the AMA, FGIS performs inspections of rice and related commodities on a voluntary request basis.

Selected Examples of Recent Progress

In FY 2018, FGIS conducted 3.3 million official inspections of grain resulting in 327.2 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 2018	Percentage of Total
Domestic	187.8	57.4
Export by FGIS	80.8	24.7
by Delegated States	43.3	13.2
by Designated Agencies	15.3	4.7
Total	327.2	100.0

ACCOUNT 4: PERISHABLE AGRICULTURAL COMMODITIES ACT FUND

LEAD-OFF TABULAR STATEMENT

Table AMS-21. Lead-Off Tabular Statement

Item	Amount
2019 Annualized Continuing Resolution	\$10,733,000
Change in Appropriation.....	-
Budget Estimate, 2020	<u>10,733,000</u>

PROJECT STATEMENT

Table AMS-22. Project Statement (thousands of dollars, staff years (SY))

Item	2017 Actual	SY	2018 Actual	SY	2019 Estimate	SY	Inc. or Dec.	Chg Key	SY	2020 Budget	SY
Mandatory Appropriations:											
PACA.....	11,609	64	11,188	59	10,733	69	-		-	10,733	69
Subtotal.....	11,609	64	11,188	59	10,733	69	-		-	10,733	69
Sequestration.....	747	-	719	-	699	-	-699		-	-	-
Total Appropriation....	12,356	64	11,907	59	11,432	69	-699		-	10,733	69
Sequestration.....	-719	-	-699	-	-665	-	-		-	-	-
Recoveries, Other (Net)..	199	-	299	-	-	-	-		-	-	-
Bal. Available, SOY.....	14,073	-	14,590	-	15,761	-	-		-	15,795	-
Total Available.....	25,909	64	26,097	59	26,528	69	-		-	26,528	69
Bal. Available, EOY.....	14,590	-	15,761	-	-15,795	-	-		-	-15,795	-
Total Obligations.....	11,319	64	10,336	59	10,733	69	+2,387		-	10,733	69

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS

Table AMS-23. Geographic Breakdown of Obligations and Staff Years (thousands of dollars, staff years (SY))

State/Territory/Country	2017 Actual	SY	2018 Actual	SY	2019 Estimate	SY	2020 Budget	SY
Alabama	449	8	1,371	8	1,131	8	1,131	8
District of Columbia.....	9,468	38	7,264	33	7,167	43	7,167	43
Texas	143	7	538	7	1,184	7	1,184	7
Virginia	1,259	11	1,163	11	1,251	11	1,251	11
Obligations.....	11,319	64	10,336	59	10,733	69	10,733	69
Bal. Available, EOY	14,590	-	15,761	-	15,765	-	15,795	-
Total, Available.....	25,909	64	26,097	59	26,528	69	26,528	69

STATUS OF PROGRAMS***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, increasing the likelihood that they will recover money owed them.

Selected Examples of Recent Progress

In FY 2018, AMS was contacted by members of the specialty crop industry for assistance in resolving 1,116 informal commercial disputes. AMS resolved approximately 92 percent of those disputes informally within four months, with informal settlement amounts of over \$11.6 million. Decisions and orders were issued in 359 formal reparation cases involving award amounts totaling approximately \$10.3 million. AMS initiated 30 disciplinary complaints against firms for alleged violations of PACA. In addition, the PACA program assisted 2,449 telephone callers needing immediate transactional assistance.

Fees and Charges in Effect in 2018:

<u>Service Performed</u>	<u>Fees</u>
Basic License	\$995.00 per year
Branch License	\$600.00 per location
Number of Licensees:	13,856
Informal Complaints Filed:	1,145
Formal Complaints Filed:	295
Counterclaims Filed:	8

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

- SE Regional Fruit and Vegetable Conference
- Ohio Fruit & Vegetable Conference
- 2018 Global Organic Produce Expo (GOPEX)
- Oceana County Growers meeting
- National Association of Produce Market Managers and the United Fresh Produce Association
- RCF Produce Distributors
- New York State Department of Agriculture
- Navajo Technical University
- United Fruit and Vegetable Association
- Viva Fresh Produce Expo
- Florida Fruit & Vegetable Association

ACCOUNT 5: FUNDS FOR STRENGTHENING MARKETS, INCOME AND SUPPLY (SECTION 32)

APPROPRIATIONS LANGUAGE

The appropriations language follows (new language underscored; deleted matter enclosed in brackets):

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

LEAD-OFF TABULAR STATEMENT

Table AMS-24. Lead-Off Tabular Statement

Permanent Appropriation, 2019		\$10,624,197,505
Prior Year Appropriation Available, start of year		651,456
Less annual transfers to:		
Department of Commerce	-157,980,191	
FNS, Child Nutrition Programs	-9,092,868,770	
Total, Transfers	-9,250,848,961	
Farm Bill Spending Authority, 2019.....		1,374,000,000
Less Sequester		-74,276,000
Less Changes in Mandatory Programs (CHIMPs).....		-33,142,000
Total AMS Budget Authority, 2019		1,266,582,000
Less FNS transfer for the Farm Bill FFVP		-176,000,000
Unobligated balance brought forward, start of year		311,948,502
Total Available for Obligation, 2019		1,402,530,502
Budget Estimate, 2020:		
Permanent Appropriation, 2020.....		15,123,425,112
Prior Year Appropriation Available, start of year		33,142,000
Less annual transfers to:		
Department of Commerce	-158,000,000	
FNS, Child Nutrition Programs	-13,594,567,112	
Total, Transfers	-13,752,567,112	
Farm Bill Spending Authority, 2020.....		1,404,000,000
Less FNS transfer for the Farm Bill FFVP		-180,000,000
Agency Request, 2020		1,224,000,000
Change in Appropriation		-178,530,502

PROJECT STATEMENT**Table AMS-25. Project Statement (thousands of dollars, staff years (SY))**

Item	2017		2018		2019		Inc. or Dec.	Chg		2020 Budget	SY
	Actual	SY	Actual	SY	Estimate	SY		Key	SY		
Mandatory Appropriations:											
Permanent Appropriation	10,929,841	155	10,370,878	153	10,624,198	154	+4,499,227	-	-	15,123,425	154
Transfers Out:											
Food and Nutrition Service (FNS),											
Child Nutrition Programs	-9,503,998	-	-8,872,807	-	-9,092,869	-	-4,468,5561	-	-	-13,561,425	-
FNS Transfer from PY Funds	-125,000	-	-125,000	-	-	-	-33,142	-	-	-33,142	-
FNS, Fresh Fruit and Vegetable Program											
	-43,000	-	-172,000	-	-176,000	-	-4,000	-	-	-180,000	-
Department of Commerce	-145,175	-	-154,868	-	-157,980	-	-20	-	-	-158,000	-
Subtotal	-9,817,173	-	-9,324,675	-	-9,426,849	-	-4,505,7183	-	-	13,932,567	-
Rescission	-231,374	-	-	-	-	-	-	-	-	-	-
Sequestration	-79,626	-	-77,352	-	-74,276	-	-	-	-	-	-
Prior Year Appropriation											
Available, SOY	166,332	-	125,797	-	651	-	+32,491	-	-	33,142	-
Recoveries, Other (Net	797	-	585	-	-	-	-	-	-	-	-
Bal. Available, SOY	-	-	54,150	-	311,949	-	-	-	-	-	-
Total Available	968,797	155	1,149,383	153	1,435,673	154	-209,673	-	-	1,224,000	154
Unavailable Resources, EOY.	-125,797	-	-651	-	-33,142	-	+33,142	-	-	-	-
Bal. Available, EOY	-54,150	-	-311,949	-	-	-	-	-	-	-	-
Total Obligations	788,850	155	836,783	153	1,402,531	154	-176,531	-	-	1,224,000	154

Commodity Purchase Services

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 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 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, FSA, FNS, and the United States Agency for International Development (USAID).

Commodity Purchase Services (\$35,853,000 and 61 staff years available in 2019).

Marketing Agreements and Orders Program

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

Marketing Agreements and Orders administration (\$20,705,000 and 93 staff years available in 2019).

STATUS OF PROGRAMS

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

Commodity Purchases

Current Activities

AMS Commodity Procurement Program (CPP) is responsible for coordinating Agency-wide procurement activities of domestic agricultural products and services for distribution and use in domestic nutrition and international food aid programs. The program conducts contracting, program analysis, and other support functions for use in the formulation and execution of programs, all of which are related to the procurement of agricultural products and the overall AMS mission to facilitate marketing. The program also coordinates all Agency activities related to the Web-Based Supply Chain Management system (WBSCM), which is the mission-critical system USDA relies on to manage its commodity procurement operations, including purchase, storage, and delivery to customers.

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 2018, AMS purchased over \$505.5 million of specialty crop products which is approximately 24.5 percent over the minimum purchase level.

Selected Examples of Recent Progress

Commodity Purchases – In FY 2018, 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 33.5 cents per meal.

AMS also purchased an additional \$927 million of Group A (non-price supported) commodities consisting of fruits, vegetables, meat and poultry products, and \$462.6 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 \$1.390 billion worth of entitlement commodities with FNS appropriated funds.

In FY 2018, across all funding groups, AMS purchased 1,294.2 million pounds of specialty crops (fruits and vegetables) commodities, valued at \$829.8 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. In FY 2018, CPP improved the approval process for Section 32 purchases to make it more proactive and streamlined. This proactive process, that includes all agriculture industries, ensures timely purchases that meet the needs of farmers, producers and ranchers, while providing a good value to the American taxpayer and encouraging the consumption of domestic products by diverting them from the normal channels of trade.

At least quarterly, and throughout the year as needed, AMS will review and analyze market information, including information provided by industry, to determine whether market-wide economic conditions would result in an advantageous value for domestic nutrition assistance programs. Based on these industry assessments, USDA could authorize additional purchases using Section 32 funds. The revised process results in a decision-making process that is more agile and targets those industries where market conditions are favorable to providing desirable products to low-income American people throughout the year. By virtue of a more proactive, streamlined process, deliveries will be spread out across the year, easing inventory and distribution burdens on recipient agencies while also purchasing when prices are most advantageous.

Through this proactive process, AMS was able to purchase fluid milk for distribution to The Emergency Food Assistance Program. This is the first purchase of fluid milk through the USDA Foods Program. Commodity Procurement Program staff worked with industry representatives to clarify Federal requirements, including the vendor application process, specification requirements, and how to bid within the Web-Based Supply Chain

Management System. Meetings, conference calls, as well as ongoing discussions with industry groups and companies has enabled CPP staff to build a new purchase program for this new product in just a few months.

The following chart reports the commodities purchased under this provision and reflects the variety of producers that received assistance:

FY 2018 Section 32 Expenditures to Encourage Domestic Consumption	
Commodity	Amount
Beans, Black	\$6,500,000
Beans, Dried Pinto	10,833,000
Beans, Great Northern	4,769,000
Beef	6,805,000
Blueberries, Highbush	8,500,000
Blueberries, Wild	9,385,000
Catfish	29,692,500
Cheese, Cheddar	19,916,560
Cherries, Tart	24,942,000
Chicken	28,770,000
Lentils	9,800,000
Milk, Fluid	20,510,000
Peaches, Clingstone	18,000,000
Peas, Dried	22,000,000
Plums (Prunes), Dried	11,959,000
Pork	22,950,000
Potatoes, Red	2,993,200
Raspberries, Red	922,700
Strawberries, Frozen	15,000,000
Tomatoes, Processed	15,500,000
Turkey	12,616,000
Total	302,363,960

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 2018, nearly \$5 million of Section 32 was obligated to purchase baby food, infant formula and nipples for victims affected by Hurricane Maria. AMS also obligated \$10.9 million in Section 32 funding for disaster nutrition assistance, including emergency procurements of infant formula and baby food for the Commonwealth of Puerto Rico and the U.S. Virgin Islands, and to replace FNS program commodities used to feed survivors of Hurricanes Harvey, Irma and Maria and \$41.7 thousand in Section 32 funding to replace foods used for those impacted by the California Wildfires. All disasters described above were Presidentially-declared major events.

Total Commodity Purchase Activity – FY 2018 (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	927.0
Appropriated Funds - Group B	Dairy, Grain, and Oilseed	462.6
Section 32 – Surplus Removal	Fruits, Vegetables, Meats and Poultry	302.4
Disaster Assistance	Commodity, Transportation and Storage	15.9
Defective Commodities	Defective Meat and Vegetables	0.2
TOTAL	ALL COMMODITY PURCHASES	2,173.1

Web-Based Supply Chain Management (WBSCM) System Continuous Improvement – AMS is authorized to use Section 32 administrative funds and appropriated funds to develop, operate and improve the WBSCM computer system that supports the shared interests of USDA commodity purchase programs. AMS is the lead agency for this major investment in USDA. From its inception in FY 2011, the WBSCM system has improved the procurement, delivery, and management of more than 200 commodities and approximately 56.5 billion pounds of 100 percent domestically-produced farm food commodities at an approximate value of \$19.6 billion. These commodities are distributed through domestic and foreign feeding programs administered by AMS, FNS, FAS 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 3. During FY 2018, Commodity Procurement Program developed, tested and deployed monthly maintenance and quarterly enhancement releases focusing on internal and external customer needs.

CPP's WBSCM management team contracted for A-123 and A&A audit services, provided all documentation for the A-123 and A&A audits, and completed and compiled spreadsheets for the WBSCM Sample Prepared-by-Client (PBC) Request list. The WBSCM FY 2019 Acquisition Approval Request was approved in January 2019 authorizing \$38.6 million for Operations, Maintenance and new Development activities.

Through FY 2018 WBSCM achieved 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.

WBSCM implemented multiple innovations and improvements for vendors and customers, including improvements in bidding import/export tools, new reports for tracking disbursements, and solicitation performance improvements. Test automation capabilities were added to improve test execution efficiencies, and new Cloud-based Business Intelligence reporting tools were deployed as part of a pilot project to address reporting needs. The team also completed the development of a prototype for Evaluated Receipt Settlement functionality, which leverages commercial best practices in how deliveries and invoice handling can be streamlined to achieve efficiencies in the request for payment process.

The WBSCM management team continued its outreach efforts through participation in the FY 2018 Annual Industry Conference, where live demonstrations were provided to assist vendors on how to perform transactions related to bidding, invoicing, and reporting. Multiple ad-hoc webinars were also delivered to the vendor community in support of Trade Mitigation activities. The WBSCM management team also participated in multiple Business Management Improvement initiatives, providing business process and system support for various pilot projects.

The WBSCM team also delivered several projects and process improvements in adherence to Department requirements for IT Modernization and Regulations. A major technical upgrade was completed in July 2018 that included a refresh of the technical WBSCM components. Additionally, development and testing processes were greatly enhanced to improve compliance with 508 accessibility requirements.

USDA Foods: Product Development and Market Research – During FY 2018, CPP 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. Though USDA Foods and ancillary activities, CPP continues to support the Dietary Guidelines for Americans.

Several product development initiatives focused on expanding variety and updating USDA Foods packaging for household food distribution programs, including The Emergency Food Assistance Program (TEFAP). For example, breaded AK pollock fish sticks, applesauce cups, and frozen peas were introduced to the TEFAP ordering catalog. These products offer more choices for protein, vegetables, and fruits, and may help with economies of scale for contracting. USDA also conducted market research on smaller sizes for nonfat dry milk, dry beans, processed cereals and canned chili with beans. 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 in FY 2018 was the continued support for “traditional foods” to the Food Distribution Programs on Indian Reservations (FDPIR). CPP purchased frozen bison, whole-grain blue cornmeal long grain wild rice and frozen salmon fillets as traditional foods for FDPIR. USDA offered unbreaded catfish fillets as a new traditional food in FY 2018.

CPP continues to work with FNS, which manages FDPIR at the federal level, to make changes and additions to FDPIR’s monthly food package, to support the Dietary Guidelines for Americans and specific nutritional needs of program recipients. For example, USDA offered unsweetened applesauce cups in a 6-count sleeve, bakery flour mix in a 20 oz. resealable pouch, and to allow efficient distribution to smaller sized households. Based on recipient feedback, CPP purchased condensed cream of mushroom soup to provide a more flavorful, versatile product. CPP also purchased new and reformulated products in National School Lunch Program to align with school food service trends and help schools prepare nutritious meals. For example, frozen mixed vegetables, frozen blueberry/strawberry cups, 100 percent white whole wheat flour, egg patties, and frozen drumsticks were added in FY 2018 to expand choices.

CPP continues to identify kosher food 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. CPP successfully added kosher canned tuna and kosher cut up chicken for schools.

CPP also developed several new products based on market analysis and resulting Section 32 purchases aimed at encouraging domestic consumption, while simultaneously providing products in forms appropriate to the recipient programs receiving the donated foods. For the first time, CPP purchased fresh fluid milk and unbreaded Alaska pollock fillets to support those agricultural sectors.

CPP’s Nutrition and Product Development Branch coordinated cross agency efforts, including USDA Foods Training for State Distributing Agencies and produce education sessions at the USDA Farmer’s Market. The team also reviewed scientific literature and marketing materials for AMS’ Marketing Order and Research & Promotion commodity boards (including blueberries, cranberries, tart cherries, red raspberries, avocados, potatoes, pecans, peanuts, almonds, and walnuts).

Per the 2014 Farm Bill, AMS and FNS conducted a pilot project in eight States to provide an additional option 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. In FY 2018, 59 suppliers participated, and AMS successfully paid invoices through WBSCM worth approximately \$10.6 million.

New Vendor and Small Business Outreach and Participation – Commodity Procurement Staff (CPS) is committed to increasing marketing opportunities for agricultural businesses through its food purchasing activities. CPS made a tremendous effort during FY 2018 to promote these opportunities to small business entities, in particular minority-owned, service-disabled veteran owned (SDVOSB), and women-owned small businesses, as well as those operating in historically underutilized business zones (HUB Zone). Overall, CPS reviewed and approved 43 vendors, of which 32 were small businesses. Of those 32, one was an SDVOSB, and three were 8(a) (small, disadvantaged business) firms.

CPP 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, CPP attained an overall Small Business contracting rate of 48 percent; 8 percent to Small Disadvantaged Businesses; 026% to 8a firms; 2 percent to Veteran Owned Small Businesses; 1 percent to Service Disabled Veteran Owned Small Businesses (SDVOSB); 1 percent to Woman Owned Small Businesses; and 5 percent to HubZones. We are continuing our efforts to increase participation in all of the small business categories.

In addition to awarding contracts directly to small business concerns, CPP encourages its large business Federal contractors to actively award contracts to small businesses via their subcontracting plans, as required by the Federal Acquisition Regulations. CPP notified large business contractors to submit their Subcontracting Plans and Summary Subcontracting Reports in the Electronic Source Reporting System (eSRS), resulting in 35 plans being submitted, reviewed, and approved by CPP, OSDBU, and the Small Business Administration (SBA).

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 groups 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. Eleven 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 completed rulemaking related to promulgation of a new Federal milk marketing order (FMMO) for California. Dairy producers in the regulated area approved establishment of the new program in a 45-day referendum ending May 17, 2018. In advance of the October 17, 2018, effective date, AMS field staff provided several weeks of group and one-on-one training to milk handlers and dairy product manufacturers who will be transitioning from regulation under the State marketing order program established in the 1960s. Parties began adhering to the regulations on November 1, 2018. The new FMMO was proposed by dairy cooperatives representing over 75 percent of the milk produced in California. California dairy farmers currently produce approximately 20 percent of the nation's milk supply.

Florida Hurricane Assistance -- AMS completed rulemaking to amend the Florida milk marketing order to provide limited relief to handlers who experienced extraordinary losses from Hurricane Irma during September 2017. Witnesses described losses at AMS's December 2017 public hearing, explaining that widespread power outages, processing plant and retail outlet closures, and other emergency responses caused milk to be hauled extraordinary distances for processing, be sold at reduced prices, or to be dumped during the six days of the hurricane. The amendments, which were proposed and approved by Florida dairy farmers, authorized an assessment of up to \$0.09 per hundredweight of fluid milk handled by processors during a seven-month period. Handlers had until August 1, 2018, to file claims for reimbursement due to storm losses. Approved claims totaled approximately \$727,000. To date, approximately \$500,000 in approved reimbursements have been paid to affected handlers and producers, with funds to cover the remaining claims to be collected and distributed by the end of January 2019.

Specialty Crops Program

Evolving Industry Needs – AMS programs help U.S. producers and handlers remain competitive in domestic and global markets. 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. AMS attended 141 marketing order board/committee meetings and approved 29 operating budgets. AMS specialists reviewed more than 2,100 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 conducts rulemaking referendum among producers to change or add regulations under marketing orders. This year, AMS held rulemaking referenda for three marketing orders. Producers of raisins grown in California voted in favor of several amendments to its marketing order including voting to remove volume control provisions; producers of hazelnuts grown in Oregon and Washington voted to add quality requirements to its order, and producers of onions grown in Texas voted to decrease the size of the South Texas Onion Committee.

Aflatoxin Testing – AMS worked with nut industries to discuss matters of industry concern and to consider program updates and alternatives to current practices.

In FY 2018, AMS worked in coordination with the Foreign Agricultural Service (FAS) and the California pistachio industry to develop a Pistachio Export Aflatoxin Reporting (PEAR) program. AMS has notified the European Commission (EC) of the program's implementation, and FAS is ensuring the EC notifies the port officials. The development and implementation of this program provides tangible progress of the efforts of USDA and the pistachio industry to ensure U.S. pistachios meet EC requirements.

In FY 2018, thanks to AMS's continuing efforts, the pre-export check program for California almonds is successfully meeting EC requirements. AMS signed 14,884 certificates. In addition, the European Union (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.

Compliance Reviews - AMS conducted 16 compliance reviews, approved 17 e-compliance plans, and followed up on 2,017 inspections for failing section 8e entries. For importers not complying with section 8e, AMS issued 17 official warning letters and 1 stipulation agreement, including civil penalties. AMS granted more than 7,086 SC-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 and USDA Food Waste Challenge, which is posted to the USDA YouTube channel and website.

Comprehensive Compliance Database System –Although electronic filing with specific participating agency interfaces is not currently mandated by Custom Border Protection, the Compliance Enforcement Management System is fully functional receiving electronic filings from importers for commodities subject to Section 8e Regulations arriving at ports in the United States daily. Because of this 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 2018, AMS received 28,420 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. On June 19, 2018, Sun-Maid voluntarily dropped its case in anticipation of the final rule amending the raisin marketing order. This final rule was published on October 26, 2018.

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*. Boyajian joined the Ciapessoni class action suit and Lion Farms has remained separate. Settlement negotiations are ongoing.

Burnette Foods filed a petition in 2011 challenging many provisions of the Federal marketing order for tart cherries. The ALJ ruled for USDA on all counts. Burnette Foods appealed to District Court, and on January 24, 2018, the Court dismissed all but the claim that the Board is improperly constituted. On March 9, 2018, the Court amended its original order—which allowed no sales constituency to hold more than one seat, member or alternate, on the Board—to allow a sales constituency to hold one seat *per district*. Shortly thereafter, AMS worked with DOJ to file a Notice of Appeal. DOJ expects the court to schedule a hearing in the coming months.

Rulemaking – AMS oversees formal and informal rulemaking processes for marketing order boards, committees, and councils. AMS processed 40 work plans, 33 proposed/interim rules, 26 final/ final interim rules, 9 notices to trade and press releases, 3 rulemaking referenda and 2 recommended decisions during FY 2018. In addition, AMS wrote a rule for the Livestock, Meat, and Other Agricultural Commodities Quality Systems Verification Programs, and AMS added authority to 7 CFR Part 900 to allow all specialty crop marketing orders to meet via electronic means to increase program efficiencies and reduce travel costs.

PROPOSED LEGISLATION**Reform Section 32 Program Funding**

USDA proposes to de-link the Section 32 program funding from customs receipts, and route customs receipts directly to the Treasury to increase transparency. This is part of a suite of proposals to reform the Section 32 program while guaranteeing that USDA will have future funding available for surplus commodity purchases.

Under this proposal, Congress will directly appropriate funding to AMS, FNS, and Commerce without further appropriation and available for the same purpose as previous receipt-funded activities. In FY 2020, AMS will be provided \$320,497,000 for Section 32 surplus agricultural commodity purchases and administrative costs associated with purchases (an historical average spending level for these activities adjusted for inflation). All funds, to include balances authorized prior to this proposal, will be made available until expended.

Table AMS-26. Change in Funding to AMS Due to Section 32 Reform (thousands of dollars)

Item	2020	2021	2022	10 Year Total
Budget Authority.....	-\$903,503	-\$924,973	-\$947,292	-\$10,061,388
Outlays	-\$903,503	-\$924,973	-\$947,292	-\$10,061,388

Marketing Agreements & Orders***Marketing Agreements & Orders***

Establish mandatory user fees to recover the cost of Federal oversight of Marketing Agreements and Orders (MA&O). MA&O programs 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. They 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.” 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)).

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.

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.

Table AMS-27. Change in Funding Due to Additional Private Investment (thousands of dollars)

Item	2020	2021	2022	10 Year Total
Budget Authority.....	-\$20,489	-\$20,489	-\$20,489	-\$204,890
Outlays	-\$20,489	-\$20,489	-\$20,489	-\$204,890

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS*Table AMS-27. Geographic Breakdown of Obligations and Staff Years (thousands of dollars, staff years (SY))*

State/Territory/Country	2017 Actual	SY	2018 Actual	SY	2019 Estimate	SY	2020 Budget	SY
California.....	\$775	8	\$865	8	\$870	8	\$870	8
District of Columbia	50,178	136	50,778	134	53,767	135	53,983	135
Florida.....	841	5	827	5	830	5	830	5
Oregon	720	5	654	5	670	5	670	5
Texas.....	1	-	-	-	-	-	-	-
Virginia.....	206	1	202	1	205	1	205	1
Obligations.....	52,721	155	53,326	153	56,342	154	56,558	154
Total, Available	52,721	155	53,326	153	56,342	154	56,558	154

AGENCY-WIDE PERFORMANCE**SUMMARY OF 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 market place to the benefit of producers, traders, and consumers of U.S. food and fiber products.

Each year, AMS provides industry-specific services and grants to help agricultural food producers and businesses create and enhance their food marketing efforts. For example, AMS collects, analyzes, and publishes market information to assist in the orderly marketing and distribution of agricultural commodities. To provide a common language for commodity buyers and sellers, AMS develops commodity standards that are widely used by the agricultural industry and utilizes these standards and other process-verified determinations, provides grading and inspection, auditing, and accreditation services to ensure the quality of domestic goods and support exports.

Through USDA national directories and databases, AMS connects consumers and producers to farmers markets, certified organic operations, and commodity pricing data. AMS also provides onsite assessment and design services for food market planners, managers, and community stakeholders to improve the efficiency of permanent food market facilities such as wholesale markets and food hubs.

AMS services contribute to USDA's objective to increase agricultural opportunities and support economic growth by creating new markets and supporting a competitive agricultural system. The following table summarizes the results for the Departmental Key Performance Indicators (KPIs) for which AMS is responsible.

Table AMS- 8 KPI- Agricultural Markets

KPI	2017 Actual	2018 Actual	2018 Target	2018 Result	2019 Target	2020 Target
New markets established or expanded through technical assistance)	100	139	104	Exceeded	150	150

SELECTED PAST ACCOMPLISHMENTS TOWARD THE ACHIEVEMENT OF THE KPI OUTCOMES

AMS exceeded the agency target of expanding or establishing 104 new markets by 35 for a total of 139 through technical assistance, including cooperative research reports, marketing and training tools, and grants.

In FY 2018, AMS engaged in 46 separate technical assistance projects with community stakeholders involving architectural/design assistance or consultation on food-related facilities and landscapes (covering such disparate structures as business incubators, community and rooftop gardens, farmers markets, food hubs, multi-use buildings, processing facilities, and shared-use kitchens). Through outreach to the local and regional food community, 240 new farmers markets, food hubs, on-farm stores, and community support agriculture programs listed their businesses in the USDA Local Food Directory for enhanced marketing exposure.

SELECTED ACCOMPLISHMENTS EXPECTED AT THE 2020 PROPOSED RESOURCE LEVEL

AMS will continue to enhance programs and services by exploring a partnership with the USDA office of Partnership and Public Engagement to help create or enhance market opportunities for rural communities by conducting feasibility assessments for agricultural marketing related infrastructure, equipment, and distribution projects that establish rural-urban linkages to help farmers market their projects.

The Farmers Market and Local Food Promotion Program (FMLFPP) is reauthorized through the Agriculture Improvement Act of 2018 (Farm Bill) under the Local Agriculture Market Program through FY2023. Funding for FMLFPP is \$25 million in the 2018 Farm Bill.