

AGRICULTURAL MARKETING SERVICE

2018 President's Budget Agricultural Marketing Service

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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)
Agricultural Act of 2014 (2014 Farm Bill)
The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill)
Cotton Statistics and Estimates Act of 1927
The Mandatory Price Reporting Act of 2010
Peanut Statistics Act
Naval Stores Act
Tobacco Inspection Act of 1935
U.S. Cotton Futures Act

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

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

2. Shell Egg Surveillance and Standardization:

These programs are authorized by the following statutes:

Egg Products Inspection Act
Agricultural Marketing Act of 1946

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- a. **Shell Egg Surveillance:** AMS supports egg marketing by ensuring that cracked, leaking, or other types of “loss” (restricted) eggs are diverted from table egg consumption and by verifying that marketed eggs have a quality level of at least U.S. Consumer Grade B. AMS conducts this program, in cooperation with State Departments of Agriculture, to ensure that shell egg handling operations are inspected at least four times annually and hatcheries are inspected at least once each year to control the disposition of certain types of under grade and restricted eggs. This program diverts eggs that are not at least U.S. Consumer Grade B-- and which cannot be sold in shell form--to egg breaking plants, which reassures buyers and supports efficient markets.
- b. **Standards Development:** AMS develops, reviews, and maintains agricultural commodity standards that describe product quality attributes such as taste, color, texture, yield, weight, and physical condition for use in the trading of agricultural commodities. These standards provide a common language for buyers and sellers of commodities and are widely used by the agricultural industry in domestic and international trading, futures market contracts, and as a benchmark for purchase specifications in most private contracts.

AMS grade standards are the basis for AMS Market News reports, grading services for cotton, milk and dairy products, eggs, fresh and processed fruits and vegetables, livestock, meat, olive oil, peanuts, poultry, rabbits, tobacco, and Federal commodity procurement. To support international markets, AMS provides technical expertise to international standards organizations to protect the interests of U.S. agricultural producers.

3. Market Protection and Promotion Programs:

AMS administers programs under several laws that stimulate innovative and improved commodity marketing, generate residue information, ensure proper marketing practices, and provide assistance to industry-sponsored activities.

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

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

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- a. Pesticide Data Program (PDP): Established under authority of the Agricultural Marketing Act of 1946 and the 1996 Food Quality Protection Act, PDP develops and communicates comprehensive, statistically-reliable information on pesticide residues in food to improve Government dietary risk assessments. This program provides data on a continual basis to the Environmental Protection Agency (EPA) for use in the pesticide registration process and to other Federal and State agencies for use in determining policies intended to safeguard public health. The program particularly focuses on the foods most likely consumed by children, in addition to pesticide residue data for population-wide dietary risk assessments. The pesticide residue data collected by the program enhances the competitiveness of farm economies by supporting the use of safer crop protection methods and supports marketing by providing information that can be used to reassure consumers concerned about pesticides. To ensure integrity and the high degree of quality required for dietary risk assessment procedures, PDP's standard operating procedures parallel EPA's Good Laboratory Practice guidelines. Information on significant findings is reported to the Food and Drug Administration (FDA) for further action. This program is a cooperative effort between Federal agencies and is conducted by AMS through agreements with State agencies that provide sampling and testing services.
- b. National Organic Program (NOP): This program is authorized by the Organic Foods Production Act of 1990, which requires USDA to develop and maintain national standards governing the production and handling of agricultural products labeled as organic. AMS provides support to the National Organic Standards Board, reviews materials for the national list of allowed synthetic materials, and coordinates the enforcement and appeals process. The legislation also requires the program to examine and accredit State and private certifying agents who in turn ensure that producers and handlers are in compliance with the national organic standards. AMS also accredits foreign agents who certify products labeled organic for export to the U.S., and foreign governments that operate an organic accreditation program for organic exports to the U.S., which must be approved under a recognition agreement granted by USDA. This nationwide program increases the efficiency and enhances the competitiveness of domestic agricultural marketing for organic products. The 2014 Farm Bill amended the Organic Foods Production Act to provide funding to modernize NOP database and technology systems.
- c. Federal Seed Program: The Federal Seed program is authorized by the Federal Seed Act and regulates agricultural and vegetable seed moving in interstate commerce. The program prohibits false labeling and advertising of seed, as well as the shipment of prohibited noxious-weed seed into a State. State seed inspectors are authorized to inspect seed subject to the Act and samples are routinely drawn by State seed inspectors to monitor seed sold commercially. Although intrastate infractions are subject to State laws, the violation is referred to AMS by the cooperating State agency if an inspection reveals infractions of the Federal Act. Based on the results of tests and investigations, AMS attempts to resolve each case administratively. For cases that cannot be administratively resolved, AMS can initiate appropriate legal action.
- d. Country of Origin Labeling (COOL): The Agricultural Marketing Act (Act) requires retailers to notify their customers of the country of origin of covered commodities. Labeling requirements for fish and shellfish became mandatory during FY 2005, and AMS established an audit-based compliance program the following year to ensure that the public receives credible and accurate information on the country of origin of the fish and shellfish they purchase. In January 2009, USDA issued a final rule on mandatory COOL for all other covered commodities that became effective on March 16, 2009. The FY 2016 Omnibus Appropriations Act amended the Act to repeal the mandatory labeling requirements for beef and pork. The Act requires country of origin labeling for muscle cuts of lamb and ground lamb; farm-raised fish and shellfish; wild fish and shellfish; perishable agricultural commodities; peanuts, goat, chicken, ginseng, macadamia and pecan nuts. The law also requires method of production information (farm-raised or wild caught) for fish and shellfish to be noted at the final point of sale to consumers. The regulation outlines the labeling requirements for covered commodities and the recordkeeping requirements for retailers and suppliers. The program conducts retail surveillance reviews through cooperative agreements with state agencies. AMS trains Federal and State employees on enforcement responsibilities; responds to formal

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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, processed raspberries, softwood lumber, watermelon, Christmas trees, paper and paper-based packaging. AMS is entrusted with oversight of research and promotion boards to ensure fiscal accountability, program integrity, and fair treatment of participating stakeholders. AMS reviews and approves commodity promotional campaigns – including advertising, consumer education programs, and other materials – prior to their use. AMS also approves the boards’ budgets and marketing plans and is invited to attend meetings. Each research and promotion board fully reimburses AMS for the cost of implementing and overseeing its program.
- f. GMO 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 to increase consumer confidence and understanding of the foods they buy, and avoid uncertainty for food companies and farmers.
- g. Sheep Production and Marketing Grant Program: The 2014 Farm Bill amended the Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.) to establish a competitive grant program to strengthen and enhance the production and marketing of sheep and sheep products in the U.S. The Farm Bill made funding available in 2014, to remain available until expended, for a grant to one or more national entities whose mission is consistent with the purpose of the program. The grant was awarded in 2015.

4. Transportation and Marketing:

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

Agricultural Marketing Act of 1946
Agricultural Adjustment Act of 1938
Agricultural Trade and Assistance Act of 1954
Rural Development Act of 1972
International Carriage of Perishable Foodstuffs Act of 1982
The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill)
Farmer to Consumer Direct Marketing Act of 1976
American Taxpayer Relief Act of 2012
Agricultural Act of 2014 (2014 Farm Bill)

- a. Transportation and Market Development: AMS monitors the agricultural transportation system (inland waterways, rail, truck, ocean bulk, and ocean containerized) and conducts market analyses that support decisions regarding the transportation of agricultural products domestically and internationally. This program assesses how the Nation’s transportation system serves the agricultural and rural areas of the United States with necessary rail, barge, truck, and shipping services. AMS provides technical assistance to shippers and carriers and participates in transportation regulatory actions before various Federal agencies. In addition, AMS provides economic analyses and recommends improvements to domestic and international agricultural transportation for policy decisions.

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

- b. Farmers Market and Local Food Promotion Program: This program was created through amendments of the Farmer-to-Consumer Direct Marketing Act of 1976. The 2008 Farm Bill made resources available for the Farmers Market Promotion Program to provide grants targeted to help improve and expand domestic farmers markets, roadside stands, community-supported agriculture programs, agritourism activities, and other direct producer-to-consumer market opportunities. The 2014 Farm Bill expanded the program to assist in the development of local food business enterprises and funded the expanded program through 2018. The purpose of the Farmers Market and Local Food Promotion Program is “...to increase domestic consumption of and access to locally and regionally produced agricultural products, and to develop new market opportunities for farm and ranch operations serving local markets...” Entities eligible to apply for grants include agricultural cooperatives, producer networks, producer associations, local governments, nonprofit corporations, public benefit corporations, economic development corporations, regional farmers’ market authorities, Tribal governments, and local and regional food business enterprises.
5. Payments to States and Possessions:
 - a. Federal-State Marketing Improvement Program (FSMIP): FSMIP is authorized by the Agricultural Marketing Act of 1946, which gives USDA the authority to establish cooperative agreements with State departments of agriculture or similar State agencies to improve the efficiency of the agricultural marketing chain. AMS provides matching funds on a competitive basis to State departments of agriculture, State agricultural experiment stations, and other State agencies, to assist in exploring new market opportunities for U.S. food and agricultural products, and to encourage research and innovation aimed at improving the efficiency and performance of the agriculture commodities marketing system. State agencies may perform the work or contract with others, but must contribute at least one-half of the cost of the projects. This program has funded many types of projects, such as electronic marketing and agricultural product diversification.
 - b. Specialty Crop Block Grant Program (SCBGP): Section 101 of the Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621) authorized USDA to provide State assistance for specialty crops, and the 2014 Farm Bill funded the SCBGP through 2018. AMS administers this program by awarding grants to State departments of agriculture to enhance the competitiveness of fruits and vegetables, tree nuts, nursery crops (including floriculture), and horticulture. AMS provides guidance and assistance to States in developing plans; submitting applications; and meeting the administrative, reporting, and audit requirements involved in managing a funded project. AMS also establishes internal review and evaluation procedures for applications and State plans, and participates in workshops, conferences, and other forums to facilitate interaction among States, USDA representatives, and industry organizations. AMS established standardized national outcome measures to demonstrate the program’s performance toward fulfilling its statutory purpose. After a grant is awarded, AMS reviews annual performance reports, final reports, audit results, and final financial statements; posts final performance reports on the SCBGP website; and disseminates project findings at appropriate meetings and conferences.
 6. Commodity Grading, Verification, and Plant Variety Protection:

These programs are authorized by the following statutes:

Agricultural Marketing Act of 1946
Farm Security and Rural Investment Act of 2002

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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 or verifying that agricultural commodities meet quality 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 a court of law to settle commercial disputes. AMS audit verification services offers production and quality control system audits that reduce costs and assist the industry in making various marketing claims about their products. AMS also provides export certification services for a number of commodities, including seed. Grading, certification, and audit verification activities are performed by Federal employees or Federally-supervised State employees on a fee-for-service basis.
- b. Plant Variety Protection Program: This program is authorized by the Plant Variety Protection Act, which encourages the development of novel varieties of sexually reproduced or tuber propagated plants by providing intellectual property rights protection to the developer. The program, funded by user fees, verifies the uniqueness of variety and issues certificates that assure developers exclusive rights to sell, reproduce, import, or export such varieties, or to use them in the production of hybrids or different varieties, for a period of 20 years for most species and 25 years for woody plants.

7. Perishable Agricultural Commodities Act Program:

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

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

Section 32 of the Act of August 24, 1935, (7 U.S.C. 612c) made available an appropriation equal to 30 percent of gross customs receipts collected during each preceding calendar year to encourage the domestic consumption or exportation of agricultural commodities. An amount equal to 30 percent of receipts collected on fishery products is transferred to the Department of Commerce's National Marine Fisheries Service. Section 14222 of

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the 2008 Farm Bill established an annual amount that can be retained from these funds for Section 32 activities, with the remaining funds transferred to the Food and Nutrition Service (FNS) for Child Nutrition Programs.

- a. Commodity Purchases and Diversions: AMS purchases non-price supported commodities such as meats, fish, fruits, vegetables, poultry and egg products, grains and bakery products, dairy products (including cheese), and oilseed products like peanut butter and sunflower seed oil in order to stabilize market conditions pursuant to Section 32, and in support of entitlement program needs within USDA. The 2002 and 2008 Farm Bills established minimum levels of specialty crop purchases. All purchased commodities are distributed by FNS to schools, as part of the entitlement for the National School Lunch Program, or to other domestic nutrition assistance programs. AMS also provides purchasing services to FNS to supply food to recipients in nutrition assistance programs and is reimbursed for the administrative costs associated with these purchases (Economy Act, 31 U.S.C. 1535) and contract management of the national warehouses serving USDA's Food Distribution Programs on Indian Reservations (FDPIR) and the Commodity Supplemental Food Program (CSFP).

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

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

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

Geographic Dispersion of Offices and Employees:

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

As of September 30, 2016, AMS had 2,531 employees, of whom 1,917 were permanent full-time and 614 were other than permanent full-time employees. Approximately 74 percent of AMS' employees are assigned to field offices. Of the 2,002 employees assigned to field office locations, 1,402 were permanent full-time and 600 were other-than permanent full-time employees.

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Schedule A (Milk Market Administrator) employees as of September 30, 2016, totaled 351, of which 318 were permanent full-time and 33 were other than permanent full-time employees.

Office of Inspector General (OIG) Audits Completed:

#01601-0001-41 02/24/2016 AMS Procurement and Inspection of Fruits and Vegetables

OIG Audits – In Progress:

#01601-0001-21 National Organic Program – International Trade Arrangements and Agreements

#50016-0001-23 Implementation of Suspension and Debarment Tools in the USDA

Government Accountability Office (GAO) Audits Completed:

Job Code: 361589 03/15/2016 Genetically-Engineered Crops

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Available Funds and Staff Years (SYs)

(Dollars in thousands)

Item	2015 Actual		2016 Actual		2017 Estimate		2018 President's Budget	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Agricultural Marketing Service								
Marketing Services, Discretionary	\$81,192	371	\$81,223	379	\$81,069	404	\$77,462	403
Payments to States and Possessions, Discretionary	1,235	1	1,235	1	1,233	1	1,109	1
Adjusted Appropriations, Discretionary	82,427	372	82,458	380	82,302	405	78,571	404
Congressional Relations Transfer In	102	-	102	-	-	-	-	-
Nat'l Bioengineered Food Disclosure Std Transfer In	-	-	-	-	1,000	-	-	-
Total Available, Discretionary	82,529	372	82,560	380	83,302	405	78,571	404
Farm Bill Initiatives:								
Farmers Market Promotion Program	15,000	4	15,000	3	15,000	3	15,000	3
Local Foods Promotion Program	15,000	4	15,000	4	15,000	4	15,000	4
Specialty Crop Block Grants	72,500	9	72,500	10	72,500	10	85,000	10
National Organic Cost Share	11,500	2	11,500	1	-	-	-	-
AMA Organic Cost Share, Mandatory	1,000	-	1,000	-	-	-	-	-
Nat'l Bioengineered Food Disclosure Std Transfer Out	-	-	-	-	-1,000	-	-	-
Sequestration	-8,396	-	-7,820	-	-7,073	-	-	-
Total, Farm Bill Initiatives, Mandatory	106,605	19	107,180	18	94,427	17	115,000	17
Permanent Appropriations, Mandatory:								
Funds for Strengthening Markets, Income,								
and Supply (Sec. 32)	9,714,923	152	10,316,645	154	10,929,841	154	10,370,878	154
Rescission	-121,094	-	-215,568	-	-232,394	-	-263,393	-
Sequestration	-81,906	-	-77,452	-	-79,626	-	-78,078	-
Recoveries of Prior Year Obligations	750	-	964	-	-	-	-	-
Offsetting Collections	10,397	-	11,879	-	-	-	-	-
Available Authority from Previously Precluded								
Balances, Start of Year	187,486	-	223,344	-	166,332	-	125,000	-
Transfers Out a/	-8,658,409	-	-9,275,989	-	-9,817,173	-	-9,187,878	-
Unavailable Resources, End of Year	-223,344	-	-166,332	-	-125,000	-	-125,000	-
Subtotal, Permanent Appropriations, Mandatory	828,803	152	817,491	154	841,980	154	841,529	154
Total, AMS Appropriations	1,017,937	543	1,007,231	552	1,019,709	576	1,035,100	575
Obligations Under Other USDA Appropriations:								
Food & Nutrition Service for Commodity								
Procurement Services (Sec. 32)	4,335	8	4,602	31	3,438	31	3,438	31
Total, Other USDA	4,335	8	4,602	31	3,438	31	3,438	31
Total, Agricultural Marketing Service Appropriations	1,022,271	551	1,011,833	583	1,023,147	607	1,038,538	606
Non-Federal Funds:								
Perishable Agricultural Commodities Act Fund, Mandatory Reimbursable work:	11,417	64	11,452	67	10,423	69	10,590	69
Research and Promotion Boards	4,695	24	4,626	29	4,501	29	4,812	29
Fees for Grading of Cotton and Tobacco	44,928	339	44,335	323	60,982	441	60,982	441
Grading of Farm Products for Producers, Processors, and Municipal, State and Federal Agencies	154,151	1,231	159,355	1,286	157,690	1,353	160,720	1,353
Wool Research, Development, and Promotion	2,248	-	2,261	-	2,095	-	2,250	-
Total, Non-Federal Funds	217,439	1,658	222,029	1,705	235,691	1,892	239,354	1,892
Total, Agricultural Marketing Service	1,239,711	2,209	1,233,862	2,288	1,258,838	2,499	1,277,892	2,498
Schedule A Staff Years		348		341		358		358

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

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Permanent Positions by Grade and Staff Year Summary

Item	2015 Actual			2016 Actual			2017 Estimate			2018 President's Budget		
	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total
SES.....	11	1	12	9	1	10	9	1	10	9	1	10
GS-15.....	46	3	49	46	4	50	42	3	45	42	3	45
GS-14.....	87	33	120	88	33	121	87	31	118	87	31	118
GS-13.....	154	110	264	152	115	267	157	103	260	157	103	260
GS-12.....	98	177	275	103	182	285	105	171	276	105	171	276
GS-11.....	38	144	182	40	162	202	46	169	215	46	169	215
GS-10.....	1	12	13	2	14	16	1	14	15	1	14	15
GS-9.....	34	448	482	41	437	478	43	475	518	43	475	518
GS-8.....	9	248	257	5	252	257	9	272	281	9	272	281
GS-7.....	14	190	204	15	228	243	8	417	425	8	417	425
GS-6.....	9	52	61	7	46	53	6	47	53	6	47	53
GS-5.....	6	67	73	7	86	93	8	101	109	8	101	109
GS-4.....	3	9	12	-	6	6	7	76	83	7	76	83
GS-3.....	-	-	-	-	-	-	-	25	25	-	25	25
GS-2.....	-	-	-	-	-	-	-	2	2	-	2	2
GS-1.....	-	-	-	-	-	-	-	12	12	-	12	12
Ungraded Positions.....	-	7	7	-	5	5	-	2	2	-	2	2
Total Perm. Positions without Schedule A.....	510	1,501	2,011	515	1,571	2,086	528	1,921	2,449	528	1,921	2,449
Unfilled, EOY.....	-	170	170	-	169	169	-	-	-	-	-	-
Total, Perm. Full-Time Employment, EOY.....	510	1,331	1,841	515	1,402	1,917	528	1,921	2,449	528	1,921	2,449
Staff Year Est.....	637	1,572	2,209	622	1,666	2,288	680	1,819	2,499	680	1,818	2,498
Schedule A Staff Years.....	12	336	348	12	329	341	12	346	358	12	346	358

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SIZE, COMPOSITION AND COST OF MOTOR VEHICLE FLEET

The estimated number of passenger motor vehicles available for 2018 is the minimum necessary to maintain essential services of AMS programs. These vehicles are used to provide necessary services such as: 1) traveling to places which in most cases are not accessible by common carriers, such as farms, market terminals, offices of product dealers and truckers, processing plants, canneries, stockyards, cotton gins, and compress operators; 2) carrying special grading and testing equipment used for inspecting and grading commodities and for performing other work required under the Agricultural Marketing Act of 1946; U.S. Cotton Standards Act; Cotton Statistics and Estimates Act; Tobacco Inspection Act; and Dairy and Tobacco Adjustment Act; and 3) carrying boxes of cotton standards types to use in classing work and demonstration at farmers' meetings. AMS only replaces passenger vehicles that have mileage of at least 60,000 or are six or more years of age, in accordance with standards prescribed by the General Services Administration (GSA). Additional passenger vehicles are requested when the forecasted workload is of such a nature and volume that the number of existing passenger vehicles will not be adequate for program needs.

Changes to the motor vehicle fleet. AMS does not anticipate increasing the fleet of passenger motor vehicles for 2018.

Replacement of passenger motor vehicles. AMS plans to replace 6 of the 31 passenger motor vehicles in operation in 2018.

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

Size, composition and cost of agency motor vehicle fleet as of September 30, 2016, are as follows:

Number of Vehicles by Type *									
Fiscal Year	Sedans & Station Wagons	Light Trucks, SUVs and Vans		Medium Duty Vehicles	Ambulances	Buses	Heavy Duty Vehicles	Total Number of Vehicles	Annual Operating Costs ** (\$ in thou.)
		4X2	4X4						
2015	183	73	4	2	0	0	0	262	1,167
Change	+20	+1	0	0	0	0	0	+21	+142
2016	203	74	4	2	0	0	0	283	1,309
Change	0	0	0	0	0	0	0	0	0
2017	203	74	4	2	0	0	0	283	1,309
Change	0	0	0	0	0	0	0	0	0
2018	203	74	4	2	0	0	0	283	1,309

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

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

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

Marketing Services

For necessary expenses of the Agricultural Marketing Service [\$81,223,000] \$77,462,000: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building.

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

Lead-Off Tabular Statement

Budget Estimate, 2018.....	\$77,462,000
2017 Annualized Continuing Resolution.....	<u>81,069,000</u>
Change in Appropriation	<u><u>-3,607,000</u></u>

Summary of Increases and Decreases

(Dollars in thousands)

Program	2015 Actual	2016 Change	2017 Change	2018 Change	2018 President's Budget
Discretionary Appropriations:					
Market News	\$32,488	+\$731	-	-\$1,066	\$32,153
Surveillance and Standards	7,534	-	-\$154	-515	6,865
Market Protection and Promotion	31,776	-700	-	-2,092	28,984
Transportation and Market Development	8,117	-	-	-934	7,183
GSA Rent & DHS Security.....	1,277	-	-	-	1,277
Nat'l Bioengineered Food Disclosure Std.....	-	-	-	+1,000	1,000
Total	81,192	+31	-154	-3,607	77,462

AGRICULTURAL MARKETING SERVICE

Marketing Services

Project Statement

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

Program	2015 Actual		2016 Actual		2017 Estimate		Inc. or Dec.			2018 President's Budget	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Appropriations:											
Market News Service.....	\$32,488	214	\$33,219	217	\$33,219	232	-\$1,066	(1)	-	\$32,153	232
Shell Egg Surveillance and Standardization:											
Shell Egg Surveillance.....	2,563	7	2,563	10	2,409	11	-479	(2)	-2	1,930	9
Standardization.....	4,971	34	4,971	33	4,971	34	-36	(3)	-	4,935	34
Total, Surveillance and Standardization.....	7,534	41	7,534	43	7,380	45	-515	-2		6,865	43
Market Protection and Promotion:											
Federal Seed Act.....	2,299	14	2,299	14	2,299	15	-231	(4)	-	2,068	15
Country of Origin Labeling.....	4,718	15	4,718	16	4,718	18	-966	(5)	-	3,752	18
Pesticide Data.....	15,739	16	15,039	16	15,039	16	+30	(6)	-	15,069	16
National Organic Standards.....	9,020	43	9,020	43	9,020	43	-925	(7)	-3	8,095	40
Total, Market Protection and Promotion.....	31,776	88	31,076	89	31,076	92	-2,092	-3		28,984	89
Transportation and Market Development:											
Development.....	8,117	28	8,117	30	8,117	35	-934	(8)	-	7,183	35
Nat'l Bioengineered Food Disclosure.....	-	-	-	-	-	-	+1,000	(9)	+4	1,000	4
GSA Rent & DHS\Security.....	1,277	-	1,277	-	1,277	-	-	-	-	1,277	-
Total Adjusted Appropriation.....	81,192	371	81,223	379	81,069	404	-3,607	-1		77,462	403
Total Appropriation.....	81,192	371	81,223	379	81,069	404	-3,607	-1		77,462	403
Transfers In:											
Congressional Relations.....	102	-	102	-	-	-	-	-	-	-	-
Nat'l Bioengineered Food Disclosure.....	-	-	-	-	1,000	-	-1,000	-	-	-	-
Total Available.....	81,294	371	81,325	379	82,069	404	-4,607	-1		77,462	403
Lapsing Balances.....	-988	-	-662	-	-	-	-	-	-	-	-
Total Obligations.....	80,306	371	80,663	379	82,069	404	-4,607	-1		77,462	403

AGRICULTURAL MARKETING SERVICE

Marketing Services

Project Statement

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

Program	2015 Actual		2016 Actual		2017 Estimate		Inc. or Dec.		2018 President's Budget		
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Obligations:											
Market News Service.....	\$32,053	214	\$33,213	217	\$33,219	232	-\$1,066	(1)	-	\$32,153	232
Shell Egg Surveillance and Standardization:											
Shell Egg Surveillance.....	2,499	7	2,083	10	2,409	11	-479	(2)	-2	1,930	9
Standardization.....	5,085	34	4,821	33	4,971	34	-36	(3)	-	4,935	34
Total, Surveillance and Standardization.....	7,584	41	6,904	43	7,380	45	-515		-2	6,865	43
Market Protection and Promotion:											
Federal Seed Act.....	2,254	14	2,285	14	2,299	15	-231	(4)	-	2,068	15
Country of Origin Labeling.....	4,492	15	4,640	16	4,718	18	-966	(5)	-	3,752	18
Pesticide Data.....	15,767	16	15,384	16	15,039	16	+30	(6)	-	15,069	16
National Organic Standards.....	8,968	43	9,038	43	9,020	43	-925	(7)	-3	8,095	40
Total, Market Protection and Promotion.....	31,481	88	31,347	89	31,076	92	-2,092		-3	28,984	89
Transportation and Market Development:											
Development.....	7,911	28	7,922	30	8,117	35	-934	(8)	-	7,183	35
Nat'l Bioengineered Food Disclosure.....	-	-	-	-	1,000	-	-		+4	1,000	4
GSA Rent & DHS/Security.....	1,277	-	1,277	-	1,277	-	-		-	1,277	-
Total Obligations.....	80,306	371	80,663	379	82,069	404	-4,607		-1	77,462	403
Lapsing Balances.....	988	-	662	-	-	-	-		-	-	-
Total Available.....	81,294	371	81,325	379	82,069	404	-4,607		-1	77,462	403
Transfers In:											
Congressional Relations.....	-102	-	-102	-	-	-	-		-	-	-
Nat'l Bioengineered Food Disclosure.....	-	-	-	-	-1,000	-	+1,000		-	-	-
Total Appropriation.....	81,192	371	81,223	379	81,069	404	-3,607		-1	77,462	403

AGRICULTURAL MARKETING SERVICE

Marketing Services

Justifications of Increases and Decreases

For FY 2018, AMS requests funding for Marketing Services programs at the FY 2017 base plus \$753,000 for pay costs, \$1,000,000 to develop a national bioengineered food disclosure standard, and program reductions of \$5,360,000.

- (1) A decrease of \$1,066,000 for Market News (\$33,219,000 and 232 staff years available in 2017).

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

AMS responds to evolving markets and products by updating its services to meet the information needs of the public. Example of improved reports and services include:

- Reporting of local and regional markets (auctions, farmers markets, etc.),
- Reports on traditional products, with specific attributes
- Bioenergy reports on a regional basis

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

Continuation of the program is critical because:

- AMS reports encompass a wide variety of domestic and international market data that enable producers to respond to changing market conditions. Data is disseminated within hours of collection and made available through distribution channels with a high degree of transparency.
- The Market News Program provides data on cotton, dairy, fruits, vegetables, specialty crops, livestock, grain, and poultry.
- Stoppages or cutbacks in the program interrupt information needed across the agricultural industry.
- AMS reports are commonly used as a reliable price tool in marketing contracts, as well as in dispute resolution.

To remain competitive in today's market, industry stakeholders need and demand better market coverage, smarter information, and faster access. Base funding supports ongoing services and continued efforts to enhance and expand the information products that the Program provides to the public, as well as improving the ways in which information and data products are stored and delivered. AMS has been developing a digital database to provide large sets of multi-year market news data to users in a common format. The Agency is continuing its efforts to harmonize and merge several market news information databases into one unified database and data capture system (the Market Analysis and Reporting Services, or MARS). MARS is designed to simplify access to and maintenance of market news data.

The Agency partners with other key USDA data agencies, as well as with key stakeholders and secondary disseminators, identify ways to more efficiently and reliably capture data and make this data publically available in the manner that best meets the needs of customers. AMS also partners with other groups or

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institutions with similar duties through Cooperative agreements. These partners include states, other agencies and groups such as the Market Information Organization of the Americas (MIOA) and other institutions to harmonize efforts and capture additional data to make it available to the public on a regional and national level. This will provide important information about the value of food in local and regional food systems, international markets of importance, and will help producer's access appropriate risk management and other resources. AMS will review and adapt emerging tools for information capture and dissemination to better meet customers' information needs. The Agency will develop the most effective means to collect data for small direct marketers and make this data publically available. Funds will be used for salaries and benefits for 232 staff years, site travel, outreach, and data management systems necessary to collect, analyze, and make available large quantities of information, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports the AMS objective to increase market opportunities for American agriculture through analysis of domestic and international market information and data.

The funding change is requested for the following items:

- a. An increase of \$434,000 for pay costs (\$117,000 for annualization of the 2017 pay increase and \$317,000 for the 2018 pay increase).
- b. A decrease of \$1,500,000 from reduced Market Analysis and Reporting Services (MARS) development expenses (\$2,500,000 and 3 staff years in 2017).

Market News has made great technological strides to improve access to market information through the development of the Market Analysis and Reporting Services (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's anticipated that development of MARS will be completed in FY 2018, reducing costs to approximately \$500,000 annually for system support and maintenance.

- (2) A decrease of \$479,000 and 2 staff years for the Shell Egg Surveillance Program (\$2,409,000 and 11 staff years available in 2017).

The Shell Egg Surveillance Program inspects registered shell egg packing facilities a minimum of four times annually and hatcheries once annually. The program monitors the disposition of restricted eggs to limit the number of restricted eggs in consumer channels. Stoppages in the program could disrupt markets for this product and endanger customer health.

Continuation of the program is critical because:

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

Funds will be used for salaries and benefits for 9 staff years, supervisory travel, and agreements with cooperating State agencies, or for AMS inspectors. The program cross-utilizes grading personnel to conduct inspections where State personnel are not available.

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These funds support the AMS objective to safeguard the quality and wholesomeness of agricultural products.

The funding change is requested for the following items:

- a. An increase of \$21,000 for pay costs (\$6,000 for annualization of the 2017 pay increase and \$15,000 for the 2018 pay increase).
- b. A decrease of \$500,000 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 Shell Egg Surveillance (SES) registered facilities that need inspection through the program. The number of SES facilities has decreased from 1,023 facilities in 2000 to 743 facilities in 2016. As a result, the number of inspections conducted at these facilities is reduced by about 27 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. Industry compliance with the law and regulations was at 95 percent in FY 2016.

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

- (3) A decrease of \$36,000 for Standardization (\$4,971,000 and 34 staff years available in 2017).

Base funds for Standardization will fund continued development, review, and maintenance of agricultural commodity standards that describe product quality attributes for trade purposes. Standards describe product quality attributes such as taste, color, tenure, yield weight, and physical condition. AMS continually reviews the effectiveness of standards in domestic trading and provides technical guidance on standards to several international organizations. Stoppages or cutbacks in the program could interrupt domestic and international markets.

Continuation of the program is critical because:

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

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

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A fundamental element of the agricultural marketing infrastructure, AMS Standardization supports AMS' objective to develop international and domestic commodity standards to facilitate global trade and economic growth.

The funding change is requested for the following items:

- a. An increase of \$64,000 for pay costs (\$17,000 for annualization of the 2017 pay increase and \$47,000 for the 2018 pay increase).
- b. A decrease of \$100,000 in program savings.

AMS will implement cost-saving measures to reduce non-salary expenses such as travel to international standards meetings, contractual services, equipment and repair/maintenance cost. This will limit the resources available to revise commodity standards and advocate for U.S. agriculture in international markets.

- (4) A decrease of \$231,000 for the Federal Seed Act Program (\$2,299,000 and 15 staff years available in 2017).

The Federal Seed Program will continue to administer Federal Seed Act (Act) regulations on the interstate shipment of agricultural and vegetable seed. Stoppages of the program would interrupt compliance monitoring and investigation of seed in interstate commerce, harming growers.

The program has been working to eliminate delays in regulatory seed testing and labeling investigations so that prompt action can be taken when violations are identified. Resolving truth-in-labeling disputes on interstate shipments of seed helps companies to understand and fix the problems while seed is still being sold in interstate commerce, and promotes compliance from other shipments. The program also provides expert advice to seed industry professionals on seed testing and sampling that facilitates Federal Seed Act enforcement activities.

Continuation of the program is critical because:

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

The Federal Seed Program collaborates with State seed inspectors who are authorized to inspect seed subject to the Act. Samples are routinely drawn by State inspectors to monitor seed sold commercially. They refer apparent violations of the Act to AMS' Federal Seed Program for investigation and appropriate action. AMS tests seed samples and resolves violations administratively or initiates legal action. AMS trains cooperators on violations of interstate shipments, provides expert advice, and implements seed testing procedures and technology. Funds will be used for salaries and benefits for 15 staff years, cooperator training, seed testing, cooperative agreements, data management, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports AMS' objective to safeguard the quality and wholesomeness of agricultural products.

The funding change is requested for the following items:

- a. An increase of \$29,000 for pay costs (\$8,000 for annualization of the 2017 pay increase and \$21,000 for the 2018 pay increase).
- b. A decrease of \$260,000 in program savings.

AMS will reduce non-salary expenses for major equipment purchases, state government conference contributions, training, supplies, and travel. For example, the program purchased customized seed evaluation equipment in FY 2016 which will result in operating expense savings and reduced maintenance costs. Also, the program's conference costs will be reduced in FY 2018, since all obligations agreed to in

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the AMS cooperative agreement with the Association of Official Seed Analysts will be met by the end of FY 2017. The program will maintain the number of investigations planned for FY 2018 by focusing on core processes.

(5) A decrease of \$966,000 for the Country of Origin Labeling (\$4,718,000 and 18 staff years available in 2017).

The Country of Origin Labeling (COOL) program will continue to conduct reviews of retail stores and suppliers to ensure a high level of compliance with labeling provisions for covered commodities. Stoppage or cutbacks in this program could result in reduced information for consumers.

The program will continue education and compliance monitoring activities for covered commodities and address non-compliance as appropriate. AMS works in collaboration with all 50 States to conduct retail surveillance activities for the COOL program. The program provides training to State cooperators and outreach to retailers and stakeholders. The COOL program will continue retailer education and outreach during retail reviews to strengthen compliance with labeling requirements. To ensure effective and efficient regulatory oversight, the program provides State cooperator training and outreach to maintain full partnerships with cooperating State agencies and conduct follow up retail reviews for retailers in locations found with critical weaknesses. Effective program delivery is dependent on State cooperators.

Continuation of the program is critical because:

- The audit-based COOL compliance program ensures that the public receives credible, accurate information regarding the source of specific foods to enable more informed choices.
- COOL provisions of the Agricultural Marketing Act of 1946 require retailers to notify their customers of the country of origin of covered commodities.

These funds will be used for salaries and benefits for 18 staff years, supervisory travel, cooperative agreements with cooperating State agencies, compliance data tracking, outreach, rent, utilities, communications, and indirect AMS and USDA costs. This funding supports AMS' objective to safeguard the quality and wholesomeness of agricultural products.

The funding change is requested for the following items:

- a. An increase of \$34,000 for pay costs (\$9,000 for annualization of the 2017 pay increase and \$25,000 for the 2018 pay increase).
- b. A decrease of \$1,000,000 in program savings by refocusing retail reviews.

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

(6) An increase of \$30,000 for the Pesticide Data Program (\$15,039,000 and 16 staff years available in 2017).

The Pesticide Data Program (PDP) will continue to test food commodities for pesticide residues and report program findings to support pesticide regulations and the marketing of U.S. commodities. PDP will deliver data for all of the top 24 children's commodities and continue to include the 10 States currently cooperating in the Program. Sampling by the 10 States currently covers 48 percent of the U.S. population. Stoppages or cutbacks in the program would reduce the data available for pesticide regulation and for consumers, and could disrupt international marketing.

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

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when looking at dietary pesticide exposure, and is a critical component to verifying that all sources of exposure to pesticides meet U.S. safety standards.

- Because PDP's mission is to focus on testing foods, particularly foods most likely consumed by infants and children, to improve Government's ability to protect human health from pesticide risk, PDP plays a critical role in ensuring that America's children have access to safe, nutritious, and balanced meals.
- PDP also supports the global marketing of U.S. products, since pesticide data results are used in promoting exports of U.S. commodities.

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

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

The PDP tests a wide variety of domestic and imported foods using a sound statistical program and the most current laboratory methods. The PDP works with State agencies representing all regions of the country and approximately half of the U.S. population. These funds will be used for salaries and benefits for 16 staff years, agreements with cooperating State and Federal agencies for sampling and testing services, specialized testing equipment, data management, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports AMS' objective to increase market opportunities for American agriculture through analysis of domestic and international market information and data.

The funding change is requested for the following items:

- a. An increase of \$30,000 for pay costs (\$8,000 for annualization of the 2017 pay increase and \$22,000 for the 2018 pay increase).
- (7) A decrease of \$925,000 and 3 staff years for the National Organic Program (\$9,020,000 and 43 staff years available in 2017).

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

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

Continuation of the program is critical because:

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

AMS continues to expand market access for organic farms and businesses. Today, the industry encompasses over 22,000 certified organic businesses. AMS ensures the integrity of organic agricultural products through consistent compliance enforcement and increased transparency. With accredited certifying agents worldwide, organic producers and processors can maintain their compliance with organic regulations. To expand marketing opportunities for both domestic producers and international partners, AMS establishes and maintains recognition and equivalency agreements with eight foreign governments – India, Israel, New Zealand for recognition, and Canada, European Union, Japan, Korea, and Switzerland for equivalency.

To increase the number of certified organic operations, USDA supports research and education to enable organic production, reduce overlapping requirements, and eliminate other obstacles. AMS collaborates with certifying agents and other USDA agencies to make organic certification more accessible, attainable, and affordable to U.S. producers. Clear standards, sound and sensible certification, and greater organic literacy will facilitate market access and reliable international trade partnerships.

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

These funds will be used for salaries and benefits for 40 staff years, core travel related to international agreements and site visits, a data management system, outreach, two meetings a year for the National Organic Standards Board, technical resources for National List reviews, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports AMS' objective to create jobs and expand opportunities for farms and businesses by supporting organic agriculture.

The funding change is requested for the following items:

- a. An increase of \$75,000 for pay costs (\$20,000 for annualization of the 2017 pay increase and \$55,000 for the 2018 pay increase).
- b. A decrease of \$1,000,000 and 3 staff years in program savings through streamlined business processes.

As a result of streamlined business processes and reduced regulatory activity, the NOP will not fill three vacant positions. The program will replace meeting transcripts for the National Organic Standards Board (NOSB) public meeting with meeting summaries and voting records generated by existing staff, reducing the need for an external transcription service. Further, the NOSB will convene its own volunteer technical advisory panels to evaluate proposed changes to the National List, rather than contracting with third parties for Technical Reports. The NOP will also use reviews conducted by other organic trading partner countries (such as Canada and the European Union) for its accreditation peer reviews, rather than contracting for this

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activity. Finally, the NOP will focus on publicizing existing education and outreach material generated under the Sound and Sensible certification initiative, rather than developing additional outreach and training projects.

- (8) A decrease of \$934,000 for Transportation and Market Development (\$8,117,000 and 35 staff years available in 2017).

AMS will also continue to serve as an expert source for economic analysis on agricultural transportation from farm to markets. Stoppages or cutbacks in the program would reduce activities that greatly benefit small to medium agricultural producers and rural communities.

AMS' Transportation and Market Development Program supports and enhances the distribution of U.S. agricultural products and increases marketing opportunities for agricultural producers and local businesses through applied research and technical services. As an expert source for economic analysis and reporting on agricultural transportation from farm to market, AMS helps agricultural shippers and government policymakers make informed decisions. AMS is committed to supporting these ongoing activities, which are valuable tools in supporting rural economic development.

Transportation and Market Development has begun an effort that will identify existing local and regional agricultural resources so localities and agribusiness can leverage available services and partner to enhance their local food efforts. Access to such information will also improve organizations' ability to develop more holistic strategies to address issues related to the availability of local food.

Continuation of the program is critical because:

- As part of USDA's effort to assist the agricultural community to create prosperity, Market Development works in cooperation with other USDA agencies to assess innovative and cost-efficient options that help producers, distributors, and planners by identifying and developing alternative market outlets that help meet growing consumer demand for local and regional foods.
- Through its Transportation and Market Development Program, AMS promotes producer access to local and regional markets, including direct-to-consumer and other emerging opportunities, and plays a crucial role in bringing locally sourced agricultural products to communities in need.

AMS conducts regular data collection and analysis on farmers' markets and direct-to-consumer marketing to help stakeholders understand evolving influences on market performance and profitability. The National Farmers Market Directory connects consumers to producers at over 8,600 farmers' markets by providing location and operation information. Food hubs and other aggregation models inform retail, commercial, and institutional customers who are seeking local and regional food products. Wholesale markets and facility design provide targeted site assessment and design services for food market planners, managers, and community stakeholders to improve the efficiency of permanent food market facilities.

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

This funding supports AMS' objectives to improve access to healthy, locally produced foods while developing market opportunities and to increase market opportunities through analysis of domestic and international market information and data.

The funding change is requested for the following items:

- a. An increase of \$66,000 for pay costs (\$18,000 for annualization of the 2017 pay increase and \$48,000 for the 2018 pay increase).
- b. A decrease of \$1,000,000 in program savings.

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AMS will reduce the number of partnerships with Federal and State agencies, as well as universities, which collect primary marketing data, conduct marketing research, and assist in providing technical assistance to communities seeking AMS services. This will reduce the number of additional markets that are established or expanded through technical assistance by 25 percent and reduce the number of market development projects completed by 17 percent. AMS will maintain the program's ability fulfill its core functions and conduct market development activities that benefit agricultural producers and rural communities.

(9) An increase of \$1,000,000 and 4 staff years to develop a National Bioengineered Food Disclosure Standard.

AMS is required to implement a National Bioengineered Food Disclosure Standard (Pub. L. 114-216). The National Bioengineered Food Disclosure law charges AMS with developing a national mandatory system for disclosing the presence of bioengineered material. AMS will develop rulemaking and ensure an open and transparent process to effectively establish this new program, which will increase consumer confidence and understanding of the foods they buy, and avoid uncertainty for food companies and farmers. Given the complex nature of molecular science, biotechnology innovations, food supply chain composition, and electronic disclosure issues, AMS requires specialized expertise to develop the proposed and final rules. This request will fund salary and benefits for four employees to conduct the activities necessary to ensure implementation of the standard by the statutory deadline. The request also funds costs associated with legal review, patent and trademark vetting, and filing for intellectual property protections.

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

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

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Summary of Proposed Legislation

- Program:** Farmers Market and Local Food Promotion Program
- Proposal:** Terminate the Farmers' Market and Local Food Promotion Program authorized and funded through FY 2018 by the Agriculture Act of 2014 (2014 Farm Bill), P.L. 113-79.
- Rationale:** The program was established to assist in increasing domestic consumption of wholesome and nutritious agricultural products through new market opportunities. This grants-making activity is proposed for termination because its purpose is not a Federal responsibility.
- Goal:** To reduce the deficit, regain control of Federal spending, and redefine the proper role and scope of the Federal Government so that assistance can be targeted to those who need it most.

(Dollars in thousands)

	2017	2018	2019	2020	2021
Budget Authority	0	-30,000	0	0	0
Outlays	0	0	-10,000	-10,000	-10,000

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Marketing Services

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	2015 Actual		2016 Actual		2017 Estimate		2018 President's Budget	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Alabama	\$131	1	\$166	1	\$175	1	\$150	1
Alaska	-	-	10	-	-	-	-	-
Arizona	671	6	694	6	621	6	673	6
Arkansas	75	1	131	1	355	2	135	2
California	4,235	9	4,478	10	4,340	10	4,341	10
Colorado	503	5	624	6	535	6	535	6
Connecticut.....	-	-	39	-	-	-	-	-
District of Columbia	47,742	202	45,829	205	45,983	217	44,076	216
Florida	1,933	2	2,099	3	2,029	2	1,933	2
Georgia	1,238	12	1,326	12	1,371	13	1,321	13
Hawaii.....	-	-	40	-	-	-	-	-
Idaho	514	5	460	4	574	5	454	5
Illinois	357	3	414	3	388	3	388	3
Indiana	-	-	70	-	-	-	-	-
Iowa	1,339	13	1,606	16	1,627	15	1,607	15
Kansas	219	2	226	2	260	2	210	2
Kentucky	126	2	192	2	210	2	210	2
Louisiana	63	-	128	1	162	1	122	1
Maine.....	-	-	11	-	-	-	-	-
Maryland.....	254	1	315	1	254	1	265	1
Massachusetts	402	4	459	4	481	4	451	4
Michigan	1,719	3	1,737	3	1,862	4	1,732	4
Minnesota	243	2	299	2	360	2	260	2
Mississippi	-	-	49	-	78	1	58	1
Missouri	503	5	659	6	657	6	657	6
Montana	90	1	120	1	295	2	135	2
Nebraska	106	1	136	1	112	1	112	1
Nevada	-	-	40	-	-	-	-	-
New Hampshire	-	-	18	-	-	-	-	-
New Jersey	-	-	42	-	-	-	36	-
New Mexico	253	3	228	2	235	3	225	3
New York	2,248	3	2,457	3	2,547	3	2,367	3
North Carolina	1,892	13	1,962	13	2,210	14	1,990	14
North Dakota	-	-	23	-	-	-	25	-
Ohio	1,470	-	1,203	-	1,115	3	1,175	3
Oklahoma	404	4	373	3	377	4	409	4
Oregon	208	2	116	1	225	3	125	3
Pennsylvania	717	7	868	8	717	7	620	7
South Carolina	104	1	216	2	194	2	204	2
South Dakota	219	2	244	2	216	2	220	2
Tennessee	3,238	22	2,880	21	3,418	22	2,818	22
Texas	1,974	7	2,125	7	2,634	7	2,119	7
Utah	-	-	28	-	-	-	30	-
Vermont	-	-	12	-	-	-	-	-
Virginia	2,240	13	2,267	12	2,388	13	2,190	14
Washington	1,408	3	1,480	3	1,431	4	1,431	4
West Virginia	-	-	19	-	-	-	20	-
Wisconsin	1,388	11	1,661	12	1,546	11	1,546	11
Wyoming	80	1	84	1	87	1	87	-
Obligations	80,306	371	80,663	379	82,069	404	77,462	403
Lapsing Balances	988	-	662	-	-	-	-	-
Total Available.....	81,294	371	81,325	379	82,069	404	77,462	403

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Marketing Services
Classification by Objects
(Dollars in thousands)

		2015	2016	2017	2018
		<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>President's</u> <u>Budget</u>
Personnel Compensation:					
	Washington, D.C.....	\$18,399	\$17,868	\$18,583	\$18,887
	Field.....	14,903	14,472	15,052	15,298
11	Total personnel compensation.....	33,302	32,340	33,635	34,185
12	Personnel benefits.....	11,161	11,506	11,689	11,892
13.0	Benefits for former personnel.....	23	435	435	435
	Total, personnel comp. and benefits.....	44,486	44,281	45,759	46,512
Other Objects:					
21.0	Travel and transportation of persons.....	1,364	1,424	1,430	1,245
22.0	Transportation of things.....	279	18	18	18
23.1	Rental payments to GSA.....	1,151	1,151	1,151	1,151
23.2	Rental payments to others.....	976	1,253	1,253	1,250
23.3	Communications, utilities, and misc. charges.....	1,355	1,295	1,478	1,373
24.0	Printing and reproduction.....	206	335	335	318
25.2	Other services from non-Federal sources.....	17,342	21,841	19,329	14,426
25.3	Other purchases of goods and services				
	from Federal sources.....	9,636	7,125	9,377	9,572
25.4	Other services.....	4	5	5	5
25.6	Medical care.....	18	20	20	20
25.7	Operation and maintenance of equipment.....	774	133	132	133
26.0	Supplies and materials.....	524	574	574	431
31.0	Equipment.....	2,179	1,200	1,200	1,000
42.0	Insurance Claims and Indemnities.....	12	8	8	8
	Total, Other Objects.....	35,820	36,382	36,310	30,950
99.9	Total, new obligations.....	80,306	80,663	82,069	77,462
	DHS Building Security Payment (included in 25.3).....	\$126	\$178	\$126	\$126
Position Data:					
	Average Salary (dollars), ES Position.....	\$163,447	\$168,532	\$171,229	\$174,824
	Average Salary (dollars), GS Position.....	\$77,390	\$90,636	\$92,086	\$94,020
	Average Grade, GS Position.....	12	12	12	12

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Status of Programs

Marketing Services

Market News

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

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

Selected Examples of Recent Progress:

Local and Regional Market Reporting – The AMS Market News local and regional webpage allows data users to easily view over 125 Farmers Markets, 7 Farmers Auctions, Farm-to-School prices for 4 States, a national local and organic retail report, and Direct-to-Consumer sales reports for 5 States. This year, Market News revised 4 more Federal-State agreements (9 in 2015) to expand collaboration with State Departments of Agriculture to capture additional local and regional food market prices and volumes.

Organic Data – In April 2016, AMS launched a new webpage showcasing Market News organic price reports, including a new bi-weekly National Organic Summary detailing grains, feedstuffs, eggs, and dairy products to improve price information reported from diversified producers. In FY 2017 and FY 2018, Market News will further expand its organic market price reporting using Organic Data Initiative funding provided in the Farm Bill to better meet data user needs. Additional resources and outreach efforts will enable AMS to expand the program's organic contact base and increase the number of organic commodities and organic markets reported.

Redesign of Market News into Digital Data Service (MARS) – Market News continues to implement MARS advanced technical capabilities and successfully completed release of the next generation of MARS 2.0. This functionality will allow Market News to combine all reporting functions in a single, user-managed platform. MARS has improved reporting speed, accuracy, and flexibility for the commodities in production. Improvements in data quality and management have been completed and better cooperator relationship management tools are implemented. In FY 2016, Market News reporters began using MARS to report at livestock auctions. Developers expect the first public facing dissemination capabilities for MARS will be released in March 2017, and all voluntary Market News reporting data products to be included by the end of calendar year 2017.

Market Information Organization of the Americas (MIOA) – AMS continues its leadership role in the MIOA, a network of market information organizations from 33 countries in North, Central and South America, and the Caribbean. AMS was chosen to serve as the Regional Representative on the Executive Committee of MIOA by the countries of the Northern Region (Canada, Mexico, and the U.S.). The various regional partners of MIOA are working to create market reports for products of interest to all, and to support interregional trade.

The Inter-American Institute for Cooperation on Agriculture (IICA) serves as the Technical Secretariat for MIOA. With the support of IICA and the Foreign Agricultural Service (FAS), MIOA is working on several key projects that will assist all of the member countries. These projects include:

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- An agricultural products dictionary for the Americas, known as Wiki.
- Technology improvement for selected member Nations--basically a simple cloud based market information system that can be given to limited resource Nations.
- Strengthened private sector linkage to market information systems using Short Message System, based upon the evaluation from well-established Short Message Systems within the MIOA countries.
- A “knowledge library” or the compilation of training and reference materials created to date on or for the MIOA member Nations.

Customer Outreach and Training – AMS Market News routinely responds to requests for information from individuals, industry groups, and associations. In FY 2016, AMS participated in industry meetings, which Market News used to highlight the various information products that Market News offers and educate the public on how to use them. Market News developed and delivered several new webinars in FY 2016 to demonstrate these information products, including a session focused solely on local and regional data available from Market News (Market News: Local & Regional Reporting Webinar, September 9, 2016).

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

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

LMR provides information on the U.S. transactions of the following agricultural commodities:

- 78 percent of slaughter cattle
- 90 percent of boxed beef
- 97 percent of slaughter hogs
- 59 percent of slaughter sheep
- 50 percent of boxed lamb meat
- 71 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 impact current and future marketing and production decisions and as reference prices for the calculation of formula and contract prices. Analysts and policy makers also depend on this information to assess market conditions and the performance of the livestock and meat sectors.

In FY 2016, AMS implemented modifications to swine and lamb reporting requirements that were mandated by the Agricultural Reauthorizations Act of 2015 (2015 Act), as follows:

- For swine, added a definition and reporting requirements for negotiated formula and late day purchases.
- For lamb, modified the definitions of a lamb packer and a lamb importer to lower the reporting thresholds of each, from a processing average of 75,000 lambs to 35,000 lambs, and from an import average of at least 2,500 metric tons of lamb meat products to an average of 1,000 metric tons of lamb meat.
- Completed a baseline study of the livestock and meat industry in August 2016. The baseline study commissioned by AMS will form the basis for a comprehensive study to analyze current livestock marketing practices; identify future legislative or regulatory recommendations; analyze price and supply information reporting services of USDA related to cattle, swine, and lamb; and address any other issues that the Secretary considers appropriate. The 2015 Act requires that USDA complete the study through AMS, the Office of the Chief Economist, and in consultation with the livestock and meat industry. To gather feedback from industry stakeholders, AMS invited national livestock and meat industry associations

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representing cattle, swine, and lamb producers, meat processors, and other market participants to participate in a series of stakeholder meetings during FY 2017 and openly discuss marketing methods, current challenges with reporting livestock and meat market information, and needs of the industry regarding future revisions to LMR. AMS will use this information as the basis for a report to Congress due March 1, 2018, to promote an orderly reauthorization of LMR in 2020.

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 60 percent of the U.S. milk supply.

Mandatory dairy product reporting provides sales information on:

- 11 percent of butter production
- 36 percent of cheddar cheese production
- 62 percent of nonfat dry milk production
- 44 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:

- Captured data for 12.2 percent of the cotton crop for use in establishing the Daily Spot Cotton Quotations report in marketing year (MY) 2015-2016. This is 54.6 percent above the five year average and represents the second highest percentage reported since MY 2003-2004.
- World Cotton Futures Daily Report: added two new reports related to the newly approved World Cotton Futures Contract. One of the reports provides the settlement quality differentials for domestic and foreign cotton delivered against the Intercontinental Exchange (ICE) World Cotton Futures Contract.

Dairy:

- Expanded the International reporting base by collecting information and releasing reports on the South American dairy markets. In October 2016, Dairy began to release two reports on a biweekly plan.
 - Report MD_DA130 *South America Dairy Market Overview*, details information on milk production, milk prices, dairy product production, and demand trends,
 - Report MD_DA137 *Whole Milk Powder – South American: Southern Cone*, details pricing and market information on whole milk powder in the region. Additional reports are planned to be added in FY 2017.
- Expanded overall data collection and market coverage across commodity reports by including information from marketing agents. The methodology was adopted after a survey, proposed action, and consensus review with the industry.
- Collected, summarized and disseminated additional organic market information through a cooperative effort of AMS Market News programs in a report titled: *Bi-Weekly National Organic Comprehensive Report*.
- Released an International Monthly Averages Report at the request of industry members who utilize those prices in economic modeling.

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Specialty Crops:

- New Areas Reported at Shipping Points – price and volume.
 - Western vegetables – both organic and conventional.
- Expanded focus on new products and locally grown or organic retail product advertisements.
 - Fruits and vegetables.
 - 29,100 outlets, chain grocery stores (with 78,160 ads in any given week).
 - 12.58 percent of the ads featured locally grown.
 - 52.45 percent of the ads featured organic (some ads were both organic and locally grown).

Livestock, Poultry and Grain:

- Enhanced wholesale pork reporting by adding individual ham muscles (insides, outside, and knuckles) to the ham primal, providing a stronger and more reflective pork carcass cutout value.
- Introduced a new edition of the National Monthly Grass Fed Beef Report. The report, now published in a PDF format, includes more regional information, graphic representations, and retail comparisons to commodity beef prices.
- Developed an enhancement to the weekly national whole/broiler/fryer report showing more detailed market price information for light, medium, and heavy weight birds.
- Began publishing a new monthly cage-free egg report highlighting estimated production information, retail features, and wholesale prices.
- Enhanced the depth of its live cattle reporting by including slaughter cattle purchases through the Fed Cattle Exchange (FCE) in its national and regional direct negotiated slaughter cattle reports. The FCE provides a web-based interface where feedlots can offer pens of market-ready cattle for sale and packers can bid on those offerings in a timed format.

Shell Egg Surveillance

Current Activities: The Shell Egg Surveillance (SES) Program monitors the disposition of "restricted eggs" (eggs that are cracked, dirty, incubator rejects, inedible, leaking, or otherwise unfit for human consumption) to ensure that only eggs fit for human consumption are available to consumers. Inedible eggs constitute a small proportion of all shell eggs and are most often used in animal feed; the remaining eggs are destroyed. Visits to shell egg handlers with 3,000 or more chickens or who pack product ultimately destined for consumers are made four times each year and visits to hatcheries are conducted annually. Additional follow-up visits are made when violations are found.

In FY 2016, AMS continued to assist the egg laying industry with overcoming a shortage of shell eggs for breaking and processing by issuing permits to import eggs from foreign markets. The infection of layer hens with Highly Pathogenic Avian Influenza (HPAI) and subsequent loss of a significant number of birds resulted in a shortage of eggs for breakers and further processors. AMS issued over 2,000 permits for 52.5 million dozen eggs that were sourced from 12 foreign countries to certify that the imported eggs met temperature, sanitary, and labeling requirements.

After quarantine restrictions were lifted by the Animal and Plant Health Inspection Service and state veterinary authorities gave their clearance, AMS resumed on-site visits and SES inspections in areas that had been under restrictions in FY 2015 due to HPAI. As a result, AMS conducted 170 more inspections in FY 2016 compared to the previous year.

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<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 Act is found, a follow-up visit is made during the quarter.</i>				
	Shell Egg Handlers		Hatcheries	
	<u>Number of Handlers</u>	<u>Total Inspections</u>	<u>Number of Hatcheries</u>	<u>Total Inspections</u>
FY 2010	492	2,404	316	329
FY 2011	493	2,485	323	333
FY 2012	472	2,406	322	331
FY 2013	474	2,282	307	310
FY 2014	462	2,019	267	266
FY 2015	471	1,834*	271	231*
FY 2016	475	1,994	268	241

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

Standardization

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

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 2016, AMS specialists reviewed commodity standards to ensure that they continue to accurately describe current products, including 21 for cotton products; 87 for fruit and vegetable products; 8 for livestock, meat, and poultry products; and 13 for tobacco. These reviews resulted in the following standard revisions:

- Beef Standards – AMS sought comments through a Notice published in the *Federal Register* concerning a proposal to update the U.S. Standards for Grades of Carcass Beef to allow dentition and documentation of actual age as means of determining maturity grouping for official quality grading. The standards allow skeletal and muscular evidence to determine maturity grouping, and AMS was interested in obtaining the views of producers, packers, industry associations, and other stakeholders regarding the proposed change. AMS received over 230 comments on the proposal with the majority in favor of allowing dentition and age verification as methods for determining maturity. As a result, AMS is drafting proposed changes to the standard to insert language concerning dentition and age verification, and initiated research to collect data on whether to change the boundaries for the C-maturity group.
- U.S. Standards for Grades of Canned Baked Beans – Effective June 8, 2016, AMS revised the product description of the U.S. Standards for Grades of Canned Baked Beans to account for advances in industry

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processing technology. In addition, the canned dried bean grade standards, canned pork and bean grade standards, and the canned baked bean grade standards, which previously were housed in a single document, were separated into three individual documents to improve clarity for the industry.

- U.S. Standards for Grades of Raisins – Effective July 25, 2016, AMS revised the U.S. raisin standards to remove all references to the term “midget.” This change modernizes and clarifies the standards by removing dual terminology for the same requirement.
- Various Specialty Crops Standards – Effective September 6, 2016, AMS revised 41 U.S. standards for fresh fruits and vegetables, fruits and vegetables for processing, nuts, and specialty crops to remove the “Unclassified” category. This change modernizes the standards by removing a category that is not a grade and only serves to show that no grade has been applied to the lot. The standards for the following commodities were revised: sweet anise; lima beans; beets; brussels sprouts; cabbage; cucumbers; endive, escarole, or chicory; garlic; collard greens or broccoli greens; mustard greens and turnip greens; horseradish roots; greenhouse leaf lettuce; mushrooms; common green onions; onion sets; parsnips; fresh peas; southern peas; rhubarb; romaine; blanched shallots; spinach plants; summer squash; turnips or rutabagas; dewberries and blackberries; American (Eastern type) grapes; juice grapes; raspberries; spinach for processing; berries for processing; blueberries for processing; red sour cherries for manufacture; sweet cherries for canning or freezing; cranberries for processing; currants for processing; raspberries for processing; growers’ stock strawberries; washed and sorted strawberries for freezing; Brazil nuts in the shell; cut peonies in the bud; and, tomato plants. The revision conforms to recent changes in other grade standards; brings these grade standards in line with the present terminology; updates the standards to more accurately represent today’s marketing practices; and, provides industry with greater marketing flexibility.
- Commercial Item Descriptions (CIDs) – AMS also maintains 186 CIDs for products in all commodity areas. CIDs are official U.S. Government procurement documents that describe the most important characteristics of a commercial 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 2016, AMS revised 11 and created 2 new CIDs for:
 - Wild Rice, A-A-20378, to address a Farm Bill mandate related to the Food Distribution Program on Indian Reservations.
 - Butters and Spreads, Seed and Legume (not including peanuts, sunflower seeds, and tree nuts), A-A-20374.
- Cotton Standards – AMS produced cotton grade standards boxes for the current crop year consisting of approximately 2,000 Upland and Pima cotton grade standards boxes representing the 21 physical cotton grade standards. All freshly produced standards boxes were reviewed and approved by cotton industry representatives in June 2016 at meetings in Memphis, TN, and Visalia, CA. In addition, over 54,000 pounds of instrument calibration cotton standards were distributed to the domestic and international cotton industries.

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

- Milk and Dairy Products: An AMS official heads the U.S. Delegation to the Codex Committee on Milk and Milk Products (CCMMP). The committee has been quite active deliberating draft standards and proposed work on draft standards impacting the dairy industry. The delegate submitted the official U.S.

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comments that address the export interests of the U.S. dairy industry and government on each of these items.

- A physical Working Group (pWG) of the CCMMP convened in Montevideo, Uruguay December 8-10, 2015 to consider a draft standard for processed cheese at Step 6. Consensus on the draft standard proved to be challenging. Subsequently, U.S. comments were submitted as part of an electronic Working Group (eWG) on the topic in February and May 2016. Due to lack of consensus, the U.S. recommended that work on the draft standard cease. The Codex Alimentarius Commission (CAC), convened June 27-July 1, 2016, in Rome, Italy, recommended that work on the draft standard be discontinued. Delegations or organizations interested in furthering work on a draft standard for processed cheese may submit information to CAC as appropriate.
- A CCMMP eWG has also made significant progress on a Codex standard for dairy permeate powder. The U.S. submitted comments on the draft standard in December 2015 and in February, May and September 2016, with the draft standard progressing to Step 6.
- Additionally, CAC requested survey data from delegations regarding the use of preservatives and anticaking agents for surface treatment of high moisture mozzarella cheese in late FY 2015. The U.S. submitted a summary of industry responses in February 2016, as well as a recommendation to CAC that this work be referred to CCMMP for proposed future amendments. CAC is scheduled to work on the high moisture mozzarella cheese issue at a Commission meeting in July 2017.
- Meat, Eggs, and Poultry: AMS serves as Vice Chair of UNECE's Specialized Section on the Standardization of Meat and played a leadership role in organizing and facilitating the 25th session of the Specialized Section held August 29-31, 2016. Representatives from 21 countries and 13 international organizations attended this session that was very productive in advancing the interests of U.S. egg, meat, and poultry industries. AMS led the development of global standards for edible meat co-products, retail meat cuts for veal and lamb, and eggs and egg products. AMS achieved official adoption by UNECE's Agricultural Working Party of the standards for edible meat co-products and retail meat cuts for veal and lamb. AMS was re-elected to serve as Vice Chair of the Specialized Section on Meat and will continue leading the effort to revise the standards for eggs and egg products. AMS has worked through the UN's Specialized Section to model global standards after USDA standards to help U.S. egg, meat, and poultry producers remain competitive in international markets.
- The International Organization for Standardization's (ISO) Animal Welfare Standards: AMS chairs U.S. representation to the ISO Technical Committee (TC) 34/Working Group (WG) 16 that is working to develop an international industry consensus animal welfare technical specification (TS) for food producing animals. AMS served as a lead drafter of the TS, and as Chair of the U.S. Technical Advisory Group, AMS convened conference meetings for the WG. AMS achieved positive results concerning the TS from votes and comments cast during a three month ballot process. In September 2016, AMS led the WG in finalizing the TS by incorporating edits based upon the comments received during the ballot process.
- Specialty Crops: AMS representatives participated in Codex committees and working groups established to advance standards for fruit and vegetables, and participated in three international Codex outreach programs to build international support for U.S. positions at Codex committee plenary sessions. AMS coordinates its activities with the U.S. Codex Offices in the USDA/Food Safety and Inspection Service; the Food and Drug Administration (FDA); relevant domestic stakeholders; and Codex committees and working groups.
 - AMS participated in meetings of the Codex Committee on Spices and Culinary Herbs (CCSCH). AMS made significant contributions to the CCSCH electronic working groups, which continued elaborate draft Codex standards for oregano, pepper (black, white, and green), cumin, and thyme, and for the grouping of spices and herbs with similar attributes; to draft two discussion papers on the scope of CCSCH standards to clarify the term "Further Processing" as related to the spice industry; and, to develop a Glossary of Terms for use in CCSCH standards. Additionally, AMS participated in ongoing outreach activities to build support for U.S. positions related to the Committee's work.

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- AMS chaired the 28th Session of the Codex Committee on Processed Fruits and Vegetables (CCPFV) on September 12-16, 2016, in Washington, DC. AMS led the U.S. Delegation, which included FDA food additive experts and industry representatives. The session was attended by delegations from 27 countries and 7 observer organizations. During the session, the Committee finalized revisions of the Codex standards for canned pineapples and seven frozen vegetables (broccoli, brussels sprouts, cauliflower, french fried potatoes, green and wax beans, peas, and spinach). These revisions will be submitted to CAC as recommendations for adoption as final standards at the CAC's next meeting in July 2017. Delegations also will be submitting proposals for new work for CCPFV to the Codex Executive Committee and CAC for approval. If new work is approved and the CAC supports convening the next meeting, the CCPFV will set a time and place for its 29th session.
- International Codex Outreach. AMS actively maintained the technical relationships established during our participation in last year's U.S. Codex Office-sponsored outreach efforts to the Codex Regional Committee for Latin America and the Caribbean (CCLAC), Codex Regional Committee for Asia (CCASIA), and the Codex Regional Committee for Africa (CCAFRICA). The agency held teleconferences with relevant international government and industry personnel on all matters currently under discussion in the three Codex Committees and their subsidiary working groups, for which AMS functions as the U.S. delegate.
- United Nations Economic Commission for Europe (UNECE). AMS conducted outreach with government and industry officials to build support for the U.S. positions for fresh, and dry and dried produce standards being addressed by the UNECE. In FY 2016, outreach centered on abolishing size-based classification for every new or existing tree nut standard being developed or revised. In addition, AMS conducted outreach at the International Nut and Dried Fruit 35th Congress in San Diego, CA, and the joint UNECE-United Nations Development Programme workshop on "Agri-Food Supply Chains in Cross-Border Trade of Nuts and Dried Fruit" in Tashkent, Uzbekistan, to provide information on U.S. standardization and inspection practices.
- UNECE Specialized Section on Standardization of Fresh Fruits and Vegetables (FFV). AMS participated in the 64th Session of the UNECE Specialized Section on Standardization of Fresh Fruits and Vegetables in Geneva, Switzerland. The United States successfully challenged the inclusion of smoked garlic in this standard, and won support for U.S. proposals on shattered loose grapes and berries in Class I and Class II; a maximum size for cherry tomatoes; and, exclusion of miniature avocados. Member countries again agreed to study proposals for inclusion of tolerances for soft rot decay and internal breakdown in all fresh fruit and vegetable standards in Extra Class for discussion at the FY 2017 meeting. The acceptance tolerance for soft rot, decay, and internal breakdown in UNECE FFV standards is a significant achievement for the United States because international standards are now increasingly reflecting U.S. standardization and inspection practices, which is favorable for U.S. agricultural commodity exports and exporters.
- UNECE Specialized Section on Standardization of Dry and Dried Produce. AMS chaired the 63rd Session of the UNECE Specialized Section on Standardization of Dry and Dried Produce on June 27-29, 2016, in Geneva, Switzerland. Key outcomes included: reviewing a draft standard for walnut kernels, with the accompanying draft explanatory brochure and color gauge being prepared and paid for by the U.S. walnut industry; adopting the revised draft standard for dried apricots and forwarding the standard to the working party for final approval; extending industry trials of standards for dates, inshell pistachios, almond kernels, and dried grapes for another year due to the lack of consensus on the Table of Tolerances for defects allowed; and, securing the Committee's agreement with the U.S. request to not develop UNECE standards for dried sour cherries and pecan kernels. AMS was re-elected chair of the specialized section.
- UNECE Working Party on Agricultural Quality Standards. AMS participated in the FY 2016 meeting of the UNECE Working Party on Agricultural Quality Standards (WP.7) Specialized Section on Standardization of Seed Potatoes (GE. 6) meeting on August 31-September 2, 2016, in Kimberly, South Africa. The WP.7 developed a standard and some of the supplemental inspection guides for

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seed potatoes. AMS presented a summary of its activities related to seed potato inspection including revisions to U.S. standards, technical documentation, international activities, and other AMS materials and activities that affect seed potato handlers. At the Specialized Section, the working party finished the Guide to Seed Potato Tuber Inspection and worked on the guide to operating a seed potato certification service, risk-based inspections, sample sizes, true potato seed, promotion of the standard, and the section's website as well as future work of the section.

- **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 participated in meetings hosted by UPOV throughout 2016 to provide input and feedback to several ongoing initiatives.
- **Seed:** AMS serves as the U.S. National Designated Authority for Organization for Economic Cooperation and Development (OECD) Seed Schemes. Currently there are 59 participating OECD member countries that label seed for varietal purity for international trade. AMS participated in an OECD Seed Schemes Technical Working Group (TWG) meeting in Cape Town, South Africa in January 2016, as well as the annual and TWG meetings held in Paris, France in June. In addition to active involvement in working groups focused on specific scheme rules and standards, AMS is also a member of the Strategic Planning Committee which is charged with developing short and long range planning for the continued operation and growth of the OECD Seed Schemes.

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

- For example, an AMS representative actively participated in a multiagency task force led by United States Trade Representative and FAS to negotiate export certification requirements for agricultural and food products with the European Union. A primary goal of the negotiations is to streamline the certification requirements in an effort to enhance market access to European Union member countries.
- AMS implemented a Pre-Export Check (PEC) program for almonds going to international markets. Implementation of the program in FY 2016 marked the culmination of a year-long collaborative effort among AMS, the California Department of Food and Agriculture (CFDA), and the Almond Board of California (ABC), to update the Voluntary Aflatoxin Sampling Plan and verification process for almonds entering the European Union. Under the program, almonds may be checked for aflatoxin in the United States and a pre-export health certificate issued by AMS before export. Working with the ABC, AMS developed a system-based audit review program that ensures the integrity of the PEC program and allows AMS inspectors to sign health certificates to expedite product entry into European Union markets. During the fiscal year, AMS conducted a validation audit of the ABC's PEC Program, and issued 12,303 PEC certificates covering 531 million pounds of California almonds valued at approximately \$1.5 billion.
- AMS provided technical assistance to lamb industry stakeholders in Columbia to assist them in their development of a lamb grading system. AMS traveled to Columbia and provided technical training on the U.S. Lamb grade standards, fabrication specifications, market news reporting systems and other relevant technical issues. Harmonizing meat standards in other countries with USDA standards helps producers and marketers in the U.S. to expand markets around the world.

Federal Seed Act

Current Activities: AMS administers Federal Seed Act (Act) regulations regarding the interstate shipment of agricultural and vegetable seeds. The Act requires that seed shipped in interstate commerce be labeled with information that allows seed buyers to make informed choices, and that seed labeling information and

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advertisements pertaining to the seed must be truthful. Therefore, the Federal Seed Program helps promote uniformity among State laws and fair competition within the seed trade.

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

Selected Examples of Recent Progress:

During FY 2016, AMS initiated 337 investigations based on 350 Act complaints from 13 States. In cooperation with State agencies, AMS evaluated 411 regulatory seed samples from 18 States and 3 companies for trueness-to-variety testing. AMS conducted field tests on those samples to determine trueness-to-variety of seed shipped in interstate commerce.

Between September 1, 2015, and September 1, 2016, AMS' Federal Seed Program administratively settled 337 Federal Seed Act cases with 109 warnings, 155 no-actions, and 73 with penalty assessments totaling \$55,875. Individual assessments ranged from \$350 to \$6,175.

To ensure uniform application of the regulations, AMS conducted training workshops for 18 seed analysts from 12 States and 5 private businesses. AMS also hosted the consolidated exam for the Association of Official Seed Analysts/Society of Commercial Seed Technologists. To increase awareness of changes to seed regulations, rules, standards, and testing techniques, AMS conducted four web-based training seminars for both State and private industry professionals, in cooperation with the Association of Official Seed Analysts and the Society of Commercial Seed Technologists. Seminars may be conducted multiple times per year as needed or requested by industry.

Country of Origin Labeling

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

The Consolidated Appropriations Act, 2016, amended the COOL provisions to remove muscle cut beef and pork, and ground beef and pork from COOL requirements in order to bring the United States into compliance with its international trade obligations. On March 2, 2016, AMS published a final rule to remove beef and pork from regulatory requirements. The COOL program remains for fish and shellfish; perishable agricultural commodities; muscle cut and ground lamb, goat and chicken; peanuts, pecans, macadamia nuts; and ginseng. In addition, the COOL program drafted a proposed rule to add muscle cut and ground venison to the list of covered commodities resulting from statutory requirements set forth from the 2014 Farm Bill. The COOL Program continues to conduct retail surveillance reviews on all covered commodities using State cooperative agreements.

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Selected Examples of Recent Progress:

Training – In April 2016, AMS conducted a comprehensive 2-day training workshop for over 250 State officials. These State officials who attended the session held in Norman, Oklahoma, were certified to train-the-trainer in their respective States and to conduct retail surveillance reviews that were assigned in March 2016. In all, over 350 State officials were COOL-certified in 2016 to conduct retail reviews.

Outreach – Throughout FY 2016, COOL strengthened its education and outreach efforts for affected industry stakeholders by attending the North American Seafood Expo, the National Grocers Association's annual exposition, the Latino Cuisine annual event, the Grocery Manufacturer's Association annual labeling workshops, and the Trace Register workshop on seafood traceability. In addition, COOL deployed three informational factsheets targeting consumers, retailers and suppliers in five languages besides English, and mailed over 3,000 COOL Information Packets to retailers making direct requests. Also, the COOL Division met with several retailers and suppliers during FY 2016, including the entire Brookshire Brothers management team.

Enforcement Activities – During FY 2016, AMS worked in collaboration with all 47 cooperating State agencies and AMS' Quality Assessment Program to conduct COOL retail surveillance activities in all 50 States. The majority of the retail review assignments distributed in FY 2016 were for follow-up reviews resulting from critical compliance weakness ratings applied to store locations during FY 2015. Most of those follow-up reviews were conducted in regional, small and independently owned retail store locations.

In total, the COOL Program conducted 1,158 initial retail reviews and 1,929 follow-up retail reviews of the roughly 37,000 regulated retailers that are subject to a Perishable Agricultural Commodities Act license. Based on the number of COOL covered commodities sold in a store location, overall retailer compliance to COOL was approximately 95 percent as of the close of FY 2016, based upon 85 percent completion. This is a slight decrease from FY 2015 when overall retail compliance was 96 percent. Although overall retail compliance is down slightly (1 percentage to date), the compliance trend remains very positive and ensures that consumers have more access to country of origin information when making purchase decisions.

In addition to retail surveillance activities, 75 products were audited through the supply chain. Overall compliance by suppliers to retail stores is approximately 89 percent, which is a reduction from 96 percent compliance in FY 2015. There were 153 firms audited and 17 non-compliances. The majority of the non-compliances resulted from targeted audits where supplier misbranding was gleaned from records gathered during retail reviews.

Pesticide Data Program

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

Selected Examples of Recent Progress:

During FY 2016, PDP tested more than 10,200 food samples, resulting in over 2.3 million individual tests.

Commodities – Commodities surveyed by PDP include fresh and processed fruits and vegetables, milk and dairy products, beef, pork, poultry, catfish, salmon, corn grain and corn syrup, soybeans, wheat and wheat flour, barley, oats, rice, almonds, peanut butter, honey, pear juice concentrate, infant formula, bottled water, groundwater, and treated and untreated drinking water. In FY 2016, PDP reintroduced previously tested commodities and added

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olives and frozen cranberries, bringing the number of commodities surveyed to date up to 115. 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 2016, PDP achieved greater than 99 percent of its goal in collecting samples. PDP uses statistical tools and marketing data to enhance sample collection rates. Availability issues are quickly identified through the use of a real time sample tracking database and the use of electronic sample information forms. PDP monitors product availability and makes necessary adjustments to sampling protocols to meet collection targets. Several seasonal commodities (cherries and cranberries) that were not consistently available in the marketplace still met targets because both fresh and frozen were collected. PDP is recruiting new collection sites to ensure representative samples are collected, including distribution centers for boxed-meal companies such as Blue Apron.

Testing Methods – PDP enhanced its testing methods to bring the total number of pesticides and metabolites tested to over 500. 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 2016, PDP conducted outreach to stakeholders, cooperating State agencies, and Federal data users.

Stakeholders:

- To increase awareness of PDP, the program broadcast its first-ever webinar on the benefits of PDP for key stakeholders, including produce distributors. This effort was accomplished in partnership with AMS' Specialty Crops Program. The webinar attracted nearly 100 government and private sector viewers and is posted on the PDP website as an additional outreach tool.
- PDP conducted its first-ever PDP Stakeholder meeting. The perspectives of stakeholders and other members of the public are essential tools to help PDP examine and prioritize its activities and objectives in order to continue to provide critical pesticide residue data. Considering current agricultural practices and the changing regulatory environment, PDP sought and received substantial feedback from stakeholders and will use this information to frame outreach and planning activities for FY 2017 and forward.
- PDP developed a new Web-based application that can be launched from the PDP Website to generate customized data sets by searching the public-domain PDP Databases across all years (1994-2015). Data users will be able to select all or specific values from three criteria elements – commodities, pesticides, and report years – then select one of five output preferences, such as positive detects only or residue distribution summary by country of origin. The data returned by the search can be exported to an Excel/CSV file. The new search application, which is expected to be deployed by the end of calendar 2016, will provide easier and more transparent public access to PDP data.
- To improve communications, PDP staff met with minor crop and chemical industry representatives, including CropLife America. PDP staff participate in the Association of Analytical Chemists (AOAC) Proficiency Test Advisory Committee and Pesticides Subcommittee, and attend interagency meetings with USDA's FSIS Interagency Residue Control Group (IRCG) to discuss program planning issues and to share technical information. PDP staff participate in the Interagency Risk Assessment Consortium (IRAC) in policy and technical roles. In addition, PDP staff presented a program update at the North American Chemical Residue Workshop.

States:

- PDP held a strategic visioning session with the PDP-participating States at the Annual PDP Federal/State Meeting. As a result of this session, PDP increased its coordination with the participating States by

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providing outreach materials for their State outreach efforts and issuing Certificates of Appreciation for PDP sampling sites that have been in the program for its entire 25 years of existence.

Federal Agencies:

- PDP hosted a PDP Sampling Frame Meeting in conjunction with the EPA's Health Effects Division (HED) to address recommendations from the recent Government Accountability Office (GAO) audit and to seek potential improvements to the PDP sampling system. The meeting included stakeholders from EPA, FDA, the Florida Department of Agriculture and Consumer Services, the USDA's National Agricultural Statistics Service (NASS) and the Food Safety and Inspection Service (FSIS). The recommendations from this meeting are being used to implement improvements to PDP sampling practices and protocols.
- PDP continues to work with FAS to ensure that data needed to support exports are available and can be used to assist in removing potential trade barriers. PDP works with FAS to increase the understanding and acceptance of PDP sampling and testing on an international level. PDP data now are routinely used in FAS' Compliance Plans in instances where trade barriers have arisen and have been used by other countries in their own dietary risk assessments.
- 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.

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

National Organic Program

Current Activities: The organic agriculture sector has continued to see rapid growth, reaching approximately \$43 billion in U.S. retail sales of organic products in FY 2015. At the end of FY 2016, there were 22,818 organic farms and businesses in the United States, a growth of more than 1,000 farms and businesses in just nine months (January – September 2016).

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

Organic certification is a public-private partnership. 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; together, they oversee more than 31,000 certified organic operations around the world.

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

Selected Examples of Recent Progress:

Organic Integrity & Consumer Protection (Accreditation Activities/Compliance, Enforcement, and Appeals) – In FY 2016, AMS continued to protect the integrity of USDA organic products, supporting consumer confidence in the

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organic label by conducting 37 audits with USDA-accredited organic certifiers to verify regulatory compliance. The audits found that USDA organic certifiers remained in full compliance with more than 95 percent of accreditation criteria.

AMS completed 357 complaint investigations in FY 2016. These investigations led to a range of enforcement actions, including 111 Notices of Warning, 31 Cease-and-Desist Orders, and 58 referrals for investigation by certifiers and State, Federal and foreign agencies. In addition, 39 appeals of adverse actions levied by certifiers and AMS were closed in an average of 117 days. AMS has continued to decrease the average number of days required per case over the past four years. A total of 32 appeals were received in FY 2016, a drop of 20 percent of the previous years, due to the increased use of alternative dispute resolution at the certifier level.

Finally, AMS entered into a total of 19 settlement arrangements with certifiers and operations to address violations of the Organic Foods Production Act; a total of \$397,750 in civil penalties were levied.

International Trade – AMS oversees organic trade arrangements with several countries; these arrangements benefit U.S. producers and processors by creating new export markets and economic opportunities. Trade arrangements also facilitate the import of compliant organic ingredients that aren't grown in the U.S. These arrangements reduce paperwork burden for U.S. farms and businesses that want to buy and sell with overseas businesses.

To maintain the integrity of organic trade, in FY 2016, AMS conducted peer reviews with Japan's and Korea's equivalent organic programs, and conducted audits of Israel's and India's organic recognition programs. AMS also actively participated in working groups associated with Canada and European Union organic programs.

In anticipation of a possible future organic equivalency arrangement with Mexico, the United States and Mexico established terms for a Joint Organic Compliance Committee in FY 2016. The committee's work will strengthen monitoring and enforcement controls, and improve traceability of organic products traded between the two countries. AMS also led the international development of organic control systems through the Inter-American Commission for Organic Agriculture (ICOA), serving on the ICOA Board of Directors and supporting technical assistance efforts. These initiatives support worldwide recognition of the integrity of the USDA organic seal and build market opportunities for United States producers and handlers.

Auditing certifiers operating overseas is an important part of how the United States ensures the integrity of organic products entering the United States. This year, audits were conducted in Armenia, Georgia, Korea, Japan, Switzerland, Thailand, Israel, Italy, Ukraine, Australia, Belgium, Spain, Mexico, and Lithuania.

Standards Development – Organic regulations and policies create clarity and expand markets. Clear regulations create entrepreneurial opportunities for producers and processors wanting to capitalize on consumer growth in the organic sector. To support that clarity and meet statutory requirements, AMS published the following in FY 2016: National List sunset review 2016 proposed and final rules, sunset 2016 renewal, sunset review 2015 final rule, final guidance on post-harvest handling of organic products, final guidance on natural resources and biodiversity conservation, and instructions for organic certifiers concerning the certification of industrial hemp. AMS also published a proposed rule on organic livestock and poultry production.

Farmers, processors and handlers, consumers, organic certifiers, environmental and resource conservationists, and scientists all have a seat at the table in setting organic rules. To build consumer confidence in organic integrity and maintain transparency, AMS held two public meetings of the National Organic Standards Board (NOSB) in FY 2016. These meetings included web-based public oral comment sessions, reducing barriers to participation for people across the country. AMS also oversaw the work of a Hydroponic and Aquaponic Production Practices Task Force, which provided a report to the NOSB on the state of current hydroponic and aquaponic production methods and their role in organic production.

Sound and Sensible Certification Technical Assistance – The Sound and Sensible organic certification initiative is making organic certification more accessible, attainable, and affordable for candidate farms and businesses. In FY 2016, AMS published 75 educational products, generated by 17 partner private-sector organizations. These include a comprehensive series of videos, tip sheets, and training materials to support certification across the country. AMS

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also generated a new self-guided training program for organic certifier inspectors, to teach them how to conduct an organic inspection based on sound and sensible principles. These principles ensure organic integrity, while minimizing burdensome paperwork.

Outreach and Education – Each year, AMS conducts organic outreach and education with a wide range of stakeholders, including members of the National Organic Standards Board (NOSB); certifying agents; non-organic and organic producers, processors and handlers; and consumers. To reach these stakeholders and others, AMS conducts outreach and education through a variety of channels including: websites and blogs, fact sheets, newsletters, an email subscription service, educational conferences; presentations, and training. In FY 2016, AMS conducted training for NOSB members in Washington D.C., and face-to-face certifier training in Savannah, Georgia. AMS also initiated a quarterly organic compliance and enforcement report, and continued to publish fraudulent organic certificates, alerting industry and consumers of their circulation.

Technology Investments – At the beginning of FY 2016, AMS launched the first release of the Organic *INTEGRITY* Database for the public to promote market visibility for organic operations, increase supply chain transparency, support new market growth, and deter fraud. In November 2016, AMS launched the certifier reporting module of the system. All certifiers successfully submitted information about the certified operations they oversee by the end of January 2016. Today, the new system is providing better and more up-to-date information about organic farms and businesses, and the products they produce. Any public user can now conduct market research, confirm an operation's certification status, and identify supply chain connections between buyers and sellers. Farms and businesses seeking organic certification can now also find a certifier operating in their geographic area far more easily. These long-term technology investments were made possible by the 2014 Farm Bill.

Research and Promotion Programs

Current Activities: AMS provides administrative oversight to 22 industry-funded commodity research and promotion (checkoff) programs with over \$670.5 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 occur via collection of mandatory assessments from the industries they serve; there are no tax dollars involved in the establishment, operation, or oversight of the programs. R&P Programs reimburse AMS for the cost of administrative oversight activities.

Selected Examples of Recent Progress:

Diversity-During FY 2016, AMS continued its efforts to improve R&P Board diversity by launching a Human Equity Taskforce. AMS secured buy-in to the concept from the Department's Civil Rights office, gained commitment of individuals to serve on the Taskforce, and provided training to those individuals. Through various initiatives implemented across all R&P programs, the diversity of nominated candidates was improved by 16.5 percent from the previous year.

Training-AMS conducted five monthly training sessions for 27 AMS R&P marketing specialists, addressing investigation procedures, accounting and budget review procedures, auditing and financial compliance responsibilities, and politically savvy ways to handle difficult conversations. Additionally, AMS organized and hosted a Marketing, Communications, and Oversight Training for 110 R&P board members and staff. AMS collaborated with the Federal Trade Commission, Federal Drug Administration, and USDA's Agricultural Research Service to present interactive training sessions on AMS communication, the material review process, research and health claims, GMO labeling, environmental marketing claims, USDA's nutrient database, board diversity, AMS Guidelines of Commodity Research and Promotion Programs, and other pertinent topics.

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Cuba Collaboration-AMS led the implementation of the U.S. Government (USG) announcement allowing industry-funded R&P boards to collaborate with Cuban officials and businesses to enhance cooperative research and information exchanges to further advances in U.S. agriculture. AMS established board travel requirements and a new Cuban approval process; conducted two informational conference calls with over 100 stakeholder participants to discuss and clarify the USG announcement, created an agency email address to receive stakeholder questions, comments, travel requests, and project proposals. To date, AMS received 11 requests for USDA approval, nine of which were approved, including two mission trip/information exchanges and one pilot project to assess indices of the Cuban diet.

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

Organic R&P-On May 15, 2015, the Organic Trade Association (OTA) submitted a formal proposal for an organic R&P program to AMS. The purpose of this program would be to: (1) develop and finance an effective and coordinated program of research, promotion, industry information, and consumer education regarding organic commodities; and (2) improve access to information and data across the organic sector, thereby maintaining and expanding existing markets for organic commodities. On May 3, 2016, OTA submitted a revised proposal based on AMS feedback. AMS' proposed rule for the program was submitted for clearance in October 2016 with a target for publication by the end of the 2016 calendar year.

Industry Research and Promotion activities:

- Cotton – The Cotton R&P Program continued to be faced with many critical challenges from low prices to competition from synthetic fibers. In FY 2016, the program focused on improving the demand for, and profitability of, cotton through major structural adjustments in its 2016 budget to maximize financial and human resources aimed at short-term and mid-term turnarounds in market share. The major areas of emphasis are increasing its “Favorites” Campaign, particularly in digital media; utilizing U.S. marketing programs, such as the 10 year old Blue Jeans Go Green™ drive; continuing advanced cotton technologies; sustainability outreach with Cotton LEADS as the flagship program; fostering innovative and environmentally friendly chemistries; electronic outreach to the agricultural community; and, continuing its cooperation with Cotton Council International.

The Cotton R&P Program celebrated the 10th anniversary of the Blue Jeans Go Green™ denim recycling program. The program is a call to action to collect denim from across the U.S. to divert it from landfills. After the denim is collected, it is returned to its natural cotton fiber state and then upcycled into UltraTouch™ Denim Insulation with the help of Bonded Logic Inc. Finally, a portion of the insulation is distributed to building organizations such as Habitat for Humanity to help communities in need and, through a grant program awarding insulation to environmentally-friendly, community-based buildings. Since the program was founded in 2006, retailers, colleges, organizations and individuals across America have recycled over one million pieces of denim and diverted nearly 700 tons of textile waste from landfills along the way.

In FY 2016, Cotton R&P continued its completely revamped advertising campaign: “Cotton. Your Favorite for a ReasonSM.” This authenticity campaign was launched in FY 2015 in response to market share threats from man-made synthetic fabrics. The goal is to show how cotton makes you look and feel good, while communicating the physical benefits of the fiber; reminding consumers to check the label and shop cotton for their next favorite. The commercials are available to view on: <https://thefabricofourlives.com>.

- Dairy Products –The Dairy R&P Program continued its efforts to communicate the dairy industry’s sustainability story and strengthen public trust in milk and dairy products through the assessment-funded

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Innovation for U.S. Dairy (Innovation Center). The Innovation Center partnered with other agricultural leaders to co-host the first-ever Sustainable Agricultural Summit in Atlanta, Georgia on November 15, 2016. Summit partners included: Field to Market, the National Pork Board, the Stewardship Index for Specialty Crops, the U.S. Poultry & Egg Association, and the U.S. Roundtable for Beef. More than 400 dairy and agricultural leaders – including farmers, retailers, brands and other stakeholders – discussed the important intersection between nutrition, sustainability, and today’s food culture. Consumers increasingly want to know where their food comes from and how it’s produced, making transparency and collaboration more important than ever for reinforcing consumer confidence. Summit attendees also discussed opportunities for continuous improvement in agricultural sustainability, and highlighted farmer and rancher environmental stewardship and conservation efforts.

The Dairy R&P Program also continued its focus on child health and wellness through its in-school program, Fuel Up to Play 60 (FUTP60), and renewed its commitment and collaboration among the dairy-created GenYOUth and the National Foundation of Fitness, Sports and Nutrition (Foundation), to boost physical activity and nutrition in schools. FUTP60 was launched by the National Dairy Council and the National Football League (NFL), in collaboration with USDA, and is the nation’s largest in-school health and wellness program with more than 73,000 participating schools. Through the partnership, the Foundation provides important resources and opportunities, including: \$320,000 in physical activity resources to match the NFL Hometown Grant program’s \$320,000 that supports grant funds in school districts of all 32 NFL markets, physical activity resources for 100 schools valued up to \$1,000 (\$100,000 value total), and an opportunity for FUTP60 to engage in the “#0to60” campaign that celebrates the 60th anniversary of the President’s Council.

- Fluid Milk – The National Fluid Milk Processor Promotion Program continued its mission of educating consumers about the powerful nutritional benefits of milk, including eight grams of protein per serving, through the announcement of a 5-year partnership between its Milk Life® campaign, funded by America’s milk processors, and the U.S. Olympic Committee. As an official sponsor, Milk Life® supported the U.S. Olympic and Paralympic teams through the Rio, Brazil, 2016 games, showcasing how nine out of ten U.S. Olympians grew up drinking nutrient-rich white milk. The sponsorship included a fully integrated national and local marketing campaign in support of Team USA in 2016 that will run through the 2020 Olympic and Paralympic Games. In 2016, nearly 60 milk brands activated the partnership in some way, through consumer promotions, advertising, point of sale materials, hometown athlete partnerships, and local events. Forty-seven milk brands and industry partners throughout the country utilized Team USA social content resulting in 9.1 million social media impressions. Fluid milk brands also incorporated Olympic marks on packages and created custom social media content. In total, the national and local efforts amassed nearly two billion impressions. The partnership and advertising campaigns were recognized in an article by MediaPost Communications that ranked MilkLife’s Olympic campaign fourth in the category of “most shares and retweets across all platforms,” behind United Airlines and ahead of Hershey and Proctor and Gamble.
- Christmas Trees - The newly promulgated Christmas Tree Research and Promotion Order will conduct their first major advertising program for the Holiday Season. The Board’s campaign focuses on social media, real world events and on line activations to promote fresh cut Christmas trees. Christmas is all about real quality time spent with family and friends, and the campaign embraces the spirit of tradition and unwrapping new memories every year. The new tagline is: It’s Christmas, Keep it Real!
- Eggs – The Egg R&P Program’s promotional efforts proved record-breaking in FY 2016. Domestic ads resulted in 226 million impressions, and content partners like The Onion and the Huffington Post provided an additional 97 million impressions. For the “Wake Up to Eggs with the Bacon Brothers” campaign, the program earned 79 million impressions on social media. Additionally, the Incredible Edible Egg, reached a milestone of 1 million fans on Facebook.

The Egg R&P Program’s Good Egg Project educates consumers about egg production and promotes nutrition and philanthropy. A key goal of the project is to invite the public to join egg farmers in the fight against hunger through the donation of eggs to local food banks and Feeding America. Since the Good Egg

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Project began in FY 2009, egg farmers have donated over 50 million eggs to the Nation’s hungry population.

- **Mushrooms** – The Mushroom Council continues to grow their “blendability” campaign, promoting the growing category of meat/mushroom products available, not only for school and commercial foodservice, but also at the retail level. The meat/mushroom blends are lower in calories and fat per serving compared to similar all-meat options. The campaign continues to gain momentum with high profile promotions such as the Blended Burger Project held over the summer in partnership with the acclaimed James Beard Foundation. A growing number of universities have also taken to replacing undergraduates’ favorite foods with meal options that use mushrooms as a substitute for a portion of the traditional meat component. The Blend option doesn’t stop with the burger. Grocers are introducing different “Blend” products throughout their stores in the produce section, deli, and meat counter.
- **Softwood Lumber** – The Softwood Lumber Board and USDA are currently continuing the jointly funded “Tall Wood Building Competition.” It is a prize competition designed to demonstrate the architectural and commercial viability of using wood in the construction of tall buildings. In February 2015, a panel of judges met to evaluate the applications, and the sponsors reviewed the submissions. Two winning development teams were announced in September 2015. They each received \$1.5 million in funding to support the development of tall wood demonstration projects in New York and Portland, Oregon. Both projects will showcase the safe application, practicality and sustainability of a minimum 80-foot structure that uses mass timber, composite wood technologies and innovative building techniques.

Research and Promotion Program Industry Revenue
 FY 2017 Estimate
 (Dollars in Millions)

<u>Commodity</u>	<u>Estimated Revenue</u>
Cotton	\$68.5
Dairy	113.2
Fluid Milk	94.4
Beef	40.7
Lamb	2.4
Pork	71.2
Soybeans	76.7
Sorghum	6.0
Eggs	23.9
Blueberries	9.0
Christmas Trees	2.0
Hass Avocado	69.0
Honey	7.0
Mango	6.5
Mushroom	5.1
Paper and Packaging	23.5
Peanut	10.5
Popcorn	1.0
Potato	20.0
Processed Raspberries	2.7
Softwood Lumber	26.2
Watermelon	3.3
Total	\$682.8

Note: The boards’ fiscal year coincides with the calendar year for the blueberry, cotton, dairy, egg, fluid milk, Hass avocados,

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honey, mangos, mushroom, paper and packaging, pork, popcorn, and softwood lumber boards. The other boards operate under different 12-month fiscal periods.

Transportation and Market Development

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

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

Selected Examples of Recent Progress:

USDA Transportation Report—In response to a Congressional directive (House Report 114-205), AMS developed a long-term infrastructure plan that benefits American producers and provides examples of how USDA is working with other Federal agencies to prevent future transportation mishaps. AMS received positive feedback on the report and AMS' participation in a roundtable discussion for Iowa farmers, agricultural producers, and transportation industry leaders on a long-term agriculture transportation strategy.

Update of the *Study of Rural Transportation Issues*—AMS conducted research and updated the earlier study on rural transportation in accordance with Section 6206 of the 2014 Farm Bill. This included an examination of the sufficiency of infrastructure along waterways in the United States; the impact of the infrastructure on the movement of agricultural goods in terms of safety, efficiency, and speed; and the benefits derived through upgrades and repairs to locks and dams. AMS met with two faculty members of the School of Economic Sciences, Washington State University and Department of Transportation's Chief Economist and Bureau of Transportation Statistics staff to discuss the findings.

Surface Transportation Board Regulatory Proceedings and Related Meetings—On behalf of agricultural transportation stakeholders, AMS drafted briefing memorandums and correspondence, and reviewed stakeholder comments to the Board, under the authorities of the Agricultural Adjustment Act of 1938 and the Agricultural Marketing Act of 1946.

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

AMS participated in meetings and task forces on transportation issues of concern to agriculture, including:

- Positive Train Control Deadline
- Proposed Railroad Merger between Canadian Pacific and Norfolk Southern
- Rail Performance Data Reporting
- Pacific Northwest Fruit and Vegetable Rail Service
- Rail Energy Transportation Advisory Committee
- National Grain Car Council
- Committee on the Marine Transportation System
- Container Weight Verification Deadline
- Port Performance Freight Statistics
- Inland Waterway Users Board

Other Transportation Reports and Studies—In addition to issuing many regular transportation reports that are published weekly, quarterly, and annually, AMS developed, co-authored, sponsored, and published on its AMS

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Transportation Research and Analysis website several new, one-time transportation analyses, articles, and resources in FY 2016. Examples include:

- *U.S. Ethanol: An Examination of Policy, Production, Use, Distribution, and Market Interactions (Co-authored chapters 2 and 5 of this Office of the Chief Economist report)*
- *Impacts of Intramodal Competition on 2012 Railroad Rates for Wheat (Summary)*

Transportation Outreach and Education – In conjunction with agricultural trade groups, State associations, and other stakeholders, AMS co-sponsored six shipper workshops, and several freight transportation sessions and forums:

- Ag Shipper Workshops— co-sponsored six annual workshops, facilitating discussion of ocean, rail, and truck regulatory, rate, and service issues for new and experienced agricultural and forest product shippers and exporters in Fresno and Sacramento, CA, Boise, ID, Atlanta, GA, Minneapolis, MN, and Portland, OR. The workshops connect more rural businesses of all types to export information and assistance, supporting the goals of export and investment initiatives: National Export Initiative and Made in Rural America.
- Midsouth Grain Association—provided an overview of grain transportation publications and discussed various rail, barge, and truck transportation issues.
- Transportation Research Board 95th Annual Meeting—participated in the freight day sessions and the Freight Data User Forum outreach session on planning for a renewal of the vehicle inventory and use survey.
- Annual Cargo Conference of the Association of Ship Brokers and Agents—participated in the sessions on future trends for tanker and dry cargo vessels important to U.S. exports of grain, feed, fertilizer, and ethanol.

Direct Marketing/Locally Grown

There continues to be an increasing demand by consumers for locally-grown products. In FY 2016, AMS enhanced its on-line local food directories. The directories include voluntarily-listed farmers markets, Community Supported Agriculture (CSA) enterprises, food hubs and on-farm markets. All these entities connect local food sellers to buyers and expand market opportunities for small and mid-sized farms. As of the end of FY 2016, the directories included 8,659 farmers markets, 736 CSAs, 172 food hubs, and 1,396 on-farm markets.

- In FY 2016, AMS summarized the results of a report entitled “Expanding Agricultural Business Operations for Farmers: Results from 2015 National Farmers Market Manager Survey”. The survey participants are derived from the AMS local food directories, and their responses serve to inform AMS policy and program service delivery.
- In March 2016, AMS released a publication entitled “The Economics of Local Food Systems: A Toolkit to Guide Community Discussions, Assessments and Choices” in his keynote remarks at the 12th Annual Good Food Festival and Conference in Chicago, IL. The Toolkit was developed by AMS in partnership with Colorado State University and a dozen leading researchers and consultants to help communities better evaluate the economic impact of investing in local and regional food systems. Since the publication was released, it has been viewed online more than 3,000 times on both the AMS website and the CSU-hosted www.localfoodeconomics.com site.
- Members of the Toolkit team carried out nine training sessions during FY 2016 (many of them in consort with major conferences) to maximize exposure to the principles and methodologies outlined in the Toolkit across a diverse range of interested audience members. These training locations included:
 - Cornell University, Ithaca, NY, November 3-5, 2015
 - Michigan State University’s Center for Regional Food Systems, East Lansing, MI, December 14, 2015
 - New Partners for Smart Growth, Portland, OR, February 10, 2016
 - National Food Hub Conference, Atlanta, GA, March 30, 2016

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- Southern Regional Science Association, Washington, D.C., April 1, 2016
- 2016 American Planning Association annual meeting, Phoenix, AZ, April 4, 2016
- 2016 Community and Economic Development Training, sponsored by NC State, Winston Salem, NC, May 26, 2016
- National Small Farms Conference, Virginia Beach, VA, September 20-22, 2016
- 2016 Food Distribution Research Society preconference, New Orleans, LA, September 29, 2016
- Partnered with NASS to conduct the 2015 Local Food Marketing Practices Survey. AMS provided both financial and technical drafting support to this first-ever census of farmer direct marketing. The results were released by NASS on Dec 20, 2016, and can be found at https://www.agcensus.usda.gov/Publications/Local_Food/. The findings provide data regarding local food marketing in a statistically sound manner by state, region, and producer activities.
- In FY 2016, AMS partnered with over 20 universities and other organizations to research, develop, and support the growth of local and regional food systems. Some of the partnerships include:
 - George Washington University – AMS partnered with George Washington University to host a “Local Food Impacts” conference in the spring of 2017. While still in the planning stage, the objectives of the conference are to: identify best practices for quantifying the impact of local food systems investments on farming and low-income communities; engage practitioners about successful data collection methods; and identify metrics that are most useful and effective to measure local food-related project impacts on targeted populations.
 - Michigan State University – AMS partnered with Michigan State University to develop a “Farmers Market Price Reporting and Discovery System” via a mobile and web-based application. The application, now nearing the Beta testing stage will enable market vendors to push current special prices to customers who have elected to receive such push notifications, thereby increasing sales and customer traffic to markets.
 - Michigan State University, Maryland Farmers Market Association, and Washington State Farmers Market Association – AMS partnered with the three organizations to evaluate the impact of farmers market and nutrition incentive programs on the sales, performance, and viability of certain farmers markets. The results from the evaluation are scheduled to be released by late 2017.
 - Cornell University – AMS partnered with Cornell University to conduct a study entitled, “The Promise of Urban Agriculture: National Case Study of Commercial Farming in Urban Areas” to assess the profit/loss of two major types of urban agriculture models, land-based and structure-based (hydro, aero, other) across 15 operations in the U.S. The study, to be released by spring 2017, is using a case study approach to evaluate a number of factors that have contributed to or inhibited the success of urban farms of many types around the country.
 - University of Wisconsin-Madison – AMS partnered with the University of Wisconsin-Madison to assess the “Potential Demand for Local Fresh Produce by Mobile Markets.” The assessment involved 59 interviews at six sites across the United States to assess the impact of mobile markets that had received funding from the Farmers Market Promotion Program (FMPP). The report is scheduled to be released by spring 2017.
 - University of Kentucky – AMS partnered with the University of Kentucky to facilitate the study, “Community Supported Agriculture (CSAs): New Models for Changing Markets.” The report, scheduled to be released by spring 2017, assesses opportunities, challenges, and innovations of CSAs that affect their ability to compete successfully in a growing local food marketplace, while maintaining a distinct and appealing identity to customers.

Architectural Design Support

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Although AMS does not provide funding for the construction of facilities, the Agency develops architectural plans and offers design assistance to local food businesses to improve the efficiency of permanent food market facilities. FY 2016 examples include:

- McGehee Desha Alumni Community Center (MDACC), McGehee, AR - AMS provided architectural technical assistance for the MDACC, a local non-profit organization. The non-profit recently acquired a building adjacent to the community center that is in need of rehabilitation. AMS measured the existing 8,000 square foot facility and is preparing a conceptual redevelopment plan. The building will include a fitness center, a commercial kitchen, a conference room, a resale shop, and most importantly a centralized multi-service health center for a five county area located in the Arkansas Delta. McGehee is a rural community with a population of 4,200.
- Jessup, MD Wholesale Market and the Maryland Food Center Authority (MFCA) - AMS joined market tenants in a meeting with representatives from the Maryland Governor's office. The public market tenants were seeking to petition the State to enclose the loading docks in the MFCA facilities as part of an initiative to ensure compliance with the Food Safety Modernization Act. AMS provided a presentation about open air loading docks that have been enclosed. AMS continued its involvement in providing technical assistance and the docks were subsequently enclosed.
- Sandhills AgInnovation Center, Bethel, North Carolina - AMS reviewed a proposed food hub design for the Center, originally designed by a local architect. AMS had a conference call with local officials, studied the layout and found a concern with the flow of raw meats crossing paths with fresh produce. The plans and layout were revised by the local architect accordingly.
- AMS began developing an "Architectural Design for Farmers Markets and Food-Related Facilities." The document will represent a compilation of AMS' 15-year experience in the design of farmers markets. It includes national level observations of the evolution of markets and how their functions have expanded to include: community kitchens, value added, food hubs, mixed use development, community gardens and public-private development. The document will be published online and provide design professionals and market advocates with the skills and knowledge needed to successfully create farmers markets.

Technical Assistance/Marketing Outreach/Training

- As a part of the Local Food, Local Places (LFLP) initiative, AMS participated in six workshops to approximately 250 attendees to conduct outreach and training regarding AMS local food grant opportunities or provide food system planning assistance. LFLP provides a customized technical assistance workshop on a competitive basis to approximately 25-30 communities per year with the intention of helping them incorporate "smart growth" principles within their local food system development plans. Workshops were held in the following locations:
 - Gary, IN
 - Denver, CO
 - Greeley, CO
 - Christiansburg, VA
 - Mission, SD
 - Fresno, CA
- AMS conducted 32 live presentations and webinars on local food market development, reaching over 1,350 people, addressing 745 incoming technical assistance requests, and making 271 outreach contacts (with underserved communities targeted in almost one-third of the contacts).
- Entered Memoranda of Understanding with USDA's Rural Development, Farm Service Agency, and Natural Resources Conservation Service, and with the Central Louisiana Economic Development Alliance, to provide technical assistance and support for the development of local food networks in central Louisiana.

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

The Farmers Market and Local Food Promotion Program was authorized by the Farmer-to-Consumer Direct Marketing Act of 1976, as amended (7 U.S.C 3005). The Act authorizes grants through the Farmers Market Promotion Program (FMPP) and the Local Food Promotion Program (LFPP). Since 2008, FMPP has awarded over \$58 million through 879 projects to support direct marketing efforts for local food.

In FY 2016, AMS awarded a total of \$26.8 million in grants to establish, improve, and support over 102 local food markets across the U.S. through its Farmers Market and Local Food Promotion Program: FMPP awarded \$13.4 million to 50 project recipients and LFPP awarded \$13.4 million to 52 project recipients. Information on the amounts awarded and the projects funded is available on <http://www.ams.usda.gov/services/grants/fmpp> for FMPP and <http://www.ams.usda.gov/services/grants/lfpp> for LFPP.

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

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

These services include AMS' grading program, which confirms that product meets USDA grade standards. AMS has also developed voluntary testing and process verification programs in response to the industry's growing need to facilitate the marketing of agricultural products. AMS' laboratory testing service provides analytical testing services to AMS commodity programs, other Federal agencies, and the agricultural and food community, to ensure products meet testing requirements for food safety and quality.

AMS' Process Verified Program provides producers and marketers of livestock, seed products, and poultry products with the opportunity to assure customers of their ability to provide consistent quality products by having their written production and manufacturing processes confirmed through independent, third party audits. The USDA Process Verified Program uses the ISO 9000 series standards for documented quality management systems as a format for evaluation documentation to ensure consistent auditing practices and promote international recognition of audit results.

AMS's 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 2016, Subway and Gourmet Factory became the newest QMP customers.

Selected Examples of Recent Progress:

Dairy Products Grading--Dairy products grading, laboratory analysis, and dairy plant inspections assure purity and quality of dairy products. Upon request, AMS grades dairy products sold in commercial channels. An AMS grade or quality statement is also required on some products purchased through AMS Dairy Commodity Procurement.

Fees and Charges in Effect in 2016:

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

International markets are increasing for U.S. dairy and related products. AMS Dairy Programs offer assistance with inspection and certification of dairy and related products for export. Certifications attest that dairy products are: 1) fit for human consumption; 2) produced under sanitary and wholesome conditions; and 3) free from animal diseases. The Dairy Grading Program implemented the electronic Document Creation System (eDOCS) to facilitate the issuing of export certificates for product going to the European Union. In FY 2016, the Dairy Grading program issued more than 47,000 export certificates, which was a slight increase over FY 2015, even though U.S. dairy

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export sales value declined 16 percent during the first nine months of 2016, as compared to the same period in FY 2015. AMS Dairy Programs continues to improve the certificate issuance program. In FY 2016, the eDOCs system was further enhanced to improve its functionality and provide for electronic certificate exchanges for Chile, Columbia, Cuba, Peru, Tunisia, and Uruguay.

Fruit, Vegetable, and Specialty Crops Inspection -- This program offers both grading and audit-based verification services for the food industry. In FY 2016, AMS inspected and certified 58.6 billion pounds of fruit and vegetable products and 1.4 billion pounds of fruit and vegetable products valued at \$793 million for the National School Lunch Program and other feeding systems. AMS also inspected 4,600 lots, or 190 million servings, of military combat rations at 13 processing plants nationwide and in America Samoa to ensure the quality of the military's food components.

Grading and inspection services were provided by more than 454 Federal employees at 31 Federal receiving markets, 378 processing facilities, and 30 inspection points. AMS coordinates with the FDA, U.S. Customs and Border Protection, the Canadian Food Inspection Agency, and other government entities and public associations on issues related to specialty crops inspection and marketing.

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

- *The USDA Good Agricultural Practices (GAP) and Good Handling Practices (GHP) Audit Program* - Participants' ability to conform to generally recognized "best practices" outlined in the FDA Guide to Minimize Microbial Hazards of Fresh Fruit and Vegetables 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 FY 2016, AMS and its licensed auditors conducted 4,060 food safety audits on more than 100 different commodities in all 50 States, Puerto Rico, and Canada (Alberta, Quebec, and Ontario).
- *GroupGAP* - On April 3, 2016, AMS launched GroupGAP, a new food safety certification program that is part of our USDA GAP suite of services. GroupGAP is a robust certification process that allows producers of all sizes to meet buyers' requirements for food safety audits by sharing the costs and responsibilities associated with attaining USDA GAP food safety certification. The program is built on the success of a GroupGAP pilot program that AMS carried out in partnership with the Wallace Center at Winrock International and others from 2012 to 2015. AMS introduced this program to help farmers supply fresh, local produce to retail and institutional markets by demonstrating compliance with strong food safety standards and the requirements of the FDA's Food Safety Modernization Act (FSMA). The program provides greater market access for farmers, more options for consumers, and strong verification of food safety practices. In keeping with USDA's central mission, GroupGAP also contributes to the economic success of small farmers and strengthens our rural communities by helping develop a culture of food safety within the producer community. In FY 2016, nine applicants representing 206 producers took part in the GroupGAP program.

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

- Approximately 417 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.
- 22 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.
- 46 Domestic Origin Verification audits at facilities to confirm products supplied for USDA food purchases were of domestic origin.
- 4 Plant Systems audits to assess an operations quality assurance system.
- 6 Identity Preservation audits to assess a marketing claim about a unique characteristic of a product.

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- 8 verification audits under the Qualified Through Verification program, to assess the operation’s HACCP program within the fresh cut produce industry.
- Audits at three facilities producing Ready-to-Use Therapeutic Food that were contracted by the Farm Service Agency 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.
- Reviews for approval of 1,700 label applications under the Child Nutrition (CN) Labeling program, which is managed by AMS, trained additional staff to review CN labels as needed based on label volume, conducted outreach, and provided training to CN manufacturers and school food service professionals on program and policy changes.

Military Support–Combat Rations Inspection - During FY 2016, AMS coordinated the inspection of 4,600 lots, comprised of 190 million servings, of food components for Department of Defense (DoD) combat rations at 13 processing plants nationwide and in American Samoa. Under this program, AMS in-plant graders serve as the DoD quality assurance representatives, inspecting and certifying daily production at contractors’ facilities to ensure that only top-quality food components are used in DoD Operational Rations. AMS graders inspect a wide range of products for this program, including meat, poultry, tuna, and vegetarian entrees; bakery items; peanut, fruit, and cheese spreads; and beverage powders, including those used for 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), the DoD’s essential combat ration. AMS also coordinates with the DoD to review food specifications for ration production and inspection, and participates in projects to improve rations, including ensuring packaging integrity and enhancing product shelf life.

Fresh Electronic Inspection and Reporting System (FEIRS) - In FY 2017, AMS deployed computers with the FEIRS application to Federal-State terminal market inspectors in an additional 3 States, bringing the total to 15. Use of this electronic inspection application for fresh fruit and vegetables across the inspection system will harmonize Federal and State cooperators’ inspection processes, software, and capabilities, and provide more electronically-captured data from market inspections nationwide.

ACE Implementation - In FY 2016, AMS implemented U.S. Customs and Border Protection’s (CBP) Automated Commercial Environment (ACE) for Section 8e fruit and vegetable imports as part of the International Trade Data System (ITDS). The electronic filing option was added to bring import regulations for specialty crops into conformance with the current practice of electronically filing Form FV-6, Importer’s Exempt Commodity, using the Marketing Order Online System, an Internet-based application implemented in 2008. Beginning July 23, 2016, CBP began requiring that all importers submit their entry filings through the ACE as part of a government-wide deployment of the new ITDS. The ACE electronic interface is accelerating the processing of entry filings for all importers by automating clearance processes by all government agencies, including AMS. With ACE, importers can determine the entry status under AMS’ or any other Agency’s requirements that impact release by CBP for entry into the United States. Presenting products for AMS inspection segregated by Customs Entry Number allows AMS to notify CBP so that those products can be released into the trade channels quickly and efficiently.

In FY 2016, AMS provided training to more than 2,000 Federal, State, and industry students to ensure quality service and uniform application of procedures.

Fees and Charges in Effect for Processed Fruit and Vegetable Grading in 2016:

<u>Service Performed</u>	<u>Fees</u>
Lot Inspections	\$65.00 per hour
In-plant Inspection under Annual Contract	63.00 per hour
Additional Graders (in-plant) or Less than Year-Round	72.00 per hour
Audit Services	92.00 per hour

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Fees and Charges in Effect for Fresh Fruit and Vegetable Grading in 2016:

<u>Service Performed</u>	<u>Fees</u>
Quality and Condition Inspections for Whole Lots	\$166.00 per lot
Condition-Only Inspections for Whole Lots	138.00 per lot
Inspections for Additional Lots of the Same Product	76.00 per lot
Inspections for All Hourly Work	74.00 per hour
Audit Services	92.00 per hour

Livestock, Poultry, and Seed Auditing, Grading, and Verification--Auditing services – AMS conducts a wide variety of audits primarily serving the livestock, meat, poultry, and grain industries with a team of 20 auditors. In FY 2016, AMS conducted 1,652 audits, almost a third of which were export verification audits aimed at facilitating the export of U.S. products to countries with additional import requirements (e.g., feeding practices, age or source requirements).

Process Verified Program – In FY 2016, the Process Verified Program (PVP) continued to expand with the addition of 38 new programs, bringing the total PVPs audited by AMS to 104. Several major food buyers—including two global restaurant chains—and a coalition of school foodservice districts now require the PVP as a means to provide third-party assurance that their suppliers are following specific antibiotic practices for poultry.

Fees and Charges in Effect in 2016:

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

Meat Grading – During FY 2016, AMS provided grading services to 212 meat packing and processing plants. A total of 20.3 billion pounds of meat and meat products were graded using USDA quality standards (e.g., Prime, Choice, Select) or evaluated against company or trade specifications. Roughly 95 percent of steer/heifer, 62 percent of lamb, and 43 percent of veal commercial slaughter in the U.S. are voluntarily graded.

Fees and Charges in Effect in 2016:

<u>Service Performed</u>	<u>Fees</u>
Commitment Grading	\$66.00 per hour
Non-commitment Grading	\$79.00 per hour

Poultry and Egg Grading – During FY 2016, AMS provided grading services to 217 poultry plants, grading 10.7 billion pounds of poultry, and 281 shell egg plants where 2.4 billion dozen shell eggs were graded. Poultry grading services covered about 22 percent of the turkeys slaughtered, 10 percent of the broilers slaughtered, and 48 percent of the shell eggs produced in the U.S., excluding eggs used for breaking and hatching. AMS issued export certificates for over 120 million dozen shell eggs, assuring foreign buyers' requirements for product quality were met.

Fees and Charges in Effect in 2016:

<u>Service Performed</u>	<u>Fees</u>
Resident Service (In-plant)	\$47.00 per hour*
Fee Service (non-scheduled)	\$77.00 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 2016, AMS tested 1,321 samples and issued 1,321 Seed Analysis Certificates. Most of the samples tested and certificates issued represent seed scheduled for export. Fees collected for these activities in 2016 totaled \$128,000.

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Fees and Charges in Effect in 2016:

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

Administration of Organization for Economic Cooperation and Development (OECD) Seed Schemes – AMS is responsible for the administration of U.S. participation in the OECD Seed Schemes, an international program through which seed companies export seed certified for varietal purity. AMS collects a fee to operate the program that is based on the amount of seed shipped. During FY 2016, AMS approved the shipment of approximately 132 million pounds of seed.

Cotton Grading--AMS classified 13,032,235 bales of cotton under the grower-classing program in FY 2016, with all cotton classed by the High Volume Instrument (HVI) method. This represents a 15.42 percent production decrease from the FY 2015 level of 15,408,541 samples submitted. Classing information is provided electronically to owners of the cotton. In FY 2016, the Cotton Program disseminated data for over 49 million bales, a 13 percent decrease from FY 2015. This data represents multiple crop years or multiple requests for the same bale.

The AMS Cotton and Tobacco Program provided classification/certifications services on 246,929 bales of cotton submitted for futures certification during 2016 and 7,735 bales on Foreign Growth bales. This futures certification total was a 23.2 percent decrease as compared to FY 2015 when certification services were provided on 321,615 samples submitted. The primary cause for the decrease in the number of samples certificated was the marketing environment during FY 2016. Many cotton merchants found it more advantageous to sell the cotton on the spot market rather than futures market.

Fees and Charges in Effect in 2016:

<u>Service Performed</u>	<u>Fees</u>
Form 1 Grading Services or Review	\$2.20 per bale <i>a/</i>
Form A, Form C, Form D,	2.20 per bale
Certification of Futures Contract (grading)	4.25 per bale
Foreign Growth Classification	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 2016, AMS graded 60 million kilograms of imported tobacco and 112 million pounds of domestic tobacco for exporting and performed pesticide testing on 13.1 million kilograms of tobacco to ensure that pesticide residue levels were within tolerance. In addition, 54 million pounds of tobacco were graded under a Memorandum of Understanding with USDA's Risk Management Agency, an increase of 28.5 percent from FY 2015.

Fees and Charges in Effect in 2016:

<u>Service Performed</u>	<u>Fees</u>
Domestic Permissive Inspection & Certification	\$55.00 per hour
Export Permissive Inspection & Certification	0.0025 per lb
Grading for Risk Management Agency	0.015 per lb
Pesticide Test Sampling	0.0065 per kg or .0029 per lb
Pesticide Retest Sampling	115.00 per sample or 55.00 per hour
Import Inspection and Certification	0.0170 per kg or .0080 per lb

AMS Laboratory Approval and Testing Division (LATD)--The LATD provides lab testing and approval (audit) services to AMS commodity programs and to the agricultural community in order to facilitate domestic and international marketing of food and agricultural commodities. Specifically, LATD:

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

During FY 2016, LATD administered laboratory approvals in support of AMS commodity programs: Export program (23 labs in total), Aflatoxin program (39 labs in total), and internal AMS programs (18 labs in total). In administering these programs, LATD conducted onsite lab audits, desk audits, analyzed monthly check sample data sets for the programs, and monitored each lab's proficiency data.

At the request of a peanut industry stakeholder, LATD established a satellite USDA laboratory onsite at a peanut shelling facility in order to provide cost effective testing services and laboratory supervision. While establishing the satellite laboratory, LATD successfully expanded their ISO 17025 Scope of Accreditation to include the satellite laboratory. Overseeing onsite laboratories is similar to services provided onsite by AMS graders and/or inspectors. This opportunity strengthened NSL's relationship with the peanut industry with regards to analytical testing.

The AMS NSL analyzed over 42,700 samples (producing over 1 million discreet analytical results) of various agriculture commodities, many of which were tested for multiple analytes. The NSL provided analytical testing services to other Federal programs, including NOP, ARS, and APHIS as well as private customers.

Fees and Charges in Effect in 2016:

<u>Service Performed</u>	<u>Fees</u>
Laboratory Testing Services	\$88.00 per hour
Laboratory Approval Services	\$154.00 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 funded through application fees for certificates of protection. Each developer of a new variety is assessed a fee of \$5,150 to cover the cost of filing, searching, issuing, informing the public, and maintaining plant variety protection certificates.

Selected Examples of Recent Progress:

More than 140 species of plants are currently protected under the PVP Act. In FY 2016, AMS received 413 applications for protecting new agricultural, floral, and seed plant varieties. A total of 275 applications, including some from previous years, were pending action at the end of FY 2015. During the fiscal year, AMS conducted searches on 463 applications to determine whether the plant constituted a new variety. On the basis of those searches, the program issued 467 certificates of protection and reduced the processing time from 1.6 to 1.4 years. At the end of the fiscal year, 7,410 certificates were in force while protection had expired on 210 different varieties.

The Plant Variety Protection Office (PVPO) is continuing its work to further develop the electronic Plant Variety Protection (ePVP) system by adding additional crops that will bring the total to 55 crops available from the system.

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The project continues to use the Agile software development technique and has released two versions of the software, release 1 and release 2, internally for examination of 47 crops by the PVPO. The release 3 project will take place in 2017 with a projected release date of June 2017. The fully operational system available to the public and stakeholders is scheduled for an official launch in late calendar year FY 2017. The ePVP system will allow stakeholders the ability to file new plant variety applications electronically and provide PVPO examination staff with tools to conduct full examinations including variety searches.

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

Limitation on Administrative Expenses

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

Budget Estimate, 2018	60,982,000
2017 Annualized Continuing Resolution.....	<u>60,982,000</u>
Change in Appropriation.....	<u><u>-</u></u>

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

Payments to States and Possessions

For payments to departments of agriculture, bureaus and departments of markets, and similar agencies for marketing activities under section 204(b) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623(b)), [~~\$1,235,000~~] \$1,109,000.

Lead-Off Tabular Statement

Budget Estimate, 2018.....	\$1,109,000
2017 Annualized Continuing Resolution.....	<u>1,233,000</u>
Change in Appropriation.....	<u><u>-124,000</u></u>

Summary of Increases and Decreases

(Dollars in thousands)

Program	2015 Actual	2016 Change	2017 Change	2018 Change	2018 President's Budget
Discretionary Appropriations:					
Payments to States and Possessions.....	\$1,235	-	-\$2	-\$124	\$1,109
Total.....	<u>1,235</u>	<u>-</u>	<u>-2</u>	<u>-124</u>	<u>1,109</u>

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Payments to States and Possessions
Federal-State Marketing Improvement Program

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

Program	<u>2015 Actual</u>		<u>2016 Actual</u>		<u>2017 Estimate</u>		<u>Inc. or Dec.</u>		<u>2018 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Appropriations:										
Payments to States and Possessions.....										
	\$1,235	1	\$1,235	1	\$1,233	1	-\$124 (1)	-	\$1,109	1
Total Appropriation.....	1,235	1	1,235	1	1,233	1	-124	-	1,109	1
Total Available.....	1,235	1	1,235	1	1,233	1	-124	-	1,109	1
Lapsing Balances.....	-6	-	-16	-	-	-	-	-	-	-
Total Obligations.....	1,229	1	1,219	1	1,233	1	-124	-	1,109	1

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

Program	<u>2015 Actual</u>		<u>2016 Actual</u>		<u>2017 Estimate</u>		<u>Inc. or Dec.</u>		<u>2018 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Obligations:										
Payments to States and Possessions.....	\$1,229	1	\$1,219	1	\$1,233	1	-\$124 (1)	-	\$1,109	1
Total Obligations.....	1,229	1	1,219	1	1,233	1	-124	-	1,109	1
Lapsing Balances.....	6	-	16	-	-	-	-	-	-	-
Total Available.....	1,235	1	1,235	1	1,233	1	-124	-	1,109	1
Total Appropriation.....	1,235	1	1,235	1	1,233	1	-124	-	1,109	1

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Payments to States and Possessions

Justification of Increases and Decreases

- (1) A decrease of \$124,000 for the Federal-State Marketing Improvement Program (\$1,233,000 and 1 staff year available in 2017).

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

The funding change is requested for the following items:

- a. An increase of \$3,000 for pay costs (\$1,000 for annualization of the 2017 pay increase and \$2,000 for the 2018 pay increase).
- b. A decrease of \$127,000 from the funds available for competitive matching grants.

Over \$800,000 in Federal matching funds will remain available to State agencies for marketing improvement grants.

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Summary of Proposed Legislation

- Program:** Specialty Crop Block Grants
- Proposal:** Terminate the Specialty Crop Block Grant Program, which was reauthorized and funded in the Agriculture Act of 2014 (2014 Farm Bill), P.L. 113-79.
- Rationale:** The program was established to increase fruit, vegetable, and nut consumption and enhance the competitiveness of U.S. specialty crop producers by awarding grants funds through State agencies. Funded projects cover a wide range of issues such as food safety, plant pests and disease, research, and marketing and promotion. This program is proposed for termination because its purpose is not a Federal responsibility.
- Goal:** To reduce the deficit, regain control of Federal spending, and redefine the proper role and scope of the Federal Government so that assistance can be targeted to those who need it most.

(Dollars in thousands)

	2017	2018	2019	2020	2021
Budget Authority	0	-85,000	-85,000	-85,000	-85,000
Outlays	0	0	-26,000	-53,000	-79,000

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Payments to States and Possessions Federal-State Marketing Improvement Program

Distribution of obligations by State is not available until projects have been selected. Projects for 2017 will be selected in the fourth quarter of 2017. Funds in 2017 for the Federal-State Marketing Improvement Program total \$1,233,000. A funding level of \$1,109,000 is proposed for 2018.

Geographic Breakdown of Obligations (Dollars in thousands)

	<u>2015 Actual</u>	<u>2016 Actual</u>
Alaska.....	\$61	\$99
Colorado.....	104	-
Delaware.....	87	-
Hawaii.....	69	-
Indiana.....	-	95
Kansas.....	58	152
Kentucky.....	-	74
Massachusetts.....	44	-
Michigan.....	-	136
Minnesota.....	59	121
New Jersey.....	100	-
New York.....	-	57
Puerto Rico.....	-	74
Rhode Island.....	-	75
South Carolina.....	56	-
Tennessee.....	91	-
Vermont.....	92	-
Washington.....	62	99
Wisconsin.....	57	-
Wyoming.....	65	-
Subtotal, Grant Obligations.....	1,005	982
Administrative Expenses (D.C.).....	224	237
Lapsing Balances.....	6	16
Total, Available.....	1,235	1,235

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Specialty Crop Block Grants

FY 2016 funding of \$64,570,000 was provided for the Specialty Crop Block Grant Program pursuant to the 2014 Farm Bill (Public Law 113-79). Solicitation of grant applications was released in March 2016. Applications were accepted through July 2016 and awarded in September 2016. This is a formula block grant program; 2017 amounts are estimates based on the formula net sequester.

Geographic Breakdown of Obligations (Dollars in thousands)

	<u>2015 Actual</u>	<u>2016 Actual</u>	<u>2017 Estimate</u>
Alabama	\$434	\$334	\$325
Alaska	221	213	207
Arizona	1,214	918	892
Arkansas	308	295	287
California	19,759	22,370	21,735
Colorado	733	627	609
Connecticut	391	270	262
Delaware	326	303	294
District of Columbia	211	209	203
Florida	4,110	3,885	3,775
Georgia	1,162	1,072	1,042
Hawaii	451	423	411
Idaho	1,889	1,905	1,851
Illinois	604	522	507
Indiana	446	384	373
Iowa	297	244	237
Kansas	319	284	276
Kentucky	292	241	234
Louisiana	358	315	306
Maine	563	549	533
Maryland	424	376	365
Massachusetts	411	348	338
Michigan	1,930	1,887	1,833
Minnesota	1,236	1,186	1,152
Mississippi	363	337	327
Missouri	399	327	318
Montana	1,305	1,294	1,257
Nebraska	640	621	603
Nevada	295	250	243
New Hampshire	266	170	165
New Jersey	707	634	616
New Mexico	507	496	482

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Specialty Crop Block Grants

Geographic Breakdown of Obligations

(Dollars in thousands)

(continued)

	<u>2015 Actual</u>	<u>2016 Actual</u>	<u>2017 Estimate</u>
New York	\$1,229	\$1,154	\$1,121
North Carolina	1,106	1,044	1,014
North Dakota	2,606	2,564	2,491
Ohio	525	528	513
Oklahoma	569	469	456
Oregon	1,825	1,615	1,569
Pennsylvania	994	925	899
Rhode Island	244	225	219
South Carolina	502	442	429
South Dakota	286	270	262
Tennessee	511	395	384
Texas	1,808	1,373	1,334
Utah	315	275	267
Vermont	276	257	250
Virginia	504	394	383
Washington	4,144	4,313	4,191
West Virginia	259	240	233
Wisconsin	1,306	1,185	1,151
Wyoming	311	303	294
American Samoa	250	251	244
Guam	213	211	205
Northern Mariana Islands.....	213	211	205
Puerto Rico	476	490	476
Virgin Islands	208	210	204
Subtotal, Grant Obligations	63,251	62,633	60,855
Administrative Expenses	1,951	1,803	1,642
Nat'l Bioengineered Food Discl Std Transfer .	-	-	1,000
Lapsing Balances.....	6	134	-
Total, Available or Estimate	65,208	64,570	63,497

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Specialty Crop Multi-State Program

Through FY 2017, \$10,000,000 was authorized (\$1,000,000 in FY 2014; \$2,000,000 in FY 2015; \$3,000,000 in FY 2016 and \$4,000,000 in FY 2017) for the Specialty Crop Multi-State Program pursuant to the 2014 Farm Bill (Public Law 113-79), to remain available until expended. In FY 2016, \$2,669,216 was awarded for four projects. Remaining funds will be rolled over into funding allocations for the next Specialty Crop Multi-State Program funding opportunity. Distribution of obligations by State is not available until projects have been selected.

Geographic Breakdown of Obligations

(Dollars in thousands)

	<u>2016 Actual</u>
Arkansas.....	\$756
New York.....	684
Pennsylvania.....	922
Washington.....	307
Subtotal, Grant Obligations.....	<u>2,669</u>
Total, Available.....	<u><u>2,669</u></u>

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Payments to States and Possessions Federal-State Marketing Improvement Program

Classification by Objects (Dollars in thousands)

		2015	2016	2017	2018
		<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>President's</u> <u>Budget</u>
Personnel Compensation:					
	Washington, D.C.....	\$139	\$142	\$146	\$146
	Field.....	-	-	-	-
11	Total personnel compensation.....	139	142	146	146
12	Personnel benefits.....	40	42	45	45
	Total, personnel comp. and benefits.....	179	184	191	191
Other Objects:					
23.3	Communications, utilities, and misc. charges..	3	1	1	1
25.4	Operation and maintenance of facilities.....	42	51	51	21
41.0	Grants, subsidies, and contributions.....	1,005	982	990	896
	Total, Other Objects.....	1,050	1,034	1,042	918
99.9	Total, new obligations.....	1,229	1,218	1,233	1,109
Position Data:					
	Average Salary (dollars), GS Position.....	\$139,523	\$141,555	\$145,629	\$145,629
	Average Grade, GS Position.....	14	14	14	14

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Status of Programs

Payments to States and Possessions

Federal-State Marketing Improvement Program

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

Selected Examples of Recent Progress: In FY 2016, FSMIP reviewed 38 matching grant proposals from 25 States to help create economic opportunities for American farmers and ranchers. AMS awarded approximately \$1 million to 12 State Departments of Agriculture and universities in 10 States for projects that will explore agricultural marketing opportunities or address agricultural marketing challenges that have Statewide or regional impact on farmers and agri-businesses. The projects will enable States to research new opportunities, and spark innovation in the marketing, transportation and distribution of U.S. agricultural products. Many of the FY 2016 projects support research projects to address challenges and opportunities in marketing, transporting, and distributing U.S. agricultural products domestically and internationally. Information on the amounts awarded and the projects funded is available on <http://www.ams.usda.gov/services/grants/fsmip>.

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

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

The 2014 Farm Bill, Section 10010, extended the SCBGP through FY 2018 and provided Commodity Credit Corporation funding at the following levels: \$72.5 million for FY 2014 through FY 2017 and \$85 million for FY 2018. The 2014 Farm Bill also amended the formula to be based on the average of most recent available value and acreage of specialty crop production. It also specifies part of the funding for multi-state grants. The bill limits administrative expenses for the USDA (3 percent) and the States (8 percent).

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

Selected Examples of Recent Progress:

The FY 2016 Request for Applications was published on March 8, 2016, with a grant application deadline of July 6, 2016. During FY 2016, grants were awarded to 50 States, American Samoa, District of Columbia, Guam, the U.S. Virgin Islands, the Commonwealth of Puerto Rico, and the Commonwealth of the Northern Mariana Islands. Grant awards totaled approximately \$62.5 million for 693 projects. Project awards were aimed at enhancing the competitiveness of specialty crops through marketing and promotion, food safety, research, production, pest and plant health, and education initiatives. Information on the amounts awarded and the projects funded is available on <http://www.ams.usda.gov/services/grants/scbgp>.

In FY 2016, the SCBGP monitored its grantees through site visits and review of performance reports. SCBGP staff conducted eight site visits with State Departments of Agriculture recipients and identified 57 corrective actions. These reviews enhanced the performance of the SCBGP, identified effective practices and outstanding program

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outcomes, facilitated decision making by parties with responsibility of overseeing and initiating corrective actions, and improved public accountability. In addition, program staff reviewed over 2,300 project performance reports totaling over \$181 million in grant funds to evaluate the significance and impact of the Program in enhancing the competitiveness of specialty crops.

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

Current Activities: The 2014 Farm Bill directed the USDA to issue guidance on making Multi-State grants for projects involving: food safety; plant pests and disease; crop-specific projects addressing common issues; and any other area that furthers the purpose of this section, as determined by the Secretary. The Specialty Crop Multi-State Program (SCMP) is a competitive grant program for State Departments of Agriculture to enhance the competitiveness of specialty crops by funding collaborative, multi-state projects that address regional or national level specialty crop issues. SCMP grants are funded from a portion of the SCBGP funds provided for FY 2014-2018, which remain available until expended.

Selected Examples of Recent Progress: In FY 2016, SCMP awarded \$2.7 million to four State departments of agriculture and their multi-state partners to help develop solutions to problems affecting the specialty crop industry across State boundaries. Information on the amounts awarded and the projects funded is available on <http://www.ams.usda.gov/services/grants/scmp>.

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Lead-Off Tabular Statement

Budget Estimate, 2018	\$10,590,000
2017 Annualized Continuing Resolution.....	<u>10,423,000</u>
Change in Appropriation.....	<u>+167,000</u>

Summary of Increases and Decreases

(Dollars in thousands)

Program	2015 Actual	2016 Change	2017 Change	2018 Change	2018 President's Budget
Mandatory Appropriations:					
Perishable Agricultural Commodities Act.	\$11,417	+\$35	-\$1,029	+\$167	\$10,590
Total.....	<u>11,417</u>	<u>35</u>	<u>-1,029</u>	<u>167</u>	<u>10,590</u>

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Project Statement

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

Program	<u>2015 Actual</u>		<u>2016 Actual</u>		<u>2017 Estimate</u>		<u>Inc. or Dec.</u>		<u>2018 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
	Mandatory Appropriations:									
Appropriation (from receipts).....	\$11,417	64	\$11,452	67	\$10,423	69	+\$167	-	\$10,590	69
Recoveries.....	848	-	203	-	-	-	-	-	-	-
Sequestration.....	-802	-	-747	-	-758	-	+758	-	-	-
Sequestration Prior Year Return..	785	-	802	-	747	-	+11	-	758	-
Bal. Available, SOY.....	9,877	-	12,536	-	14,073	-	-	-	14,073	-
Total Available.....	22,125	64	24,246	67	24,485	69	+936	-	25,421	69
Bal. Available, EOY.....	-12,536	-	-14,073	-	-14,073	-	-758	-	-14,831	-
Total Obligations.....	9,589	64	10,173	67	10,412	69	+178	-	10,590	69

Project Statement

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

Program	<u>2015 Actual</u>		<u>2016 Actual</u>		<u>2017 Estimate</u>		<u>Inc. or Dec.</u>		<u>2018 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
	Mandatory Obligations:									
Total Obligations.....	\$9,589	64	\$10,173	67	\$10,412	69	+\$178	-	\$10,590	69
Balance Available, EOY.....	12,536	-	14,073	-	14,073	-	+758	-	14,831	-
Total Available.....	22,125	64	24,246	67	24,485	69	+936	-	25,421	69
Recoveries.....	-848	-	-203	-	-	-	-	-	-	-
Sequestration.....	802	-	747	-	758	-	-758	-	-	-
Sequestration Prior Year Return..	-785	-	-802	-	-747	-	-11	-	-758	-
Bal. Available, SOY.....	-9,877	-	-12,536	-	-14,073	-	-	-	-14,073	-
Total Appropriation (from receipts).....	11,417	64	11,452	67	10,423	69	+167	-	10,590	69

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	2015 Actual		2016 Actual		2017 Estimate		2018 President's Budget	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Arizona.....	1,115	10	875	8	1,131	8	1,131	8
District of Columbia.....	6,188	35	7,079	41	6,846	43	7,024	43
Texas.....	1,121	9	894	7	1,184	7	1,184	7
Virginia.....	1,165	10	1,325	11	1,251	11	1,251	11
Obligations.....	9,589	64	10,173	67	10,412	69	10,590	69
Bal. Available, EOY.....	12,536	-	14,073	-	14,073	-	14,831	-
Total, Available.....	22,125	64	24,246	67	24,485	69	25,421	69

AGRICULTURAL MARKETING SERVICE

Status of Programs

Perishable Agricultural Commodities Act Fund

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

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

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

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

Selected Examples of Recent Progress:

In FY 2016, AMS was contacted by members of the specialty crop industry for assistance in resolving 1,087 informal commercial disputes. AMS resolved approximately 91 percent of those disputes informally within four months, with informal settlement amounts of over \$11.5 million. Decisions and orders were issued in 299 formal reparation cases involving award amounts totaling approximately \$9 million. AMS initiated 35 disciplinary complaints against firms for alleged violations of PACA. In addition, the PACA program assisted 2,784 telephone callers needing immediate transactional assistance.

Number of Licensees:	14,400
Informal Complaints Filed:	1,087
Formal Complaints Filed:	305
Counterclaims Filed:	20

Fees and Charges in Effect in 2016:

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

Industry Outreach – AMS continued to increase efforts to inform the produce industry of the rights and responsibilities under the PACA.

AGRICULTURAL MARKETING SERVICE

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

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

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.

AGRICULTURAL MARKETING SERVICE

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

Lead-Off Tabular Statement

Permanent Appropriation, 2017	\$10,929,840,591
Prior Year Appropriation Available, start of year	166,332,601
Less Food and Nutrition Service (FNS) transfer from prior year funds for the Farm Bill Fresh Fruit and Vegetable Program (FFVP) <u>a/</u>	-125,000,000
Less annual transfers to:	
Department of Commerce	-145,175,225
FNS, Child Nutrition Programs	<u>-9,503,997,967</u>
Total, Transfers	-9,649,173,192
Farm Bill Spending Authority, 2017	1,322,000,000
Less Rescission	-232,394,000
Less Sequester	-79,626,000
Less Current Year Unavailable, held for the Farm Bill FFVP <u>b/</u>	<u>-125,000,000</u>
Total AMS Budget Authority, 2017	884,980,000
Less FNS transfer for the Farm Bill FFVP	<u>-43,000,000</u>
Total Available for Obligation, 2017	841,980,000
Budget Estimate, 2018:	
Permanent Appropriation, 2018	10,370,877,502
Prior Year Appropriation Available, start of year	125,000,000
Less Food and Nutrition Service (FNS) transfer from prior year funds for the Farm Bill Fresh Fruit and Vegetable Program (FFVP) <u>b/</u>	-125,000,000
Less annual transfers to:	
Department of Commerce	-154,867,577
FNS, Child Nutrition Programs	<u>-8,861,009,925</u>
Total, Transfers	-9,015,877,502
Farm Bill Spending Authority, 2018	1,355,000,000
Less Proposed Rescission	-263,393,000
Less Proposed Sequestration	-78,078,000
Less Current Year Unavailable, held for the Farm Bill FFVP <u>c/</u>	<u>-125,000,000</u>
Total AMS Budget Authority, 2018	888,529,000
Less FNS transfer for the Farm Bill FFVP	<u>-47,000,000</u>
Agency Request, 2018	<u>841,529,000</u>
Change in Appropriation	<u><u>-451,000</u></u>

a/ Public Law 114-113, General Provisions, Section 715, directs the transfer on October 1, 2016, of 2016 fund made available under subsection (c) of Section 14222 of P.L. 110-246 to carry out section 19(i)(1)(E) of the Richard B. Russell National School Lunch Act.

b/ Public Laws 114-223 and 114-254 direct the transfer on October 1, 2017, of 2017 funds made available under subsection (c) of Section 14222 of P.L. 110-246 to carry out section 19(i)(1)(E) of the Richard B. Russell National School Lunch Act.

c/ The FY 2018 Budget assumes that \$125 million of the July 1, 2018 transfer will not be made available until October 1, 2018.

AGRICULTURAL MARKETING SERVICE

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

Lead-Off Tabular Statement
Current Law

Budget Estimate, 2018.....	\$888,529,000
2017 Annualized Continuing Resolution.....	884,980,000
Change in Appropriation	+3,549,000

Proposed Legislation

Budget Estimate, Current Law 2018	\$888,529,000
Change Due to Proposed Legislation	-20,489,000
Net 2018 Request	868,040,000

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

Summary of Increases and Decreases - Current Law
(Dollars in thousands)

Program	2015 Actual	2016 Change	2017 Change	2018 Change	2018 President's Budget
Mandatory Appropriations:					
Child Nutrition Program Purchases	\$465,000	-	-	-	\$465,000
Farm Bill Specialty Crop Purchases	-	-	+\$206,000	-	206,000
Emergency Surplus Removal	306,250	-\$7,506	-298,744	-	-
Estimated Future Needs <u>a/</u>	80,354	-64,906	+88,744	-\$2,505	101,687
State Option Contract	5,000	-	-	-	5,000
Removal of Defective Commodities	2,500	-	-	-	2,500
Disaster Relief	5,000	-	-	-	5,000
Commodity Purchases Services	34,710	-911	-	+2,054	35,853
Marketing Agreements and Orders	20,186	+303	-	-	20,489
AMS Spending Authority	919,000	-73,020	-4,000	-451	841,529
FNS Transfer for Farm Bill Fresh					
Fruit and Vegetable Program <u>b/</u>	40,000	-1,000	+4,000	+4,000	47,000
AMS Budget Authority	959,000	-74,020	-	+3,549	888,529

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

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

AGRICULTURAL MARKETING SERVICE

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

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2015 Actual		2016 Actual		2017 Estimate		Inc. or Dec.		2018 President's Budget	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
	Mandatory Appropriations:									
Permanent Appropriation.....	\$9,714,923	152	\$10,316,645	154	\$10,929,841	154	-\$558,963	-	\$10,370,878	154
Transfers Out:										
Food and Nutrition Service (FNS),										
Child Nutrition Programs.....	-8,355,671	-	-8,969,178	-	-9,503,998	-	+642,988	-	-8,861,010	-
FNS Transfer from PY funds.....	-119,000	-	-122,000	-	-125,000	-	-	-	-125,000	-
FNS, Fresh Fruit and										
Vegetable Program.....	-40,000	-	-39,000	-	-43,000	-	-4,000	-	-47,000	-
Department of Commerce.....	-143,738	-	-145,811	-	-145,175	-	-9,693	-	-154,868	-
Subtotal.....	-8,658,409	-	-9,275,989	-	-9,817,173	-	+629,295	-	-9,187,878	-
Rescission.....	-121,094	-	-215,568	-	-232,394	-	-30,999	-	-263,393	-
Sequestration.....	-81,906	-	-77,452	-	-79,626	-	+1,548	-	-78,078	-
Prior Year Appropriation.....										
Available, SOY.....	187,486	-	223,344	-	166,332	-	-41,332	-	125,000	-
Recoveries.....	750	-	964	-	-	-	-	-	-	-
Offsetting Collections.....	10,397	-	11,879	-	-	-	-	-	-	-
Unavailable Resources, EOY.....	-223,344	-	-166,332	-	-125,000	-	-	-	-125,000	-
Total Obligations.....	828,803	152	817,491	154	841,980	154	-451	-	841,529	154

Note: A rescission of unobligated balances is proposed for FY 2015 - 2018.

AGRICULTURAL MARKETING SERVICE

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

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

Program	<u>2015 Actual</u>		<u>2016 Actual</u>		<u>2017 Estimate</u>		<u>Inc. or Dec.</u>		<u>2018 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
	<hr/>									
Commodity Purchases:										
Child Nutrition Program Purchases	\$465,000	-	\$465,000	-	\$465,000	-	-	-	\$465,000	-
Farm Bill Specialty Crop Purchases	-	-	-	-	206,000	-	-	-	206,000	-
Emergency Surplus Removal.....	306,250	-	298,744	-	-	-	-	-	-	-
Estimated Future Needs.....	-	-	-	-	104,192	-	-\$2,505	-	101,687	-
Subtotal.....	771,250	-	763,744	-	775,192	-	-2,505	-	772,687	-
State Option Contract.....	-	-	-	-	5,000	-	-	-	5,000	-
Removal of Defective Commodities.	-	-	-	-	2,500	-	-	-	2,500	-
Disaster Relief.....	4,094	-	300	-	5,000	-	-	-	5,000	-
Prior Year Adjustment.....	-2	-	441	-	-	-	-	-	-	-
Administrative Funds:										
Commodity Purchases Services.....	34,618	61	33,689	61	33,799	61	+2,054 (1)	-	35,853	61
Marketing Agreements and Orders.	18,843	91	19,317	93	20,489	93	-	-	20,489	93
Subtotal.....	53,461	152	53,006	154	54,288	154	+2,054	-	56,342	154
Total Obligations.....	828,803	152	817,491	154	841,980	154	-451	-	841,529	154
Recoveries.....	-750	-	-964	-	-	-	-	-	-	-
Offsetting Collections.....	-10,397	-	-11,879	-	-	-	-	-	-	-
Precluded from Obligation										
in Current Year.....	-122,000	-	-125,000	-	-125,000	-	-	-	-125,000	-
Unavailable Resources, EOY.....	223,344	-	166,332	-	125,000	-	-	-	125,000	-
Transfer to FNS.....	187,486	-	223,344	-	166,332	-	-41,332	-	125,000	-
Prior Year Appropriation										
Available, SOY.....	-187,486	-	-223,344	-	-166,332	-	+41,332	-	-125,000	-
Total Appropriation.....	919,000	152	845,980	154	841,980	154	-451	-	841,529	154

AGRICULTURAL MARKETING SERVICE

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

Justification of Increases and Decreases

- (1) An increase of \$2,054,000 for Commodity Purchase Services (\$33,799,000 and 61 staff years available in 2017).

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

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

Section 32 administrative costs are used to support the annual ordering, procurement, and distribution of \$3 billion in farm food commodities to over 32 million individuals in the U.S. and abroad. Administrative costs fund the salaries and benefits of the AMS commodity procurement staff and the maintenance of the WBSCM system.

The funding change is requested for the following items:

- a. An increase of \$139,000 for pay costs (\$37,000 for annualization of the 2016 pay increase and \$102,000 for the 2017 pay increase).
- b. An increase of \$1,915,000 to support the Web-Based Supply Chain Management (WBSCM) system.

This change will ensure that the necessary funding is available for administration of USDA domestic food purchases. In addition to salaries and benefits, which are a necessary expenses to meet program requirements, CPS administrative funds also finance operating costs of the Web-Based Supply Chain Management (WBSCM) system to support the shared interests of USDA commodity purchase programs. The system supports the procurement, delivery, and management of more than 200 commodities and 4.5 million tons of food through domestic and foreign feeding programs administered by AMS, FSA, FNS, and the United States Agency for International Development (USAID).

Most WBSCM costs--hosting, operation, and maintenance expenses--are fixed costs necessary to keep the system functioning, and some continuous improvements and updates are necessary to meet changing program requirements. The system also requires security patching that the software vendor develops as a result of detected threats or vulnerability to the system. In light of the data breaches that governmental systems have suffered, adequate funding for WBSCM will result in reduced security risks, which will help USDA from major security threats and degradation of a system that is fundamental to program operations, impacting 10,000 users, of whom more than 9,000 are external to the Federal government.

With this change, AMS will be able to effectively achieve the program's mission. Funding is necessary to minimize system security risks and avoid a stoppage of services that can potentially impact millions of Americans and the U.S agricultural economy.

AGRICULTURAL MARKETING SERVICE

Summary of Proposed Legislation

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

(Dollars in thousands)

	2017	2018	2019	2020	2021
Budget Authority	0	-20,489	-20,489	-20,489	-20,489
Outlays	0	-20,489	-20,489	-20,489	-20,489

AGRICULTURAL MARKETING SERVICE

Section 32 Administrative Funds

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	<u>2015 Actual</u>		<u>2016 Actual</u>		<u>2017 Estimate</u>		<u>2018 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
	California.....	\$950	8	\$975	8	\$999	9	\$1,037
District of Columbia.....	50,851	133	50,262	135	51,477	132	53,425	132
Florida.....	732	5	749	5	767	5	796	5
Oregon.....	722	5	823	5	843	6	875	6
Texas.....	3	-	1	-	1	-	1	-
Virginia.....	203	1	196	1	201	2	208	2
Total, Available.....	53,461	152	53,006	154	54,288	154	56,342	154

AGRICULTURAL MARKETING SERVICE

Status of Programs

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

Commodity Purchases

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

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

Section 4404 of the 2008 Farm Bill directs USDA to purchase additional fruits, vegetables, and tree nuts (specialty crops) using Section 32 funds, to assist growers and support domestic nutrition assistance programs. The adjusted totals, which include the \$200 million minimum purchase level established by previous legislation, are: \$390 million for 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 2016, AMS purchased over \$572.5 million of specialty crop products which is approximately 41 percent over the minimum purchase level.

Selected Examples of Recent Progress:

Commodity Purchases – In FY 2016, 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 31.25 cents per meal.

AMS also purchased an additional \$1,005.2 million of Group A (non-price supported) commodities consisting of fruits, vegetables, meat and poultry products, and \$496.7 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 \$1,501.9 million worth of entitlement commodities with FNS appropriated funds.

In FY 2016, across all funding groups, AMS purchased 1,440.2 million pounds of specialty crops (fruits and vegetables) commodities, valued at \$865.1 million, distributed by FNS through the Department's various nutrition assistance programs.

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

AGRICULTURAL MARKETING SERVICE

FY 2016 Contingency Fund Expenditures for Surplus Removal	
Commodity	Amount
Beans, Great Northern	\$4,966,995
Beans, Pinto	\$9,476,750
Blueberries, Highbush	\$15,000,000
Blueberries, Wild	\$12,275,000
Catfish	\$19,956,830
Cherries, Tart	\$41,600,000
Chicken	\$18,300,000
Cranberry Juice	\$25,310,000
Dairy	\$7,182,000
Dates	\$2,760,000
Eggs	\$11,228,900
Grape Juice, Concord	\$21,200,000
Grapefruit Juice	\$7,030,000
Orange Juice	\$30,000,000
Potatoes Dehydrated	\$11,000,000
Raisins	\$19,974,000
Salmon, Canned Sockeye	\$10,000,000
Walnuts	\$31,483,650
Total	\$298,744,175

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 2016, \$0.3 million of Section 32 funding was obligated to cover the cost of foods purchased to distribute to those individuals impacted by the severe drought in the Republic of the Marshall Islands, as part of the FY 2016 Presidentially-declared major disaster. FNS also provided \$0.5 million of Section 4A funding to cover the cost of foods purchased for individuals impacted by the city water crisis in Flint, Michigan.

Total Commodity Purchase Activity – FY 2016 (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	\$1,005.2
Appropriated Funds - Group B	Dairy, Grain, and Oilseed	\$496.7
Section 32 – Surplus Removal	Fruits, Vegetables, Meats and Poultry	\$298.7
Disaster Assistance	Commodity, Transportation and Storage	\$ 0.8
TOTAL	ALL COMMODITY PURCHASES	\$2,266.4

Web-Based Supply Chain Management (WBSCM) System – AMS is authorized to use Section 32 administrative funds to develop and operate the WBSCM computer system that supports the shared interests of USDA commodity purchase programs. AMS is the lead agency for the system in USDA. From its inception in FY 2011, the WBSCM system has improved the procurement, delivery, and management of more than 200 commodities and 50.8 billion pounds of 100 percent domestically-produced farm food commodities at an approximate value of \$16.3 billion.

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These commodities are distributed through domestic and foreign feeding programs administered by AMS, FSA, FAS, FNS, and the United States Agency for International Development (USAID). Currently, the system is supporting over 10,000 registered users, executing more than 7,000 transactions weekly.

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 January 5, 2016. The WBSCM PMO supervised a smooth transition from the former contractor, CSRA International, to CACI Inc., with CACI taking full control of WBSCM activities on May 23, 2016. During FY 2016, CPS managed and conducted testing for six system releases focusing on internal and external customer needs, three with the former contractor and three with the new contractor.

CPS's WBSCM management team developed a Statement of Work, contracted for A-123 audit services, provided all documentation for the A-123 audit, and completed and compiled spreadsheets for the WBSCM Sample Prepared-by-Client (PBC) Request list. The Acquisition Approval Request was approved in December 2015 authorizing \$28.4 million in 2016 funds, the earliest approval ever received for the fiscal year.

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

Product Development and Market Research – During FY 2016, CPS made many improvements to existing USDA Foods and introduced various new products for domestic food assistance programs, supporting a continued outlet for domestic agricultural products through USDA purchase programs, while continuing to meet the evolving needs of program recipients.

Several product development initiatives were focused on facilitating use of USDA Foods in household food distribution programs, including The Emergency Food Assistance Program (TEFAP). For example, dried cranberries, orange juice cups, and peanut butter in individual serving sizes were introduced to the TEFAP ordering catalog. Small pack sizes are especially helpful to food banks with child feeding initiatives, such as weekend "backpack" programs. Other new products added to the TEFAP lineup included whole grain tortillas, frozen chicken split breasts, crackers, and frozen peas.

A major USDA Foods initiative during FY 2016 was the addition of "traditional foods" to the Food Distribution Programs on Indian Reservations (FDPIR). CPS again purchased frozen bison meat, awarding contracts for the delivery of approximately 1 million pounds of frozen ground bison to FDPIR during the FY 2016 program year. CPS also executed purchases of 646,272 pounds of whole-grain blue cornmeal for FDPIR recipients. CPS made initial purchases of two additional "traditional" foods requested by FDPIR, purchasing 65,000 pounds of long grain wild rice and 216,000 pounds of frozen salmon fillets.

In addition to the traditional foods initiatives, CPS added frozen pork chops, which were initially piloted during FY 2013 with several attempts to buy in subsequent years, and with better supply is now a part of the regularly scheduled purchase programs for FDPIR. CPS continues to work with FNS, which manages FDPIR at the federal level, to make changes and additions to the program's food package, to support the dietary initiatives and specific nutritional needs of program recipients. For example, USDA standardized the components for dried fruit nut mix to include dried cranberries, dried cherries, raisins, and almonds to ensure the product meets FDPIR expectations each time it is requested.

CPS made several changes and additions to USDA Foods for the NSLP. Frozen sweet potato crinkle cut fries were added to help serve this popular choice more efficiently in menu planning and preparation. CPS also added a frozen sweet pepper and onion vegetable blend, a minimally seasoned pulled pork, and a cooked beef patty to the NSLP, and launched canned white meat chicken to provide another shelf-stable protein option to schools. To encourage whole grain rich options, CPS offered brown rice in smaller package sizes to schools, and offered whole grain penne pasta as another popular choice. Specifications for chicken fajita and cooked ham were updated to reduce sodium content and/or ensure soy and gluten-contributing ingredients are not allowed. CPS also made technical changes to oven-roasted chicken, chicken strips, and mozzarella cheese purchase programs to better align specifications with current manufacturing practices. Based on recipient feedback, CPS enhanced the specifications for salsa, spaghetti

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sauce, and frozen carrots to reduce variability across suppliers, and offered popular choices in smaller package sizes including frozen apples, blueberries, diced carrots, peas, and spinach.

CPS developed several new product pack sizes to help efficiently remove product from the marketplace through Section 32 surplus removal purchases, while simultaneously providing products in forms appropriate to the recipient programs receiving the donated foods. For example, dried cranberries and orange juice in single serving containers as well as new product development initiatives support these “bonus buy” purchases.

USDA Foods: Meal Patterns, Nutrition Information, and the Dietary Guidelines for Americans – CPS is committed to supporting the Dietary Guidelines for Americans through the USDA Foods purchase programs and ancillary activities. Product development activities for new and existing commodities involve consideration of the product’s nutritional value and support of Child Nutrition meal pattern requirements (for the NSLP) and the *Dietary Guidelines* (for all domestic food distribution programs). Special consideration is given during product development to identify new and existing commodity foods with lower fat and sodium content. During FY 2016, CPS continues its research to reduce sodium in its canned meat products, including canned beef stew and canned chili, and reduce sodium levels in chicken fajitas.

CPS also continued to identify suppliers of kosher and halal products for potential inclusion in USDA Foods programs in support of Farm Bill initiatives to increase their availability to NSLP participants as well as other domestic food distribution programs. Based on industry feedback, CPS successfully added kosher requirements for peanut butter and tuna to offer these popular protein items to food banks and schools that seek more kosher options.

The CPS Nutritionist was instrumental in coordinating the release of the 2015-2020 Dietary Guidelines policy document and supported National Nutrition Month with cross agency promotional efforts. The nutritionist also conducted scientific literature reviews and presented findings to AMS’ Marketing Order and R&P commodity boards (including tart cherries, avocados, peanuts, almonds, walnuts and onions), and trained board representatives and AMS Program staff in best practices to translate scientific reports into marketing communications. In addition, the CPS Nutritionist recruited volunteer instructors and developed 26 education sessions to showcase seasonally available product at the USDA Farmers Market.

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

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

AMS developed and implemented vendor requirements, and as of mid-September 2016, had approved 93 suppliers, with an additional 43 applications pending. During FY 2016, all eight States received deliveries under the pilot, and CPS successfully paid invoices through WBSCM worth approximately \$5.3 million. CPS continues to seek feedback from pilot participants--SFAs, States, FNS, and the industry--to make additional adjustments to the pilot project as needed.

New Vendor and Small Business Outreach and Participation -- CPS is committed to increasing marketing opportunities for agricultural businesses through its food purchasing activities. CPS made a tremendous effort during FY 2016 to promote these opportunities to small business entities, in particular minority-owned, service-disabled veteran owned, and women-owned small businesses, as well as those operating in historically underutilized business zones (HUB Zone). Overall, CPS reviewed and approved 27 new vendor applications during FY 2016. Of those 27, two are Native-American owned and one was a HUB Zone small business.

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CPS maintains an annual set-aside plan for small business contracting, and submitted this plan along with the mid-year and annual procurement forecast reports to USDA's Office of Small and Disadvantaged Business Utilization (OSDBU). Through its Federal contracting activities, CPS attained an overall Small Business contracting rate of 47.50 percent, which is 10 percent higher than FY 2015; a veteran-owned small business rate of 5.86 percent; a Service-Disabled Veteran-Owned small business rate of 2.79 percent; and a Women-Owned Small Business rate of 3.42 percent. Over \$1 billion in purchases by CPS were made from small business concerns during FY 2016.

In addition to awarding contracts directly to small business concerns, CPS encourages its large business Federal contractors to actively award contracts to small businesses via their subcontracting plans, as required by the Federal Acquisition Regulations. CPS notified large business contractors to submit their Subcontracting Plans and Summary Subcontracting Reports in the Electronic Source Reporting System (eSRS), resulting in 34 plans being submitted, reviewed, and approved by CPS, OSDBU, and the Small Business Administration (SBA).

Business Process Review (BPR)/USDA Business Management Improvement (BMI) –CPS launched a long-anticipated project in FY 2015 to conduct a thorough review of the multi-agency domestic and international commodity procurement activities. A contract was awarded through GSA to Capgemini in September 2015 to lead the Agencies through the process.

In FY 2016, CPS worked with Capgemini to conduct numerous interviews with stakeholders and customers in both the domestic nutrition and the international food aid programs to identify pain points and challenges with the current processes. An all-day meeting held in January 2016, asked multiple stakeholders and customers to prioritize those pain points and challenges to determine the activities moving forward. From January to May 2016, the “as-is” processes were documented through multiple meetings, both in person and remotely. From June to August 2016, through in-person and remote meetings, various stakeholder representatives explored multiple ideas for “to-be” processes. These ideas were discussed in detail at an August 2016 three-day session, and final “to-be” processes were documented. In September 2016, Capgemini began working on a business case, proving the concepts and the processes identified in the August session. Implementation of these new processes should begin late in 2017.

The Agencies involved in the effort are the Agricultural Marketing Service, the Food and Nutrition Service, the Farm Service Agency, the Foreign Agricultural Service, and the U.S. Agency for International Development. The project's goals include: establishing processes and policies that provide value to agriculture and food industries as well as the food and nutrition programs; identifying USDA/USAID materials and programs that are the most beneficial to customers and industry stakeholders; and then prioritizing identified changes in order to maximize their benefits while considering the available resources of the programs. This type of comprehensive evaluation of food aid and nutrition program processes had not been done since FY 2000.

Marketing Agreements and Orders

Current Activities: Section 32 funds support the administration of Federal marketing agreements and marketing orders, which help to establish orderly marketing conditions for dairy products and specialty crops that encompass fruits, vegetables, nuts and related commodities. Marketing agreements and orders enable dairy farmers and specialty crop producers to work together in their respective commodity group to solve marketing problems that they cannot solve individually, by balancing the availability of quality product with the need for adequate returns to producers and the demands of consumers. Twenty-nine marketing orders are currently active for specialty crops, and they are customized to meet the needs of a particular industry and may have provisions that: (1) impose mandatory grading and inspection services to meet minimum grade levels; (2) standardize the packaging and labeling of containers; (3) sponsor production research projects; (4) create market research and product promotion activities; and (5) increase or decrease the amount of product allowed into commercial channels during periods of exceedingly high or low volume. Ten regional marketing orders are currently active for milk and dairy products to ensure orderly marketing conditions and an adequate supply of fluid milk for public consumption.

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Selected Examples of Recent Progress:

Dairy Program:

- California, Milk Marketing Order - AMS held a 40-day hearing in the Fall of 2015 to take evidence as to whether to promulgate a California Federal milk marketing order. Dairy Cooperatives representing over 75 percent of the milk produced in California requested the hearing that is intended to replace the current State milk marketing order system with a Federal milk marketing order covering the entire State. Two major proposals are being considered. One supported by the cooperatives maintains the California quota system, all-inclusive pooling, and suggests adopting the same cheese milk pricing formula as used in other Federal milk marketing orders. A competing proposal offered by the milk processors in California asks for provisions that are more closely patterned after provisions used in the current ten Federal milk marketing orders. They are requesting that the cheese milk pricing formula recognize the unique relationship between California and the rest of the country. In addition, two limited proposals addressing producer handlers and out of State milk are being discussed. AMS is evaluating the hearing record and a recommended decision is expected in the beginning of 2017.
- Organic Milk - In late September 2015, USDA received a request by the Organic Trade Association (OTA) to consider a proposal to amend all Federal Milk Marketing Orders. The request indicates that consumer demand for organic milk and dairy products is growing faster than the supply of organic milk. Throughout FY 2016, USDA continually worked to fulfill multiple data requests submitted by OTA. If USDA decides to hold a hearing on the matter, it will not happen before spring, 2017. While USDA continues to evaluate the OTA proposal, USDA is working with OTA and the organic milk community to explore options to address their milk marketing needs.
- Quality Assurance of Oversight Laboratories - The Milk Market Administrator (MMA) laboratories perform testing to establish and verify the price paid to dairy farmers for their milk. The MMA laboratories enhanced their quality assurance and standardization across the network of eight laboratories by developing and implementing a Laboratory Approval Program. This program enhanced third-party review of MMA laboratories. Program requirements for milk payment testing include good laboratory practice, quality assurance and control practices, proficiency testing, established methods and accepted equipment, and on-site audits.

Specialty Crops Program:

Evolving Industry Needs – AMS marketing order programs help U.S. producers and handlers remain competitive in domestic and global markets. In an effort to respond to industry needs, AMS personnel met with marketing order representatives from numerous industries to discuss matters of industry concern and to consider broad scale regulatory changes responsive to recent trends in production volume and handling practices. In particular, AMS attended 270 marketing order board/committee meetings and approved 28 operating budgets. AMS specialists reviewed more than 900 promotional pieces to ensure board/committee messaging was compliant with Departmental guidelines. AMS also reviewed proposals for dozens of research projects funded by industry assessments, each of which is designed to address issues like pest management and post-harvest handling. Specialty crop marketing orders directly affect and benefit more than 60,000 U.S. farmers.

- Referenda - In accordance with marketing order requirements, AMS conducted referenda among producers and processors, where applicable, operating under one marketing order who voted to keep their handling regulations in place. Most of the active marketing orders require continuance referenda every five years. AMS worked with the raisin industry in California to incorporate continuance referenda into its marketing order for the first time.
- Aflatoxin Testing - AMS worked with nut industries to discuss matters of industry concern and to consider program updates and alternatives to current practices. Specifically, changes to Minimum Quality and Handling Standards for Domestic and Imported Peanuts in the United States went into effect on August 31, 2016. They were based on input the Peanut Standards Board provided during meetings AMS conducts on

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behalf of the Board. AMS helped the Almond Board of California replace the Voluntary Aflatoxin Sampling Program with a more robust Pre-Export Checks Program, which launched in August 2015 and satisfies European Union requirements for almonds imported from California. AMS is involved with the California pistachio industry in a similar capacity in response to the European Union's enhanced surveillance for aflatoxin contamination. For walnuts, the California Walnut Board is exploring pasteurization and considering forming a technical expert review panel that will invest resources in food safety.

- Enforcement – AMS is responsible for the enforcement of 28 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. AMS helped the 15-state pecan industry establish the American Pecan Council that met for the first time in November 2016 and will, among other things, devise compliance parameters for handlers.
- Compliance Reviews - AMS conducted 15 compliance reviews, approved 16 e-compliance plans, and followed up on 1,416 inspections for failing section 8e entries. For importers not complying with section 8e, AMS issued 13 official warning letters and 3 stipulation agreements, including civil penalties. AMS granted more than 5,900 FV-6 exemptions for 8e commodities used for processing, donated to charity, or other exempted outlets.

Legal Cases -

- Sun-Maid petitioned USDA in early 2015 for a hearing to remove volume control from the Federal marketing order for California raisins. Soon after, on June 22, 2015, the Supreme Court determined volume control in the raisin marketing order was unconstitutional. USDA issued a letter to the raisin industry, indicating the reserve authority would not be authorized, effective immediately. The Office of the General Counsel and the Department of Justice contend Sun-Maid's case is moot and are working to have the suit dismissed. A lower court has granted Sun-Maid's petition to stay this proceedings until after AMS' publication of the final rule on the formal rulemaking pertaining to the California raisin marketing order. A recommended decision with a 30-day comment period will be published in the Federal Register upon USDA clearance. Following the close of the comment period, AMS will draft a Secretary's Decision and Referendum Order for publication and conduct a referendum on the amendments. If the results of the referendum are favorable, AMS plans to publish a final rule in late August 2017.
- On August 21, 2015, August 26, 2015, and December 28, 2015, respectively, Lion Farms, LLC, Bruce Ciapessoni et al., and Earl O. Boyajian et al. filed complaints in U.S. Court of Federal Claims for just compensation under the Fifth Amendment following the Supreme Court's ruling in *Marvin Horne v. USDA*. The Department of Justice (DOJ) filed motions to dismiss the three cases. On August 5, 2016, DOJ filed reply briefs for the plaintiff's opposition to AMS's motion to dismiss the cases. On November 29, 2016, the Court denied DOJ's motion to dismiss earlier crop years. DOJ continues to pursue consolidation of the cases. On December 15, 2016, the court granted DOJ's motion to stay filing answers to Boyajian and Ciapessoni motions for class certification. On January 19, 2017, the Court granted Ciapessoni an extension until January 24, 2017, to file a status report on discussions with Boyajian and Lion Farms on consolidating the cases.
- Compliance Systems – AMS continued work on implementing the International Trade Data System (ITDS) and the Compliance and Enforcement Management System (CEMS), and remains on schedule to fully implement new procedures for industry members by the Executive Order's December 2016 mandate. The effort has been coordinated with Customs and Border Protection for connectivity with its Automated Commercial Environment.

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Rulemaking – AMS oversees formal and informal rulemaking processes for marketing order boards, committees, and councils. AMS processed 26 work plans, 33 proposed/interim rules, 17 final/ final interim rules, 6 notices to trade, 2 notices of hearings, 1 continuance referendum, and 4 formal final orders during FY 2016.

- Pecans – The U.S. pecan industry entered into a Federal marketing order to bring disparate sections of the 15-state production area into one effort for improved production and handling data. AMS was successful in publishing the Secretary’s Decision just seven months after the hearings were held in July 2015. The appointment of members to the American Pecan Council in October 2016 set in motion the first gathering of pecan industry representatives under a marketing order structure in November 2016. The industry will also use the marketing order to stimulate product demand through generic promotion and to vie more successfully with competing products in the marketplace.

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Shared Funding Projects
(Dollars in thousands)

	2015	2016	2017	2018
	<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
Working Capital Fund:				
Administration:				
HR Enterprise System Management	0	\$51	\$51	\$55
Mail and Reproduction Management.....	\$579	641	632	654
Integrated Procurement System.....	303	315	313	326
Material Management Service Center.....	220	255	292	234
Procurement Operations.....	130	-	2	2
Subtotal.....	1,232	1,262	1,290	1,271
Communications:				
Creative Media & Broadcast Center.....	335	127	176	214
Finance and Management:				
NFC/USDA.....	884	896	894	807
Financial Management Services.....	5,356	3,353	3,555	3,315
Internal Control Support Services.....	87	74	85	93
Subtotal.....	6,327	4,323	4,534	4,215
Information Technology:				
NITC/USDA.....	4,060	2,758	3,595	3,101
Client Technology Services.....	524	468	1,511	1,405
Enterprise Network Services.....	499	485	423	441
Subtotal.....	5,083	3,711	5,529	4,947
Correspondence Management.....	118	122	132	119
Total, Working Capital Fund.....	13,095	9,545	11,661	10,766
Departmental Shared Cost Programs:				
1890's USDA Initiatives.....	77	85	104	94
Advisory Committee Liaison Services.....	30	35	44	40
Classified National Security Information.....	28	16	16	15
Continuity of Operations Planning.....	59	54	59	53
Emergency Operations Center.....	63	63	65	58
Facility and Infrastructure Review and Assessment.....	12	12	12	11
Faith-Based Initiatives and Neighborhood Partnerships.....	11	10	11	10
Hispanic-Serving Institutions National Program.....	50	48	55	49
Honor Awards.....	2	2	2	2
Human Resources Transformation (inc. Diversity Council).	47	41	49	44
Identity & Access Management (HSPD-12).....	187	183	187	168
Medical Services.....	43	50	61	55
People's Garden.....	20	17	18	16
Personnel and Document Security.....	31	23	22	20
Pre-authorizing Funding.....	105	101	103	93
Retirement Processor/Web Application.....	17	16	17	15
TARGET Center.....	39	39	40	36
USDA 1994 Program.....	20	19	22	19
Virtual University.....	55	54	55	50
Total, Department Shared Cost Programs.....	896	868	942	848

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Shared Funding Projects
(Dollars in thousands)

E-Gov:				
Budget Formulation and Execution Line of Business.....	3	2	2	2
Enterprise Human Resources Integration.....	58	53	54	54
E-Rulemaking.....	22	61	124	154
E-Training.....	77	77	-	-
Financial Management Line of Business.....	5	5	5	5
Grants.gov.....	15	36	58	55
Human Resources Line of Business.....	8	7	7	8
Integrated Acquisition Environment – Loans and Grants....	52	-	-	-
Integrated Acquisition Environment.....	18	47	38	39
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Total, E-Gov.....	258	288	288	317
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Agency Total.....	14,249	10,701	12,891	11,931
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Summary of Budget and Performance

Key Performance Outcomes and Measures

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

The Department will be revising the USDA Strategic Plan later in the spring and expects to release it with the FY 2019 President’s Budget.

Key Performance Measures:

	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2018 Target
<u>Market News</u> – Generate information to increase market opportunities for U.S. agriculture							
Relevance of Market News information based on customer surveys	81%	81%	81%	79%	79%	79%	79%
Number of Organic Products Reported	N/A	N/A	N/A	166	166	190	224
Local and Regional Markets Reported	N/A	N/A	N/A	170	206	206	221
International Markets Reported	N/A	N/A	N/A	15	15	102	109
Market News Funding (\$ thousands)	\$32,949	\$31,102	\$33,170	\$33,488	\$33,219	\$33,219	\$32,153
<u>Shell Egg Surveillance</u> – Safeguard the quality and wholesomeness of agricultural products							
Percent of firms complying with EPIA and the Shell Egg Surveillance program	95%	95%	95%	95%	95%	97%	97%
Shell Egg Surveillance Funding (\$ thousands)	\$2,717	\$2,565	\$2,732	\$2,563	\$2,563	\$2,409	\$1,930
<u>Commodity Standards</u> – Develop domestic and international commodity standards to facilitate trade and economic growth for U.S. agricultural products							
U.S. and international standards in effect, end of fiscal year	N/A	N/A	N/A	593	691	693	693
Number of commodities covered	N/A	N/A	N/A	225	245	245	245
Commodity Standards Funding (\$ thousands)	\$4,944	\$4,667	\$4,976	\$4,971	\$4,971	\$4,971	\$4,935
<u>Federal Seed Act Program</u> – Enforce fair marketing practices for producers							
Percent of seed shipped in interstate commerce that is accurately labeled	97%	98%	98%	98%	98%	98%	98%

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	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2018 Target
Percentage of interstate compliance cases submitted that are completed	N/A	N/A	N/A	86%	95%	95%	95%
Federal Seed Program Funding (\$ thousands)	\$2,439	\$2,302	\$2,455	\$2,299	\$2,299	\$2,299	\$2,068
<u>Country of Origin Labeling</u> (COOL) – Enforce marketing practices and inform buyers							
Percent of retailer compliance with Country of Origin Labeling	94%	94%	94%	96%	96%	96%	97%
COOL Funding (\$ thousands)	\$5,000	\$4,720	\$5,015	\$4,718	\$4,718	\$4,718	\$3,752
<u>Pesticide Data Program</u> (PDP) – Generate residue information that supports risk assessment and trade							
5-year running total of children’s food commodities tested (of 24)	21	22	22	23	23	23	24
Percent comprehensive data available for risk assessment	90%	87%	83%	88%	90%	90%	90%
Percent of U.S. population represented in PDP data	50%	50%	48%	48%	48%	48%	48%
PDP Funding (\$ thousands)	\$15,330	\$14,471	\$15,347	\$15,739	\$15,039	\$15,039	\$15,069
<u>National Organic Program</u> – Enforce marketing practices that expand opportunities for farms and businesses							
Percent in compliance with certification and accreditation criteria	96%	95%	95%	95%	94%	90%	90%
Number of certified operations (farm and businesses) in the U.S.	N/A	N/A	N/A	19,500	22,818	24,650	25,800
National Organic Program Funding (\$ thousands)	\$6,919	\$6,531	\$9,026	\$9,020	\$9,020	\$9,020	\$8,095
<u>Transportation and Market Development</u> – Support and expand access to domestic markets and food systems							
New markets established or expanded through technical assistance (including cooperative research reports and marketing and training tools)	N/A	200	200	250	100	100	75
Number of market development projects completed	N/A	N/A	N/A	20	125	150	125
Number of transportation services projects completed	N/A	N/A	N/A	17	18	19	26
Transportation & Market Development Funding (\$ thousands)	\$5,734	\$6,357	\$7,193	\$8,117	\$8,117	\$8,117	\$7,183

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Selected Past Accomplishments Toward the Achievement of the Key Outcome:

- Most activities met performance targets.
- Market News expanded reporting of local and regional market data by 21 percent through Federal-State cooperative agreements.
- The commodity standards program increased the number of standards developed for U.S. agriculture in domestic and international markets over the previous fiscal year, as well as the number of commodities represented. Commodity standards represent a common language for marketing and trade.
- The Pesticide Data Program managed the sampling, testing, and reporting of 23 of the top 24 children's food commodities, exceeding the target by 5.
- The National Organic Program:
 - Launched its organic integrity database where organic certifiers submit data about organic farms and businesses so that the public can track and identify certified organic operations more easily.
 - As part of its "Sound and Sensible" initiative, AMS published 44 educational products, including videos, tip sheets, and training presentations to support certification across the country.
- AMS developed a long-term transportation infrastructure plan to support American agricultural producers. The report explores how USDA works with other Federal agencies to ensure the future of transportation for the agriculture sector.
- AMS improved communication and increased overall transparency by:
 - Offering more than double the webinars and teleconferences for stakeholders, including the Pesticide Data Program's first stakeholder meeting and webinar.
 - Launching an email subscription service and expanding social media channels as an easy way for customers, stakeholders, and employees to stay informed on issues that matter to them.
 - Developing new factsheets and outreach materials, expanding the catalog of printable and downloadable resources on programs, services, and hot topics.

Selected Accomplishments Expected at the FY 2018 Proposed Resource Level:

- Market News expects to significantly increase the number of reports that focus on organic products, local and regional markets, and international markets to facilitate marketing for farmers, producers, and other U.S. agriculture businesses.
- The Pesticide Data Program expects to include current data on all 24 of the top children's foods in 2018.
- The Shell Egg Surveillance, Federal Seed, and Country of Origin Labeling Program will work to maintain compliance rates within reduced resources.
- The National Organic Program strengthened its auditing activities in 2017, which increased detection of noncompliance at the certifier level. The resulting decrease in the compliance rate to 90% reflects an increase in the robustness of compliance audits. The program expects to maintain the FY 2017 compliance rate for FY 2018.