2010 Explanatory Notes
Foreign Agricultural Service

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FOREIGN AGRICULTURAL SERVICE

PURPOSE STATEMENT

The FAS mission is to create economic opportunity for American agriculture by expanding global markets. FAS helps to provide outlets for the wide variety of American agriculture produced by U.S. farmers thereby enhancing economic activity for American workers. FAS serves U.S. agriculture's interests by supporting international economic development and trade and science capacity building; expanding and maintaining international export opportunities; and improving the global Sanitary and Phytosanitary (SPS) system for facilitating agricultural trade. The outcomes envisioned are increased access to global markets for U.S. agricultural producers and exporters, an improved ability in developing countries to sustain economic growth and benefit from international trade, and an improved global SPS system for facilitating agricultural trade.

The Foreign Agricultural Service was established on March 10, 1953, by Secretary's Memorandum No. 1320, Supplement 1. Public Law 83-690, approved August 28, 1954, transferred the agricultural attaches from the Department of State to the Foreign Agricultural Service. Secretary's Memorandum No. 1020-39 dated September 30, 1993, transferred the functions of the former Office of International Cooperation and Development to the Foreign Agricultural Service. FAS reorganized November 13, 2006, realigning functions and personnel to address significant changes in the world agricultural trade picture and new challenges.

Description of Agency Activities:

Trade Related Technical Assistance

U.S. agriculture benefits from growth in global trade and a trading system that adheres to international rules and norms. Two-thirds of WTO members are developing countries, many of which lack the knowledge, expertise, and regulatory and policy frameworks to participate in the global trading system. FAS supports the U.S. trade agenda by providing technical assistance to help developing countries become better trading partners and achieve economic growth. In FY 2010, FAS will focus these trade and science capacity building activities on implementing U.S. commitments to assist developing countries under the WTO Doha Development Agenda, supporting U.S. free trade agreement negotiations with bilateral and regional trading partners, and promoting the development of regulatory and policy infrastructures that are transparent and scientifically based.

As a global leader in agriculture, USDA is involved in a wide range of international activities to support U.S. policy goals, such as collaborative efforts to control the spread of avian influenza. FAS plays the lead role within the Department in coordinating the linkage of U.S. agricultural expertise, including land grant universities, in support of U.S. international development activities. These international development activities, including those directly related to reconstruction and disaster recovery, have become increasingly important in achieving U.S. foreign and national security goals. FAS also carries out food assistance programs under Food for Progress and the McGovern-Dole International Food for Education and Child Nutrition Program.

Trade Development

FAS will continue to support U.S. private sector efforts to develop and expand commercial markets through trade-related programs such as the Market Access Program (MAP) and the Commodity Credit Corporation (CCC) Export Credit Guarantee programs. These programs help U.S. producers and exporters realize the benefits that will flow from trade reform and the resulting global market expansion.

The MAP helps U.S. producers, exporters, private companies, and other trade organizations finance promotional activities for U.S. agricultural products. The Foreign Market Development (FMD) Program, also known as the Cooperator Program, aids in the creation, expansion, and maintenance of long-term export markets for U.S. agricultural products. The Emerging Markets Program (EMP) provides funding for technical assistance activities to promote exports of U.S. agricultural commodities and products to emerging markets. The Quality Samples Program (QSP) helps U.S. agricultural trade organizations provide samples of their products to potential importers in new markets overseas. The CCC export credit guarantee programs provide payment guarantees for the commercial financing of U.S. agricultural exports. The Dairy Export Incentive Program (DEIP) helps exporters compete wit h subsidized products from other countries through cash bonuses.

Market Access

Greater access to foreign markets for U.S. agricultural producers requires an aggressive trade policy to lower tariffs, reduce non-tariff barriers, eliminate export subsidies, and reduce trade-distorting domestic subsidies. In FY 2010, FAS will continue to work with the Office of the United States Trade Representative (USTR) to conclude and/or implement the agricultural provisions of the Doha Round of World Trade Organization (WTO) multilateral negotiations, negotiate and enforce bilateral and regional trade agreements, and negotiate effective market access with countries seeking to join the WTO. FAS' market access activities include a country and/or regional approach to maximizing trade opportunities for U.S. agricultural exporters by providing market intelligence, in-country resolution of disruptions or potential disruptions to U.S. shipments, and regular contacts with foreign government agricultural and trade officials. FAS also ensures that U.S. agricultural positions are represented in international organizations, including the WTO, the Organization for Economic Cooperation and Development, and the United Nations Food and Agriculture Organization.

FAS' agricultural market intelligence functions are fundamental to ensuring a reliable, fair, and transparent global trading environment for U.S. agricultural producers. In order for food and agricultural prices to reflect supply and demand accurately, timely and unbiased estimates of global production, supply, trade, and use must be available to both sellers and buyers. FAS overseas personnel and analysts in Washington D.C. will continue to work closely with the World Agricultural Outlook Board and other USDA agencies to ensure such information is developed and disseminated to the public.

SPS Issues Resolution

Unnecessarily restrictive regulations to address human and animal health (sanitary) and plant health (phytosanitary) risks are major impediments to U.S. market access and the expansion of global agricultural trade. As tariff barriers have been reduced, there has been a dramatic increase in non-tariff barriers to trade, particularly in the SPS area. In spite of the Sanitary and Phytosanitary (SPS) Agreement within the W TO, countries have relied increasingly on erecting SPS barriers as a means to protect domestic industries in the face of quickly growing global trade.

Given the increasing global interdependence in the flow of food and agricultural products, the ability of foreign countries to develop and implement sound science-based regulatory systems is also vital to the long-term safety of U.S. agriculture and our food supply. U.S. agriculture benefits greatly from the development of regulatory frameworks in other countries that can address SPS and technical barriers to trade (TBT) in a transparent and scientifically based manner. To encourage science -based SPS regulations, FAS is focusing its efforts in the following four areas: enforcing international SPS rules; strengthening the global SPS regulatory framework; encouraging adoption of international standards; and promoting two-way trade.

The Technical Assistance for Specialty Crops Program provides grants to the private sector to help address sanitary, phytosanitary or technical barriers that prohibit or threaten exports of U.S. specialty crops. The Technical Issues Resolution Fund under the Emerging Markets Program addresses technical barriers to U.S. agricultural exports in emerging market countries.

Headquarters of the Service is in Washington, D.C. In addition to a highly specialized Washington-based staff, the agency maintains a targeted and highly efficient network of 97 offices around the world that serve as first responders in cases of market disruption, provide critical market and policy intelligence to support our strategic goals, and represent U.S. agriculture in consultations with foreign governments. As of September 30, 2008, FAS had 717 permanent full-time employees, including 525 in headquarters and 192 in field locations.

Foreign Agricultural Service
USDA Office of Inspector General and U.S. Government Accountability Office Audit Activity
Fiscal Year 2008

OIG Audits	Status/Date	Subject
07601-2-Hy	Report Issued July 2008	Export Credit Guarantee Program

GAO Audits	Status/Date	Subject
GAO-08-39	Report Issued November 6, 2007	Stabilization and Reconstruction: Actions Are Needed to Develop a Planning and Coordination Framework and Establish the Civilian Reserve Corps
GAO-08-59	Report Issued November 7, 2007	International Trade: An Analysis of Free Trade Agreements and Congressional and Private Sector Consultations under Trade Promotion Authority
GAO-08-85R	Report Issued November 19, 2007	Management Letter: Recommendations for Improvements to USDA's Internal Controls and Policies on Premium Class Air Travel
GAO-08-188	Report Issued December 14, 2007	The Democratic Republic of the Congo: Systematic Assessment Is Needed to Determine Agencies' Progress toward U.S. Policy Objectives
GAO-08-443	Report Issued March 7, 2008	International Trade: U.S. Trade Preference Programs Provide Important Benefits, but a More Integrated Approach Would Better Ensure Programs Meet Shared Goals
GAO-08-333	Report Issued March 14, 2008	Government-wide Purchase Cards: Actions Needed to Strengthen Internal Controls to Reduce Fraudulent, Improper, and Abusive Purchases
GAO-08-405	Report Issued April 14, 2008	U.S.-China Trade: USTR's China Compliance Reports and Plans Could Be Improved
GAO-08-680	Report Issued May 29, 2008	International Food Security: Insufficient Efforts by Host Governments and Donors Threaten Progress to Halve Hunger in Sub -Saharan Africa by 2015
320600	Audit Began June 2008	Local and Regional Procurement of Food Aid
GAO-09-86R	Report Issued October 2008	Provisional Reconstruction Team (PRT) staffing in Iraq and Afghanistan
320664	Audit Began March 2009	Global Food Security

FOREIGN AGRICULTURAL SERVICE

Available Funds and Staff Years
2008 Actual and Estimated 2009 and 2010

Item	Actual 2008 Amount	Actual 2008 Staff Years	Estimated 2009 Amount	Estimated 2009 Staff Years	Estimated 2010 Amount	Estimated 2010 Staff Years
Salaries and Expenses	159,470,000	741	165,436,000	777	180,367,000	777
CCC Export Loans Program Account	4,985,000	32	4,985,000	32	6,465,000	34
Rescission	-1,151,185	--	--	--	--	--
Total, Salaries and Expenses	163,303,815	773	170,421,000	809	186,832,000	811
Obligations under other USDA appropriations:						
Commodity Credit Corporation for:						
Market Access Program Admin. Costs	450,000	2	1,680,500	3	9,400,000	3
Technical Assistance for Specialty Crops Program Admin. Costs	0	--	62,000	1	430,000	1
Emerging Markets Program Admin. Costs	0	--	127,000	2	600,000	2
Quality Samples Program Admin. Costs	0	--	36,000	1	150,000	1
Foreign Market Development Program Admin. Costs	0	--	0	1	1,610,000	1
Local and Regional Procurement Admin. Costs	0	--	700,000	--	1,500,000	--
Food for Progress Admin. Costs	0	--	327,000	--	2,800,000	--
Landsat data and support of export programs	1,500,000	3	1,750,000	3	2,000,000	3
IRM Activities	13,023,168	--	15,027,200	--	16,580,000	--
IRM Activities (Non-CCC)	4,399,417	--	5,000,000	--	5,000,000	--
Under Secretary Int'l Travel for Trade Matters	349,923	--	300,000	--	450,000	--
Emerging Markets Program	6,557,939	7	6,500,000	7	6,500,000	7
Support of and Access to the USDA Satellite Imagery Library: NRCS, APHIS, ARS, RMA, NASS, FS	1,056,348	1	1,100,000	1	1,100,000	1
FODAG Office in Rome: APHIS, FS, NAL, ARS	150,065	1	0	--	0	--
Capital Security Cost Share	2,749,925	--	3,600,000	--	3,700,000	--
Visiting Scientist Program	1,211,716	1	1,500,000	1	1,500,000	1
Codex	1,548,023	1	800,000	1	800,000	1
Miscellaneous	126,371	1	500,000	1	500,000	1
Office of the Secretary: Congressional Relations	178,740	1	200,000	1	200,000	1
Trade Negotiations and Biotechnology Fund (OSEC)	1,076,021	8	1,100,000	8	1,100,000	8
Avian Influenza (APHIS)	2,560,158	7	200,000	7	200,000	7
CCC Program Support	10,000,000	--	10,000,000	--	0	--
Provincial Reconstruction Team (DA)	0	--	0	--	13,000,000	--
McGovern Dole Program - Admin Fees	1,488,340	12	3,000,000	15	3,000,000	15
P.L. 480 Title I	0	--	3,600,000	--	3,600,000	--
Total, Other USDA Appropriations	48,426,154	45	57,109,700	53	75,720,000	53
Total, Agriculture Appropriations	211,729,969	818	227,530,700	862	262,552,000	864
Other Federal Funds:						
U.S. Agency for International Development (USAID) and others for developmental assistance	65,572,677	145	65,800,000	142	65,800,000	142
Total, Foreign Agricultural Service	277,302,646	963	293,330,700	1,004	328,352,000	1,006

FOREIGN AGRICULTURAL SERVICE

Permanent Positions by Grade and Staff Year Summary
2008 Actual and Estimated 2009 and 2010

Grade	2008 Wash DC	2008 Field	2008 Total	2009 Wash DC	2009 Field	2009 Total	2010 Wash DC	2010 Field	2010 Total
Senior Executive Service	7	0	7	7	0	7	7	0	7
Senior Foreign Service	6	14	20	6	14	20	6	14	20
GS-15	65	0	65	65	0	65	65	0	65
GS-14	155	0	155	155	0	155	155	0	155
GS-13	200	1	201	200	1	201	200	1	201
GS-12	129	0	129	129	0	129	129	0	129
GS-11	20	0	20	20	0	20	20	0	20
GS-10	1	0	1	1	0	1	1	0	1
GS-9	23	0	23	23	0	23	23	0	23
GS-8	21	1	22	21	1	22	21	1	22
GS-7	26	0	26	26	0	26	26	0	26
GS-6	6	0	6	6	0	6	6	0	6
GS-5	0	0	0	0	0	0	0	0	0
GS-4	0	0	0	0	0	0	0	0	0
GS-3	0	0	0	0	0	0	0	0	0
GS-2	0	0	0	0	0	0	0	0	0
Other Graded Positions..............................	8	192	200	8	192	200	8	192	200
Ungraded Positions................	--	--	--	--	--	--	--	--	--
Total Permanent Positions..............................	667	208	875	667	208	875	667	208	875
Unfilled Positions end-of-year..........................	142	16	158	--	--	--	--	--	--
Total, Permanent Full-Time Employment, end-of-year.........................	525	192	717	--	--	--	--	--	--
Staff Year Estimate................	737	226	963	769	235	1,004	771	235	1,006

Size, Composition and Annual Cost									
Agency:	United States Department of Agriculture Foreign Agricultural Service								
	Number of Vehicles by Type								
Fiscal Year	Sedans & Stationwagons (includes minivans)	Light Trucks 4x2	Light Trucks 4x4	Medium Trucks	Heavy Trucks	Ambulances	Buses	Total Vehicles	Annual Operating Costs
FY 2007	6	24	26	0	0	0	0	56	$207,323
Change from 2007	0	0	0					0	$10,366
FY 2008	6	24	26	0	0	0	0	56	$217,689
Change from 2008	17	-19	-1					-3	($9,108)
FY 2009*	23	5	25	0	0	0	0	53	$208,581
Change from 2009	0	1	-1					0	($103,285)
FY 2010	23	6	24	0	0	0	0	53	$105,296
Notes:									

The mission of FAS is to create economic opportunity for American agriculture by expanding global markets. The FAS mission requires the use of official vehicles to provide for crop assessment trips to gather agricultural data, official travel to countries within regional coverage, transportation to local government offices, travel to official functions that include representational events with agribusiness organizations, transportation of official visitors, and mail/messenger courier services. FAS acquires and assigns official U.S. Government vehicles to overseas stations for the express purpose of carrying out the official business in the performance of the FAS mission. The criteria considered annually for assigning a vehicle to an overseas post consists of the purpose of the vehicle, the availability of other means of transportation and related costs, the security of FAS personnel, and the authorized ceiling by Congress and USDA. Each FAS overseas office is responsible for the daily management of their official vehicle with the ultimate oversight responsibility residing in FAS/Washington. The FAS Overseas Administrative Handbook cites guidelines governing the management of official Government vehicles that requires a Vehicle Usage Log to be maintained recording official vehicle use. FAS policy states that the criterion for replacing official vehicles is 7 years old or more than 100,000 miles. Condition of the vehicle and analysis of repair and operating costs are also factors in replacement. There are no significant changes to the FAS overseas vehicle fleet since the beginning of the current administration. The operating cost of the FAS overseas vehicle fleet was dramatically reduced by the purchase of replacement vehicles for Bangkok, Canberra, Geneva, Guatemala, Moscow, New Delhi, and Shanghai. The FAS overseas vehicle fleet is comprised of three (3) sedan /station wagons, twenty (20) 4 x2 passenger minivans, six (6) 4 x 2 SUV's and twenty-four (24) 4 x 4 SUV's. The difference in the F.A.S.T. data acquisition and operating costs is because the data are estimates and not actuals. The data included in the size, composition, and cost of the FAS fleet are actual numbers. The F.A.S.T. data is required before FAS overseas offices are required to report at fiscal year end at final budget reviews.

FOREIGN AGRICULTURAL SERVICE

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

Salaries and Expenses (including transfers of funds):

> For necessary expenses of the Foreign Agricultural Service, including not to exceed $158,000 for representation allowances and for expenses pursuant to section 8 of the Act approved August 3, 1956 (7 U.S.C. 1766), [$165,436,000] <u>$180,367,000</u>: Provided, That the Service may utilize advances of funds, or reimburse this appropriation for expenditures made on behalf of Federal agencies, public and private organizations and institutions under agreements executed pursuant to the agricultural food production assistance programs (7 U.S.C. 1737) and the foreign assistance programs of the United States Agency for International Development [: *Provided further*, That funds made available for the cost of agreements under title I of the Agricultural Trade Development and Assistance Act of 1954 and for title I ocean freight differential may be used interchangeably between the two accounts with prior notice to the Committees on Appropriations of both Houses of Congress].

<u>This change</u> deletes from the FAS Salaries and Expenses account language related to the transfer of funds between P.L. 480 Title I accounts with prior notice to Congressional Committees. The same provision is included in the P.L. 480 Title I Direct Credit and Food for Progress Program Account for FY 2010.

FOREIGN AGRICULTURAL SERVICE
SALARIES AND EXPENSES

Appropriations Act, 2009	$170,421,000
Budget Estimate, 2010	186,832,000
Increase in Appropriations	+ 16,411,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	2009 Estimated	Pay Costs	Program Changes	2010 Estimated
Market Access	$58,483,000	$1,074,000	$4,899,000	$64,456,000
Trade Development	$53,699,000	$402,000	$3,317,000	$57,418,000
Trade Related Technical Assistance	$32,207,000	$402,000	$1,837,000	$34,446,000
SPS Issues Resolution	$26,032,000	$806,000	$3,674,000	$30,512,000
Total Available	$170,421,000	$2,684,000	$13,727,000	$186,832,000

Project Statement
(On basis of appropriation)

	2008 Actual		2009 Estimated		Increases or Decreases	2010 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Market Access	$55,637,000	307	$58,483,000	321	$5,973,000	$64,456,000	321
Trade Development	$52,631,000	121	$53,699,000	127	3,719,000	$57,418,000	129
Trade Related Technical Assistance	$31,139,000	114	$32,207,000	119	2,239,000	$34,446,000	119
SPS Issues Resolution	$23,897,000	231	$26,032,000	242	4,480,000	$30,512,000	242
Total Available or Estimate	163,304,000	773	170,421,000	809	16,411,000	186,832,000	811
Credit Reform Funds Transfer from CCC Export Loans Program Accounts	-4,985,000	-32	-4,985,000	-32	-1,480,000	-6,465,000	-34
Rescission	1,151,000		0		0	0	
Total, Available Funds	$159,470,000	741	$165,436,000	777	$14,931,000	$180,367,000	777

SALARIES AND EXPENSE BY FUNDING SOURCE
(Dollars in Thousands)

	Direct Appropriation	CCC Export Credit	Total	
FY 2009 Enacted	$165,436,000	$4,985,000	$170,421,000	
FY 2010 Estimated Changes:				
Pay Cost	2,684,000	0	2,684,000	(1)
Overseas Operating Expense	2,522,000	0	2,522,000	(2)
ICASS	1,210,000	0	1,210,000	(3)
Capital Security Cost Share	3,606,000	0	3,606,000	(4)
Foreign Service Pay Modernization	709,000	0	709,000	(5)
IT Security/Data Center Relocation	4,200,000	0	4,200,000	(6)
Export Credit Guarantee Program Admin. Expense	0	1,480,000	1,480,000	(7)
Total, FY 2010 Estimated	$180,367,000	$6,465,000	$186,832,000	

Justification of Increases and Decreases

The FY 2010 budget includes a total increase of $16,411,000 above the 2009 level as follows:

(1) An increase of $2,684,000 to cover higher personnel compensation costs associated with the anticipated 2010 pay raise. Pay cost increases are mandated and must be funded. Absorption of these costs in 2010 would primarily come from continuation of the agency's hiring freeze and possibly reductions in agency personnel levels. This would significantly affect FAS's efforts to improve access to export markets for U.S. agriculture, facilitate growth in global agricultural trade, and address expanding restrictions on U.S. exports due to sanitary and phytosanitary (SPS) and other technical trade barriers.

(2) An increase of $2,522,000 to fund higher FAS overseas operating costs in 2010. The increase is needed to offset non-discretionary cost increases at the agency's 97 overseas offices, which result from many factors, including decreases in the value of the dollar, overseas inflation, and growth in overseas wage rates. The increase will help maintain FAS's offices overseas at current levels. FAS's overseas presence is critical to carrying out the agency's mission and providing essential support to U.S. exporters, as well as to the wide range of international activities carried out by USDA. Overseas staff contributes by providing vital information to USDA decision-makers, representing the interests of U.S. agriculture overseas, and implementing initiatives in the field. Without full funding for current overseas operations, the agency would be required to reduce overseas staffing and the number of existing offices.

(3) An increase of $1,210,000 for the International Cooperative Administrative Support Services (ICASS) and other overseas support services. FAS has no administrative staff overseas. Instead, FAS relies on the administrative and support services provided by the Department of State (DOS) and U.S. Agency for International Development. The ICASS system is the principal means by which the DOS provides and shares the cost of common administrative support to FAS and other foreign affairs agencies at its more than 200 diplomatic and consular posts overseas. Major factors contributing to higher ICASS costs in 2010 are the rapidly increasing costs of operating new embassy compounds, anticipated exchange rate losses, increased pay allowances for danger pay in high threat posts, growth in ICASS direct hire positions, infrastructure investment, locally engaged staff compensation increases, and overseas comparability pay

(4) An increase of $3,606,000 for FAS's contribution to the Capital Security Cost Sharing Program. In FY 2005, the DOS implemented the CSCS program to accelerate construction of new secure, safe, and functional diplomatic facilities. This plan is designated to fund 150 new secure, safe, and functional diplomatic facilities over a 14-year period. Under the program, all agencies with an overseas presence in U.S. diplomatic facilities pay a proportionate share of the $17.5 billion program. These costs are allocated annually based on the number globally authorized personnel positions. This increase is needed to bring FAS near its full annual contribution level for the CSCS program, which is expected to continue through at least FY 2018.

(5) An increase of $709,000 for the Foreign Service Pay Modernization proposal. DOS has proposed legislation to amend the Foreign Service Act of 1980 to modernize the Foreign Service system and provide equity in the treatment of salaries for all Foreign Service personnel. At present, members of the senior Foreign Service are eligible for locality pay when serving at overseas posts, whereas lower-grade Foreign Service personnel are not. As a result, when the lower grade officers transfer to overseas posts their salary is reduced by approximately 20 percent. The Foreign Service Pay Modernization proposal is designed to restore equity in the treatment of salary between the regular and senior Foreign Service Officers. In addition, by raising overseas pay rates to match domestic rates, the proposed changes will remove a disincentive to lower-grade Foreign Service members serving overseas in the latter stages of their careers.

(6) An increase of $4,200,000 for IT Security/Data Center Relocation. USDA's Office of the Chief Information Officer (OCIO) has directed FAS to host servers and critical IT systems at the National Information Technology Center (NITC) located in Kansas City, Missouri. This funding is needed for

the costs related to network upgrades necessary to address mandatory increased network security requirements and the move to the new location. This request includes costs for: annual facility, maintenance and monitoring; servers and data storage; contractor support; and system certification and accreditation.

(7) An increase of $1,480,000 and two staff years to provide resources necessary to ensure proper administration of the CCC export credit guarantee programs. Because of tight international credit markets, demand for CCC export credit guarantees has increased dramatically. Sales registrations for GSM-102 guarantees increased from $1.4 billion in 2007 to $3.1 billion in 2008. Sales registrations in 2009 and 2010 are expected to reach $5.5 billion. Funding for the administrative costs of carrying out the program has not grown commensurate with the increased workload resulting from significantly higher programming levels. The requested funding will support two additional staff years, plus contracted services for recording sales registrations, program services, and claims and recoveries activities and will help mitigate risks and vulnerabilities associated with the program.

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For brevity and clarity, a single line reference to the FY 2010 requirements discussed above is included for each budget activity on the following pro-rated basis:

Goal 1:	Market Access	40%
Goal 2:	Trade Development	15%
	Trade Related Technical Assistance	15%
Goal 3:	SPS Issues Resolution	30%
	Total	100%

FAS Goal 1: Create a Level Playing Field for Agricultural Trade

Project Statement by Program
(On basis of appropriation)
($000)

Program Activity	2008 Actual Amount	2008 Actual Staff Years	2009 Budget Amount	2009 Budget Staff Years	Increase or Decrease	2010 Estimated Amount	2010 Estimated Staff Years
Market Access							
Total, Goal 1	$55,637	307	$58,483	321	+$5,973 (1)	$64,456	321

Market Access

Greater access to foreign markets for U.S. agricultural producers requires an aggressive trade policy to lower tariffs, reduce non-tariff barriers, eliminate export subsidies, and reduce trade-distorting domestic subsidies. FAS works with other USDA agencies, the United States Trade Representative (USTR), and others in the United States government to negotiate new trade agreements and to monitor and enforce existing trade agreements. On a continuing basis, FAS Attachés and analysts in Washington, covering more than 130 countries worldwide, resolve trade problems involving U.S. products and provide country and regional intelligence to support U.S. exporters and agricultural producers. Specific market access areas include:

- Multilateral negotiations under the World Trade Organization (WTO) to conclude the Doha Development Round.
- Negotiation and implementation of bilateral and regional trade agreements, including market access agreements with countries seeking to join the WTO.
- Monitoring and enforcement of existing trade agreements and WTO rules, and compliance with U.S. trade laws.
- Working in country to resolve disruptions or potential disruptions to U.S. shipments and building

effective working relationships with foreign government officials.

- Representation of U.S. agricultural policy positions in international organizations, including the WTO, the Organization for Economic Cooperation and Development, and the United Nations Food and Agriculture Organization (FAO).
- Managing a global network of agricultural market intelligence to support USDA estimates of global agricultural production, supply, trade, and use, and to identify emerging issues in agricultural trade.

Key External Factors

Factors that may impede achieving this objective include introduction of new trade barriers in other countries, noncompliance of trading partners with trade agreements or international trade rules, choice of trading partners for new FTAs, lack of resources to carry out FAS's overseas operations, or inadequate communication and information technology capabilities.

Justification for Increases and Decreases

1. An increase of $5,973,000 for Market Access ($58,483,000 available in 2009) consisting of:

   A. An increase of $1,074,000 to cover higher personnel compensation costs associated with the anticipated FY 2010 pay raise;

   B. An increase of $1,009,000 for support of FAS overseas offices, including and $484,000 for higher ICASS payments to DOS;

   C. An increase of $284,000 to fund the Foreign Service Pay Modernization proposal;

   D. An increase of $1,442,000 for the Capital Security Cost Share Program; and

   E. An increase of $1,680,000 to fund the IT Security/Data Center Relocation.

Performance Measurement

Performance Measure	2008 Actual	2009 Target	2010 Target
Dollar value of agricultural trade preserved annually through trade agreement negotiation, monitoring, and enforcement ($Millions)	$484	$900	$1,000

FAS Goal 2: Expand the Global Agricultural Trading System

Project Statement by Program
(On basis of appropriation)
($000)

Program Activity	2008 Actual Amount	2008 Actual Staff Years	2009 Budget Amount	2009 Budget Staff Years	Increase or Decrease	2010 Estimated Amount	2010 Estimated Staff Years
Trade Development	$52,631	121	$53,699	127	+ $3,719 (2)	$57,418	129
Trade Related Technical Assistance	31,139	114	32,207	119	+ 2,239 (3)	34,446	119
Subtotal:	$83,770	235	$85,906	246	+ $5,958	$91,864	248
Programs:							
McGovern-Dole FFE	99,300	--	100,000	--	+ 99,500	199,500	--
Total, Goal 2	$183,070	235	$185,906	246	+$105,458	$291,364	248

Mandatory Programs That Contribute ($000):	FY 2008	FY 2009	FY 2010
Market Access Program	$200,000	$200,000	$160,000
Dairy Export Incentive Program	0	100,000	25,000
Food for Progress - CCC Funded	155,300	206,300	145,900
Foreign Market Development Program	34,500	34,500	34,500
Emerging Markets Program	10,000	10,000	10,000
Technical Assistance for Specialty Crops Program	3,874	7,000	8,000
Quality Samples Program	1,471	2,500	2,500
Export Credit Guarantee Programs	3,114,690	5,470,000	5,500,000
Trade Adjustment Assistance for Farmers	0	90,000	22,500
Total	$3,519,835	$6,120,300	$5,908,400

Trade Development

FAS supports U.S. industry efforts to create, maintain, and expand overseas markets for U.S. food and agricultural products in a variety of ways. FAS administers several export development programs including the Foreign Market Development Cooperator Program (FMD), Market Access Program (MAP), Technical Assistance for Specialty Crops (TASC) Program, Quality Samples Program (QSP), and Emerging Market Program (EMP). These programs provide government funds to U.S. organizations to conduct a wide range of activities including market research, consumer promotion, trade servicing, capacity building, and market access support. Working with the State Regional Trade Groups (SRTG's) and other industry trade organizations, FAS encourages outreach efforts that focus on facilitating export readiness for U.S. exporters. FAS's overseas offices also support industry efforts, especially in developing markets, by providing market intelligence and by helping to introduce U.S. exporters to potential foreign customers. FAS overseas posts also use the Country Strategy Support Fund (CSSF) which supports country strategies and activities to help open markets for U.S. exports. Fund use supports market promotional efforts and projects that are in line with new FAS strategic priorities, including market access, communications, and other inherently-governmental activities. In addition, FAS facilitates U.S. participation in a range of international trade shows.

In order for food and agricultural prices to reflect supply and demand accurately, timely and unbiased estimates of production, supply, trade, and use must be available to both sellers and buyers. FAS's agricultural market intelligence is fundamental to ensuring a reliable, fair, and transparent global trading environment for U.S. agricultural producers.

Means and Strategies

- Administer agricultural export programs designed to facilitate U.S. agricultural exports;
- Enhance customer service and improve program delivery by streamlining program administrative processes and expanding use of e-Government solutions to improve program effectiveness and efficiency, such as www.grants.gov; and
- Facilitate entry of companies into difficult markets through FAS's overseas offices.

Key External Factors

Factors that may impede achieving this objective include changes in economic conditions that affect import demand for U.S. products, increased competition from other countries, and trade promotion activities and marketing practices of foreign competitors. Decisions under the WTO may constrain use of certain programs, such as credit programs. Other factors include introduction of new trade barriers in other countries, noncompliance of trading partners with trade agreements, lack of resources to carry out FAS's overseas operations, or inadequate communication and information technology capabilities.

Justification for Increases and Decreases

2. An increase of $3,719,000 and two staff years for Trade Development ($53,699,000 available in 2009) consisting of:

A. An increase of $402,000 to cover higher personnel compensation costs associated with the anticipated FY 2010 pay raise;

B. An increase of $378,000 for support of FAS overseas offices, including $182,000 to fund higher ICASS payments to DOS;

C. An increase of $106,000 to fund the Foreign Service Pay Modernization proposal;

D. An increase of $541,000 for the Capital Security Cost Share Program;

E. An increase of $630,000 to fund the IT Security/Data Center Relocation; and

F. An increase of $1,480,000 and two staff years to provide resources necessary to ensure proper administration of the CCC export credit guarantee programs. Because of tight international credit markets, demand for CCC export credit guarantees has increased dramatically. Sales registrations for GSM-102 guarantees increased from $1.4 billion in 2007 to $3.1 billion in 2008. Sales registrations in 2009 and 2010 are expected to reach $5.5 billion. Funding for the administrative costs of carrying out the program has not grown commensurate with the increased workload resulting from significantly higher programming levels. The requested funding will support two additional staff years, plus contracted services for recording sales registrations, program services, and claims and recoveries activities and will help mitigate risks and vulnerabilities associated with the program.

Performance Measurement

Performance Measure	2008 Actual	2009 Target	2010 Target
Export Multiplier Ratio [a/]	$N/A [b/]	$132	$132
Long-term Net Default Rate – CCC Export Credit Guarantee Program	-0.22%	NTE +/-1.5%	NTE +/-1.5%

[a/] Export Multiplier Ratio - Total exports for targeted markets divided by expenditures of market development programs, FAS administrative costs, and industry contributions.
[b/] 2008 data will be available approximately August 2009 as 2008 data will come from the 2010 UES review in the summer of 2009.

Trade Related Technical Assistance

A major goal of USDA trade and development programs is increasing agricultural productivity and trade and investment in developing countries to enhance economic growth, food security, and the supply and affordability of food. Linking producers to markets with improved transportation, storage, market information, and food processing, as well as increasing private-sector participation in the agricultural value chain, are also USDA priorities for enhancing rural economic activity, sustainability, and moving food from surplus to deficit areas.

To strengthen global food security, USDA is helping revitalize agricultural infrastructure and capacity by deploying its experts and unique institutional resources to assist developing countries in becoming economically stable and capable of supporting their populations, which is mutually beneficial. In combination with food assistance that covers gaps in supplies and helps to keep the population healthy, FAS trade and development programs are assisting foreign governments to adopt productivity-enhancing technologies, reconstruct the agricultural sector in post-conflict or disaster areas, develop sustainable natural resource management systems, and strengthen agricultural research and extension programs. FAS also works with foreign counterparts to advance market-based policies and institutions and expand international trade through trade capacity building (TCB). The focus of TCB is to help countries meet their

WTO obligations, avoid or eliminate barriers to trade, and strengthen policy and regulatory frameworks, with an emphasis on food safety and biotechnology.

Further, TCB is a critical tool to address the many technical barriers that impede access for U.S. agricultural products in markets throughout the world. By helping countries develop transparent, science-based regulations and by increasing understanding of the U.S. regulatory system, TCB can expand future access for U.S. agricultural products. Likewise, this assistance enables recipient countries to access other world markets. All countries gain from stronger infrastructure and regulatory systems, frameworks for monitoring and mitigating plant and animal diseases, and compliance with international norms.

Means and Strategies

- Assist applicants and new members to the WTO to understand and implement WTO agricultural commitments;
- Implement trade and science capacity building activities to help FTA partners implement their trade commitments;
- Develop strategic and tactical plans for implementing trade and science capacity building programs in priority areas to have the greatest positive impact on U.S. agricultural exports such as regulatory capacity building and biotechnology; and
- Work with nonprofit charitable organizations, cooperatives, and international organizations, which conduct school feeding and nutrition projects within recipient countries to ensure that the programs have no major implementation issues and outcomes are achieved and reported.

Key External Factors

Factors that may impede achievement of this objective include lack of progress in completion of the Doha Round and bilateral free trade agreements, ability of foreign countries to implement policy and regulatory changes, global weather patterns and their impacts in major producing and importing countries, and political and economic developments overseas that will influence the need for and ability to provide foreign assistance.

Justification for Increases and Decreases

3. <u>An increase of $2,239,000 for Trade Related Technical Assistance ($32,207,000 available in 2009) consisting of:</u>

   A. An increase of $402,000 to cover higher personnel compensation costs associated with the anticipated FY 2010 pay raise;

   B. An increase of $378,000 for support of FAS overseas offices, including $182,000 to fund higher ICASS payments to DOS;

   C. An increase of $106,000 to fund the Foreign Service Pay Modernization proposal;

   D. An increase of $541,000 for the Capital Security Cost Share Program; and

   E. An increase of $630,000 to fund the IT Security/Data Center Relocation.

Performance Measurement

Performance Measure	FY 2008 Actual	FY 2009 Target	FY 2010 Target
Substantive improvements in national trade policy and regulatory frameworks that increase market access in recipient countries.	9 countries	8 countries	8 countries

Performance Measure	FY 2008 Actual	FY 2009 Target	FY 2010 Target
Food Aid Targeting Effectiveness Ratio	56.9%	36%	37%
Number of women and children assisted under McGovern-Dole Program (Appropriated funding).	3.0 million	4.2 million	4.6 million

FAS Goal 3: Reduce Technical Trade Barriers and Restrictive SPS Measures

Project Statement by Program
(On basis of appropriation)
($000)

Program Activity	2008 Actual Amount	2008 Actual Staff Years	2009 Budget Amount	2009 Budget Staff Years	Increase or Decrease		2010 Estimated Amount	2010 Estimated Staff Years
SPS Issues Resolution	$23,897	231	$26,032	242	+$4,480	(4)	$30,512	242

SPS Issues Resolution

Unnecessarily restrictive and scientifically unjustified regulations to protect human and animal health (sanitary) and plant health (phytosanitary) are major impediments to U.S. market access and the expansion of global agricultural trade, as are technical barriers to trade (TBTs). As tariff barriers declined with the emergence of the WTO, there has been a dramatic increase in non-tariff barriers to trade. In spite of the WTO SPS Agreement, countries have increasingly erected SPS and technical barriers as a means to protect domestic industries in the face of quickly growing global trade.

While the United States does not generally negotiate new SPS or technical commitments in the texts of new bilateral and regional trade agreements, these agreements do provide an incentive for our trading partners to more quickly bring problematic measures into line with international standards. For example, with our new free trade partners in Latin America we have been able to overcome long-standing restrictions and to secure access for our beef and poultry.

FAS works with USDA and other U.S. agencies to advocate the U.S. position in the international bodies of the Codex Alimentarius Commission (Codex), the World Organization for Animal Health (OIE), and the International Plant Protection Convention (IPPC). Moreover, in FY 2008, with the direct support of FAS approaching foreign counterparts, USDA's Food Safety and Inspection Service Chief Scientist was elected Codex Chairperson.

Given the increasing global interdependence in the flow of food and agricultural products, the ability of foreign countries to develop and implement sound science-based regulatory systems is also vital to the long-term safety of U.S. agriculture and our food supply. U.S. agriculture benefits greatly from the development of regulatory frameworks in other countries that can address SPS and technical barriers to trade (TBT) in a transparent and scientifically based manner. To encourage science-based SPS regulations, FAS is focusing its efforts in the following four areas: enforcing international SPS rules; strengthening the global SPS regulatory framework; encouraging adoption of international standards; and promoting two-way trade.

The Technical Assistance for Specialty Crops Program provides grants to the private sector to help address sanitary, phytosanitary or technical barriers that prohibit or threaten exports of U.S. specialty crops. The Technical Issues Resolution Fund under the Emerging Markets Program addresses technical barriers to U.S. agricultural exports in emerging market countries.

Means and Strategies

- Develop and implement coordinated USDA strategies to aggressively pursue the elimination of specific SPS barriers in key markets;
- Ensure that critical SPS barriers are addressed in conjunction with the negotiation of new bilateral trade agreements, including FTAs and WTO accessions;
- Monitor SPS/TBT notifications to ensure foreign regulations comply with WTO agreements and are least disruptive to trade;
- Maintain strong relationships with foreign regulatory officials through FAS' overseas Attaché network to enable quick resolution of SPS issues on the ground;
- Increase USDA's capability to perform technical and legal analysis needed to evaluate potential enforcement options;
- Coordinate development of USDA strategies to advance U.S. interests in international bodies, including the adoption of science-based international standards of importance to agriculture; and
- Coordinate with industry on research and marketing efforts to support SPS objectives.

Key External Factors
Factors that may impede achieving this objective include lack of resources to implement regulatory trade and science capacity building activities in targeted countries; noncompliance with agreements on SPS and TBT issues; lack of knowledge and resources in foreign countries to implement science-based regulatory systems; creation of new non-tariff trade barriers to U.S. market access; and trade promotion activities and marketing practices of foreign competitors.

Justification of Increases and Decreases

4. An increase of $4,480,000 for SPS Issues Resolution ($26,032,000 available in 2009) consisting of:

   A. An increase of $806,000 to cover higher personnel compensation costs associated with the anticipated FY 2010 pay raise;

   B. An increase of $757,000 for support of FAS overseas offices, including $362,000 to fund higher ICASS payments to DOS;

   C. An increase of $213,000 to fund the Foreign Service Pay Modernization proposal;

   D. An increase of $1,082,000 for the Capital Security Cost Share Program; and

   E. An increase of $1,260,000 to fund the IT Security/Data Center Relocation.

Performance Measurement

Performance Measure	2008 Actual	2009 Target	2010 Target
Value of trade preserved through USDA staff intervention leading to resolutions of barriers created by SPS or TBT measures.	$7.3 billion	$2.0 billion	$2.0 billion

FOREIGN AGRICULTURAL SERVICE

Geographic Breakdown of Obligations and Staff Years
2008 Actual and Estimated 2009 and 2010

	2008		2009		2010	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia	$110,799,132	547	$116,340,986	574	$131,129,585	576
Overseas	52,504,868	226	54,080,014	235	55,702,415	235
Total, Available or Estimate	163,304,000	773	170,421,000	809	186,832,000	811

FOREIGN AGRICULTURAL SERVICE
Salaries and Expenses

Classification By Objects
2008 Actual and Estimated 2009 and 2010

Personnel Compensation:	2008	2009	2010
Washington, D.C.	$44,674,135	$45,860,618	$49,046,200
Field	32,948,865	33,904,382	34,819,800
11 Total personnel compensation	77,623,000	79,765,000	83,866,000
12 Personnel benefits	20,481,527	20,526,000	20,771,000
13 Benefits for former personnel	184,000	184,000	184,000
Total pers. comp. & benefits	98,288,527	100,475,000	104,821,000
Other Objects:			
21 Travel	8,207,000	8,207,000	8,207,000
22 Transportation of things	110,000	110,000	110,000
23.2 Rental payments to others	7,110,000	7,110,000	7,110,000
23.3 Communications, utilities and miscellaneous charges	1,954,000	1,954,000	1,954,000
24 Printing and reproduction	412,000	412,000	412,000
25.0 Other Services	1,100,000	1,100,000	1,100,000
25.1 Departmental services	2,675,000	2,675,000	2,675,000
25.2 Other services	2,315,000	2,315,000	2,315,000
25.3 Maintenance	575,000	575,000	575,000
25.4 Market Promotion	491,000	491,000	491,000
25.5 Cooperative Agreements	36,257,000	41,188,000	53,253,000
26 Supplies and materials	2,452,000	2,452,000	2,452,000
31 Equipment	757,000	757,000	757,000
41 Grants, Subsidies and Contributions	600,000	600,000	600,000
Total other objects	65,015,000	69,946,000	82,011,000
Total direct obligations	163,303,527	170,421,000	186,832,000

Position Data:

	2008	2009	2010
Average Salary, ES/FE Positions	$174,717	$170,969	$176,587
Average Salary, FO/FP Positions	$112,308	$114,598	$118,208
Average Salary, GS/GM/FSN Positions	$82,042	$83,542	$86,186
Average Grade, GS/GM/FSN Positions	11.3	11.4	11.4

FOREIGN AGRICULTURAL SERVICE

STATUS OF PROGRAM

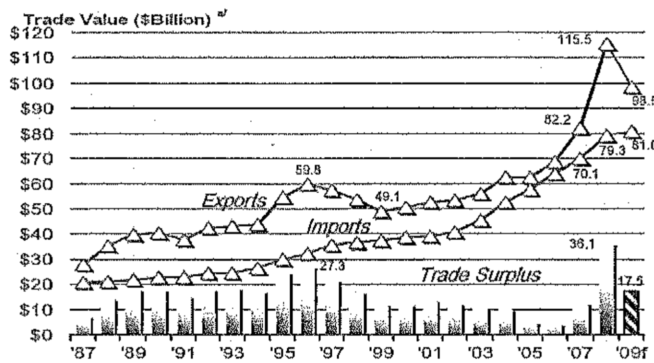
SUMMARY OF AGRICULTURAL TRADE

In FY 2008, U.S. agricultural exports reached a record $115.5 billion, up dramatically from the prior record of $82.2 billion in FY 2007. Record commodity prices and increased global demand were among the factors causing near perfect conditions for U.S. agricultural producers last year. The outlook for FY 2009 shows exports continuing the upward trend achieved over the last decade with sales at $98.5 billion. While the FY 2009 forecast is down from FY 2008, the forecast is still $16 billion higher than export sales in FY 2007.

Despite the expected decrease for U.S. exports, overseas markets remain vitally important to U.S. farmers. It is not uncommon for exports to account for one-third or more of domestic production (on a volume basis) for many agricultural products. Exports are also an important source of income for food processing companies, packaging materials companies, and transportation related industries.

U.S. Agricultural Trade

In 2009, falling grain & oilseed volume and prices account for 70% of the $17 billion export loss. Animal products & cotton exports also fell, but modest increase expected for horticultural products. Import growth slows due to lower prices & weaker demand.



a/ Forecasts are based on USDA's "Outlook for U.S. Agricultural Trade" published on December 1, 2008. The next release is scheduled for February 26, 2009. Source of trade data: the U.S. Bureau of the Census.

FY 2009 agricultural imports are forecast at a record $81 billion, up $1.7 billion from last year's record but the slowest growth rate in many years. Despite the stronger dollar and some relief as oil prices fall, a slumping economy with rising unemployment and falling consumer spending is expected to slow import growth. The trade surplus in agricultural commodities is projected to be $17.5 billion in FY 2009.

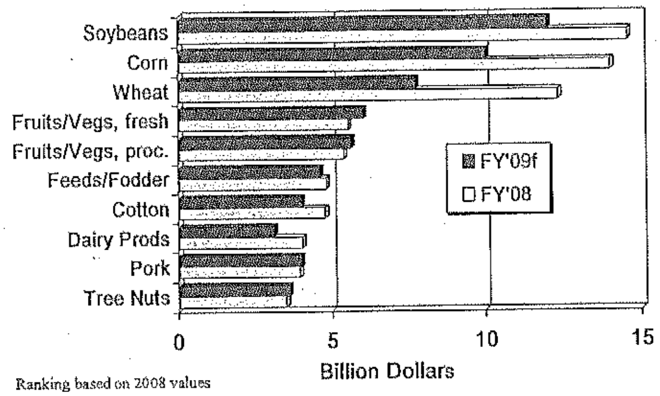
COMMODITY EXPORT HIGHLIGHTS

The overall decrease in the agricultural export value for FY 2009, compared to the previous year, reflects large losses for coarse grains, wheat, and soybeans, with smaller but noteworthy decreases for cotton and animal products. Only horticultural product exports are forecast to rise this year. Bulk commodities account for 80 percent of the annual decrease in total agricultural export value, while the remaining 20 percent represents reduced exports of high-value, processed grain, oilseed, and livestock products, more than offsetting gains for horticultural products.

Bulk commodity exports are forecast at $39.0 billion in FY 2009. All bulk export volumes are forecast to fall with coarse grains and wheat suffering the sharpest declines. The highlights for FY 2009 are:

Grains. Wheat and coarse grain exports are forecast at $18.6 billion. Huge foreign exportable supplies, particularly in the European Union (EU), Russia and Ukraine, have created intense competition and downward pressure on prices. With improved foreign supplies there is also less import demand, especially from Europe. While all prices are forecast lower, decreased volumes (especially coarse grains) account for about two-thirds of reduced export value across the entire category. The U.S. supplies remain adequate, but key competitor exportable feed grain supplies (especially feed-quality wheat) are large. Most of the increased sorghum sales to the EU in 2008 are expected to be lost in 2009.

Export Outlook for Top 10
U.S. Agricultural Product Groups



Soybeans. Soybean exports are forecast at $12 billion. China's strong import demand remains at near record levels, but U.S. soybeans volume is forecast to fall 3.1 million tons or 10 percent from last year's level. With little change in South American competitor supplies, the lower U.S. export volume is due to more limited domestic supplies with marketing year (MY) 2008/2009 beginning stocks down to 5.6 million tons or 10 million tons below the previous year. Lower prices are also an important factor, in part reflecting weakening demand for meats and livestock feed.

Cotton. Cotton exports are forecast at $4 billion on lower shipments and lower prices. Deteriorating world economic conditions dampen consumer demand for textiles and pressure cotton prices. The forecast for global consumption has fallen, largely because consumption in China has fallen, making this the first year-to-year decline in China's consumption since MY 1998/1999.

High-value product exports are forecast at $59.5 billion in FY 2009, signaling weaker foreign demand and a stronger dollar. Processed grain and oilseed products exports are forecast to fall $2.5 billion with soybean meal and oil accounting for half the sales decrease. Animal product exports are forecast at $20.4 billion. Horticultural exports which include all fresh and processed fruits, vegetables, tree nuts, and wine are up $700 million to a record $21.5 billion. The highlights for FY 2009 are:

Processed Grain and Oilseed Products. Soybean meal and oil volumes available for export are lower as the estimate for domestic soybean crush is lower. Price declines are even greater than for soybeans. Feed and fodders are down $200 million largely due to volume reductions in response to increased competition from feed-quality wheat.

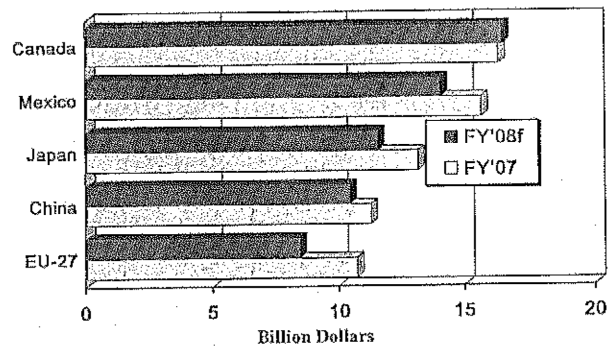
Animal Products. The export forecast for livestock, poultry, and dairy products is $20.4 billion, a decline from last year's record. The decline is mostly due to lower broiler meat prices and volumes, and a mix of volume and price reductions for animal fats, dairy products, and animal hides and skins. The revised outlook is mostly linked to concerns about weaker foreign demand resulting from the economic slowdown and a stronger dollar. Dairy products suffer the largest decrease, down $900 million from a record $4 billion last year. Global prices of major dairy commodities, particularly nonfat dry milk, are dropping sharply due to increased supplies from Oceania and the EU-27 and contracting demand.

Horticultural Products. Horticultural product exports are forecast to rise $700 million to a record $21.5 billion. Sales to Canada are expected to hold relatively steady during the economic downturn, but sales growth rates for most products to most countries should noticeably weaken and some could turn negative. Three-fourths of U.S. horticultural exports are shipped to Canada, Japan, Mexico, and the EU-27. Most of the growth for the entire category is due to somewhat stronger sales of fresh and processed fruits and vegetables, which are mostly marketed to higher-income countries such as Canada, Europe, and Japan.

TOP EXPORT MARKETS

The top five markets continue to account for about 60 percent of U.S. agricultural exports. U.S. agricultural exports to our North American Free Trade Agreement (NAFTA) partners, Canada and Mexico, are forecast at $30.4 billion. U.S. exports to *Canada,* our largest foreign market, are forecast to rise a modest $200 million to a record $16.4 billion. Although Canada's economy has fallen into recession and the Canadian dollar is weaker, its high-income consumers exhibit a fairly stable demand for high-value products, especially fresh and processed fruits and vegetables, many of which come from the United States. Growth will weaken but is expected to remain positive for those products, more than offsetting for lower grain and oilseed prices and some decline in animal feed sales as animal inventories decline. Sales to Mexico, our second largest market, are forecast at $14 billion down $1.6 billion from last year. Exports to this market are a mix of bulk grains, soybeans, and cotton, as well as high-value products such as meats, dairy products, snack foods, and increasingly fruits. The annual decline is due in part to lower grain, oilseed, and cotton prices. A weaker peso and economic recession will undercut import demand, especially for higher-value products including meats and fresh produce.

Export Outlook for Top 5 U.S. Markets



Ranking based on 2008 values

U.S. agricultural exports to Asia are expected to reach $37.2 billion or 38 percent of the total. Sales to Japan, our third largest market, are forecast at $11.5 billion. Sales to China, our fourth largest market, are forecast at $10.4 billion. U.S. agricultural exports to the EU-27, our fifth largest market, are forecast at $8.4 billion or 8.5 percent of total exports. Crop recovery in Europe lowers the EU import demand for grains (such as U.S. sorghum) and soybeans, prices are lower, and a recession and weaker euro will lower European import demand for U.S. high-value products.

COMMODITY IMPORT HIGHLIGHTS

With 300 million of the world's most affluent consumers, the U.S. food market is second only to the EU in total food expenditures. Strong demographic fundamentals, combined with a demand for year-round availability of fresh fruits and vegetables, an outspoken appetite for greater diversity and luxury products, and a relatively open market make the United States a top priority for food manufacturers around the globe.

U.S. agricultural imports have risen steadily for the past 4 decades. From FY 2003-2008, the import value has grown at roughly twice the historical rate. The situation is very different in FY 2009. Although rising, the $1.7 billion increase to a record $81 billion reflects the slowest growth rate in many years. Import volumes are roughly unchanged or only slightly higher.

The overall import outlook for FY 2009 reflects a much weaker U.S. consumer demand, despite some relief from lower oil prices and a stronger dollar. Horticultural products account for most of the overall gain in import value, and purchases of tropical products (i.e. coffee, cocoa, confectioneries) should also rise. The largest decreases are forecast for oilseeds and their products, as well as live animals. Compared to the previous year, the highlights for FY 2009 are:

Horticultural and High-Valued Products. Imports are forecast to rise to a record $36.1 billion. Modest gains are expected for all product groups except wine and beer, sales of which are the most vulnerable to an economic downturn as consumers substitute less expensive domestic beverages.

Grains, Oilseeds, and Products. Imports are forecast to fall $800 million to $13.7 billion. Much of this decrease is due to processed retail products, and especially vegetable oils, as prices for products fall.

Cattle and Swine. Imports are forecast to fall $600 million to $2.0 billion. Live animal imports are sharply reduced as lower Canadian inventories and country of origin labeling implementation alter trade patterns.

Tropical Products. Imports are forecast to rise $1.0 billion to a record $17.4 billion. The major tropical products imported and their estimated values in FY 2009 are: coffee beans and products (up $450 million to $4.8 billion), cocoa and chocolate (up $150 million to $3.2 billion), natural rubber (unchanged at $2.7 billion), and sugar confections (up $150 million to $1.4 billion).

TOP FOREIGN SUPPLIERS

The top five suppliers in descending order are Canada, the EU-27, Mexico, China, and Brazil. Forecast to increase $1.1 billion to a record $43.0 billion in FY 2009, the Western Hemisphere accounts for 53 percent of the total import bill. Asia, with an expected increase of $300 million, rises to $14.5 billion or 18 percent of the total. Europe/Eurasia, with an expected increase of $300 million, rises to $16.9 billion or 21 percent of the total.

CURRENT ACTIVITIES

The Foreign Agricultural Service (FAS) budget activity structure reflects core agency priorities and areas of emphasis identified through the FAS organizational review. Additionally, this structure incorporates the shift from implementing individual projects to coordinating international activities USDA-wide and greater emphasis on Sanitary and Phytosanitary (SPS) issues and trade capacity building, in line with the USDA Strategic Plan.

MARKET ACCESS

Greater access to foreign markets for U.S. agricultural producers requires an aggressive trade policy to lower tariffs, reduce non-tariff barriers, eliminate export subsidies, and reduce trade-distorting domestic subsidies. FAS works with other USDA agencies, the United States Trade Representative (USTR), and others in the United States government to negotiate new trade agreements and to monitor and enforce existing trade agreements. On a continuing basis, FAS Attachés and analysts in Washington, covering more than 130 countries worldwide, resolve trade problems involving U.S. products and provide country and regional intelligence to support U.S. exporters and agricultural producers. Specific market access areas include:

- Multilateral negotiations under the World Trade Organization (WTO) to conclude the Doha Development Agenda.
- Negotiation and implementation of bilateral and regional trade agreements, including market access agreements with countries seeking to join the WTO.
- Monitoring and enforcement of existing trade agreements and WTO rules, and compliance with U.S. trade laws.
- Working in country to resolve disruptions or potential disruptions to U.S. shipments and building

effective working relationships with foreign government officials.

- Representation of U.S. agricultural policy positions in international organizations, including the WTO, the Organization for Economic Cooperation and Development, and the United Nations Food and Agriculture Organization (FAO).
- Managing a global network of agricultural market intelligence to support USDA estimates of global agricultural production, supply, trade, and use, and to identify emerging issues in agricultural trade.

Notable achievements in these areas in FY 2008 include:

-- Nigeria Liberalizes Agricultural Import Regime. The Government of Nigeria revised its tariff regime in 2008 to liberalize imports of several agricultural commodities. FAS's work with Nigerian government officials under the WTO in Geneva and on a bilateral basis in Lagos was a major impetus to the changes in Nigeria's tariff regime. The trade liberalization includes the elimination of import bans on corn, sorghum, millet, wheat flour, fresh and dried fruits, biscuits, sugar confectioneries, and crude vegetable oil plus tariff reductions on other products, including rice. This presents opportunities for increased U.S. exports of rice and corn due to the increasing demand for feed by the rapidly expanding Nigerian poultry industry. Nigeria is the second largest rice importer in the world. U.S. agricultural exports to Nigeria totaled over $1 billion in FY 2008 compared to just over $580 million in FY 2007.

-- **Agreements on Ukraine's Accession to the WTO Provide Market Opportunities for U.S. Agriculture.** As a result of Ukraine's accession to the WTO, new import tariffs and other trade rules, including sanitary and phytosanitary measures, came into force on May 16, 2008. FAS worked collaboratively with USTR to conclude the bilateral and multilateral agreements covering agricultural trade. United States agricultural exports to Ukraine from May to September 2008, were $213 million compared to $90 million during the same period in 2007.

-- **Australia Withholds Proposed Anti-dumping Duties on U.S. Pork.** In response to a petition from domestic producers to the Australian Government to apply anti-dumping duties on U.S. pork, FAS worked closely with USTR to provide arguments and data refuting Australian producer claims. Consequently, the Australian Government denied the request. The United States shipped over $76 million of pork to Australia in FY 2008, compared to $69 million in FY 2007.

-- **Monitoring and Enforcement Activities Keep Philippine Pork and Poultry Market Open.** The Philippines reopened its TRQ for poultry and pork after completely shutting them down mid-quota year due to changes it intended to implement that contravened a 1998 Memorandum of Understanding between the governments of the United States and the Philippines. Although the Philippines implementation of its TRQ commitments was problematic the entire year, FAS worked closely with USTR to ensure that trade continued, even after the TRQs were closed. U.S. pork exports reached almost $42 million in this fast-growing market in FY 2008, up from $11 million in FY 2007. U.S. poultry exports to the Philippines totaled almost $19 million in FY 2008, just slightly below the record exports of $20 million in FY 2007.

-- **Honduras Opens Tariff Rate Quotas (TRQs) for U.S. Poultry.** FAS worked to ensure that the Government of Honduras opened its 2008 TRQ of 534 metric tons (MT) for chicken leg quarters in August 2008 as provided under the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR). This marked the first year under the CAFTA-DR agreement that a TRQ was made available for U.S. poultry. The market potential is estimated to be worth approximately $516,000 in 2008 and $1 million in 2009, when the TRQ increases to 1,069 metric tons.

-- **Continued Outreach on Colombia Trade Promotion Agreement (CTPA) and the Dominican Republic – Central America-United States Free Trade Agreement.** FAS took an active role in continuing the outreach efforts on the CTPA and helped the Secretary lead a bi-partisan Congressional Delegation to Colombia in July 2008 to highlight progress Colombia is making in advancing human rights and security along with demonstrating the importance of the CTPA to U.S. commercial and agricultural interests. As for CAFTA-DR, FAS: 1) helped the Secretary lead a Trade and Investment Mission to Guatemala; 2) ensured that TRQs for agricultural products under CAFTA-DR were opened;

3) facilitated a resolution of outstanding poultry access issues with El Salvador; and 4) negotiated an equivalency agreement for U.S. meat exports to Costa Rica.

-- **WTO Appellate Body Supports U.S. Challenge to India's Duties on Wine and Spirits.** An October 2008 WTO Appellate Body report in the *India-Distilled Spirits* case overturned a previous panel decision by finding in favor of the United States in its challenge against India's additional and extra-additional duties on wine, spirits, and other agricultural and manufactured products. India imposed these duties on U.S. imports in addition to its basic customs duty, resulting in combined duties on imports of alcoholic beverages of up to 550 percent. USDA monitored the effect of these actions in New Delhi and contributed to the development of U.S. arguments in the case. The Appellate Body's report provides clear guidance that will help ensure that India does not re-impose the additional duty and discriminate against imports. U.S. exports of wine and spirits to India are approximately $2 million annually.

-- **FAS Responds to Global Concerns over Food Prices.** The dramatic increases in commodity prices in FYs 2007 and 2008 resulted in high-level efforts to address global food insecurity, as well as the imposition of export and other trade restrictions in a number of countries. FAS's analysis of the changes in global food prices and interventions by its overseas offices supported the successful efforts by the United States to persuade foreign governments in key exporting nations to eliminate their agricultural export restrictions. At the United Nations' FAO High Level Conference on Food Security in June 2008, USDA appealed successfully for the elimination of restrictive trade policies in the Final Declaration, agreed to by more than 180 countries. In addition, FAS's analysis was instrumental in countering the misperceptions by foreign governments and international organizations that the U.S. ethanol program had been a major factor in the escalation of commodity prices and in assuring trading partners that the United States would continue to be a reliable supplier of agricultural commodities.

-- **FAS an Integral Player in the International Biofuels Sustainability Debate.** As biofuel production has increased, so has the scrutiny regarding whether biofuels are environmentally sustainable as a long-term alternative to petroleum based fuels. The European Union has been pressing for discussions on international mandatory sustainability standards and, during the summer of 2008, many countries called for moratoria on new biofuels supports as a precautionary approach, partly prompted by rising food prices. Calls for inclusive international dialogue on biofuels sustainability criteria have been made in the Convention on Biological Diversity (May 2008), the Convention on Wetlands (in draft language), the UN Commission for Sustainable Development (May 2008) and at the FAO High Level meetings (June 2008). FAS has taken a leadership position for USDA in this area by explaining the merits of biofuel production as a means to improve energy independence and stimulate rural development, while also being an important step to lessen the impact of global climate change. FAS has been instrumental in helping to shift the debate from criticisms of U.S. farm subsidies and import restrictions on ethanol, to focus upon the opportunities that biofuel production creates in developing countries to ease their reliance on imported fuels while advancing the economic conditions of impoverished agricultural communities. The international debate over the environmental sustainability of biofuels will grow, and USDA will need FAS to continue its efforts to advance the position that assessment of biofuels sustainability should be a science-based, transparent process that does not impair trade.

MARKET INTELLIGENCE

Market intelligence is an essential and core component to the work conducted in FAS that ultimately results in policy, market, and food aid decisions. In FY 2008, FAS continued to provide primary analytical input to the U.S. Government's (USG) global supply and utilization estimates for major agricultural commodities. Using attaché reports, market intelligence, satellite imagery, and other information FAS provided monthly global market intelligence and analysis used for USDA program operations and regulatory and policy-making activities. FAS analysis also supported international agricultural trade policy and market access activities, negotiations, and export programs. As a result, USDA policy makers and the U.S. agricultural industry received timely, unbiased, and reliable information which allowed them to make important policy and strategic decisions.

-- **Global Crop Intelligence Gives U.S. Advantage.** FAS partnered with the Department of Defense (DOD) and the National Geospatial-Intelligence Agency (NGA) to provide early warning reports and analysis of Iraq's field crops during the 2007-2008 growing season. Commercial satellite imagery sources were used to predict the high risk of crop failure and verify the crop loss before harvest began. Early warning also prevented the specter of food shortages from causing deaths and exacerbating instability in the region. Last, it built goodwill and strong bilateral relationships with the Iraqi Ministry of Agriculture. FAS invested $150,000 and leveraged $1 million from DOD. The FAS analysis was shared with senior Iraqi Ministry officials, including the Deputy Prime Minister, and led to a $1.16 billion recovery plan to combat the likelihood of high food shortages in Iraq. Based upon the excellent collaboration, DOD is continuing to partner with FAS to expand this analysis to other parts of the Middle East and Afghanistan.

-- **FAS at the Forefront of Identifying Factors Leading to Global Food Price Increases.** In early 2008, FAS trade and commodity experts alerted senior USG officials and the world community that an unprecedented increase in food prices was looming as a result of an unusual combination of macro-economic, market, and trade policy factors. The food price crisis quickly escalated and caused civil unrest in many regions around the world. An emergency high-level meeting called by the United Nations FAO in June 2008 was attended by Secretary Schafer along with other Agriculture Ministers and Presidents from around the world. The urgency of this issue prompted a July 2008 G-8 Summit meeting in Japan to focus on world food prices. FAS provided timely market intelligence and analysis as the "food price crisis" developed and deepened in FY 2008. In working with the interagency committees; production, trade, consumption, and price data were analyzed and disseminated publicly as part of the monthly World Supply and Demand Estimates process. FAS provided analysis and briefings to the USG Sub-Policy Coordinating Committee, U.S. agriculture stakeholders, U.S. agriculture industry, and foreign delegations on factors contributing to the crisis and dispelled the notion that U.S. biofuels policy was to blame for the increase in food prices.

The unprecedented price volatility enhanced the value of credible and timely FAS commodity market intelligence to both USDA policymakers and public stakeholders worldwide. In FY 2008, U.S. agricultural exports surged 40 percent from the previous year to just over $115 billion. If the United States did not maintain large exportable supplies of agricultural products, the price surge from global market factors could have been worse.

-- **Assessing Domestic and Global Production.** FAS provided objective, timely, and reliable information on the global food supply and crop conditions as it was critical to U.S. and global agriculture as well as the implementation of various Commodity Credit Corporation (CCC) programs. Such intelligence sealed critical information gaps in high risk and disaster impacted regions around the world. FAS overseas analysts and satellite imagery products provided continuous validation of global commodity supply changes that were critical for targeting food aid needs in support of CCC food aid programs such as the Food for Peace and Food for Progress (FFP) programs; and for evaluating implementation of the Credit Guarantee Program. Examples demonstrating the importance of FAS global agriculture information include: 1) assessing damage following the Burmese Cyclone in 2008; 2) forecasting large increases in EU and Russian wheat harvests before official data was released as well as the impact of policy changes in foreign markets that compete with the United States; 3) forecasting drought in the Middle East months in advance of any ensuing crop condition crisis; and 4) estimating production shortfalls in India cotton production that offered key insight for businesses and producers.

SANITARY AND PHYTOSANITARY ISSUES RESOLUTION

Unnecessarily restrictive and scientifically unjustified regulations to protect human and animal health (sanitary) and plant health (phytosanitary) are major impediments to U.S. market access and the expansion of global agricultural trade, as are technical barriers to trade (TBTs). As tariff barriers declined with the emergence of the WTO, there has been a dramatic increase in non-tariff barriers to trade. In spite of the WTO SPS Agreement, countries have increasingly erected SPS and technical barriers as a means to protect domestic industries in the face of quickly growing global trade.

While the United States does not generally negotiate new SPS or technical commitments in the texts of new bilateral and regional trade agreements, these agreements do provide an incentive for our trading partners to more quickly bring problematic measures into line with international standards. For example, with our new free trade partners in Latin America we have been able to overcome long-standing restrictions and to secure access for our beef and poultry.

FAS works with USDA and other United States agencies to advocate the United States position in the international bodies of the Codex Alimentarius Commission (Codex), the World Organization for Animal Health (OIE), and the International Plant Protection Convention (IPPC). Moreover, in FY 2008, with the direct support of FAS approaching foreign counterparts, USDA's Food Safety and Inspection Service Chief Scientist was elected Codex Chairperson.

FAS staff in Washington, D.C. and abroad, covering over 130 countries, routinely identify, analyze, and address foreign SPS and technical regulations that either have or have not been "notified" to the WTO. Furthermore, FAS staff work to prevent, as well as resolve, market access issues relating to these measures, as illustrated by the following examples:

-- **China Approves Biotech Soybean Event.** On September 4, 2008, China granted regulatory approval for the importation of another biotech soybean event. The company had submitted the event to China for approval in 2006. FAS highlighted the evidence needed to approve this biotechnology event by regularly engaging the Chinese on a bilateral basis and within the framework of the U.S. – China Biotechnology Working Group. The soybean will be used and harvested throughout the United States in 2009. Had China not approved the event, U.S. soybean exports to China, the largest U.S. soybean market, valued at over $4 billion in CY 2007, could have been jeopardized with the 2009 harvest.

-- **EU Accepts International Standard on Wood Packaging Material (WPM).** In March 2005, the EU was scheduled to implement regulations on wood packaging material that diverged from the international standard (ISPM-15) and threatened 50 percent of the United States' $286 billion exports to the EU that are shipped with WPM. At that time, FAS and APHIS intervention helped delay implementation until January 2009 to allow for revision of the ISPM-15 to facilitate trade. As early as 2004, FAS had coordinated an industry-interagency strategy to engage trading partners in support of a revised international standard acceptable to the world's largest traders. The IPPC is reviewing a revised ISPM-15 that will set a global standard for debarked wood, and is scheduled for a vote at the IPPC in March 2009. In the fall of 2008, FAS and APHIS successfully pressed the EU to harmonize its standards with ISPM-15 and further delay their January implementation until July 2009.

-- **Korea Reopens to U.S. Beef from Cattle of All Ages.** In June 2008, Korea published regulations that allow market access for U.S beef and beef products from cattle of all ages, in a manner that is consistent with the science-based guidelines of the OIE. This culminated over 4 years of technical discussions and negotiations during which FAS coordinated with the relevant U.S. government agencies and the U.S. industry to develop the proposal that was the basis for the final agreement. From July through September 2008, the United States exported beef and beef products valued at $161 million to Korea. In 2003, prior to the detection of Bovine Spongiform Encephalopathy (BSE), the United States exported $243 million of beef and beef products to Korea during the same time period.

-- **EU Drops Aflatoxin-Related Controls on U.S. Almonds.** Almonds are the leading U.S. agricultural export to Europe, valued at over $900 million annually. In September 2006, the EU found the United States' aflatoxin control program inadequate and imposed mandatory import controls on California almonds, effective September 2007. Since 2007, USDA and the almond industry have implemented a comprehensive voluntary aflatoxin sampling plan (VASP). In September 2008, the EU agreed to drop mandatory import controls pending an audit of U.S. laboratories scheduled for January 2009. Recognition of the U.S. aflatoxin program for almonds is also the precursor to establishing a Pre-Export Certification program that would result in an even greater reduction in controls.

-- **United States and Pakistan Reach Agreement on Wheat Phytosanitary and Quality Standards.** In late 2007 and early 2008, APHIS issued Phytosanitary Certificates (PCs) for wheat shipments against import permits that required testing for Karnal bunt. In February 2008, APHIS determined that it could no longer issue PCs against the testing requirement, effectively shutting down exports to Pakistan. On September 26, 2008, after 5 months of negotiation by APHIS, Grain Inspection Packers and Stockyards Administration (GIPSA), and FAS, the United States and Pakistan reached agreement on phytosanitary and quality standards that paved the way for commercial and food aid shipments to resume in time for the start of the 2009 shipping season. From July 2007 to June 2008, the U.S. shipped 153 million metric tons of wheat valued at $55 million to Pakistan.

-- **FAS Outreach on Science-based Regulations Leads to Increase in SPS and Technical Notifications to WTO.** FAS is the U.S. government Enquiry Point that receives notifications from foreign countries to the WTO on SPS and technical measures that affect agricultural trade. Since 2002, FAS has undertaken outreach and capacity building to encourage the development of transparent, science-based foreign regulations and international standards, and to bring predictability to global agricultural trade. As a result of these efforts, 63 countries notified FAS of a record 1,204 measures in 2008, compared to 708 measures 3 years ago. The increase in foreign notifications meant that FAS had more opportunity to comment on, and influence changes to, foreign regulations to minimize their impact on U.S. exports. In 2008, FAS submitted formal comments on a record 247 SPS and technical notifications, up 3 fold from 5 years ago.

Growth in WTO Notifications and FAS Response Since 2005

Activity	2005	2006	2007	2008
Notifications received	708	838	935	1,204
Comments submitted by FAS	87	131	105	247

TRADE ADJUSTMENT ASSISTANCE FOR FARMERS PROGRAM

The Trade Adjustment Assistance (TAA) for Farmers program expired in December 2007. The program was previously funded at a maximum level of $90 million per year and had an annual cash benefit limit of $10,000 per person. In FY 2008, no petitions were certified or re-certified, so no new benefits of cash payments or training were delivered.

TRADE DEVELOPMENT

FAS supports U.S. industry efforts to create, maintain, and expand overseas markets for U.S. food and agricultural products in a variety of ways. FAS administers several export development programs including the Foreign Market Development Cooperator Program (FMD), Market Access Program (MAP), Technical Assistance for Specialty Crops (TASC) Program, Quality Samples Program (QSP), and Emerging Market Program (EMP). These programs provide government funds to U.S. organizations to conduct a wide range of activities including market research, consumer promotion, trade servicing, capacity building, and market access support. Working with the State Regional Trade Groups (SRTG's) and other industry trade organizations, FAS encourages outreach efforts that focus on facilitating export readiness for U.S. exporters. FAS's overseas offices also support industry efforts, especially in developing markets, by providing market intelligence and by helping to introduce U.S. exporters to potential foreign customers. FAS overseas posts also use the Country Strategy Support Fund (CSSF) which supports country strategies and activities to help open markets for U.S. exports. Fund use supports market promotional efforts and projects that are in line with new FAS strategic priorities, including market access, communications, and other inherently-governmental activities. In addition, FAS facilitates U.S. participation in a range of international trade shows.

MARKET DEVELOPMENT PROGRAMS

-- **Rebuilding Iraqi Poultry Industry Creates New Demand for U.S. Corn.** Iraq has imported $3.9 million of poultry feed ingredients in CY 2008, a result of the U.S. Grains Council's (USGC) 5-year effort to help rebuild Iraq's poultry industry. As part of this effort, the USGC helped establish the Iraq Poultry Producers Association (IPPA) in 2004. Together the USGC and IPPA have conducted more than 25 workshops, training more than 1,500 Iraqi poultry producers. With ongoing USGC support, the IPPA also publishes technical bulletins and monthly market reports. Recognizing that Iraqi producers also needed credit to obtain critical inputs for their operations, the USGC helped establish the Iraqi Poultry Fund (IPF) in 2006. The first loan guarantee using this facility was issued in 2008. IPF credit availability has encouraged Iraqi poultry producers to establish grain trading companies to finance and take advantage of importing bulk cargoes of feed ingredients. Iraq's poultry industry is expanding rapidly with increased security. Babylon province, located in the part of Iraq previously known as the "triangle of death," is a striking example of this success. This area has already emerged as a major supplier of poultry products to Baghdad, producing 1,500 metric tons of poultry meat per month. USGC programs in Iraq have been funded by a combination of FMD and MAP, as well as FFP and other programs administered by FAS.

-- **Florida Minority Exporter Training (MET) Results in Exports of $25 Million.** The EMP-funded MET program, formerly known as Export Readiness Training, has introduced 52 south Florida agribusinesses to the principles of exporting their food and horticulture products. EMP provided $103,653 to support five cycles of MET training held at Miami-Dade College, which enabled many participating firms to make their first international sale, participate in their first trade mission, or participate in other export promotion activities. In addition to covering the basics of exporting, the program educated businesses about resources available through the Florida Department of Agriculture and Consumer Services, FAS, Southern U.S. Trade Association (SUSTA), and other trade support entities in the state. At least six graduates of the training program have applied for MAP branded funds through SUSTA, and many have participated in generic industry promotions as well. The companies that have most actively engaged in international marketing have reported dramatic increases in sales and/or profitability. Together, the firms have reported over $25 million in exports annually.

-- **U.S. Hide, Skin, and Leather Association (USHSLA) Continues to Grow Exports.** Over the past 10 years, USHSLA has used FMD, EMP, and QSP funds to help transition an industry primarily supplying domestic tanners with raw materials to one that now exports over 80 percent of production. USHSLA utilized about $62,000 in EMP funds in FY 2007 and FY 2008 and $165,000 in FMD funds in FY 2008 to exhibit at trade shows, conduct technical seminars on the quality and applications of U.S. hides and skins, and participate in trade missions to explore potential emerging markets. These activities have been conducted primarily in China, Hong Kong, India, and Vietnam. Over the past 5 years, USHSLA's participation in Asian trade shows alone has resulted in $265 million in sales. This number does not include the sales that have resulted from knowledge gained by consumers at technical seminars or the networking that results as part of USHSLA's presence at the major trade shows in Asia. U.S. hides and skins continue to be a huge U.S. export commodity, and market development efforts have helped make China and Hong Kong our top export market. Exports of hides and skins to China and Hong Kong have increased 53 percent (value) from 2003 to 2007, from 11 million pieces valued at $591 million to 14 million pieces valued at $902 million. Total U.S. bovine hides and skins exports were valued at $1.5 billion in 2003, reaching $1.8 billion in 2007, and CY 2008 exports were about one percent ahead of last year through October (volume).

-- **Soft Red Winter Wheat Sales Succeed in Latin America.** Despite record wheat prices in the June-May 2007-2008 Marketing Year (MY), U.S. Wheat Associates' (USWA) marketing efforts throughout Latin America have maintained the recent increased levels of soft red wheat (SRW) exported to that region. U.S. SRW exports reached about 2 million metric tons, valued at about $365 million in the June-May 2006-2007 MY, which was more than 60 percent above the previous 2-year average. Exports reached 1.9 million metric tons in the June-May 2007-2008 MY, while values almost doubled, reaching $612 million. Recent feedback from millers noted USWA's success in promoting SRW's unique ability in adding "extensibility" (pliability) for blending wheat flour ingredients used in baking. In Latin America, USWA's educational efforts, supported by MAP and FMD, have increased SRW use in flour for breads, cookies, and crackers. Millers in the region first began blending SRW in wheat breads to reduce costs but now are also recognizing quality improvements that U.S. SRW brings to their products, such as improved crumb/texture, standardized bake, and loaf size.

-- **Northeast U.S. Seafood Firms Project Sales of $192.8 Million from the 2008 European Seafood Exposition.** MAP funds enabled Food Export-Northeast to have a Pavilion at the Annual European Seafood Exposition held in Brussels, Belgium. The Northeast U.S. seafood industry regards the show as the best opportunity to showcase products and to meet European buyers. In April 2008, seven

Northeast seafood companies made export sales during the show totaling more than $102.2 million to 61 European buyers, and 23 of these sales were first-time sales to a country market. In total, the participating Northeast seafood firms project an additional $192.8 million in new sales over the next 12 months, as a result of show participation.

-- **<u>Vietnamese Mills Purchase 2,540 Metric Tons of U.S. Cotton Following Cotton Belt Tour.</u>** Eleven textile representatives on a COTTON USA Special Trade Mission (STM) from Vietnam met with key U.S. industry officials across the U.S. Cotton Belt during a Cotton Council International (CCI) sponsored tour. Vietnamese mills purchased 2,540 metric tons of U.S. cotton valued at $6.7 million during or immediately following the tour, and participants said they expect to sign additional purchase orders. Vietnam holds strong potential for growth in cotton fiber imports. CCI maintains a broad range of FAS-funded market development programs in Vietnam. Missions such as this COTTON USA STM, funded in part by MAP, along with the ongoing services provided by the U.S. cotton industry, will ensure that U.S. cotton participates fully in that growth. U.S. cotton exports to Vietnam in 2008 are on pace to double 2007 levels, having reached $134 million through September.

-- **<u>American Peanut Council (APC) Capitalizes on Opportunity in Japan.</u>** In 2008, APC brought a MAP-funded Japanese trade team to visit the peanut area in West Texas and Oklahoma, and U.S. peanut exports are expected to continue to increase for crop year 2009. U.S. peanuts have not been competitive in Japan for a number of years given lower-priced Chinese supplies. U.S. peanut exports to Japan had decreased since the early 1990's, and by 2006 China dominated the market. Japan passed a Maximum Residue Level (MRL) law in 2006 that provided an opportunity for the U.S. product because U.S. peanuts could meet the new standards and the Chinese product often could not. As predicted, China had many problems with Japan's new MRL law. APC appropriately returned to the market in 2007, sending a team of peanut growers, exporters, and quality experts to Tokyo to meet with the Japan Nut Import Association and reestablish relationships with the Japanese industry. As a result of renewed APC efforts, U.S. peanut exports more than tripled from the August-July 2006 crop year, reaching over $15 million in the 2007 crop year. South African and Australian peanut exporters are also vying for the market, cooperating with the FAS office in Japan, for MAP and industry funds to pursue the market opportunity quickly which has led to increased U.S. exports.

-- **<u>Quality Samples Program (QSP) and MAP Increase Cranberry Sales to Mexico.</u>** Demand for U.S. dried cranberries in Mexico's baking sector has increased due to the Cranberry Marketing Committee's (CMC) MAP-funded technical training and baking seminars and the distribution of samples made possible by QSP. Beginning in 2006, CMC conducted technical training activities in Mexico's baking sector to educate bakers about the versatility of cranberry products. This activity spurred product development interest by a Mexican company that produces marmalades, fillings, and other products for baked goods. QSP provided the U.S. dried cranberries that were needed to develop appropriate product applications. Ultimately, the company introduced Mexican food manufacturers to four different products using cranberries. CMC has provided similar samples and technical training to a number of Mexican companies in the past couple of years. CMC and the U.S. Potato Board used MAP funds to sponsor a baking seminar to introduce these new products. As a result, several Mexican baking companies are now using cranberry ingredients. CMC used a total of $72,000 in QSP funds with several Mexican companies, resulting in a total of eight new products introduced into Mexico in 2007-2008. As a direct result, exports increased 17 percent to reach $15 million in cranberry sales.

-- **<u>Food Export Marketing Mid-West and North-East Forum Creates Opportunities for U.S. Suppliers.</u>** Using MAP funds, Food Export–Midwest and Food Export–Northeast joined forces to host the Food Export Marketing Forum in April 2008, in Chicago, Illinois. The event included a series of educational sessions to help U.S. suppliers learn more about international markets and the growing demand for U.S. products. In addition, the hundreds of coordinated meetings between international buyers and U.S. sellers helped to build international business relationships and generate new export sales. Of the 68 participating U.S. suppliers, 38 made over $2.6 million in sales at the show. For six of these suppliers, these were first-time export sales. U.S. firms also projected over $6.9 million in future export transactions during the next year.

-- **Meat Promotion a Big Success in Japan.** FAS/Japan has worked closely with the U.S. Meat Export Federation to develop and coordinate a meat promotion with the largest supermarket chain in Japan, along with its subsidiary at a total of 346 stores. The supermarket chain distributed 17 newspaper inserts throughout Japan advertising U.S. meats. The successful U.S. meat promotion resulted in sales of U.S. beef and pork of $1.2 million. The U.S. meat promotion took place in conjunction with the California Food Fair, which resulted in an additional $1.42 million in sales.

-- **First American Food Festival in India a Huge Success.** FAS partnered with several cooperators and SRTG's to organize an in-store promotion, the "American Food Festival," with a national supermarket chain, from September 14 to October 7, 2007, in the National Capital Region of Delhi and Mumbai. Over 670 U.S. food products were featured, of which approximately 490 products were introduced for the first time during the promotion. Based on the sales during the promotion, the retailer plans to continue to sell more than 200 new U.S. food products through its 300 stores across the country. This activity will also encourage Indian food importers to expand sourcing of U.S. products for other retailers.

-- **California Wines a Hit in Canada.** Using MAP funds, the California Wine Institute carried out a 4-week wine promotion in more than 600 Liquor Control Board of Ontario stores during May 2008. This highly successful "California Styles" promotion featured more than 140 California wines, included over 1,100 in-store tastings, and was linked to a concurrent advertising campaign. As a result, California wine sales in the general listing category increased 85 percent for the May-August 2008 period, compared to the same 4 months in 2007, amounting to a $4.3 million increase. In the Vintages category (special selections), sales were up 42 percent, a $1.1 million increase.

-- **MAP and QSP Help U.S. Mohair Gain Popularity in Equestrian Products in Peru.** The Mohair Council of America (MCA) used MAP and QSP funds to increase sales of U.S. mohair to Peru. Using MAP funds, representatives from MCA were able to visit the market four times during an 18-month period and build key relationships with manufacturers in Peru. Using QSP funds, MCA approached one manufacturer to conduct trials using mohair to make cinch cords for the equestrian industry. Cinch cords are usually made with synthetic fibers, which wear and are not comfortable against a horse's skin. Because mohair is soft and durable, the cinch cords made with U.S. mohair have become very popular with equestrians worldwide. This product has been very popular, and MCA has worked with other manufacturers to produce similar products, such as lead ropes and mecates, two other equestrian accessories. Sales of the cinch ropes have been brisk, and the addition of two new products should continue to increase sales. For the 18-month period, MCA's efforts have resulted in U.S. mohair sales of about 200 metric tons, valued at about $1.2 million through 2008. MCA allocated approximately $20,000 in MAP funds and $20,000 in QSP funds for activities in Peru.

-- **EMP Enables First U.S. Apple Exports to Russia.** EMP funding supported the first U.S. Apple Export Council (USAEC) trade team to Russia, the world's largest apple importer, accounting for 1 million metric tons per year. EMP provided $77,000 to conduct generic market research to identify the scope and potential of the Russian market, including sizes, varieties, packing, timing, potential targets in the market, distribution channels, tariff and non-tariff barriers and their application and outlook, retail and wholesale sales, and market information. Sixteen apple producers and exporters from New York, Michigan, California, Virginia, and Pennsylvania traveled to St. Petersburg, Russia, to explore that market's potential for apple varieties from their states through meetings with key importers and wholesalers. In 2008, USAEC member states, as a direct consequence of this visit, expect to export to Russia this year, for the first time, nearly 10,000 boxes of apples with an approximate value of $250,000 – $400,000. The industry estimates that annual exports to this new market could reach $3-$5 million within the next 5 years.

INTERNATIONAL TRADE SHOWS

In FY 2008, over 940 U.S. companies participated in 30 FAS-endorsed trade shows, making more than 9,600 serious trade contacts, reporting on-site sales totaling $206 million, and projecting estimated 12-month sales of $799 million. More than 4,200 new products were introduced in various markets. FAS direct costs in support of these events totaled approximately $70,000. Over the past several years, FAS has successfully transferred management of U.S. pavilions at most shows to the private sector, while shifting FAS focus to negotiating the terms of management for the American Pavilion with trade show organizers and providing market information and trade contacts to U.S. exhibitors. As a result, FAS has reduced the staff time needed for show support compared to previous years. Examples of show results follow:

-- **Dubai Show Tops Other Shows in Sales.** Held February 24-27, 2008, the Gulfood Show in Dubai, United Arab Emirates, the Middle East's largest trade-only food and equipment show, drew over 39,000 visitors from 72 countries. U.S. companies reported $16 million in on-site sales and projected an additional $105 million in 12-month sales. With 77 exhibitors occupying 105 booths in the U.S. pavilion, Gulfood was one of the most successful trade shows for U.S. food exports.

-- **Close to $100 Million in Projected Sales at Anuga 2007.** Anuga, the world's largest food and beverage trade event, was held in Cologne, Germany, from October 13-17, 2007. Held biennially, Anuga 2007 welcomed 6,607 exhibitors from 95 countries and attracted 163,000 trade visitors from 175 countries, including senior executives and head buyers from the world's most important trade and catering companies. Eighty-three percent of the exhibitors and more than 50 percent of the visitors came from countries outside of Germany. The U.S. Pavilion at Anuga was a successful platform for its 148 participants, generating an estimated $9.8 million in on-site sales and over $89 million in 12-month projected sales. Visitors to the U.S. Pavilion saw an impressive range of products including general provisions, seasonings and sauces, frozen foods, dried fruits and vegetables, organic foods, baked goods, ingredients, beverages, meat, and poultry.

-- **$19.3 Million in Sales Projected at Abastur.** On September 10-12, 2008, Abastur was held in Mexico City. Approximately 18,000 food trade visitors attended, resulting in 1,056 promising contacts for the 19 U.S. exhibitors, who reported $1 million in on-site sales and projected $19.3 million in 12-month sales.

-- **$14.7 Million in Projected Sales at Food & Hotel Asia 2008.** Asia's largest international food and hospitality event, Food & Hotel Asia took place in Singapore, April 22-25, 2008. Held biennially, this year's event attracted approximately 37,000 trade visitors and 2,626 exhibiting companies from over 70 countries. U.S. exporters made contact with buyers from throughout Asia. There were about 60 companies in the U.S. pavilion that showcased a range of products such as meats, dairy, poultry and eggs, high-value processed products, juices, frozen seafood, food and bakery ingredients, and specialty foods. Singapore-based cooperators (USAPEEC, USMEF, and the U.S. Potato Board) had a major presence at the show. Estimated 12-month projected sales reached $14.7 million.

U.S. SHOWS WITH INTERNATIONAL COMPONENT

-- **Nigerian Fast Food Company Imports Exclusively U.S. Ingredients.** As a direct result of FAS bringing a buying team from Nigeria to the National Restaurant Association (NRA) show held in Chicago, Illinois, May 20 – 23, 2008, one Nigerian company is exclusively importing U.S. ingredients. The participant is the Owner/Managing Director of a fast growing food chain in Nigeria and is also a prominent member of the Nigerian Fast Food Association. As a result of FAS support, the company made numerous contacts with U.S. suppliers and concluded large purchases of intermediate products, ingredients, and catering equipment valued at approximately $733,000, between January-September 2008. These include food and additives such as barbecue sauce, salad dressing, flour, mayonnaise, popcorn, and rice seasoning primarily from a Chicago-based company. The Nigerian company plans to increase import purchases to five container loads per year, valued at approximately $1 million.

COMMODITY CREDIT CORPORATION (CCC) EXPORT CREDIT GUARANTEE PROGRAMS

The primary objective of the CCC export credit guarantee programs is to improve the competitive position of U.S. agricultural commodities in international markets by facilitating the extension of export credit to middle income countries that do not have access to adequate commercial credit. These CCC programs primarily encourage U.S. lenders and exporters to extend credit terms on sales of agricultural commodities and products to overseas customers. The CCC credit guarantee programs support the involvement of foreign private sector banks and private sector importers in commercial trade transactions with the United States.

The GSM-102 program provides guarantees for export sales with repayment terms up to 3 years. The FY 2008 GSM-102 program provided credit guarantees, which facilitated sales of approximately $3.1 billion of U.S. agricultural exports to 5 countries and 6 regions, compared to $1.4 billion in sales in FY 2007. Under the GSM-102 program, sales of U.S. agricultural products to the Central American Region increased by 102 percent from $300 million in FY 2007 to $605 million in FY 2008. In the South America Region, sales jumped from $140 million in FY 2007 to $390 million in FY 2008, a 143 percent increase that was attributed to the continued surge in sales of U.S. feed grains and wheat. The Caribbean and Eurasia Regions also experienced significant increases in FY 2008, at 168 percent and 87 percent, respectively, over FY 2007 levels. Registered sales to Turkey increased 91 percent, increasing from $253 million in FY 2007 to $483 million in FY 2008. The statutory authority for the GSM-103 program and the Supplier Credit Guarantee Program was repealed in the Food, Conservation, and Energy Act of 2008.

SUMMARY OF FY 2008 EXPORT CREDIT GUARANTEE ACTIVITY
(Export Applications Received)
($ Millions)

COUNTRY	GSM 102
Caribbean Region	$299.80
Central America Region	604.90
Eurasia Region	309.80
Korea	487.40
Mexico	39.20
Philippines	59.70
Russia	334.20
South America Region	389.73
South Asia Region	0.06
Southeast Asia Region	106.70
Turkey	483.20
TOTAL	$3,114.69

As a result of credit program guarantees, CCC is obligated to make payments when there are defaults. These defaulted payments are either restructured or recovery efforts are made, outside of a restructuring agreement. At the start of FY 2008, there was an outstanding balance of $1.03 billion in reschedulings and defaulted claims, such debt dating back approximately 10 years. During the past year, with the assistance of foreign counsel, FAS was able to collect $1.6 million in claim recoveries. In addition, FAS and the Farm Service Agency (FSA) worked in close collaboration with the Department of State and the Treasury Department to collect $287.5 million under rescheduling agreements, thereby reducing our outstanding balance of GSM defaults and reschedulings to $767 million in principal. As a result, these collection efforts resulted in an approximate drop of 25 percent in the receivable balance.

MARKET EXPANSION PROGRAMS

The Dairy Export Incentive Program (DEIP) facilitates the commercial sale of United States agricultural commodities in world markets at competitive prices when market conditions require such action. In addition, the program is designed to promote market development in a market sensitive manner and to offset the adverse effects of unfair trade practices consistent with WTO guidelines. Because of global supply and demand conditions in recent years, U.S. agricultural products have been competitive in world markets, and DEIP bonuses have not been needed to facilitate sales. In FY 2008, no bonuses were awarded under the program. The Export Enhancement Program was not operational in FY 2008 and the statutory authority to operate the program was repealed in the Food, Conservation, and Energy Act of 2008.

TRADE RELATED TECHNICAL ASSISTANCE

A major goal of USDA trade and development programs is increasing agricultural productivity and trade and investment in developing countries to enhance economic growth, food security, and the supply and affordability of food. Linking producers to markets with improved transportation, storage, market information, and food processing, as well as increasing private-sector participation in the agricultural value chain, are also USDA priorities for enhancing rural economic activity, sustainability, and moving food from surplus to deficit areas.

To strengthen global food security, USDA is helping revitalize agricultural infrastructure and capacity by deploying its experts and unique institutional resources to assist developing countries in becoming economically stable and capable of supporting their populations, which is mutually beneficial. In combination with food assistance that covers gaps in supplies and helps to keep the population healthy, FAS trade and development programs are assisting foreign governments to adopt productivity-enhancing technologies, reconstruct the agricultural sector in post-conflict or disaster areas, develop sustainable natural resource management systems, and strengthen agricultural research and extension programs. FAS also works with foreign counterparts to advance market-based policies and institutions and expand international trade through trade capacity building (TCB). The focus of TCB is to help countries meet their WTO obligations, avoid or eliminate barriers to trade, and strengthen policy and regulatory frameworks, with an emphasis on food safety and biotechnology. TCB also supports the U.S. National Security Strategy by promoting free trade and open markets as a way to spread economic prosperity.

Further, TCB is a critical tool to address the many technical barriers that impede access for U.S. agricultural products in markets throughout the world. By helping countries develop transparent, science-based regulations and by increasing understanding of the U.S. regulatory system, TCB can expand future access for U.S. agricultural products. Likewise, this assistance enables recipient countries to access other world markets. All countries gain from stronger infrastructure and regulatory systems, frameworks for monitoring and mitigating plant and animal diseases, and compliance with international norms.

REVITALIZED AGRICULTURAL INFRASTRUCTURE AND CAPACITY

FAS has coordinated the Department's participation in Provincial Reconstruction Teams (PRTs) in Iraq and Afghanistan to provide agricultural expertise in those countries and to implement priority activities in support of the United States Government's foreign policy goals. In FY 2008, in direct response to requests for expansion of PRT and ministry advisors, FAS helped significantly increase the number of advisors. As of October 1, 2008, USDA had 23 employees serving as PRT advisors and 6 employees serving as ministry advisors in Iraq and 14 employees serving as PRT advisors in Afghanistan.

Afghanistan: PRT members efforts have resulted in the installation of windmills in southern Afghanistan to pump water for irrigation and livestock; the training of Afghan veterinarians in detection and treatment of diseases; rehabilitation of a university laboratory for agricultural teaching; development of post-harvest storage facilities; and the mentoring of provincial directors of agriculture and agricultural extension to help improve services for farmers.

Iraq: PRT member advisors have helped establish farmer organizations, invigorate agricultural extension, rebuild institutional capacity to clean and maintain irrigation canals, and recreate veterinary infrastructure to foster animal health.

FAS has been instrumental in leading the Department's participation in the United States Government's Civilian Response Corps (CRC) that will provide the capacity to effectively respond to crisis in fragile countries. FAS negotiated an agreement with the Department of State to begin the recruitment of the first 3 of the proposed 8 USDA Agricultural Experts who will be members of the Active Component of the CRC. Representing USDA, these experts will be able to be deployed as part of an interagency team within 48 hours of a crisis and assist in the development of an integrated response.

FAS has helped promote economic growth and development through sustainable local purchase school feeding programs by entering into agreement with an international PVO to undertake program assessments on the feasibility of local purchase activities in four sub-Saharan Africa countries. The programs will focus on increasing incomes and opportunities for farmers, a large proportion of whom will be women, with less than two hectares of land that currently earn less than $2 per day. With the school feeding program purchasing surplus local production, these farmers will be able to substantially increase incomes without major market interventions. The local purchase program will allow host governments to reduce expenditures on contracting, storage, processing and transportation of foodstuffs, while providing nutritious meals made of local foods already accepted by the students.

COCHRAN FELLOWSHIP PROGRAM (CFP)

The CFP provided short-term training in the United States for 546 international participants from 70 countries in FY 2008. Since its inception in 1984, the program has provided training to more than 13,000 participants from 105 countries. Cochran participants meet with U.S. agribusinesses, attend policy and food safety seminars, and receive technical training related to short- and long-term market development and trade capacity building. The following are examples of program benefits reported in FY 2008:

Kenya: Over the last few years, the Kenyan Plant Health Inspection Service (KEPHIS) has adopted the USDA's Animal and Plant Health Inspection Service (APHIS) inspection-system structure at ports of entry, as a result of their exposure to U.S. regulatory systems through Cochran training programs. KEPHIS is the regional plant regulatory model to which other national plant protection organizations (NPPOs) in East Africa aspire. Leadership skills and technical enhancements learned by KEPHIS through staff participation in the CFP have strengthened regional trade and scientific capacity. At workshops and intergovernmental meetings KEPHIS staff lend their skills to NPPO staff from other countries in preparing pest-risk assessments. Development of regionally-harmonized plant regulations has been aided through Cochran-sponsored training with APHIS on NPPO structured organization and management. Additionally, of benefit to Kenya, three fresh-vegetable commodities received access to the U.S. market as a result of pest risk assessments developed by Cochran-trained KEPHIS staff.

The FAO and the Common Market for East and Southern Africa (COMESA) are working toward establishing regional phytosanitary laboratories, and KEPHIS laboratories will serve as the model for COMESA countries. The CFP training of KEPHIS officials has also provided the foundation for an ongoing collaboration between USAID, FAO, COMESA, and the East Africa Phytosanitary Information Committee to develop an East Africa pest database.

Armenia: Participants in CFP Farm Credit training are members of the Board of Trustees of Armenia's Farm Credit Bank, the only bank in Armenia which does business solely in the agricultural sector. The CFP fellows obtained skills in handling farm-credit loan applications, and knowledge of banking, finance, and criteria to apply when considering loans associated with agricultural risk. The Farm Credit Bank currently has $800,000 in loans and will secure more this year. The CFP training has helped build the bank's capacity to offer sustainable credit to the agricultural sector, thus assisting Armenia to develop a market-based agricultural sector and enhance trade linkages with the United States.

Ukraine: Participants from the Supermarket Management training are continuously working with U.S. suppliers to expand imports of processed products. Currently, U.S. popcorn valued at $50,000 to $100,000 per month is being imported by a supermarket chain in Ukraine. The chain has also started to import U.S. salmon as a result of CFP training (around 3,000 to 5,000 tons per month) and is in the process of negotiating for chocolate candy kisses and potato chips.

Brazil: The CFP has worked with FAS Offices in Brasilia and São Paulo to implement various wheat-related training programs over the past 2 to 3 years. Overall, these programs have been critical in supporting $86 million in wheat sales in 2007, and $285 million in 2008, the highest value in 20 years. In June 2008, the CFP and U.S. Wheat Associates sponsored a training program for five Brazilians, who were responsible for evaluating and importing wheat for their companies. This program allowed importers to gain familiarity with the wheat industry in the United States as an alternative to Argentine wheat, and an estimated 750,000 metric tons of U.S. wheat were shipped to Brazil during 2008. While

U.S. wheat imports were favored by a temporary exemption from import duties, two importers reported that the training program sealed their purchasing decisions, and in 2008, each imported 100,000 and 60,000 metric tons, respectively. Laboratory visits and field trips facilitated by USDA's Grain Inspection, Packers, and Stockyards Administration demonstrated rigorous quality control standards for U.S. products.

Bangladesh: The CFP worked jointly with the American Soybean Association to sponsor fish-feed-industry personnel to attend a comprehensive short course at Texas A&M University on the production and quality control of extruded fish feed. After completing the course, the Cochran Fellow started building an aqua feed mill. In late November 2008, the newly built feed mill began production of extruded, floating feed for Tilapia farming. The course helped the Cochran Fellow to finalize the establishment of his new feed mill, and he has now released modern, floating, fish feed into the local market. It is expected that other participants will start using modern technologies they obtained from Texas A&M University in their feed processing plants by the end of 2009.

FY 2008 Participants by Region and Funding Source

	Appropriation	Freedom Support Act (FSA)	USAID	Iraq/Afghanistan Technical Assistance	EMP	FY 2008 Total
Asia	105	0	0	0	0	105
Eastern Europe And Eurasia	62	89	0	0	0	151
Latin America & Caribbean	128	0	0	0	0	128
Africa and the Middle East	106	0	21	26	9	162
Program Total	**401**	**89**	**21**	**26**	**9**	**546**

BORLAUG FELLOWS PROGRAM (BFP)

In its fourth year, the Norman E. Borlaug International Agricultural Science and Technology Fellows Program continued to expand, training more than 100 Fellows in FY 2008 and some 358 Fellows from 49 countries since the program's inception in 2004. The authorization for the BFP under the *Food, Conservation, and Energy Act of 2008* recognizes and institutionalizes this successful trade and scientific capacity building program. The program offers fellowships for scientific training and study in the United States to individuals from eligible countries. The program helps developing countries strengthen agricultural practices through the transfer of new science and agricultural technologies, including those related to production, processing, and marketing. The program also addresses obstacles to the adoption of technology, such as ineffectual policies and regulations. New countries added in 2008 include Benin, Burkina Faso, Iraq, Kazakhstan, Malawi, Mauritania, Mexico, Mozambique, Niger, Oman, and Pakistan. The BFP continues to strive for diversity, selecting almost 50 percent female scientists. Accomplishments in FY 2008 include the following:

-- **Iraq Water Resources Management.** The very first Borlaug fellows from Iraq conducted useful research in the United States on water resources management. The four Borlaug fellows undertook 8-week tours of study, with two at Iowa State University and two at the University of Nebraska. Three of the Borlaug fellows continued training at the USDA Agricultural Research Service (ARS), U.S. Salinity Laboratory in Riverside, California, and the fourth at the ARS Conservation and Production Research Laboratory in Bushland, Texas. All four were able to access information and techniques that had been out of reach for over 2 decades in Iraq. These Borlaug fellows represent the first of 33 participants that the BFP is anticipating in the coming year.

-- **Improving Food Security in Africa by Preparing African Female Scientists to Lead.** The Africa Borlaug Women in Science (WIS) Fellows Program is a unique collaborative research and leadership training program for female African agricultural scientists. During 2008, 14 WIS Borlaug fellows from Ghana, Kenya, Mali, Malawi, Mozambique, Niger, Nigeria, Uganda, and Zambia successfully participated in 8-week fellowships at five different U.S. universities following leadership training in Kenya. In addition, eight of the Borlaug fellows successfully competed to receive research grants to further agricultural research at their home institutions in Africa.

-- **Utilization of Minority Serving Institutions.** The BFP successfully utilizes minority serving institutions (MSIs) as host universities and primary trainers for promising agricultural scientists and policymakers from Africa and Asia. Six Borlaug fellows from Ghana, Nigeria, India, Poland, and Bahrain were hosted by four different MSIs, including Delaware State, Alabama A&M, Tuskegee, and Lincoln Universities. Delaware State University not only served as the primary host-university but took the lead in collaborating with larger universities such as the University of Delaware and with the State Departments of Agriculture of Maryland and Delaware to develop fellowship programs for two African female agricultural scientists. This particular BFP was rated the highest and most effective in research and training of any BFP in 2008. The Borlaug program has made an effort to encourage larger U.S. land-grant universities to collaborate with MSIs as partners in their training programs. As a result, 20 percent of the proposed submissions for the Borlaug "African Women in Science Program" incorporated MSIs as partners in program design this year. For example, Texas A&M recently partnered with Prairie View A&M to host two African Women in Science Fellows focused on goat production to train at Prairie View's International Goat Center.

SCIENTIFIC COOPERATION EXCHANGE PROGRAM (SCEP)

In 1978, USDA signed a cooperative agreement with the Ministry of Agriculture (MOA) of the People's Republic of China to exchange scientific teams and technical information in the fields of agriculture, forestry, water, and soil conservation. Since its inception, the SCEP has facilitated the exchange of nearly 2000 U.S. and Chinese scientists. The exchange program is an effort to enhance overall relations between the two countries and create a positive atmosphere for trade. Several SCEP programs have directly supported the objective of developing trade with China.

-- **U.S. –China Collaboration on Food Safety.** Faculty members from universities in Oregon, Nebraska, New Mexico, and Michigan collaborated with academia and government officials in China to develop food-safety and sanitary-and-phytosanitary regulatory training modules. The program provided opportunities for American animal and plant-health scientists to better understand food safety related challenges in China. This, in turn, allowed American and Chinese scientists to cooperatively address and resolve some of the priority food-safety issues that have recently plagued agricultural exports from China. The training modules developed under this exchange program will help better educate the Chinese in complying with U.S. and international food safety laws, procedures, and regulations.

-- **The United States and China Share Invasive Species and Plant Management Practices.** Invasive species and plant management are problematic in China and the United States. The SCEP program allowed scientists from the Ohio State University to present a risk-analysis approach to invasive species management to various universities in China. In addition, technical experts in China shared their experiences with the Ohio State University on invasive plant management, a growing problem in the United States corn belt region. This scientific exchange is helping both farmers in the United States and China to increase crop yields.

-- **United States and China Create Water Management Research Agenda.** Scientists from the United States and China developed a research agenda focused on how large, irrigation-district-management practices affect water allocation, agricultural production, and water quality in China. The research agenda will help China develop institutional capacity to improve water allocation, promote the adoption of water-saving irrigation technology, and understand the implications of these practices for downstream water quality.

SCIENTIFIC COOPERATION RESEARCH PROGRAM (SCRP)

The SCRP continues to collaborate with a diverse group of U.S. institutions to build long-lasting, international research partnerships. Projects link U.S. scientists with researchers worldwide and make practical use of biotechnology and other tools to help solve trade, food, and agricultural problems. Following are examples of USDA projects from this mutually-beneficial, competitive grants program.

-- **Certification and Traceability for Food Safety and Quality.** American and Chinese scientists from the Michigan State University and the Chinese Academy of Agricultural Sciences continue to collaborate on a 5-year research project designed to improve food safety and quality, with an emphasis on health certification and traceability processes.

-- **Environmental Collaboration with East Africa Uses Plants for Phytoremediation and Biofuels.** University of Washington scientists conducted joint research with academia from Uganda, Tanzania, and Kenya to identify cultivars of the sweet potato family best suited for phytoremediation (the use of plants to remove toxins from the soil). The soil samples were later used to grow plants for biofuels.

FOREIGN FOOD ASSISTANCE PROGRAMS

FAS administers several food assistance programs to help developing countries with humanitarian crises, economic development, and the transition from being food aid recipients to commercial markets. Programs administered by FAS consist of P.L. 480, Title I; Food for Progress (FFP); and the McGovern-Dole International Food for Education and Child Nutrition Program (FFE). Fiscal year activities focused on helping countries move toward graduation and developing their agricultural economies. The programs featured a mixture of monetization and direct distribution to meet the specific needs of recipient countries.

FAS programmed more than 336,000 metric tons of food assistance with an estimated value of about $267 million. Of this amount, estimated commodity costs represented $147 million and estimated transportation and other non-commodity costs were $120 million. FAS provided all of the food assistance through donations, with no concessional sales agreements in FY 2008. More than 28 countries received food assistance through FAS-administered programs.

FAS FOOD ASSISTANCE PROGRAM SUMMARY, FY 2008

	$ Millions [a/]	000 MT
P.L. 480 Title I Funded/FFP	12.9	10.9
CCC Funded/FFP	155.3	199.6
McGovern Dole Food for Education	99.3	125.5
TOTAL, Food Assistance	**267.5**	**336.0**

[a/] Includes the costs of ocean freight, ocean freight differential, and other non-commodity costs.

In addition, FAS has improved its procurement operations for food assistance by avoiding the "bunching" of shipments just before the close of each fiscal year. This is accomplished through increased use of long-term, multi-year agreements with private voluntary organizations (PVOs) and the World Food Program (WFP), which permit shipments well in advance of the close of the fiscal year, and by extending procurement efforts (commodity and freight) traditionally scheduled for the end of the year into the following year. FAS also fully utilizes the services of the FSA, including the single-step procurement of commodity and freight for packaged commodities. When possible, FAS also combines purchases of both packaged and bulk commodities with the purchases of the U.S. Agency for International Development (USAID), thus taking advantage of volume discounts afforded by greater quantities purchased and shipped.

P.L. 480 TITLE I PROGRAM

Objectives of the concessional sales component of the Title I program include providing food assistance to targeted developing countries in order to promote economic growth. It is intended to promote the recipient country's transition to commercial trade by gradually reducing the concessionality of the program and eliminating ocean freight financing. During FY 2008, no programming was done under the concessional sales component of the Title I program.

Title I funds may also be used to support the FFP program, which is a grant program designed to assist countries working to make the transition to more market-oriented economies. Under the FY 2008 Title I-funded FFP program, two countries received over 10,930 metric tons of commodities and related freight valued at almost $13 million. Both of these programs were with the WFP.

FY 2008 P.L. 480 TITLE I FUNDED/ FOOD FOR PROGRESS COUNTRY ALLOCATIONS
($Millions)

COUNTRY	TOTAL VALUE
East Timor	$5.0
Tajikistan	7.9
Subtotal	**$12.9**

COMMODITIES PROGRAMMED IN FY 2008 UNDER TITLE I/FFP

COMMODITY	000 MT
Vegetable Oil	7.3
Wheat Flour	0.3
Rice	0.9
Beans	0.8
Corn Soy Blend	1.6
Subtotal	**10.9**

Tajikistan: Although the poverty rate has declined from 80 to 64 percent between 1999 and 2003, Tajikistan remains the poorest country in the Europe and Central Asian region. With a population of around 7 million, over 75 percent of the poor live in rural areas and 10 percent of poor households are food-insecure. The 1992-1997 civil war and the 2000-2001 drought devastated Tajikistan's fragile economy and, on almost an annual basis, the country faces small-scale natural disasters such as floods, avalanches, landslides, and tremors which can directly affect the food security of vulnerable households and necessitate an emergency response. The WFP is working to prevent hunger among chronically food-insecure households in marginalized, geographic areas during the lean period through vulnerable group feeding and Food-for-Work activities. It is also promoting education through provision of hot meals in primary schools and take-home rations for girls in secondary schools; rehabilitating malnourished children and pregnant and lactating women through the provision of supplementary food; meeting the basic food needs of tuberculosis patients; and supporting government capacity-building in managing national food assistance programs.

CCC-FUNDED FOOD FOR PROGRESS

The FFP program assists developing countries in expanding private enterprise and making the transition to a market economy. FFP agreements with countries may be funded with CCC or, as noted above, by P.L. 480, Title I resources. In FY 2008, CCC funding provided 199,590 metric tons valued at $107.8 million, and $47.5 million of transportation and other non-commodity costs. USDA completed FFP programs with both PVO and foreign governments. These implementing partners usually monetize the commodities and use the sales proceeds to fund development projects. The countries receiving CCC-funded FFP assistance and the quantity of the commodities programmed are shown in the tables below:

FY 2008 CCC-FUNDED FOOD FOR PROGRESS
($000)

COUNTRY	TOTAL VALUE
Afghanistan	$23.6
Armenia	4.4
Bolivia	9.4
Ethiopia	12.7
Guatemala	10.0
Honduras	5.6
Liberia	5.3
Malawi	5.6
Mongolia	13.8
Mozambique	24.9
Nicaragua	6.8
Niger	12.7
Senegal	7.4
Tanzania	13.1
Subtotal	**$155.3**

COMMODITIES PROGRAMMED IN FY 2008 UNDER CCC-FUNDED FOOD FOR PROGRESS

COMMODITY	000 MT
Textured Soy Protein	0.1
Crude Vegetable Oil	4.3
Lentils	0.5
Peas	0.5
Soy Fortified Bulgur	1.0
Soybean Meal	29.8
Soybean Oil	13.9
Vegetable Oil	4.9
Wheat	144.6
Subtotal	**199.6**

FFP activities have included improving agricultural techniques and marketing systems, providing education to farmers, helping to develop cooperatives, teaching irrigation and land conservation techniques, supporting agribusinesses and microcredit enterprises, and building the capacity to trade. Specific examples of success in FY 2008 under FFP include the following:

Afghanistan: Fruits and nuts are among the most valuable agricultural exports of Afghanistan. The opportunity to expand horticultural production by converting existing, irrigated, grain fields into high-market-value fruit and nut production represents the most practical way of increasing farm incomes and focusing production away from illicit crops. The Government of Afghanistan has recognized this and has given horticulture high priority in its Master Plan for Agricultural Development. USDA's FY 2008 FFP agreement with a PVO will use proceeds from the sale of 12,500 metric tons of wheat to assist approximately 14,400 farmers to expand horticultural production in Afghanistan. The PVO aims to accomplish this by planting new orchards and providing extension support for fruit and nut tree farmers; expanding grape production by establishing grape vine nurseries, upgrading vineyards through trellising, and furnishing extension support for grape farmers; providing post-harvest training, services, and facilities to farmers, as well as training in literacy, numeracy, business, marketing, and financial management; and establishing a line of credit with a local financial institution to provide loans to eligible farmers and merchants.

Ethiopia: Approximately half of Ethiopia's population lives in poverty, while another 15 percent is extremely susceptible to poverty as a result of drought and other shocks. With an estimated 40.9 million cattle and 37 million sheep and goats, the livestock sector is one of Ethiopia's key agricultural industries. It contributes 30-35 percent of agricultural gross domestic product and 15-18 percent of total export earnings, while employing a third of Ethiopia's rural population. USDA is providing 20,000 metric tons of wheat to a PVO under the FY 2008 FFP program. Proceeds from the sale of these commodities will be used to develop the animal-feed industry, thereby increasing profitability for smallholder livestock owners and pastoralists. Activities include feed formulation and manufacturing, feedlot management and forage production, and improved channels for feed distribution. The program will benefit over 72,000 livestock owners, including 53,300 cooperative member farmers and 19,300 pastoralists.

Gambia, Guinea-Bissau, and Senegal: These countries lie within the drought-prone Sahel region with erratic rainfall and generally poor soils. A fragile ecosystem, unstable climate, and the regional effects of a protracted civil conflict in southern Senegal increase their vulnerability to food insecurity. USDA signed an FY 2008 FFP agreement with a PVO for the donation of 4,500 metric tons of vegetable oil. The PVO will sell the vegetable oil in Gambia and use the proceeds to assist cashew farmers in Gambia, southern Senegal, and northern Guinea-Bissau. Activities include capacity building of cashew farmer associations, increasing the productivity and quality of cashews, and adding value through processing, and increasing local consumption of cashews. The PVO seeks to increase yields by 60 percent and farmer incomes by 50 percent. One hundred thousand farmers will benefit from this program.

Honduras: Honduras has made important gains in liberalizing its economy and is ranked as having one of the most open economies in Central America. Despite these reforms and the country's favorable year-round growing conditions, Honduran agricultural producers remain mired in poverty with nearly 70 percent of the rural population engaged in subsistence farming. Per capita income is $1,121 and 63 percent of the population lives in poverty. A PVO will monetize 8,800 metric tons of soybean meal in Honduras under the FY 2008 Food for Progress program and use the proceeds to assist 750 smallholder farmers to diversify production by integrating jatropha with other high-value products such as fine cocoa and dairy. The program will help agribusinesses access export markets, raise incomes for small holder farmers, reforest degraded lands, rehabilitate soils and reduce erosion, and supply the demand for raw materials to produce competitively-priced biodiesel. Over 3 years, small producers in the program will earn $3 million in incremental annual sales, improving living standards for 4,000 rural poor.

Niger: The Tera and Tillabery regions in Western Niger are two of the most food-insecure areas of the country. A PVO is successfully promoting a program to increase production, processing and marketing of sesame in 30 villages in the Tera zone with support from a previous USDA FFP program. Under the FY 2008 FFP program, the PVO will collaborate with another PVO to increase production of sesame, okra, onion, and other vegetables in another 30 villages in the Tillabery region of Western Niger. The project will enhance private-sector development and give producers the ability to support their financial needs through the sale of these crops to national, regional, and international markets. The project will assist 8,000 beneficiaries directly and benefit another 32,000 indirectly. The PVO will monetize 2,410 metric tons of vegetable oil and use the generated proceeds over 3 years to carry out the project.

MCGOVERN-DOLE INTERNATIONAL FOOD FOR EDUCATION AND CHILD NUTRITION PROGRAM

The FFE program supports preschool and in-school food for education programs and nutrition programs for women, infants, and children under age 5 in foreign countries. The program was authorized through the Farm Security and Rural Investment Act of 2002 and started operating in FY 2003. About $99.3 million of assistance was made available through the program in FY 2008. Approximately 40 percent of the total program cost was allocated for commodity expenses. The remainder of the funding was allocated as follows: 22 percent for freight and 38 percent for providing administrative expenses and other non-commodity costs. USDA programmed approximately 125,000 metric tons of commodities to support programs implemented by the United Nations WFP and PVOs. More than 2.6 million children and mothers benefited from the FY 2008 program.

FY 2008
MCGOVERN-DOLE FOOD FOR EDUCATION
($ Millions)

COUNTRY	TOTAL VALUE
Bangladesh	$7.8
Cambodia	1.3
Cameroon	3.9
Chad	4.8
Congo, Republic of	6.0
Ethiopia	4.3
Guatemala	15.4
Kenya	9.9
Kyrgyzstan	2.5
Laos	6.8
Malawi	6.5
Mozambique	6.8
Nicaragua	1.2
Pakistan	9.9
Rwanda	8.3
Senegal	1.0
Sierra Leone	2.9
Subtotal	**$99.3**

COMMODITIES PROGRAMMED IN FY 2008
UNDER MCGOVERN-DOLE FOOD FOR EDUCATION

COMMODITY	000 MT
Beans	7.8
Bulgar	1.6
Canned Salmon	.7
Corn-Soy Blend	16.0
Cornmeal	30.3
Peas/Lentils	.8
Rice	11.7
Soybeans and Soy Products	18.4
Soybean Oil	.5
Vegetable Oil	5.7
Wheat	31.5
Subtotal	**125.0**

The following are examples of McGovern-Dole Food for Education Agreements Funded in FY 2008:

Bangladesh: Bangladesh has the third highest number of hungry poor in the world after India and China. The estimated gross enrollment rate of pre-primary children (age group 4-5 years) in Bangladesh is 23 percent for boys and 26 percent for girls, which is low in comparison to other Asian countries in the region. Addionally, economic hardship forces parents to keep their children at home for domestic and paid work. To increase relief in this region, USDA signed an FFE agreement with the WFP to donate 30,000 tons of wheat. WFP will directly distribute the wheat in the form of fortified biscuits to 350,000 students. In addition to direct feeding, this program will have activities to enhance awareness of nutrition and educational issues among children, parents, teachers, and School Management Committees, as well as de-worming, along with hygiene, sanitation and nutrition counseling, and HIV/AIDS education.

Ethiopia: Food insecurity is very prevalent in Ethiopia and is demonstrated by widespread chronic malnutrition resulting from inadequate dietary intake, inadequate health infrastructure, and limited access to education. As a result, Ethiopia has one of the most nutritionally-deprived populations in the world, and the large number of children who are not in school is linked to physical and psychological impairments resulting from malnutrition in early childhood. Although improvement has been observed in the past in regard to enrollment, the enrollment rate in emerging pastoralist regions like Somali and Afar is still very low with 30.3 percent and 21.9 percent, respectively, compared to the national average gross enrollment rate of 85.8 percent. To help ease this situation, USDA signed an FFE agreement with the WFP to donate 7,020 metric tons of corn-soy blend and 1,600 metric tons of vegetable oil which will be directly distributed to 160,000 students in pastoralist regions. WFP will use other donor funds to improve school infrastructure and health initiatives.

Guatemala: Guatemala is a post-conflict, poor, and multi-ethnic nation with a population of 12 million. According to the United Nations Children's Fund, 31.5 percent of the adult population is illiterate, with that number rising to 73 percent in the rural Mayan highlands where a PVO will implement this FFE program. USDA and the PVO signed an FFE agreement for the donation of 280 tons of vegetable oil; 560 tons of dark-red kidney beans; 560 metric tons of milled rice; and 2,400 metric tons of soybean meal, with a combined commodity and freight value of approximately $6.3 million. The PVO will monetize the soybean meal and use the remainder of commodities to provide daily meals for 72,300 teachers and children. Take-home rations will benefit another 18,000 students. In addition to food provisions, the program will provide training for teachers, educational materials, and infrastructure improvements and the PVO will support approximately 300 schools with the supplies and training necessary to implement a school garden. The harvest from these gardens will provide additional complementary and nutritious foods for the daily school snack and will teach students the importance of caring for the environment and working as a team.

Kyrgyzstan: With Kyrgyzstan's independence after the fall of the Soviet Union in 1991 came the collapse of most social services, including the education system. Nationwide, primary school enrollment has dropped 10 percent since 1991. Further, many families cannot afford the unofficial costs of a primary or pre-school education, such as school meals and textbooks, and elect to send only their sons, rather than their daughters, to school. As a result, attendance for girls in schools has dropped to nearly 10 percent lower than boys. USDA and a PVO signed an FFE agreement for 200 metric tons of wheat flour, 150 metric tons of rice, 150 metric tons of soybean oil to implement a 12-month school feeding program in all 40 rural regions of the Kyrgyz Republic. The program's goal is to empower communities and government towards sustained, improved, educational achievement in schools in the most underserved educational institutions, through food distribution to 30,000 students. Additionally, the PVO will undertake school infrastructure projects and provide educational grants to school children.

Mozambique: Mozambique has more than 1.5 million orphans, close to 400,000 of whom are Acquired Immune Deficiency Syndrome (AIDS) orphans. Many of these children face grave difficulties in surviving, often making school attendance impossible, because they are needed for income generation, food production, or care for their siblings. USDA signed an FFE agreement with a PVO for the donation of 2,100 metric tons of corn-soy blend and 3,790 metric tons of milled rice. The PVO will use the commodities to provide a daily nutritional meal to 113,000 students and take-home rations to 16,000 girls and 2,200 cooks. This program also has training seminars and infrastructure development, as well as the establishment of school gardens.

Rwanda: Chronic food insecurity, frequent drought, and structural poverty seriously reduce opportunities for children in many parts of Rwanda to complete primary education. Lack of food prevents many children from enrolling in school, forces them to be frequently absent, and reduces their learning ability and academic performance. Although primary net enrollment has increased from 73 percent in 2002 to 92 percent in 2005, pupil/teacher ratios have increased and the availability of teaching and learning materials and infrastructure has not kept pace with enrollment. As a result, examination pass-rates have declined, and the primary completion rate has stagnated. To combat this, USDA signed an FFE agreement with the WFP to donate 18,360 metric tons of cornmeal; 4,860 metric tons of beans; and 1,620 metric tons of vegetable oil. WFP will directly distribute these commodities to 300,000 students in 12, food-insecure, drought-prone districts in the eastern and southern provinces of Rwanda that show low overall rates of primary enrollment and low attendance of school children. The WFP will also conduct school infrastructure projects and supply kitchen equipment, health related equipment, and agricultural tools to schools.

PROGRAM ASSESSMENT RATING TOOL (PART)

In FY 2008, FAS continues to follow the PART performance improvement plan for its foreign market development programs. There are five foreign market development programs that are administered by USDA with the related purposes of maintaining and expanding markets for U.S. agricultural commodities: the Market Access Program (MAP); the Foreign Market Development (Cooperator) Program (FMD); the Quality Samples Program (QSP); the Technical Assistance for Specialty Crops (TASC) Program; and the Emerging Markets Program (EMP). FAS has integrated Results-Oriented Management (ROM) principles into the allocation of Foreign Market Development program funds. FAS directs more funds to those program participants with the greatest likelihood of success as determined by assessing "best practices" in strategic planning, program management (implementation) and evaluation (demonstrating results). During the past year, FAS has simplified the application and marketing plan (Unified Export Strategy) review process, linking it directly to the ROM review and incorporated a rating system (based on PART terminology) to add transparency.

FAS also intends to measure the economic benefit of our policy of working with the broadest array of agricultural industries and with the most broadly representative organization in each of those industries. This policy ensures that program funds are directed to those organizations and industries that can derive the greatest benefit due to the scope of their membership and the resulting synergies. FAS will also continue to work on upgrades and enhancements for the Unified Export Strategy system to bring additional efficiencies to market development program review, implementation, and evaluation.

The Export Credit Guarantee Programs—the GSM-102 Program and the Facility Guarantee Program—continued to meet PART performance improvement plan milestones. Several successes to note under the Export Credit Guarantee Programs were FAS outreach efforts and USDA's efficiency of loan making and service under GSM-102. During FY 2008, $47 million was generated directly from exporters new to the GSM-102 program. In addition, the goal of having 10 percent of outreach participants register transactions was also met.

FAS also continued to follow the PART performance improvement plan for the Food Aid programs that FAS administers on behalf of USDA. The Food Aid Programs administered by USDA include the P.L. 480 Title I Program, Food For Progress Program, Bill Emerson Humanitarian Trust, and McGovern-Dole International Food For Education and Child Nutrition Program. In FY 2008, FAS added several new fields to the Food Aid Database, which has greatly improved the efficiency of the scheduled reporting process.

The latest FAS program to undergo a PART review is the Cochran Fellowship Program (CFP), which was evaluated in FY 2008; CFP received a "Moderately Effective" rating. FAS worked with the Office of Management and Budget to establish an aggressive performance improvement plan to improve the collection of data and subsequent regular evaluations of the program. These efforts should lead to improvements in program cost efficiency as well as overall program effectiveness. In addition, FAS will work to build an active network of alumni participants to promote CFP objectives long after the initial training.

FOREIGN AGRICULTURAL SERVICE

Summary of Budget and Performance
Statement of Goals and Objectives

FAS has three strategic goals and ten strategic objectives.

Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
Agency Goal 1: Create a level playing field for U.S agricultural trade.	Objective 1.1: Eliminate barriers to agricultural trade through negotiation of trade agreements. Objective 1.2: Enforce U.S. rights under existing trade agreements. Objective 1.3: Build support for open trade by developing strategic relationships with foreign governments.	Market Access Program (MAP); Technical Assistance for Specialty Crops (TASC); Emerging Markets Program (EMP); and Cochran Fellowship Program (CFP).	Key Outcome 1: Increased access to global markets for U.S. agricultural producers and exporters.
Agency Goal 2: Expand the global agricultural trading system.	Objective 2.1: Facilitate U.S. commercial trade through market-related programs, market intelligence, and overseas services. Objective 2.2: Support the U.S. trade policy agenda through trade capacity building activities. Objective 2.3: Coordinate and lead USDA international assistance and development activities to support U.S. national security and foreign policy goals.	MAP; TASC; EMP; Foreign Market Development (FMD) Program; Quality Samples Program (QSP); Dairy Export Incentive Program (DEIP); GSM-102; Facility Guarantee Program (FGP); Borlaug Fellowship Program (BFP); PL 480 Title I; McGovern-Dole International Food for Education and Child Nutrition Program (FFE); and Food for Progress.	Key Outcome 2: Improved ability in developing countries to sustain economic growth and benefit from international trade.
Agency Goal 3: Reduce technical trade barriers and restrictive SPS measures.	Objective 3.1: Monitor and enforce WTO SPS and TBT Agreement commitments. Objective 3.2: Address SPS and technical trade barriers through bilateral discussions. Objective 3.3: Support development and adoption of science-based international standards. Objective 3.4: Support development and adoption of science-based SPS regulatory systems.	MAP; TASC; CFP; and EMP.	Key Outcome 3: An improved global SPS system for facilitating agricultural trade.

Summary of Budget and Performance
Key Performance Outcomes and Measures

Key outcomes and performance measures under each of the agency's strategic goals as outlined below:

Goal 1: Create a level playing field for U.S. agricultural trade:

Key Outcome: Increased access to global markets for U.S. agricultural producers and exporters.

Key Performance Measure:

- Dollar value of agricultural trade preserved through trade agreement negotiation, monitoring, and enforcement (Non-Sanitary and Phytosanitary (SPS)).

FAS continually works to create a level playing field for U.S. agricultural trade and enforce U.S. rights under existing trade agreements to increase and sustain U.S. access to global markets. The measure tracks the performance of FAS to preserve and create agricultural trade through the negotiation, monitoring, and enforcement of trade agreements.

Key Performance Target:

Performance Measure #1	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Target**	**2010 Target**
-- Dollar value of agricultural trade preserved through trade agreement negotiation, monitoring, and enforcement. (Non-SPS activities ($ millions))	$800	$14 [1/]	$670 [2/]	$484 [3/]	$900	$1,000

1/ USDA did not reach its performance goal of preserving $900 million because of the failure of Costa Rica and the Dominican Republic to ratify and implement the CAFTA agreement and because of delays in finalization of the Peru and Colombia FTA agreements.

2/ USDA did not reach its performance goal of preserving $900 million largely because not all successfully negotiated FTAs have been implemented.

3/ USDA did not reach its performance goal of preserving $900 million largely because not all successfully negotiated FTAs have been implemented.

Goal 2: Expand the global agricultural trading system:

Key Outcome: Improved ability in developing countries to sustain economic growth and benefit from international trade.

Key Performance Measures:

- Long-Term Net Default Rate for the CCC Export Credit Guarantee Programs.

  To establish the 2005 baseline, FAS conducted a portfolio analysis of a 23-year history of claims on a cash basis. The portfolio analysis and resulting default experience since the 1992 advent of the Credit Reform Act was used in setting the warning factor of +/-1.5%. If the measure exceeds the +/-1.5 percent rate, it is highly probable the program will not be able to demonstrate sustainability for successive 10 year periods.

  The target value of NTE +/- 1.5 percent is set as an indicator to prompt management intervention toward achieving a long-term (i.e., 10-year) breakeven goal of zero, meaning neither a profit nor loss in program operation. The goal is derived from the Organization for Economic Cooperation and Development's (OECD) Consensus Arrangement for Capital Goods, The Berne Union and the WTO Agreement on Subsidies and Countervailing Measures. Although the sustainability measure has yet to be adopted for programs applicable to agricultural export credits in the WTO negotiations, it has long been used for other credit programs.

If the actual measure exceeds +/- 1.5% in any given year corrective action is needed to adjust the outcome, (e.g., the raising or lowering of fees, the acceptance or rejection of higher risk countries, or the increase or decrease of coverage offered by the guarantee or a combination of all.)

- Food Aid Targeting Effectiveness Ratio (FATER)
- Number of women and children assisted under the McGovern-Dole International Food for Education and Child Nutrition Program
- Number of countries that make substantive improvements in national trade policy and regulatory frameworks that increase market access

Key Performance Target:

PART Performance Measure	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Target**	**2010 Target**
-- Long-Term Net Default Rate – CCC Export Credit Guarantee Program	-0.47%	-0.36%	-0.79%	-0.22%	NTE +/- 1.5%	NTE +/- 1.5%
-- Food Aid Targeting Effectiveness Ratio	30-35%	30-35%	38%	56.9%	36%	37%
Performance Measure #2	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Target**	**2010 Target**
a. No. of women and children assisted under McGovern-Dole (millions)	3.4	3.3	3.2	3.0	4.2	4.6
b. Substantive improvements in national trade policy and regulatory frameworks that increase market access in recipient countries	N/A	6 countries	13 countries	9 countries	8 countries	8 countries

Goal 3: Reduce technical trade barriers and restrictive SPS measures.

Key Outcome: An improved global SPS system for facilitating agricultural trade.

Key Performance Measures:

- Value of trade preserved annually through USDA staff intervention leading to resolutions of barriers created by SPS or technical barriers to trade measures.

Key Performance Target:

Performance Measure #3	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Target**	**2010 Target**
-- Value of trade preserved through USDA staff intervention leading to resolutions of barriers created by SPS or TBT measures. (billions)	$2.0	$2.6	$2.5	$7.3	$2.0	$2.0

FOREIGN AGRICULTURAL SERVICE

Full Cost by Agency Strategic Goal

Agency Goal 1: Create a level playing field for U.S. Agricultural Trade

PROGRAM	PROGRAM ITEMS	2008 AMOUNT ($000)	2009 AMOUNT ($000)	2010 AMOUNT ($000)
Market Access				
	DISCRETIONARY PROGRAM			
	Salaries and Expenses:			
	Direct Costs	37,277	39,184	43,186
	Indirect Costs	18,360	19,299	21,270
	Subtotal	55,637	58,483	64,456
	FTE's	307	321	321
	Performance Measures:			
	--Dollar value of agricultural trade preserved through trade agreement negotiation, monitoring and enforcement (Non-Sanitary and Phytosanitary (SPS)).	$484,000	$900,000	$1,000,000

Agency Goal 2: Expand the Global Agricultural Trading System

PROGRAM	PROGRAM ITEMS	2008 AMOUNT ($000)	2009 AMOUNT ($000)	2010 AMOUNT ($000)
Trade Development				
	DISCRETIONARY PROGRAM			
	Salaries and Expenses:			
	Direct Costs	43,684	44,570	47,657
	Indirect Costs	8,947	9,129	9,761
	Subtotal	52,631	53,699	57,418
	MANDATORY PROGRAM			
	Market Access Program	200,000	200,000	160,000
	Dairy Export Incentive Program	0	100,000	25,000
	Foreign Market Development Program	34,500	34,500	34,500
	Emerging Markets Program	10,000	10,000	10,000
	Technical Assistance for Specialty Crops Program	3,874	7,000	8,000
	Quality Samples Program	1,471	2,500	2,500
	Export Credit Guarantee Programs	3,114,690	5,470,000	5,500,000
	Trade Adjustment Assistance for Farmers	0	90,000	22,500
	Subtotal	3,364,535	5,914,000	5,762,500
	Total Costs	3,417,166	5,967,699	5,819,918
	FTE's	121	127	129
	Performance Measure:			
	--Long-Term Net Default Rate	0.22%	NTE +/- 1.5%	NTE +/- 1.5%
	--Export Multiplier Ratio [a/]	130	132	132

[a/] Export Multiplier Ratio -Total exports for targeted markets divided by expenditures of market development programs, FAS administrative costs, and industry contributions.

FOREIGN AGRICULTURAL SERVICE

Full Cost by Department Strategic Objective

Agency Goal 2: Expand the Global Agricultural Trading System

PROGRAM	PROGRAM ITEMS	2008 AMOUNT ($000)	2009 AMOUNT ($000)	2010 AMOUNT ($000)
Trade Related Technical Assistance				
	DISCRETIONARY PROGRAM			
	Salaries and Expenses:			
	Direct Costs	$25,845	$26,732	$28,590
	Indirect Costs	5,294	5,475	5,856
	Subtotal	31,139	32,207	34,446
	Program:			
	McGovern-Dole International Food for Education and Child Nutrition Program	99,300	100,000	199,500
	Total, Discretionary Costs	130,439	132,207	233,946
	MANDATORY PROGRAM			
	Food for Progress (CCC-Funded)	155,300	206,300	145,900
	McGovern-Dole (CCC-Funded)	0	84,000	0
	Total, Mandatory Program Costs	155,300	290,300	145,900
	Total, Discretionary and Mandatory Costs	285,739	422,507	379,846
	FTE's	114	119	119
	Performance Measures:			
	McGovern Dole:			
	--Number of mothers, infants, and school children receiving daily meals and take-home rations (millions)	3.0	4.2	4.6
	--Food Aid Targeting Effectiveness Ratio	56.9%	36%	37%
	--Number of countries in which substantive improvements have been made in national trade policy and regulatory frameworks that increase market access.	9 countries	8 countries	8 countries

Agency Goal 3: Reduce Technical Trade Barriers and Restrictive SPS Measures

PROGRAM	PROGRAM ITEMS	2008 AMOUNT ($000)	2009 AMOUNT ($000)	2010 AMOUNT ($000)
SPS Issues Resolution				
	DISCRETIONARY PROGRAM			
	Salaries and Expenses:			
	Direct Costs	$16,250	$17,702	$20,748
	Indirect Costs	7,647	8,330	9,764
	Subtotal	23,897	26,032	30,512
	FTE's	231	242	242
	Performance Measure:			
	--Value of U.S. agricultural trade expended and maintained annually	7,300,000	2,000,000	2,000,000

PUBLIC LAW 480

PURPOSE STATEMENT

Under programs authorized by the Food for Peace Act (P. L. 480), as amended, U.S. agricultural commodities are exported to developing countries as food assistance. No commodities may be made available except upon determination that adequate storage facilities are available in the recipient country at the time of exportation to prevent spoilage or waste and that the distribution will not be a substantial disincentive to the recipient country's domestic production. In carrying out this program, emphasis is placed on assistance to those countries that are determined to help themselves by improving their agricultural production and economic development.

No agreements may be made with the government of any country which engages in a consistent pattern of gross violations of internationally recognized human rights or other flagrant denial of the right to life, liberty, and personal security unless the use of the commodities themselves or proceeds from their sale is targeted to the neediest people of that country and is made available through channels other than the government.

Facilities and funds of the Commodity Credit Corporation (CCC) are, by law, used in carrying out programs for exporting agricultural commodities. The law also authorizes making appropriations to cover costs of such programs. When funds for Title I ocean freight differential and Title II become available, advances are made to the Corporation for estimated costs. If the amounts appropriated are greater than actual costs, the excess is carried forward for use in future years.

The following activities are carried out under P.L. 480, as amended:

1. P.L. 480 Title I- Financing sales of agricultural commodities to developing countries or private entities for dollars on credit terms, or for local currencies (including for local currencies on credit terms) for use under section 104; and for furnishing commodities to carry out the Food for Progress Act of 1985, as amended.

All sales of commodities are made pursuant to agreements concluded under Title I authority, using funds appropriated for P.L. 480. Title I agreements are intended to encourage economic development in recipient countries.

P.L. 480 Title I sales are made to developing countries as defined in section 402(5) of P.L. 480 and must not displace expected commercial sales (sections 403(e) and (h)). Agreements with private entities as well as foreign governments are authorized (sections 101-102).

Repayments for agricultural commodities sold under Title I, with interest at a concessional rate as determined by the Secretary, may be made either in U.S. dollars or in local currencies on credit terms up to 30 years, with a grace period of up to five years. Interest is charged from the date of last delivery in each calendar year. Payments received under fiscal year 1992 and subsequent agreements are deposited in a financing account for use by the U.S. Treasury to offset U.S. Government outlays.

Under the Food for Progress Act of 1985, CCC may provide agricultural commodities on a grant basis or may finance the sale and exportation of agricultural commodities on credit terms to support developing countries and countries that are emerging democracies and have made commitments to introduce or expand free enterprise elements in their agricultural economies. For commodities furnished on a grant basis, the Corporation may pay, in addition to acquisition costs and ocean transportation, such related commodity and delivery charges as specified for commodities supplied under Title II.

For most sales agreements under Title I, CCC will pay ocean freight charges only to the extent of the difference between U.S.-flag rates and foreign-flag rates when U.S.-flag vessels are required to be used by authority of the Merchant Marine Act. This difference in rates is known as the ocean freight differential. In limited cases, full transportation costs to port of entry or point of entry abroad may be included with the cost of the commodity in the amount financed by CCC to ensure that U.S. food aid will reach the neediest recipients.

Section 411 of P.L. 480 authorizes the President to waive payments of principal and interest under dollar credit sales agreements for countries which are least developed and either (1) have an International Monetary Fund standby agreement or a structural adjustment program of the International Bank for Reconstruction and Development in effect; or (2) do not have an agreement in effect but are pursuing a policy to promote democratic, market-oriented and long-term economic development. If such authority is used to waive payments, no new Title I assistance may be provided for that country for two years following the date of the authorized waiver unless the President provides prior written justification to the Congress.

2. P.L. 480 Title II- Commodities supplied in connection with dispositions abroad. Commodities are supplied without cost to developing countries to combat malnutrition, to foster sustainable development, to meet famine and other emergency requirements, to promote sound environmental practices and to support donation activities of The World Food Program. CCC pays ocean freight on shipments under this title and may also pay overland transportation costs to a landlocked country, as well as internal storage and distribution costs in emergency situations.

Commodities requested may be furnished from the Corporation's inventory acquired under price support programs or purchased from private stocks. Commodities furnished from the Corporation's inventory which are acquired under a domestic price support program are valued at a price not greater than the export market price at the time of delivery for purposes of determining the reimbursement due the Corporation.

Title II is administered by the U.S. Agency for International Development (USAID). Local commodity distribution is usually made by nonprofit voluntary agencies, including foreign voluntary agencies when no United States agency is available, as well as by the World Food Program of the United Nations. Funding for administrative, management and personnel support and internal transportation and distribution costs of sponsoring agencies are authorized to be between 7.5 and 13 percent of the annual Title II program level.

3. Technical assistance to developing countries, middle-income countries, and emerging markets to increase farm production and farmer incomes (Farmer-to-Farmer). The Farmer-to-Farmer program, authorized by Title V of P.L. 480, provides farmer-to-farmer assistance between the United States and eligible countries. This assistance is intended to increase food production and distribution, and improve the effectiveness of farming and marketing operations of farmers.

Administered by USAID, the program utilizes U.S. farmers, agriculturalists, land grant universities, private agribusinesses, and nonprofit farm organizations to work in conjunction with farmers and farm organizations in eligible countries, on a voluntary basis, to facilitate the improvement of farm and agribusiness operations and agricultural systems in such countries.

Not less than the greater of $10 million or 0.5 percent of the amounts made available for P.L. 480 shall be used to fund the Farmer-to-Farmer program.. Funds available for this program may be augmented through the use of local currencies accrued from the sale of agricultural commodities under P.L. 480 and from local currencies generated from other types of foreign assistance activities within the country where the program is being conducted.

Public Law 480
Available Funds

2008 Actual and Estimated 2009 and 2010

Item	Actual 2008 Amount	Estimated 2009 Amount	Estimated 2010 Amount
Title I Program Account:			
Appropriation	$2,680,000	0	0
Rescission	-18,760	0	0
Farmer to Farmer transfer	0	0	0
Unobligated balance carried forward start of year	11,774,000	$47,000,000	$31,000,000
Recoveries	51,000,000		
Transfer from Title I OFD Account	10,000,000	14,000,000	0
Unobligated balance carried forward end of year	-47,000,000	-31,000,000	-24,000,000
Total Title I Subsidy and Grants	18,435,240	30,000,000	7,000,000
Administrative Expenses	2,680,000	2,736,000	2,812,000
Total Title I Administrative Expenses	2,680,000	2,736,000	2,812,000
Title I Ocean Freight Differential Grants:			
Unobligated balance carried forward start of year	20,000,000	19,000,000	0
Transfer to Title I Program Account	-10,000,000	-14,000,000	0
Unobligated balance carried forward end of year	-19,000,000	0	0
Recoveries	4,000,000		
Maritime Administration Reimbursements	6,494,145	0	0
Total Title I Ocean Freight Differential	1,494,145	5,000,000	0
Total Title I	22,609,385	37,736,000	9,812,000
Title II Grants:			
Appropriation	2,069,400,000	1,225,900,000	1,690,000,000
Supplemental Appropriations Act, 2008		395,000,000	
Rescission	-9,000,000	0	0
Unobligated Balance carried forward start of year	270,000,000	356,000,000	173,000,000
Transfer from Others	183,000,000	0	
Farmer to Farmer transfer	0	0	0
Unobligated Balance carried forward end of year	-172,883,550	-173,000,000	-173,000,000
Recoveries	32,000,000	0	0
Maritime Administration Reimbursements	79,600,000	94,000,000	100,000,000
Total Title II Grants	2,452,116,450	1,897,900,000	1,790,000,000
Total P.L. 480	2,474,725,835	1,935,636,000	1,799,812,000

PUBLIC LAW 480

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

Public Law 480 Title I Direct Credit and Food for Progress Program Account

(Including Transfers of Funds)

For administrative expenses to carry out the credit program of title I, Public Law 83-480 and the Food
1 for Progress Act of 1985, [$2,736,000] $2,812,000, [to] shall be [transferred] paid to [and merged with]
the appropriation for "Farm Service Agency, Salaries and Expenses": Provided, That funds made
2 available for the cost of agreements under title I of the Agricultural Trade Development and Assistance
Act of 1954 and for title I ocean freight differential may be used interchangeably between the two
accounts with prior notice to the Committees on Appropriations of both Houses of Congress.

Public Law 480 Title II Grants

For expenses during the current fiscal year, not otherwise recoverable, and unrecovered prior years'
costs, including interest thereon, under the Food for Peace Act (Pub. L. No. 83-480, as amended), for
commodities supplied in connection with dispositions abroad under title II of said Act, including up to
3 $6,500,000 for costs for services provided by the Farm Service Agency, which shall be available in
addition to other funds available for such purpose, [$1,225,900,000] $1,690,000,000, to remain
available until expended.

4 [For an additional amount for "Public Law 489 Title II Grants", $395,000,000, to become available on October 1, 2008, and to remain available until expended.]

The first change clarifies the appropriations language for the reimbursement of the Farm Service Agency Salaries and Expenses account for work to carry out the direct credit program of P.L. 480 Title I and the Food for Progress Act.

The second change adds language related to the transfer of funds between P.L. 480 Title I accounts with prior notice to Congressional Committees. The same provision was included in the Foreign Agricultural Service Salaries and Expenses account for FY 2009.

The third change allows the Title II program to reimburse the Farm Service Agency for certain of the agency's costs in providing services related to the Title II program such as commodity procurement, budget and financial management.

The fourth change is language not required as it pertains to a FY 2008 supplemental.

PUBLIC LAW 480

Title I Program and OFD Account

Appropriation Act, 2009	$2,736,000
Budget Estimate, 2010	2,812,000
Increase in Appropriation	+76,000

Title II Grants

Appropriation Act, 2009 a/	$1,225,900,000
Budget Estimate, 2010	1,690,000,000
Increase in Appropriation	+464,100,000

Total PL 480

Appropriation Act, 2009	$1,228,636,000
Budget Estimate, 2010	1,692,812,000
Increase in Appropriation	+464,176,000

a/ Excludes $395,000,000 provided by P.L. 110-252 Supplemental Appropriations Act, 2008, and $300,000,000 supplemental proposed on April 9, 2009.

Summary of Increases and Decreases
(On basis of appropriation)

Item of Change	2009 Estimated	Pay Costs	Program Changes	2010 Estimated
Title I Administrative Expense	$2,736,000	$76,000	0	$2,812,000
Title II Grants	1,225,900,000	0	$464,100,000	1,690,000,000
Total Available	1,228,636,000	76,000	464,100,000	1,692,812,000

PUBLIC LAW 480

Project Statement by Program
(On basis of appropriation)

	2008 Actual Amount	2009 Estimated Amount	Increase or Decrease		2010 Estimated Amount
PL 480 Title II Donations	$2,069,400,000	$1,225,900,000	+$464,100,000	(1)	$1,690,000,000
Administrative Expenses	2,680,000	2,736,000	+76,000	(2)	2,812,000
Total Available or Estimate	2,072,080,000	1,228,636,000	+464,176,000		1,692,812,000
Rescission	-9,000,000				
Total Appropriation	2,063,080,000				

Project Statement by Program
(On basis of available funds)

	2008 Actual Amount		2009 Estimated Amount	Increase or Decrease	2010 Estimated Amount
Title I Food for Progress	$18,435,240		$30,000,000	-$23,000,000	$7,000,000
Title I Credit Subsidy/Food for Progress Grants	18,435,240		30,000,000	-23,000,000	7,000,000
PL 480 Title I Ocean Freight Differential	1,494,145	a/	0	0	0
Title I Administrative Expenses					
FSA	3,207,000		2,736,000	+76,000	2,812,000
FAS	166,000		0	0	0
Total Title I Administrative Expenses	3,373,000		2,736,000	+76,000	2,812,000
Total Title I	23,302,385		32,736,000	-22,924,000	9,812,000
PL 480 Title II Donations	2,452,116,450	a/	1,897,900,000	-107,900,000	1,790,000,000
Total	2,475,418,835		1,930,636,000	-130,824,000	1,799,812,000

a/ Includes MARAD reimbursements, and recoveries of prior year obligations.

Justification of Increases and Decreases

(1) An increase of $464,100,000 for Title II ($1,225,900,000 available in FY 2009).
The increased funding will address unprecedented increases in food asssistance needs throughout the world and reduce reliance on future emergency supplemental funding. It will enhance U.S. efforts to respond to overseas hunger and nutritutional needs, as well as improve world food security.

(2) An increase of $76,000 for Title I ($2,736,000 available in FY 2009).
This increase is needed for pay and benefits cost increases.

PUBLIC LAW 480

Classification by Objects
2008 Actual and Estimated 2009 and 2010

Object Class		2008	2009	2010
Title I				
25.3	Purchases of goods and services	$2,680,000	$2,736,000	$2,812,000
41.0	Grants, subsidies and contributions	19,929,385	30,000,000	7,000,000
	Total Title I	22,609,385	32,736,000	9,812,000
Title II				
41.0	Grants, subsidies and contributions	2,452,116,450	1,897,900,000	1,790,000,000
	Total Direct Obligations	2,474,725,835	1,930,636,000	1,799,812,000

COMMODITY CREDIT CORPORATION

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

<u>Commodity Credit Corporation Export Loans Program Account (Including Transfers of Funds)</u>

For administrative expenses to carry out the Commodity Credit Corporation's export guarantee program, GSM 102 and GSM 103, [$5,333,000] <u>$6,820,000</u>; to cover common overhead expenses as permitted by section 11 of the Commodity Credit Corporation Charter Act and in conformity with the Federal Credit Reform Act of 1990, of which [$4,985,000] $6,465,000 shall be [transferred] <u>paid</u> to [and merged with] the appropriation for ``Foreign Agricultural Service, Salaries and Expenses'', and of which [$348,000] <u>$355,000</u> shall be [transferred] <u>paid</u> to [and merged with] the appropriation for ``Farm Service Agency, Salaries and Expenses''.

<u>This change</u> clarifies the appropriation language for the reimbursement of the Foreign Agricultural Service and Farm Service Agency Salaries and Expenses accounts for work to administer the Commodity Credit Corporation Export Credit Guarantee Programs.

COMMODITY CREDIT CORPORATION
CCC EXPORT CREDIT GUARANTEE PROGRAMS

	Guaranteed Loan Level	Subsidy	Administrative Expenses
Appropriations Act, 2009	$5,470,000,000	$40,000,000	$5,333,000
Budget Estimate 2010	5,500,000,000	11,130,000	6,820,000
Change in Appropriation	30,000,000	-28,870,000	1,487,000

Summary of Increases and Decreases
(On basis of appropriation)

Item of Change	2009 Estimated	Pay Costs	Program Changes	2010 Estimated
Subsidy Costs				
GSM-102	$37,172,000	0	-$37,172,000	0
Facilities Guarantees	2,828,000	0	8,302,000	$11,130,000
Total Subsidy Costs	40,000,000	0	-28,870,000	11,130,000
Administrative Expenses:				
FSA	348,000	$7,000	0	355,000
FAS	4,985,000	0	1,480,000	6,465,000
Total Administrative Expenses	5,333,000	7,000	1,480,000	6,820,000
Total Available	45,333,000	7,000	-27,390,000	17,950,000

COMMODITY CREDIT CORPORATION
CCC EXPORT CREDIT GUARANTEE PROGRAMS
Project Statement
(On basis of appropriation)

	2008 Actual	2009 Estimated	Increase or Decrease		2010 Estimated
Guaranteed Credit Level					
GSM-102	$2,854,000,000	$5,400,000,000	0		$5,400,000,000
Facilities	0	70,000,000	$30,000,000		100,000,000
Total Guaranteed Credit Level	2,854,000,000	5,470,000,000	30,000,000		5,500,000,000
Subsidy					
GSM-102	87,000,000	37,172,000	-37,172,000		0
Facilities	0	2,828,000	+8,302,000		11,130,000
Total Guaranteed Subsidy Cost	87,000,000	40,000,000	-28,870,000	(1)	11,130,000
Administrative Expenses	5,328,000	5,333,000	+1,487,000	(2)	6,820,000
Total Available or Estimate	92,328,000	45,333,000	-27,383,000		17,950,000
Rescission	-37,000				
Total, Appropriation	92,291,000				

Justification of Increases and Decreases

(1) A decrease of $28,870,000 in estimated subsidy ($40,000,000 available in 2009).

The decrease in subsidy level in 2010 is due to adjustments in the assumptions for recovery and default rates used in the subsidy calculation model, based on an in-depth review of past program performance. Use of government-wide assumptions about defaults and recoveries has been replaced by these program specific assumptions

(2) An increase of $1,487,000 in administrative expenses ($5,333,000 available in 2009).

The requested amount includes an increase of $1,480,000 for FAS to provide resources necessary to ensure proper administration of the program. Because of tight international credit markets, demand for CCC export credit guarantees has increased dramatically. Sales registrations for GSM-102 guranatees increased from $1.4 billion in 2007 to $3.1 billion in 2008. Sales registrations in 2009 and 2010 are expected to reach $5.5 billion. Funding for the administrative costs of carrying out the program has not grown commensurate with the increased workload resulting from significantly higher programming levels. The requested funding will support two additional staff years, plus contracted services for recording sales registrations, program services, and claims and recovery activities and will help mitigate risks and vulnerabilities associated with the program. The requested amount also includes $7,000 for FSA to cover pay costs.

COMMODITY CREDIT CORPORATION
CCC EXPORT CREDIT GUARANTEE PROGRAMS
Project Statement
(On basis of available funds)

	2008 Actual	2009 Estimated	Increase or Decrease	2010 Estimated
Guaranteed Credit Level				
GSM-102	$2,854,000,000	$5,400,000,000	0	$5,400,000,000
Facilities	0	70,000,000	$30,000,000	100,000,000
Total Guaranteed Credit Level	2,854,000,000	5,470,000,000	30,000,000	5,500,000,000
Subsidy				
GSM-102	87,000,000	136,909,004	-136,909,004	0
Facilities	0	2,828,000	+8,302,000	11,130,000
Total Guaranteed Subsidy Cost	87,000,000	139,737,004	-128,607,004	11,130,000
Administrative Expenses	5,328,000	5,333,000	+1,487,000	6,820,000
Total Available or Estimate	92,328,000	145,070,004	-127,120,004	17,950,000
Rescission	-37,000			
Total, Appropriation	92,291,000			

COMMODITY CREDIT CORPORATION
CCC EXPORT CREDIT GUARANTEE PROGRAMS

Classification by Objects
2008 Actual and Estimated 2009 and 2010

		2008	2009	2010
25.3	Purchase of goods and services from Government accounts	$5,291,000	$5,333,000	$6,820,000
41.0	Grants, subsidies, and contributions	87,000,000	40,000,000	11,130,000
99.0	Total direct obligations	92,291,000	45,333,000	17,950,000

FOREIGN AGRICULTURAL SERVICE

McGovern-Dole International Food for Education and Child Nutrition Program Grants
Purpose Statement

Section 3107 of the Farm Security and Rural Investment Act of 2002 (Public Law 107-171), as amended, authorizes the Secretary to provide U.S. agricultural commodities and financial and technical assistance for (a) preschool and school food for education programs in foreign countries to improve food security, reduce hunger, and improve literacy and (b) for maternal, infant and child nutrition programs for pregnant women, nursing mothers, and infants and children. The statute authorizes appropriations for each of fiscal years 2008 through 2012. It also authorizes the Food and Nutrition Service to provide technical advice on the establishment of programs and on implementation of the programs in the field in recipient countries.

Available Funds
2008 Actual and Estimated 2009 and 2010

Item	Actual 2008 Amount	Estimated 2009 Amount	Estimated 2010 Amount
McGovern-Dole Program	$100,000,000	$100,000,000	$199,500,000
Rescission	700,000	0	0
Total Available or Estimate, McGovern-Dole Program	99,300,000	100,000,000	199,500,000
Obligations under other USDA appropriations:			
Commodity Credit Corporation	0	84,000,000	0
Other Federal Funds:			
Maritime Administration (MARAD)	9,736,220	6,073,235	6,000,000
Total, McGovern-Dole Program	109,036,220	190,073,235	205,500,000

Foreign Agricultural Service

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

McGovern-Dole International Food For Education
and Child Nutrition Program Grants

For necessary expenses to carry out the provisions of section 3107 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 1736o-1), [$100,000,000] <u>$199,500,000</u>, to remain available until expended: Provided, That the Commodity Credit Corporation is authorized to provide the services, facilities, and authorities for the purpose of implementing such section, subject to reimbursement from amounts provided herein.

FOREIGN AGRICULTURAL SERVICE

McGovern-Dole International Food for Education
and Child Nutrition Program Grants

Appropriations Act, 2009	$100,000,000
Budget Estimate, 2010	199,500,000
Increase in Appropriations	99,500,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	**2009 Estimated**	**Program Changes**	**2010 Estimated**
McGovern-Dole Program	$100,000,000	$99,500,000	$199,500,000

Project Statement
(On basis of appropriation)

2008 Actual and Estimated 2009 and 2010

	2008 Actual	2009 Estimated	Increase	2010 Estimated
McGovern-Dole Program	$99,300,000	$100,000,000	$99,500,000	$199,500,000
Total, Available or Estimate	99,300,000	100,000,000	99,500,000	199,500,000
Rescission	700,000			
Total Appropriation	100,000,000			

Classification by Objects
2008 Actual and Estimated 2009 and 2010

Other Objects:	2008	2009	2010
41 Grants	$99,300,000	$100,000,000	$199,500,000

Geographic Breakdown of Obligations
2008 Actual and Estimated 2009 and 2010

	2008 Amount	2009 Amount	2010 Amount
District of Columbia	$99,300,000	$100,000,000	$199,500,000