

2012 Explanatory Notes  
Foreign Agricultural Service

Table of Contents

	<u>Page</u>
Purpose Statement .....	31-1
Statement of Available Funds and Staff Years .....	31-4
Permanent Positions by Grade and Staff Years .....	31-5
Motor Vehicle Fleet Data .....	31-6
Salaries and Expenses:	
Appropriations Language .....	31-7
Lead-off Tabular Statement.....	31-8
Project Statement .....	31-8
Justifications.....	31-9
Geographic Breakdown of Obligations and Staff Years .....	31-15
Classification by Objects.....	31-16
Recovery Act.....	31-17
Status of Program.....	31-g-1
Summary of Budget and Performance	
Statement of Goals and Objectives.....	31-20
Key Performance Outcomes and Measures.....	31-31
Full Cost by Strategic Objective .....	31-34

Public Law 480

Purpose Statement .....	31-36
Statement of Available Funds and Staff Years .....	31-38
Appropriations Language .....	31-39
Lead-off Tabular Statement.....	31-40
Project Statement and Justifications .....	31-41
Classification by Objects.....	31-42

Commodity Credit Corporation Export Loans Program Account

Appropriation Language.....	31-43
Lead-off Tabular Statement.....	31-44
Project Statement and Justifications .....	31-45
Classification by Objects.....	31-46

McGovern-Dole International Food for Education and Child Nutrition Grants

Appropriations Language .....	31-47
Lead-off Tabular Statement.....	31-47
Project Statement.....	31-47
Classification by Objects.....	31-48
Geographic Breakdown of Obligations and Staff Years.....	31-48

FOREIGN AGRICULTURAL SERVICE  
PURPOSE STATEMENT

The Foreign Agricultural Service's (FAS) mission is linking U.S. agriculture to the world to enhance export opportunities and global food security. FAS helps to provide outlets for the wide variety of agriculture products produced by U.S. farmers, thereby enhancing economic activity for U.S. workers. FAS serves U.S. agriculture's interests by expanding and maintaining international export opportunities, supporting international economic development and trade and science capacity building, and supporting climate change analysis and U.S. agricultural interests in international negotiations. The outcomes envisioned are exports that help U.S. agriculture prosper; the expansion of U.S. exports of organics and crops produced using new technologies; food that is globally available, accessible, and appropriately used; and climate change provisions in international agreements that benefit U.S. agriculture. In addition to its Washington-based staff, the agency maintains a network of overseas offices that serve as first responders in cases of market disruption. The overseas offices also provide the Department with critical market and policy intelligence, and they represent U.S. agriculture in consultations with foreign governments.

The Foreign Agricultural Service was re-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 (DoS) 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 world agricultural trade and better address new challenges.

MCGOVERN-DOLE INTERNATIONAL FOOD FOR EDUCATION AND CHILD NUTRITION PROGRAM  
PURPOSE STATEMENT

Section 3107 of the Farm Security and Rural Investment Act of 2002 (Public Law 107-171) authorizes the President 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.

Description of Agency Activities:

**Agricultural Exports**

A substantial portion of U.S. agricultural cash receipts comes from export sales, making the vitality of rural America heavily dependent on international trade. FAS gives U.S. government policy makers, producer groups, private exporters, and producers the market intelligence they need to develop successful market strategies. Commodity analysts and country experts in Washington and around the world provide timely analysis of global trends, which enable policy makers and private exporters to respond promptly to changes in the international market. FAS' unique relationship with U.S. producer groups, known as cooperators, allows U.S. agriculture to nimbly respond to such changes. FAS also works to gain, maintain, and expand access to foreign markets in the face of unfair trade barriers. Removing existing barriers, while ensuring new ones are not introduced, directly helps rural America thrive and also benefits allied sectors such as storage, transportation and insurance that may be located anywhere in the country. U.S. farm exports benefit from a wide range of programs and services administered by FAS. FAS also facilitates development and access to markets through technical assistance and capacity building programs, which promote the development of trade-friendly regulatory systems and infrastructure in emerging markets. The FAS programs that contribute to agricultural exports include: Market Access Program (MAP), Foreign Market Development (FMD) Program, Technical Assistance for Specialty Crops (TASC) Program, Emerging Markets Program (EMP), Quality Samples Program, and Export Credit Guarantee Program.

### New Technologies

FAS promotes the acceptance of crops produced using biotechnology and other new technologies and organic standards around the world by drawing on headquarters staff and Attachés covering more than 150 countries who negotiate with foreign governments and work with international organizations to develop fair, transparent international standards that will support the use of these technologies. In FY 2010, approximately 86 percent of the corn, 93 percent of the cotton, and 93 percent of the soybeans planted in the United States were biotech varieties. An estimated 60-80 percent of U.S. processed food products contain biotech ingredients and could be negatively affected by restrictive labeling measures, testing requirements, or outright bans. Exports of these crops and other foods produced or processed using modern biotechnology form the core of U.S. agricultural exports that totaled \$108.7 billion in FY 2010. Additionally, FAS works with developing countries to expand their capacity to effectively regulate and commercialize crops produced using new technologies. Finally, FAS advances educational programs to introduce government officials and other opinion leaders to the benefits of new technologies, alongside the DoS and private industry. FAS programs that contribute to new technologies include the Market Access Program, Foreign Market Development Program, Emerging Markets Program, Borlaug Fellowship Program, and Cochran Fellowship Program.

### Food Security

FAS is the link that enables the United States to share both its food resources and its technical expertise with those in need. The FAS global network of agricultural Attachés and locally engaged staff (LES) provide first-hand information on foreign agricultural markets, crop conditions, political dynamics, an institutional knowledge of host countries, and long-term relationships with foreign stakeholders. FAS has significant experience administering aid, technical assistance, capacity building programs, and exchanges that build in-country productivity. FAS also manages USDA's component of the Civilian Response Corps and the deployment of USDA experts abroad to assist in developing competitive food systems in countries which are of high priority for meeting U.S. national security and food security objectives. The programs that support food security include the: McGovern-Dole International Food for Education and Child Nutrition Program, Food for Progress, Borlaug Fellowship Program, Cochran Fellowship Program, Technical Assistance and Capacity-Building, Civilian Response Corps, and agricultural reconstruction and stabilization activities. These capabilities complement USAID capabilities and the overall policy lead of the DoS.

### Climate Change

Careful monitoring and analysis of international climate change policies, legislation, and activities ensures that U.S. agriculture receives the full benefit of international agreements and trade rules. FAS provides a global monitoring system for U.S. agricultural trade through its overseas offices. Agricultural Counselors, Attachés, and Officers covering over 150 countries are often the first to hear about issues of concern to U.S. agricultural interests.

Headquarters of the Foreign Agricultural 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 99 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, 2010, FAS had 733 permanent full-time employees, including 545 in headquarters and 188 in field locations.

**Foreign Agricultural Service  
USDA Office of Inspector General and U.S. Government Accountability Office Audit Activity  
Fiscal Year 2010**

<b>GAO Audits</b>	<b>Status/Date</b>	<b>Subject</b>
320719	Audit Ongoing September 24, 2009	Export Promotion Resources
GAO-10-352	Report Issued March 11, 2010	Global Food Security: U.S. Agencies Progressing on Government-Wide Strategy, but Approach Faces Several Vulnerabilities
320760	Audit Began April 23, 2010	Improving Nutrition and Quality Control of U.S. Food Aid

<b>GAO Audits</b>	<b>Status/Date</b>	<b>Subject</b>
320766	Audit Began May 18, 2010	U.S. Civilian Surge in Afghanistan
320775	Audit Began May 25, 2010	McGovern-Dole International Food for Education and Child Nutrition Program
320786	Audit Began August 4, 2010	Monetization of U.S. Food Assistance
320802	Audit Began September 22, 2010	Embassy Services Cost Sharing
20794	Audit Began September 24, 2010	U.S. Accountability of U.S. Direct Funding Provided to Afghanistan

\*No OIG audits were started, ongoing, or reported in FY 2010.

## FOREIGN AGRICULTURAL SERVICE

Available Funds and Staff Years  
2010 Actual and Estimated 2011 and 2012

Item	Actual 2010		Estimated 2011		Estimated 2012	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries and Expenses.....	180,177,763	672	180,367,000	786	229,730,000	786
CCC Export Loans Program Account.....	5,057,600	30	6,465,000	33	6,465,000	33
Lapsing balances.....	1,596,637	--	--	--	--	--
Subtotal, Salaries and Expenses.....	186,832,000	702	186,832,000	819	236,195,000	819
McGovern-Dole Program.....	209,500,000	--	209,500,000	--	200,500,000	--
Maritime Administration (MARAD).....	9,000,000	--	9,500,000	--	9,500,000	--
Subtotal, McGovern-Dole & MARAD.....	218,500,000	--	219,000,000	--	210,000,000	--
Total, FAS Appropriations.....	405,332,000	702	405,832,000	819	446,195,000	819
<u>Obligations under other USDA appropriations:</u>						
Commodity Credit Corporation for:						
Market Access Program Admin. Costs.....	2,115,000	3	2,147,000	3	2,147,000 <sup>a/</sup>	3
Technical Assistance for Specialty Crops						
Program Admin. Costs.....	279,583	1	381,000	1	381,000 <sup>a/</sup>	1
Emerging Markets Program Admin. Costs.....	577,815	2	761,000	2	761,000 <sup>a/</sup>	2
Quality Samples Program Admin. Costs.....	196,261	1	178,000	1	178,000 <sup>a/</sup>	1
Foreign Market Development Program Admin. Costs.....	318,245	1	355,000	1	355,000	1
Local and Regional Procurement Admin. Costs.....	1,012,688	2	1,573,000	2	1,550,000 <sup>a/</sup>	2
Food for Progress Admin. Costs.....	2,082,274	2	3,350,000	2	3,300,000 <sup>a/</sup>	2
Trade Adjustment Assistance Program - Admin Costs.....	348,453	1	100,000	1	--	--
McGovern Dole Program - Admin Costs.....	2,294,317	13	3,500,000	14	3,500,000	14
Landsat data and support of export programs.....	1,811,057	3	2,000,000	3	2,750,000	3
IRM Activities.....	19,090,460	--	18,000,000	--	14,200,000	--
IRM Activities (Non-CCC).....	5,000,000	--	4,000,000	--	5,000,000	--
Under Secretary Int'l Travel for Trade Matters.....	472,731	--	500,000	--	500,000	--
Emerging Markets Program.....	2,461,616	5	3,000,000	5	3,000,000	5
Support of and access to the USDA Satellite Imagery						
Library: NRCS, APHIS, ARS, RMA, NASS, FS.....	448,971	1	375,000	1	375,000	1
Capital Security Cost Share.....	3,641,866	--	3,720,000	--	3,720,000	--
Visiting Scientist Program.....	1,274,228	--	1,500,000	--	1,500,000	--
Codex.....	1,904,055	--	1,900,000	--	1,900,000	--
Miscellaneous.....	660,462	--	700,000	--	700,000	--
Office of the Secretary: Congressional Relations.....	142,000	--	142,000	--	142,000	--
Trade Negotiations and Biotechnology Fund (OSEC).....	1,181,018	8	1,200,000	8	1,200,000	8
Avian Influenza (APHIS).....	526,553	1	500,000	1	500,000	1
Agricultural Reconstruction and Stabilization (DM).....	12,690,129	--	13,000,000	--	--	--
P.L. 480 Title II.....	81,277	1	90,000	1	90,000	1
Total, Other USDA Appropriations.....	60,611,059	45	62,972,000	46	47,749,000	45
Total, Agriculture Appropriations.....	247,443,059	747	249,804,000	865	283,944,000	864
<u>Other Federal Funds:</u>						
U.S. Agency for International Development (USAID) and others for developmental assistance.....	70,625,111	217	76,900,000	41	73,000,000	67
USAID and U.S. Department of State (DoS) for Reconstruction and Stabilization Activities (2-yr funding).....	39,050,213	28	201,661,000 <sup>b/</sup>	100	36,045,000 <sup>c/</sup>	75
Total, Other Federal Funds.....	109,675,324	245	278,561,000	141	109,045,000	142
Total, Foreign Agricultural Service.....	357,118,383	992	528,365,000	1,006	392,989,000	1,006

a/ Funding to be made available based on the authority provided in the General Provisions that will extend section 103 of the American Recovery and Reinvestment Act of 2009 (Public Law 111-5).

b/ Available funds includes: \$162.16M for Afghanistan; \$20M for Pakistan; \$10M for Haiti; and \$9.5M for Iraq.

c/ Available funds include: \$31M for Afghanistan and \$5M for Iraq.

## FOREIGN AGRICULTURAL SERVICE

Permanent Positions by Grade and Staff Year Summary  
2010 Actual and Estimated 2011 and 2012

Grade	2010			2011			2012		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
Senior Executive Service	6	0	6	6	0	6	6	0	6
Senior Foreign Service	6	14	20	6	14	20	6	14	20
GS-15	67	0	67	67	0	67	67	0	67
GS-14	163	0	163	163	0	163	163	0	163
GS-13	189	1	190	189	1	190	189	1	190
GS-12	159	0	159	159	0	159	159	0	159
GS-11	15	0	15	15	0	15	15	0	15
GS-10	1	0	1	1	0	1	1	0	1
GS-9	18	0	18	18	0	18	18	0	18
GS-8	20	1	21	20	1	21	20	1	21
GS-7	23	0	23	23	0	23	23	0	23
GS-6	8	0	8	8	0	8	8	0	8
GS-5	1	0	1	1	0	1	1	0	1
Other Graded Positions.....	9	177	186	9	177	186	9	177	186
Ungraded Positions.....	--	--	--	--	--	--	--	--	--
Total Permanent Positions.....	685	193	878	685	193	878	685	193	878
Unfilled Positions end-of-year.....	140	5	145	--	--	--	--	--	--
Total, Permanent Full- Time Employment, end-of-year.....	545	188	733	a/	685	193	878	193	878
Staff Year Estimate.....	702	290	992	819	187	1,006	819	187	1,006

a/ The total permanent full-time employment does not match 113-A due to erroneous count for foreign country staff (line 5 of the 113-A).

Size, Composition and Annual Cost									
Agency:	United States Department of Agriculture Foreign Agricultural Service								
Number of Vehicles by Type									
Fiscal Year	Sedans & Station Wagons (includes minivans)	Light Trucks 4x2	Light Trucks 4x4	Medium Trucks	Heavy Trucks	Ambulances	Buses	Total Number of Vehicles	Annual Operating Costs
FY 2009	6	24	26	0	0	0	0	56	\$208,581
Change from 2009	0	0	0					0	(\$103,285)
FY 2010	6	24	26	0	0	0	0	56	\$105,296
Change from 2010	16	-15	-2					-1	\$64,499
FY 2011	22	9	24	0	0	0	0	55	\$169,795
Change from 2011	1	0	-1					0	(\$34,999)
FY 2012	23	9	23	0	0	0	0	55	\$134,796

**Notes:** FAS' mission is to link U.S. agriculture to the world to enhance export opportunities and global food security. FAS helps to provide outlets for the wide variety of agriculture products produced by U.S. farmers, thereby enhancing economic activity for U.S. workers. FAS serves U.S. agriculture's interests by expanding and maintaining international export opportunities, supporting international economic development and trade and science capacity building, and supporting climate change analysis and U.S. agricultural interest in international negotiations. FAS acquires and assigns official U.S. Government vehicles to overseas stations for the express purpose of fulfilling the official business in the performance of the FAS mission. The FAS mission requires the use of official government vehicles to provide crop assessment trips to gather agricultural data, official travel to countries within regional coverage, transportation to local government offices, travel to representational events with agribusiness organizations, transporting official visitors, and providing mail/messenger courier services. Each FAS overseas office is responsible for the daily management of its official vehicle with the ultimate oversight residing in FAS/Washington. The FAS Overseas Administrative Handbook cites guidelines governing the management of official government vehicles which requires a Vehicle Usage Log Book be maintained to record official vehicle use. FAS policy states that the criteria for replacing official vehicles are 7 years old or more than 100,000 miles. Condition of the vehicle and cost analysis of repairs and operating cost are also factors in replacement. As of the end of FY 2010, the FAS overseas fleet consisted of twenty-two (22) sedan/station wagons(minivans included), nine (9) 4x2 light SUV trucks, twenty-four (24) 4x4 light SUV trucks. The additional 4x4 SUV light truck is a carryover from Lima, Peru. Lima's old vehicle will be transferred to Quito, Ecuador. Quito's old vehicle will be disposed. In FY 2011, FAS will be replacing official vehicles for Beijing, China, Jakarta, Mexico City, San Jose, Warsaw, and Santo Domingo. FAS has opened a new office in Mumbai, for which a new vehicle will be required. Replacement armored vehicles have been ordered for Cairo, Egypt and Islamabad, Pakistan. Also, an armored vehicle is required and has been ordered for Monterrey, Mexico. Overall maintenance and operating costs continue to decline because of replacing the older vehicles in the FAS overseas vehicle fleet.

**FOREIGN AGRICULTURAL SERVICE****Proposed Language Changes**

To implement this budget, the following changes would need to be made in FAS' appropriation language (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), \$229,730,000: 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 of the amount appropriated under this heading, \$14,600,000 is for stabilization and reconstruction activities to be carried out under the authority provided by title XIV of the Food and Agriculture Act of 1977 (7 U.S.C. 3101 et seq.) and other applicable laws: Provided further, That funds made available for middle-income country training programs, funds made available for the Borlaug International Agricultural Science and Technology Fellowship program, and up to \$2,000,000 of the Foreign Agricultural Service appropriation solely for the purpose of offsetting fluctuations in international currency exchange rates, subject to documentation by the Foreign Agricultural Service, shall remain available until expended.

FOREIGN AGRICULTURAL SERVICE  
SALARIES AND EXPENSES - CURRENT LAW

Annualized 2011 Continuing Resolution.....	\$186,832,000
Budget Estimate, 2012.....	<u>236,195,000</u>
Change in Appropriations.....	+ <u>\$49,363,000</u>

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW

(On basis of appropriation)

Item of Change	2011 Estimated	Pay Costs	Program Changes	2012 Estimated
Agricultural Exports.....	\$122,672,000	0	\$28,622,000	\$151,294,000
New Technologies.....	23,406,000	0	1,725,000	25,131,000
Food Security.....	37,825,000	0	18,752,000	56,577,000
Climate Change.....	2,929,000	0	264,000	3,193,000
Total Available.....	<u>\$186,832,000</u>	<u>0</u>	<u>\$49,363,000</u>	<u>\$236,195,000</u>

Project Statement - Current Law

(On basis of appropriation)

	2010 Actual		2011 Estimated		Increases or Decreases	2012 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Agricultural Exports.....	\$121,634,000	456	\$122,672,000	533	\$28,622,000 (1)	\$151,294,000	533
New Technologies.....	23,198,000	86	23,406,000	101	1,725,000 (2)	25,131,000	101
Food Security.....	37,506,000	150	37,825,000	173	18,752,000 (3)	56,577,000	173
Climate Change.....	2,897,000	10	2,929,000	12	264,000 (4)	3,193,000	12
Subtotal Available or Estimate.....	185,235,000	702	186,832,000	819	49,363,000	236,195,000	819
Unobligated balance.....	1,597,000						
Total Available or Estimate.....	186,832,000	702	186,832,000	819	49,363,000	236,195,000	819
Credit Reform Funds Transfer from							
Export Credit Guarantee Program Administration Expense.....	-6,465,000	-30	-6,465,000	-33	0	-6,465,000	-33
Total, Appropriation.....	\$180,367,000	672	\$180,367,000	786	\$49,363,000	\$229,730,000	786

SALARIES AND EXPENSE BY FUNDING SOURCE

(dollars in thousands)

	Direct Appropriation	CCC Export Credit	Total
FY 2011 Annualized Continuing Resolution.....	\$180,367,000	\$6,465,000	\$186,832,000
FY 2012 Estimated Changes:			
National Export Initiative.....	20,000,000	0	20,000,000
Overseas Operations.....	1,629,000	0	1,629,000
ICASS.....	7,630,000	0	7,630,000
IT Security/Overseas IT Network Support.....	4,004,000	0	4,004,000
Cochran and Borlaug Fellowship Programs.....	1,500,000	0	1,500,000
Reconstruction and Stabilization Activities.....	13,600,000	0	13,600,000
Country Strategy Support for Fragile Market Economics.....	1,000,000	0	1,000,000
Total, FY 2012 Estimated.....	<u>\$229,730,000</u>	<u>\$6,465,000</u>	<u>\$236,195,000</u>

**FOREIGN AGRICULTURAL SERVICE  
JUSTIFICATION OF INCREASES AND DECREASES**

The FY 2012 S&E budget reflects a net increase of \$49,363,000 above the FY 2011 level. The following items apply to all agency budget activities:

1. An increase of \$1,629,000 to fund non-discretionary overseas operations. This increase offsets non-discretionary cost increases associated with the operation of the agency's 99 overseas offices, resulting from overseas inflation and exchange rate losses. This increase is based on the Department of State (DoS) cost growth forecasts. The base funding for this activity allows FAS's global network of agricultural Attachés and LES's to continuously provide the eyes, ears, and a voice for U.S. agriculture.
2. An increase of \$7,630,000 for the International Cooperative Administrative Support Services (ICASS) and other agreements. FAS has no administrative staff overseas. FAS therefore relies on its' base funding to maintain continuous administrative and support services provided by the 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 foreign affairs agencies at its more than 200 diplomatic and consular posts overseas. Major factors contributing to higher ICASS costs in FY 2012 are increased pay allowances for DoS staff for danger pay in high threat posts, rapidly increasing costs of operating New Embassy Compounds, growth in ICASS direct hire positions, increased compensation for locally employed staff providing ICASS services and other increased DoS personnel costs.
3. An increase of \$4,004,000 for Overseas IT Network Support and Maintenance by DoS. Strong security for FAS IT systems is essential because of the sensitivity of the information that is handled by the agency. For example, an estimated 34 percent of U.S. agricultural pricing data is derived from information and support provided by FAS. An October 2008 security analysis identified substantial risks to USDA and other U.S. Government networks resulting from FAS' international network operation and configuration operated under FAS' IT current base funding. Issues that compromise FAS' international network security include:
  - Reliance on local Internet service provider connectivity at the posts which does not provide the level of security required by federal government organizations;
  - Insufficient security measures to address present and future security risks;
  - Extensive security compromises of overseas hosts;
  - Outdated network equipment; and
  - Lack of on-site FAS IT expertise at posts.

To correct these problems, FAS is transferring all overseas IT network support and maintenance responsibilities to the DoS. Because the DoS has the knowledge, expertise, experience, and technical environment in providing a complexity of support to a vast number of users per post, they will be able to provide a secure, cost effective computing environment for FAS. DoS is responsible for maintaining security between OpenNet and FASNet and the USDA's Universal Telecommunications Network (UTN). This will allow FAS to take advantage of the secure information system infrastructure that is operated and maintained by the DoS, while providing access to critical FAS resources via a private, secure connection. At post, DoS will perform all Information Systems Security Officer (ISSO) duties and administer access to OpenNet workstations. DoS will add FAS to its Sensitive But Unclassified (SBU) network in all co-located locations and extend SBU network access to locations where FAS and DoS are not co-located. All networking components, including routers, firewalls, intrusion detection, egress filtering, other security measures as required, email, file services, managed Internet access, Blackberry support, telephone support, and required cabling will be fully supported by DoS. DoS staff will provide on-site workstation support.

\*\*\*\*\*

For brevity and clarity, a single line reference to the FY 2012 requirements discussed above is included for each budget activity on the following pro-rated basis:

FAS Goal 1:	Agricultural Exports .....	66%
	New Technologies .....	12%
	Climate Change .....	2%
FAS Goal 2:	Food Security.....	20%
	Total .....	100%

Project Statement  
(On basis of appropriation)  
(\$000)

Budget Activity	2010 Actual		2011 Budget		Increase or Decrease	2012 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Agricultural Exports	\$121,634	456	\$122,672	533	\$28,622	\$151,294	533

**Agricultural Exports**

A substantial portion of U.S. agricultural cash receipts come from export sales, making the vitality of rural America heavily dependent on international trade. U.S. farmers and ranchers are among the most productive and efficient in the world. However, they face complex and unfair obstacles in the global marketplace, where 95 percent of the world’s consumers live. A cooperative effort with the U.S. industry is needed to ensure that the U.S. farmer has fair market access, a strong understanding of key market trends, and support in overcoming constraints such as tight credit in international markets.

Unfair trade barriers limit U.S. sales to many countries. As tariffs and other traditional trade barriers have been negotiated away, many importing countries have begun to erect new trade barriers using unscientific plant and animal health requirements and other technical barriers to limit trade. Removing existing barriers, while ensuring new ones are not introduced, will directly help rural America thrive.

U.S. producers are not guaranteed a role in the global marketplace. Successful marketing strategies depend on a strong understanding of market trends, such as rising incomes in countries such as China, Indonesia, and Mexico that stimulate demand for a more nutritious and varied diet. As markets change, farmers need the tools to introduce new products to new customers, maintain current sales in the face of new competition, and overcome constraints such as tight credit.

**Justification for Increases and Decreases**

1. An increase of \$28,622,000 for Agricultural Exports (\$122,672,000 available in 2011) consisting of:
  - A. An increase of \$1,059,000 for support of FAS overseas offices wage and price increases;
  - B. An increase of \$4,960,000 for higher ICASS payments to DoS;
  - C. An increase of \$2,603,000 to fund the IT Security/Overseas IT Network Support; and
  - D. An increase of \$20,000,000 for the National Export Initiative.

FAS supports the National Export Initiative which has the primary goals of spurring economic growth and employment opportunities. The future of U.S. agriculture is tied to trade, as agricultural trade is an important generator of output, employment, and income in the U.S. economy.

In concert with the interagency Trade Promotion Coordinating Committee (TPCC), FAS will work with and through U.S. farm groups, state departments of agriculture and state regional trade groups (SRTGs), agricultural and industry organizations, and other USDA agencies to draw on all available expertise to maximize the positive impacts of this initiative. This provides additional funding in support of the National Export Initiative to include:

- Continued funding for the FAS Posts' Country Strategy Support Fund (CSSF) as the primary tool for implementing Departmental strategies at the country level and providing posts with the means and latitude to carry out priority activities that help achieve the strategic trade expansion goals of FAS and USDA. These activities include market access, including sanitary and phytosanitary (SPS) and other technical barriers to trade (TBT), and biotech issues; market knowledge and intelligence; trade capacity building; food security; strategic communication; and traditional market development;
- Linking foreign buyers with U.S. exporters through expanded support of foreign buyers to attend major U.S. and international food and agricultural trade shows profiling U.S. products, with enhanced trade services, such as arranged one-on-one meetings and visits to food processors, retail outlets and agricultural production facilities;
- Supporting state organized trade missions to visit foreign markets and meet directly with prospective buyers and consumers to promote their products and educate U.S. companies on doing business overseas;
- Providing funding for FAS-initiated export education programs, such as trade education seminars with Land Grant universities, participation in trade-related conferences and meetings, and a direct mail campaign, to enable FAS to capitalize on available personnel and information resources to reach out to stakeholders and potential new exporters to promote the importance of trade and trade opportunities through speeches, presentations, seminars, conferences, and other events; and meeting higher overseas operating expenses to ensure that FAS Overseas Posts have sufficient funding to achieve successful implementation of the National Export Initiative.

Project Statement  
(On basis of appropriation)  
(\$000)

Budget Activity	<u>2010 Actual</u>		<u>2011 Budget</u>		Increase or Decrease	<u>2012 Estimated</u>	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
New Technologies	\$23,198	86	\$23,406	101	+\$1,725	\$25,131	101

**New Technologies**

U.S. farmers are taking full advantage of biotechnology and other new technologies to increase their productivity. They are also expanding production of organic products in response to growing consumer demand. Commercialization of U.S. products from cloned animal progeny, genetically engineered animals, and nanotechnology is increasing significantly. However, trade in all of these products has been slowed by other countries' failure to provide timely approvals for new technologies and standards for organics. Unchecked, this situation could worsen as more and more biotech crop varieties and other new technologies are adopted by U.S. agriculture before being approved abroad.

**Justification of Increases and Decreases**

2. An increase of \$1,725,000 for New Technology (\$23,406,000 available in 2011) consisting of:
  - A. An increase of \$212,000 for support of FAS overseas offices wage and price increases;
  - B. An increase of \$992,000 for higher ICASS payments to DoS; and
  - C. An increase of \$521,000 to fund the IT Security/Overseas IT Network Support.

Project Statement  
(On basis of appropriation)  
(\$000)

Budget Activity	<u>2010 Actual</u>		<u>2011 Budget</u>		Increase or Decrease	<u>2012 Estimated</u>	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Food Security	\$37,506	150	\$37,825	173	+\$18,752	\$56,577	173

**Food Security**

With over one billion people hungry, the current global economic downturn exacerbates the problem of food insecurity. Food security exists when food is available, accessible, and appropriately used. Food assistance alone is not enough; food availability is also dependent on food trade and in-country production. The biggest causes of insufficient in-country production are chronic under-investment in agriculture, inefficient use of inputs and markets, and poor governance. To address food insecurity, states must improve the entire value chain from farm to table, increasing production, improving the efficiency of inputs, reducing post-harvest losses, adding value, and supporting mechanisms that encourage local, regional, and international trade. Food security must be country-driven and focused at the local and community levels.

Failing agricultural systems and food shortages are fueling political instability in the developing world. This instability is increasingly undermining global stability and threatening U.S. security. The United States therefore has a strong interest in promoting competitive agricultural systems in the developing world, particularly in countries like Iraq and Afghanistan.

The United States is in a unique position to combat global hunger. Our farmers and scientists are among the most productive and advanced in the world, producing bountiful supplies of staple foods like wheat, rice, and soybeans, which meet immediate food needs around the world, and developing new innovative crop technologies and farming techniques.

**Justification of Increases and Decreases**

3. An increase of \$18,752,000 for Food Security (\$37,825,000 available in 2011) consisting of:
  - A. An increase of \$326,000 for support of FAS overseas offices wage and price increases;
  - B. An increase of \$1,526,000 for higher ICASS payments to DoS;
  - C. An increase of \$800,000 to fund the IT Security/Overseas IT Network Support;
  - D. An increase of \$14,600,000 to fund agricultural reconstruction and stabilization activities; and

This request moves funding for agricultural reconstruction and stabilization activities (\$13,000,000) from Departmental management to FAS. FAS has assumed full management of the operational and

policy components and coordinates closely with DoS which sets overall operational and administrative policies for such activities in Afghanistan and Iraq. This request also includes an additional \$600,000 for inflation and higher administrative costs and \$1,000,000 to fund the FAS Country Strategy Support Fund for Fragile Market Economies (CSSF-FME). This fund supports projects and activities supporting Posts' Country Strategy Statement priorities focused on reconstruction, stabilization and global food security in fragile market economies.

Leveraging the established post-led Country Strategy Support Fund (CSSF) concept, the CSSF-FME will provide an established and efficient process to expand the tools for implementing Departmental strategies at the country level and provide posts with the means and latitude to carry out priority activities that help achieve the strategic food security related goals of FAS and USDA. Posts will have an opportunity to develop and submit proposals that will be prioritized, reviewed, and approved before funding.

E. An increase of \$1,500,000 to fund the Cochran and Borlaug Fellowship programs.

This funding will improve FAS' capability to provide technical assistance and capacity building programs, including in-country, third-country, and U.S.-based training programs, as appropriate. FAS would increase the Cochran Fellowship Program and the Norman E. Borlaug International Agricultural Science and Technology Fellows Program to support USDA's efforts to improve world food security.

The Cochran and Borlaug Fellowship Programs are essential agricultural development tools that advance U.S. government food security and stabilization programs in such priority countries as Afghanistan, Pakistan and Haiti. In Afghanistan and Pakistan these exchange programs train agricultural extension agents, veterinary officials, and agricultural researchers to support food production and regional trade. In Haiti, another priority country, both programs are focusing on development of the mango sector as a key component of a new U.S. strategy that aims to put Haiti on a competitive path of economic growth. Globally, there is an urgent need for capacity building in the arena of food security, especially in countries such as Nigeria, Ghana, Mali, Senegal, Liberia, and Ethiopia. The programs base funding is necessary to sustain administrative costs, reduction in other funding sources, and compensate for higher per fellow costs.

Project Statement  
(On basis of appropriation)  
(\$000)

Budget Activity	<u>2010 Actual</u>		<u>2011 Budget</u>		Increase or Decrease	<u>2012 Estimated</u>	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Climate Change	\$2,897	10	\$2,929	12	+\$264	\$3,193	12

**Climate Change**

Cap and Trade programs offer the hope of addressing climate change, promoting competitive production and supporting farm income. However, throughout the world variations of the Cap and Trade system are in development, creating concern that some of the new schemes will evolve into protectionist programs that limit trade based on social criteria rather than objective scientific criteria. It will be critical to take a truly global approach and connect that approach to individual U.S. farmers.

Globally, agriculture is a significant contributor to greenhouse gas emissions and will be heavily affected by climate change. At the same time, agricultural production must increase to feed a growing world population. USDA is taking the lead in several international efforts to address these issues.

**Justification for Increases and Decreases**

4. An increase of \$264,000 for Climate Change (\$2,929,000 available in 2011) consisting of:
  - A. An increase of \$32,000 for support of FAS overseas offices wage and price increases;
  - B. An increase of \$152,000 for higher ICASS payments to DoS; and
  - C. An increase of \$80,000 to fund the IT Security/Overseas IT Network Support.

## FOREIGN AGRICULTURAL SERVICE

Geographic Breakdown of Obligations and Staff Years  
2010 Actual and Estimated 2011 and 2012

	2010		2011		2012	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia.....	\$120,419,477	702	\$122,016,000	819	\$165,746,000	819
Overseas.....	64,815,886	290	64,816,000	187	\$70,449,000	187
Subtotal, Available or Estimate.....	185,235,363	992	186,832,000	1,006	\$236,195,000	1,006
Unobligated balance.....	1,596,637		0		0	
Total, Appropriation.....	\$186,832,000	992	\$186,832,000	1,006	\$236,195,000	1,006

FOREIGN AGRICULTURAL SERVICE  
Salaries and Expenses

Classification By Objects  
2010 Actual and Estimated 2011 and 2012

Personnel Compensation:	<u>2010</u>	<u>2011</u>	<u>2012</u>
Washington, D.C.....	\$43,251,502	\$44,423,500	\$55,783,500
Field.....	34,880,792	34,880,800	34,880,800
<hr/>			
11 Total personnel compensation.....	78,132,294	79,304,300	90,664,300
12 Personnel benefits.....	27,736,778	28,527,000	31,367,000
13 Benefits for former personnel.....	1,263,093	184,000	184,000
Total pers. comp. & benefits.....	107,132,165	108,015,300	122,215,300
<hr/>			
Other Objects:			
21 Travel.....	9,091,641	9,000,000	9,000,000
22 Transportation of things.....	945,440	945,000	945,000
23.1 Rental payments to GSA.....	366,509	367,000	367,000
23.2 Rental payments to others.....	7,137,540	7,200,000	7,200,000
23.3 Communications, utilities, and miscellaneous charges.....	2,764,176	2,800,000	2,800,000
24 Printing and reproduction.....	910,042	925,000	925,000
25.1 Advisory and assistance services.....	21,347,129	21,350,000	34,613,000
25.2 Other Services.....	2,118,839	2,200,000	2,200,000
25.3 Purchases of good and services.....	3,761,038	3,765,000	3,765,000
25.4 Operations and maintenance of facilities.....	124,370	124,000	124,000
25.5 Research and development contracts.....	20,805,251	21,652,700	43,552,700
25.6 Medical Care.....	252,263	250,000	250,000
25.7 Operation and maintenance of equipment.....	664,403	665,000	665,000
25.8 Subsistence and Support of Persons.....	720,185	720,000	720,000
26 Supplies and materials.....	4,063,761	4,100,000	4,100,000
31 Equipment.....	2,062,836	2,070,000	2,070,000
41 Grants, Subsidies and Contributions.....	57,149	60,000	60,000
42 Insurance claims and indemnities.....	618,509	620,000	620,000
43 Interest and dividends.....	2,865	3,000	3,000
92 Undistributed.....	289,252	0	0
<hr/>			
Total other objects.....	78,103,198	78,816,700	113,979,700
<hr/>			
Total direct obligations.....	185,235,363	186,832,000	236,195,000

Position Data:

Average Salary, ES/FE Positions.....	\$170,498	\$172,271	\$174,855
Average Salary, FO/FP Positions.....	\$120,803	\$122,073	\$123,904
Average Salary, GS/GM/FSN Positions.....	\$94,084	\$95,072	\$96,498
Average Grade, GS/GM/FSN Positions.....	10.5	10.5	10.5

FOREIGN AGRICULTURAL SERVICE  
Salaries and Expenses

SUMMARY OF RECOVERY ACT FUNDING

<u>Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Trade Adjustment Assistance for Farmers.....	\$90,000,000	\$90,000,000	\$32,900,000	\$0
Total Appropriated.....	\$90,000,000	\$90,000,000	\$32,900,000	\$0

Project Statement - Recovery Act  
(On basis of available funds)

	2010 Actual		2011 Estimated		Increases or Decreases	2012 Estimated	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
Trade Adjustment Assistance for Farmers.....	\$90,000,000	1	\$32,900,000	1	-\$32,900,000	\$0	--
Total Available or Estimate.....	\$90,000,000	\$1	\$32,900,000	\$1	-\$32,900,000	\$0	--

**a. Goals and Coordination Efforts:** *Goals.* The Trade Adjustment Assistance (TAA) for Farmers program helps producers of raw agricultural commodities and fishermen adjust to a changing economic environment associated with import competition through technical assistance and cash benefits.

*Coordination.* FAS, the National Institute of Food and Agriculture (NIFA) and the Farm Service Agency (FSA) program managers are responsible for implementing, improving, and monitoring program activities. Individual performance plans of FAS managers are tied to the Agency mission and goals contained in the FAS Strategic Plan. FAS monitors overall program execution. NIFA monitors the delivery of technical assistance projects and the Training Coordination entity, the University of Minnesota’s Center for Farm Financial Management (CFFM), which reports directly to NIFA, as well as to FAS. FSA monitors the individual producer application process and the development and functioning of IT and software requirements on a daily basis and coordinates with the Training Coordination entity. Field reviews are also conducted on a quarterly basis by involved agencies, commencing with the certification of group petitions.

**b. Objectives:** The TAA for Farmers program provides technical assistance and cash payments to assist qualified farmers and fishermen, adversely affected by imports, in adjusting their business operations to either be more competitive with imported products or to switch to production of commodities that could be more profitable.

*Benefits.* The TAA for Farmers program provides free technical assistance to producers of agriculture products, aquaculture products, and fishermen to assist them in becoming more competitive with imports of like products. Qualified producers receive initial technical assistance training, intensive technical assistance training, and assistance in the development of an initial business plan and a long-term business adjustment plan. The Extension Service, NIFA, provides technical assistance through their university partners located in the geographic region associated with the certified petition. Cash payments of up to \$4,000 after the completion of an approved business plan, and up to \$8,000 for the implementation of an approved long-

term business plan, are paid to participants through FSA.

**c. Delivery Schedule:** Implementation of the TAA for Farmers program is currently underway and has accomplished the following milestones:

*Milestone:* Development of Program Regulation, Group Petition Certification, and Producer Application;

- Activity included development of an Interim Rule for implementation of the program, receipt of commodity specific petitions from producer groups, and receipt of applications under certified petitions from individual producers.

*Milestone:* Development and Implementation of Outreach Plan; and

- FAS, NIFA, FSA, and the CFFM have been involved in the program's outreach efforts. A plan was developed and implemented to formulate an outreach strategy for this program and the involvement of these agencies and its partners. FAS and the CFFM have established websites for TAA for Farmers, which are now linked to USDA, FSA, and NIFA websites. The plan calls for proactive outreach to producers, producer organizations, state Departments of Agriculture, USDA employees at local USDA Service Centers, and extension educators at State universities and county offices. Accepted and certified petitions were announced via Federal Register notices, USDA press releases, and website postings. The CFFM is also engaged in providing outreach in coordination with federal TAA for Farmers agencies to all county Extension offices in the United States; the program information explains the program's purpose and has been communicated in hard copy, as well as through electronic means.

*Milestone:* Development of Information Technology Requirements and Grant Agreement Execution.

- FSA has defined software requirements for management of producer applications and payments. NIFA developed requirements for a competitive request for applications for university partners receiving grants to organize and implement the delivery of technical assistance. In September 2009, NIFA awarded the training and technical assistance contract to the CFFM.

**d. FY 2010 and FY 2011 Accomplishments:** The interim rule for the TAA for Farmers program and the opening of a 30-day public comment period was published on March 1, 2010. In March, USDA launched the TAA for Farmers program and announced the FY 2010 petition period. Seventeen petitions were received and 3 petitions were approved under the FY 2010 program on behalf of U.S. asparagus and catfish producers, and shrimp producers in the Gulf and South Atlantic region. Nearly 5,000 producers are expected to apply for benefits under certified petitions. The FY 2011 program was launched in May 2010. Thirty-three petitions were received and 3 were approved on behalf of blueberry producers in Maine, lobster producers in 5 Northeastern States, and shrimp producers in 9 Gulf and South Atlantic States, and Alaska. The TAA for Farmers program provided for \$90 million in FY 2010, and provides \$32.9 million in FY 2011 ending February 2011.

**e. FY 2011 and FY 2012 Planned Activities:** The ARRA of 2009 reauthorized and modified the TAA for Farmers program ending December 2010. The Omnibus Trade Act of 2010 amended the statute by providing \$10.4 million for a 6-week period beginning January 1, 2011 and ending February 12, 2011, which is part of the total \$32.9 million for FY 2011. Producers of a commodity who have recently suffered a greater than 15 percent decrease in the national average price, the quantity of production, value of production, or cash receipts compared to the average of the 3 preceding marketing years, with imports having contributed importantly to this decline, may be eligible to receive free information, technical assistance, and cash payments to develop and implement business adjustment plans from the TAA for Farmers program.

On June 25, 2010, FAS certified three FY 2010 petitions on behalf of U.S. asparagus and catfish producers, and shrimp producers in the Gulf and South Atlantic region. According to FSA and the program's training partner, the University of Minnesota, nearly 3,900 shrimp producers, 780 catfish producers, and nearly 270 asparagus producers applied for benefits. Producers began the training portion of the program and had until December 22, 2010, to complete the initial training phase of the program and until June 25, 2013, to complete all training phases of the program.

At the end of September 2010, FAS certified three FY 2011 petitions on behalf of blueberry producers in Maine; lobster producers in Connecticut, Maine, Massachusetts, New Hampshire, and Rhode Island; and shrimp producers in Alaska, and the Gulf and South Atlantic region. Lobster and shrimp producers have until March 23, 2011, to complete the initial training phase of the program and until September 24, 2013, to complete all training phases of the program. Blueberry producers have until March 29, 2011, to complete the initial training phase of the program and until September 30, 2013, to complete all training phases of the program.

Producers who develop an approved business plan, with guidance from educators working with NIFA and the CFFM, are entitled to receive a cash payment of up to \$4,000 to implement an initial business plan or develop a long-term business plan. Producers who subsequently develop approved longer-term business plans are entitled to receive an additional cash payment of up to \$8,000 to implement their long-term plans.

## FOREIGN AGRICULTURAL SERVICE

### STATUS OF PROGRAM

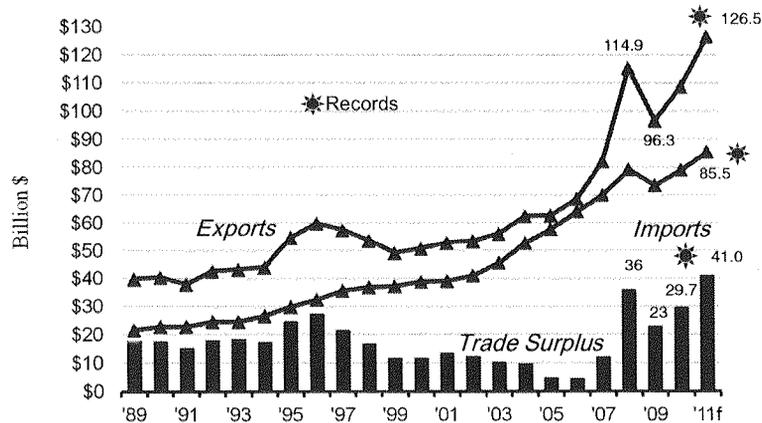
### SUMMARY OF AGRICULTURAL TRADE

In FY 2010, U.S. agricultural exports totaled \$108.7 billion, a significant increase of 11 percent, from the previous year's exports of \$96.3 billion. Increasing commodity prices and recovery of demand following the global recession are among the factors causing the rise in exports. The outlook for FY 2011 shows exports climbing amidst increases in commodity prices and continuing the trend achieved over the last decade with sales estimated at \$126.5 billion.

Overseas markets remain vital to U.S. farmers. For many agricultural products, one-third of domestic production (on a volume basis) is exported. Exports are also an important source of income for food processing companies, packaging materials companies, transportation, and other related industries.

### U.S. Agricultural Trade

Higher Prices for Grains, Soybeans, and Cotton Combined with Reduced Competition and Strong Demand Lead to Record Exports



Note: Forecasts are based on USDA's "Outlook for U.S. Agricultural Trade" published on November 30, 2010. Source of trade data: the U.S. Bureau of the Census.

FY 2011 agricultural exports are forecast at a record \$126.5 billion, up \$17.8 billion above the final FY 2010 exports. Exports are forecast to exceed the previous record set in 2008 by more than \$11.6 billion. Sharply higher unit values for leading export commodities account for most of the increase in the forecast. The trade surplus in agricultural commodities is expected to expand to \$41 billion, up from just \$4.6 billion 5 years ago.

### COMMODITY EXPORT HIGHLIGHTS

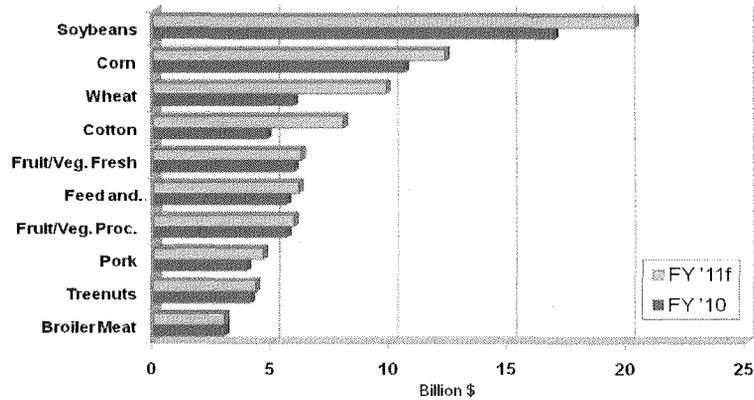
The overall increase in the agricultural export value for FY 2011, compared to the previous year, reflects a boost in demand for U.S. bulk commodities such as soybeans, cotton, and grains. While volumes for most commodities are expected to remain high, much of the increase in total export value is expected to come from higher prices.

Bulk commodity exports are forecast at \$53.7 billion in FY 2011. Total bulk export volume is forecast up, with soybeans, coarse grains, and wheat accounting for most of the increase. Compared to the previous year, the highlights for FY 2011 are:

**Grains.** Wheat and coarse grain exports are forecast for FY 2011 at \$23.1 billion, up from \$15.7 billion in FY 2010. Reduced competition from Russia and Kazakhstan is expected to lead to opportunities for U.S. wheat and corn supplies that will fill the demand left by lower global supplies of milling and feed quality wheat. Lower

exports from Canada and the Ukraine will also support higher U.S. grain shipments, particularly to the Middle East and North Africa. Higher prices for wheat and corn are expected.

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



**Soybeans.** Soybean exports are forecast at \$20.3 billion. The forecast is raised due in part to record early season sales and a dramatic rise in unit values. Soybean export volume is expected up 0.9 million tons from last year. Strong demand for soybeans should push unit values to near record levels with support spilling over into soybean product markets.

**Cotton.** Cotton exports are forecast to reach \$8 billion, an increase of \$3.2 billion from FY 2010. Export volume is up 700,000 tons to 3.4 million tons. India has partially eased its ban on exports, but uncertainty regarding its export policy continues to put upward pressure on unit values. In China, less than expected carryover and a smaller crop have dramatically tightened supply. Buyers in China and other markets have sought to secure some of this limited supply through imports, thereby driving unit values up sharply.

**High-value product exports** are forecast at \$73 billion in FY 2011, signaling stronger foreign demand as the global economy recovers from the economic downturn. The animal product export forecast is raised \$1.5 billion to \$23 billion. Horticultural exports, which include all fresh and processed fruits, vegetables, tree nuts, and wine, are forecast at a record \$24.3 billion. Compared to the previous year, the highlights for FY 2011 are:

**Feed and Oilseed Products.** Soybean meal export volume is expected to decrease but unit prices are higher due to surging soybean prices. The soybean oil export forecast is relatively unchanged in FY 2011 even though export volume is expected to decline.

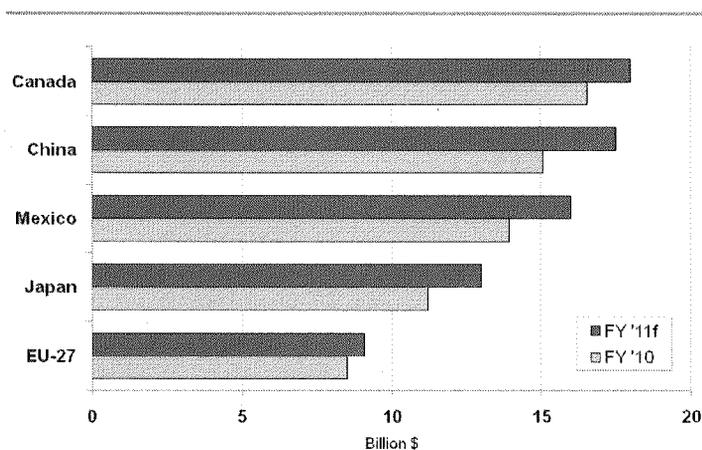
**Animal Products.** The export forecast for livestock, poultry, and dairy products is raised to \$23 billion, up \$1.5 million from FY 2010 exports. Beef exports are forecast at \$3.7 billion on higher unit values and volumes. Despite lower beef production, strong Asian demand is expected to foster shipments. The export forecast for dairy products is \$3.2 billion as import demand remains robust and global unit values, particularly for butterfat, remain relatively strong. Pork exports are forecast to reach \$4.6 billion, up \$0.7 billion, on higher unit values as demand remains firm in major markets. Modest gains are expected in hides and skins, raised \$200 million, as improving global economic conditions bolster demand. Poultry product exports are forecast up slightly to \$4.7 billion, primarily on lower broiler meat unit values as domestic production expands.

**Horticultural Products.** The horticultural product exports forecast is at a record \$24.3 billion. Fresh fruit and vegetable exports are forecast at a record \$6.2 billion, while processed fruit and vegetable exports are forecast at \$5.9 billion. Whole and processed tree nuts are forecast at \$4.3 billion, an increase of \$200 million over FY 2010.

## TOP EXPORT MARKETS

The top five markets accounted for 57 percent of U.S. agricultural exports in FY 2010. U.S. agricultural exports to our North American Free Trade Agreement (NAFTA) partners, Canada and Mexico, are forecast at \$34 billion in FY 2011. U.S. exports to Canada, our largest foreign market, are forecast at a record \$18 billion. High unit values for grains, oilseeds, livestock, and meat support the forecast. Furthermore, a recovering economy is expected to support purchases of horticultural products, which account for more than 40 percent of U.S. exports to Canada. Despite this record forecast, exports to China are expected to grow by more than exports to Canada in 2011 and narrow the gap between the top two U.S. markets. Exports to Mexico are forecast at a record \$16 billion on strong grain, pork, and oilseed demand and unit values. Increased wheat exports should be a key driver behind exports due to reduced competition from Canada.

### Top 5 Export Markets



U.S. agricultural exports to Asia are forecast up significantly from \$45.7 billion in FY 2010 to \$54.8 billion in FY 2011. Higher bulk commodity prices and growing demand for high-value products are responsible for the increase. China is expected to be the largest importer in the region and second largest U.S. market overall at \$17.5 billion, which is just \$500 million less than forecast exports to Canada (the top market). The forecast for China is a record and based on strong cotton shipments along with continued growing exports of soybeans and higher unit values for both products. Sales to Japan, our fourth largest market, are forecast at \$13 billion, which is up from last year due to growing pork and fresh fruit exports. U.S. agricultural exports to the European Union (EU)-27, our fifth largest market, are forecast at \$9.1 billion or 7.2 percent of total exports.

## COMMODITY IMPORT HIGHLIGHTS

With more than 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 characteristics, combined with a demand for year-round availability of fresh fruits and vegetables, an appetite for diversity and luxury products, and a relatively open market make the United States a top priority for food manufacturers around the globe.

Prior to 2009, U.S. agricultural imports had risen steadily for the past 4 decades. From FY 2003-2008, the import value had grown at roughly twice the historical rate. However, 2009 saw the largest drop ever in imports due to lower commodity prices and reduced demand resulting from the recession. Imports rebounded 7.6 percent in 2010 to total \$79 billion and are expected to further climb in FY 2011 to a record \$85.5 billion as demand recovers and prices for key import products increase.

*The overall import outlook for FY 2011* reflects an expected modest recovery in consumer spending and higher import prices for some high-value products. Horticulture products and tropical products should lead all categories in increased imports.

*Horticultural Products.* Imports are forecast to rise to a record \$38.5 billion. Fresh fruit and vegetables are expected to see the largest gains with volume and unit value increases.

*Grains, Oilseeds, and Products.* Imports are forecast up \$800 million to \$13.8 billion. Vegetable oil and grain product exports forecasts are up \$200 million and \$500 million, respectively.

*Livestock, dairy, and poultry.* Imports are forecast to increase in FY 2011 to \$11.5 billion. The more than \$200 million anticipated rise in U.S. beef imports in 2011 over 2010 is in part due to tight supplies of domestic processing beef. Cattle imports for 2011 are forecast at 2.1 million head, 6 percent lower than in 2010 due to decreased cattle inventories in Canada and Mexico.

*Sugar and Tropical Products.* Imports are forecast to increase to a record \$20.3 billion as gains are expected in rubber, coffee, cocoa, and sweeteners. Prices of coffee beans and rubber are up as is the demand for rubber by the automobile industry.

### **TOP FOREIGN SUPPLIERS**

The top five forecasted suppliers in descending order are Canada, the EU-27, Mexico, China, and Indonesia. Supplies from these exporters are forecast to increase to a record \$54 billion in FY 2011, which the Western Hemisphere accounts for 56 percent of the total import bill. Europe and Eurasia, with an expected increase of \$1.0 billion from FY 2010, rises to \$16 billion or 19 percent of the total. Asia, with an expected increase of \$800 million from FY 2010, rises to \$14.9 billion or 17 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. The structure incorporates the agency's goals that U.S. farmers, ranchers, and agricultural industry maintain and expand exports, and U.S. agriculture's resources support food and national security policies, in line with the USDA Strategic Plan.

### **AGRICULTURAL EXPORTS**

Because one-third of all U.S. agricultural cash receipts come from export sales, the vitality of rural America is heavily dependent on international trade. U.S. farmers and ranchers are among the world's most productive and efficient. However, they face complex and unfair obstacles in the global marketplace, where 95 percent of the world's consumers live. A cooperative effort with the U.S. industry is needed to ensure the U.S. farmer has fair market access, a strong understanding of key market trends, and support in overcoming constraints such as tight credit in international markets.

### **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 Office of the United States Trade Representative (USTR), and others in the United States Government (USG) 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 150 countries worldwide, resolve trade problems involving U.S. products and provide country and regional intelligence to support U.S. exporters and agricultural producers. Notable achievements in these areas in FY 2010 include:

- **Efforts to Keep Open Philippine Pork and Poultry Markets Pay Dividends.** FAS, working closely with USTR, successfully devoted considerable effort last fiscal year to keep the Philippine markets for pork and poultry meat open by enforcing an existing bilateral agreement. The efforts continue to pay off with U.S. exports for these products growing significantly. What had been a \$30 million market in 2007 grew to \$65 million in 2008 and to \$98 million in 2009. In 2010, sales through August were \$96 million, almost matching the 2009 annual total and almost guaranteeing another significant gain.

- **Taiwan Rice Imports from the United States Restarted.** FAS, working closely with the USTR, was successful in restarting Taiwan's full implementation of its tariff-rate quota for rice imports. Taiwan had stopped importing from the United States during FY 2008 and into FY 2009, but again began approving U.S. imports in 2009 and is on course for 2010. Total U.S. rice exports to Taiwan, which were less than \$1 million in FY 2009, were over \$73 million in FY 2010 through August.
- **Agreement with Brazil Avoids Punitive Tariffs on U.S. Exports.** FAS worked with the USTR to avert Brazil applying punitive tariffs on U.S. agricultural products in retaliation for damage found in a World Trade Organization (WTO) dispute regarding support to U.S. cotton and the export credit guarantee program. It is estimated that \$160 million worth of agricultural products would have been affected had the punitive tariffs gone into place.
- **Market Access Ensured for U.S. Meat in Mexico.** On April 27, 2010, USDA and the Mexican National Service of Health, Food Safety and Food Quality signed an agreement known as the "Terms of Reference" document. This was the result of 2 years of negotiations lead by FAS. For years, the U.S. meat industry faced non-transparent import regulations which resulted in large economic losses when a U.S. slaughtering facility lost its eligibility to export meat and meat products to Mexico. This document clarifies the procedures for equivalence and audit protocols, ensuring the U.S. meat industry that exports to Mexico can occur without interruptions. For FY 2009, the United States exported meat and meat products to Mexico valued at \$2.3 billion.
- **Maintained U.S. Poultry Exports to Russia Worth \$250 Million Per Year.** FAS, USTR, the National Security Council, and the U.S. poultry industry worked successfully to lift Russia's ban on U.S. poultry in August 2010. Due to powerful protectionist forces in Russian industry and their high-level government supporters, Russia introduced a ban on the use of chlorine washes in the processing of poultry, stopping U.S. exports of poultry meat on January 19, 2010. FAS enlisted the active support of U. S. Ambassador Beryle and many others in Washington to gain meetings at the highest levels in the Russian government. FAS reached out continuously to the decision makers in the Russian government who were striving for Russia's accession to the WTO. This discussion resolved the problem in conjunction with a renewed push for Russia's WTO membership. Trade resumed in September 2010, and we expect that approximately 260,000 metric tons of U.S. poultry meat will be exported to Russia from September to December 2010.
- **South Korean Market Remains Open to U.S. Organic Products.** In 2009, Korea unveiled a new organic certification system, which if implemented, would have effectively stopped \$30 million worth of U.S. organic products beginning in January 2011. FAS rallied the support of local importers, directed the interagency response, and coordinated a joint 6-nation letter urging Korea to delay implementation until a more workable system was in place. As a result of these combined efforts, the Korean government finally relented, delaying implementation until the end of December 2012. This extension is a significant development since it will keep the market open to sales of U.S. organic products, which continue to grow, while both sides negotiate an equivalence arrangement that will ensure continued access into the future.
- **Market Access Preserved for U.S. Poultry in Ukraine.** An attempt to keep U.S. poultry out of the Ukrainian market was thwarted on October 9, 2010, when the complainants in an Anti-Dumping (AD) case withdrew their complaint and ended their attempts against U.S. poultry, worth over \$140 million in 2009. If introduced, the AD duties would have been levied at a prohibitively high amount, 110 percent, completely blocking the Ukrainian market for U.S. poultry products. FAS was registered as an interested party in the investigation and became a hub for the USG AD team with participation of USTR, the U.S. Department of Commerce, and the U.S. Department of State. FAS actively participated in consultation with three independent legal teams representing U.S. industry and individual companies with strategic market analysis, helping the legal teams develop a substantive defense. FAS made official statements on behalf of the USG during the hearings in October of 2009. FAS' pressure to follow WTO norms effectively overcame the political pressure posed by Ukraine's domestic industry and helped to close the case. In turn, the U.S. legal defense teams were very effective in showing the weaknesses of the complainants which made imposition of AD duty impossible. Without this tandem effort the cause could have been quickly lost for U.S. exporters. Ukraine typically is in the top ten U.S. poultry markets with exports in the range of \$140-\$245 million annually.

- **Japanese Market Access Regained for Major Poultry Exporter, Prevents Industry-wide Enhanced Testing for U.S. Poultry Exports.** FAS worked with a major U.S. poultry producer to re-gain their access to the Japanese market following a violation of Japan's veterinary drug regulations. The firm annually exports to Japan several millions of dollars of poultry meat for use at a major fast food chicken restaurant. FAS worked with the firm to design a veterinary drug compliance plan and presented it to the Japanese government. Because of FAS' strong relationships with officials within the Japanese Ministry of Health, the firm's compliance plan was reviewed and approved within a matter of days. The firm was immediately re-granted access to the Japanese market. FAS' guidance not only saved the individual firm's business, but prevented all U.S. poultry exports to Japan, roughly \$40 million, from being subjected to enhanced border inspection.
- **Market Access Secured for U.S. Meat Shipments in China.** During the summer months, China's Inspection and Quarantine (CIQ) Bureau promulgated orders to all ports requesting each satellite Customs office verify Food Safety and Inspection Service (FSIS) meat certificates prior to releasing U.S. poultry and pork shipments at port. As a result, thousands of containers were detained leaving importers in a dismal situation with many of them threatening to stop purchasing U.S. meat products altogether. FAS immediately engaged CIQ officials in South China's major ports including Shenzhen, Guangzhou, Panyu, and Zhuhai. After an intense period of phone conversations, meetings, and negotiations, FAS finally secured the release of all detained products. Individual negotiations and memoranda of understanding were struck with the four major ports within a 2-week period to assure that not even one container of U.S. meat was left detained. As a result, all containers of U.S. meat products have now been flowing in smoothly. FAS' efforts prevented millions of dollars worth of U.S. poultry and pork from being destroyed or returned to the States. Each year, these major South China ports import approximately \$825 million worth of poultry meat products and \$662 million of other meat products.
- **United States and China to Sign Memorandum of Understanding (MOU) on Soybeans.** In FY 2010, FAS, APHIS, Grain Inspection, Packers and Stockyards Administration, and the Food and Drug Administration negotiated an MOU with China's General Administration of Quality, Supervision, Inspection and Quarantine addressing quality and sanitary and phytosanitary (SPS) related policy issues associated with U.S. soybean exports. The MOU assures China that the USG agencies will ensure that U.S. soybean exports meet relevant quality and SPS standards. On December 15, 2010, the MOU was signed at the U.S.-China Joint Commission on Commerce and Trade. Soybean exports to China are the United States' largest single commodity agricultural export. From October 2009 through August 2010, U.S. soybean exports to China reached almost \$8.9 billion, about 9 percent of all U.S. agricultural exports.
- **South Korea Food and Drug Administration is Persuaded to Reverse Ban on Synthetic Food Color.** On August 26, 2010, Korea announced final synthetic food color standards without bans, restrictions, and warning label requirements for 16 synthetic food colors as had been proposed in the draft regulation. FAS was instrumental in challenging Korea's proposed rule through sound science at quarterly U.S.-Korea bilateral meetings, and at a meeting with the Korean Prime Minister. In FY 2010, the U.S. exported \$2.4 billion in processed foods, beverages, confectionaries, and candy containing synthetic food coloring to Korea.
- **U.S. Pork and Poultry Exports Preserved and Expanded.** FAS worked closely with other government agencies and the U.S. industry to maintain and expand overseas market access for U.S. poultry and pork products. During July 2010, FAS participated in successful negotiations to reopen the \$760 million Russian market to U.S. poultry. FAS also worked to expand pork access to Russia and China by addressing residue and disease (H1N1) issues. Finally, FAS has been the lead U.S. agency in successful negotiations with Vietnam over new regulations which would have effectively interrupted \$250 million worth of U.S. meat, poultry, and seafood exports had they been implemented.
- **EU Agrees to Align with Codex Standard for Aflatoxins in Tree Nuts.** Effective February FY 2010, the EU agreed to align their maximum levels and sampling plans for total aflatoxins in tree nuts with the Codex standard adopted in 2008. FAS, along with the U.S. industry, pressed the EU to raise its maximum levels for aflatoxins in almonds and pistachios to that of the Codex standard. The alignment has alleviated detentions of U.S. export shipments of almonds and pistachios to the EU. U.S. exports of almonds and pistachios to the EU totaled \$701 million from January through August 2010.

## 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 2010, FAS continued to provide primary analytical input to USDA's global supply and utilization estimates for major agricultural commodities. Using attaché reports, market intelligence, satellite imagery, and other information, FAS provided the 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 that allowed them to make important policy and strategic decisions.

### Trade Development

FAS supports U.S. industry efforts to build, maintain, and expand overseas markets for U.S. food and agricultural products. The Agency 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 Markets Program (EMP). These programs provide matching 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 (SRTGs) and other industry organizations, FAS also encourages outreach efforts that focus on facilitating export readiness for U.S. exporters. FAS' foreign offices also support industry efforts--especially in developing markets--by providing market intelligence and helping introduce U.S. exporters to potential foreign customers. In addition, FAS facilitates the United States' participation in a range of international trade shows.

## MARKET DEVELOPMENT PROGRAMS

- **U.S. Wheat Relationship With Nigerian Millers Brings Both Success.** The U.S. Wheat Associates (USWA) considers Nigeria the ultimate success story for the U.S. wheat industry. MAP and FMD enabled USWA's long-term presence in Africa, conducting market research and implementing a strategy targeting the local milling industry. USWA opened an office in Lagos in 2001. With more than \$2.5 million in MAP and FMD funds invested since then, USWA has worked collaboratively with leading Nigerian millers to develop the local market for U.S. wheat. Through this collaboration, U.S. wheat sales to Nigeria have reached nearly \$3.5 billion over the same period. Through USWA's technical assistance and trade servicing, Nigeria has imported all six U.S. wheat classes, generating jobs in all 19 wheat-producer member states. The United States still dominates Nigeria's wheat import market, with close to a 90 percent market share, despite increased price competition from Canada and the Black Sea region. Nigeria was the United States' largest wheat export market in the 2009/2010 marketing year (June-May), and averaged about \$660 million over the 2005-2009 period.
- **EMP Project Leads to International Recognition of Afghanistan's Seed Association.** An EMP project provided funding for five private seed traders from the newly established (2008) Afghanistan National Seed Organization (ANSOR) to attend a training workshop in Istanbul in September 2009. This event was coordinated by the American Seed Trade Association (ASTA). During the one-week workshop, the Afghan delegation learned about good business practices and management, effective seed laws, and the importance of quality seeds in developing agriculture in Afghanistan. The training also included meetings with TurkTed, the National Seed Association in Turkey, as well representatives from large U.S. seed companies located locally, and visits to seed facilities. Since then, ANSOR has become an effective advocate for seed reforms in Afghanistan and an influential voice in debates on planting seed issues in the region. ANSOR is a member of the Economic Cooperation Organization of Seed Association (ECOSA), which includes: Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan, and Uzbekistan. ANSOR'S current president was elected to a 3-year term as ECOSA's Treasurer.
- **U.S. Pinto Beans Enter Turkish Market for the First Time.** In 2009, the U.S. Dry Bean Council (USDBC) used EMP to conduct market research on the use and consumption of speckled beans in Turkey, a variety of beans very similar to U.S. pinto beans. The project included a trade mission, which enabled USDBC to introduce the U.S. pinto bean at a major technical seminar in Istanbul. This seminar included a food demonstration by a well-known Turkish chef, which received widespread national press coverage. The U.S.

trade team also visited a number of key Turkish canning companies and dry packaging companies, encouraging them to try the U.S. pinto bean. As a direct result of this EMP project, 300 metric tons (MT) of U.S. pinto beans, valued at about \$231,000, were exported to Turkey in June 2010.

- **Hop Growers of America Have Success in Brazil.** In June 2010, the Hop Growers of America (HGA) provided technical assistance to the Brazilian craft brewery, Mistura Clássica, helping them develop new Belgian-style strong golden ale. HGA helped develop the recipe for the beer that included three U.S. hop varieties. Samples of the hop varieties, funded by the QSP were provided to the brewery for pilot brew tests. They were successful, and as of October 2010, the Strong Golden Ale has become a permanent addition to Mistura Clássica's line-up. The brewery is now sourcing these three U.S. hop varieties on a regular basis. HGA's Brazilian representative, funded by MAP, provides regular consultation to key potential buyers, while HGA's brewing consultant, funded with EMP funds, travels to Brazil to conduct technical seminars. Hop growers in the states of Washington, Oregon, and Idaho benefit from the increased use of U.S. hops in Brazil. Compared with FY 2009, U.S. hop exports to Brazil in FY 2010 have increased 23 percent by value to \$14.8 million and 9 percent by volume to 1,795 MT.
- **EMP and MAP Help Pennsylvania Apples Break into Indian Market.** Hess Brothers Fruit Company, a small apple marketing and packing company based in Leola, PA, has developed a strong business in India and together with a few other shippers made sales in excess of \$1.5 million in July-June 2009/2010. Since FY 2007, the U.S. Apple Export Council (USAEC) conducted market research, hired an in-country representative to help identify appropriate targets, and educated the apple importers and retailers in India about the quality and varieties of the apples grown on the East Coast of the United States. Hess Brothers, along with several other members of USAEC, see this new market as one that they hope to continue to expand taking advantage of competitive shipping routes off the East Coast. In addition to importing from Pennsylvania, India is beginning to show a strong interest in New York apples as well. New interest and subsequent sales can be directly traced to the impact of the EMP-funded research in 2008, initial market development activities, and MAP-funded trade show presence from 2007-2010. These small businesses in Pennsylvania and New York now view the Indian market as a key element to the long-term success of their businesses.
- **Western USA Trade Association (WUSATA) Organizes Successful Trade Mission to Turkey.** Following the Vitafoods International Trade Show in Geneva, Switzerland, exhibitors from Arizona, California, Nevada, and Washington, attended WUSATA's MAP funded trade mission to Istanbul, Turkey in May 2010. In one day of meetings, the six companies were able to locate a total of 41 new buyer contacts and eight new distributors. Sales resulting from the trade mission are expected to exceed \$310,000 for FY 2011.
- **Alaska Seafood Marketing Institute (ASMI) Successfully Partners With Germany's Top Salmon Smoker.** When ASMI began working with Gottfried Friedrichs in 1995, Friedrichs had stopped smoking Alaska salmon due to the convenience of farmed product from Norway. With MAP funds used to support retail promotions and sales staff education, ASMI has helped create a "revival" of smoked wild Alaska salmon within Friedrichs and other smokers across Europe. Friedrichs imported approximately 200 MT of Coho salmon in 1995. Today they import six times that initial quantity, or 1,200 MT, valued at roughly \$25 million. Not only is this top quality wild Alaska Coho salmon, but also sockeye and king salmon, the three most expensive salmon available. Recently, Friedrichs introduced a line of premium smoked Alaska king salmon which sells for 100 Euros/kg. By showcasing Alaska salmon as a premium product, Friedrichs raises awareness and demand for all Alaska seafood species.
- **U.S. Craft Breweries Expand Sales in Sweden.** Annually, the Brewers Association (BA) participates in the Stockholm Beer and Whisky Festival. In FY 2010, their participation resulted in Sweden's alcohol retail monopoly adding Great Divide Brewing Company's Yeti Imperial Stout to their hundreds of stores. An estimated 10,000 liters will be purchased to fulfil the listing, estimated to translate into \$50,000 in new sales for the small, family-owned Colorado brewery. BA has helped grow U.S. craft beer exports to Sweden to approximately \$3 million annually, up from \$460,000 reported in 2005. Sweden is the industry's largest export market and continues to grow.
- **U.S. T-Bone Steak Makes Its Way into Major South Korean Retail Chain.** With MAP and Beef Checkoff Program funding, the U.S. Meat Export Federation (USMEF) held a beef seminar demonstrating to Korean

buyers and retail managers the profitability of carrying and promoting new U.S. beef cuts, including bone-in items. As a result, Lotte Mart, the third-largest retail chain in South Korea, launched sales for U.S. T-bone steaks at 85 locations across the country during the second half of 2010. During the promotional period, Lotte Mart reported that sales of T-bones reached approximately 4.5 MT, with U.S. beef tenderloins and strip loins also achieving impressive sales results. Through July 2010, U.S. beef exports to Korea were up 122 percent in volume and 162 percent in value (compared to the same period in 2009), reaching 63,189 MT, valued at \$290.8 million. Lotte Mart now features six chilled U.S. beef cuts, eight frozen beef items, and dedicates 30 percent of its imported beef section to U.S. products.

- **Sunsweet Promotions Help Increase Prune Sales to Israel.** The Israeli prune market has been dominated by bulk purchases, converted to private label brands of prunes. Traditionally, California prunes were marketed to consumers as non-branded private label/bulk product. Israeli consumers were unaware of California as a supplier of premium branded prunes and juice. After a steep decline in total prune imports by Israel from all origins in July-June 2008/2009, the California Prune Board decided to raise consumer awareness and product image with MAP-branded promotions with Sunsweet Growers, Inc., a grower cooperative. This marked the first year the California prune industry was aggressively positioning Sunsweet prunes as the product to purchase due to its superior quality and healthy attributes. As a result of the \$20,000 MAP investment, augmented by a 144 percent contribution from Sunsweet during the first year of programming, there was a dramatic reversal in trade despite a 2,000 MT tariff rate quota (TRQ). In 2009/2010, California prune exports to Israel increased from \$3.8 million to \$6.5 million, nearly doubling volume to reach 2,817 MT. A remarkable success given that nearly 30 percent of those shipments were over the TRQ and subject to duty. Sunsweet is now poised to introduce a new preservative free prune developed specifically for the Israeli market.
- **TASC Funds Educate EU Port and Health Authorities on the Voluntary Aflatoxin Sampling Plan (VASP) for California Almonds.** The Almond Board of California reported that TASC has been instrumental in helping address European Union (EU) special measures for California almonds in response to increased aflatoxin-related rejections in the EU. TASC funds offset the cost of bringing over authorities from key EU member states to educate them on the merits of VASP as well as the terms of the special measure requirements. As a result of the project, changes in mycotoxin legislation had a combined effect of a 40 percent decrease in aflatoxin rejections in 2010 (through the third quarter), as compared to the same period in 2009. California Almonds to the EU now represent the U.S. second largest agricultural export in value at \$1.6 billion and as a region is the California almond industry's largest export destination.
- **MAP Funded Trade Missions Stimulate Wood Product Sales in Several Markets.** A prominent manufacturer of pressure-treated Southern Yellow Pine products in Orangeburg, South Carolina reported an increase in their softwood sales due to their participation in the Southern Forest Products Association MAP-funded trade missions in 2010. In May, the company's international sales representative went to the Carrefour DuBois trade show in Nantes, France. In June, the South Carolina softwood company participated in the Expohotel hotel supplier show in Cancun, Mexico, and in August, the company attended the Garden and Landscape Show in Tianjin, China. The resulting new contacts are providing high-value market opportunities to offset the domestic downturn, helping protect the jobs of more than 300 company employees. In all, these trade missions generated total lumber sales worth \$100,000.
- **U.S. Exports of Chip-Stock Potatoes Hit Record Levels, MAP and TASC Key to Success.** The United States Potato Board (USPB) reported that U.S. exports of fresh potatoes to Japan in July 1, 2009 to June 30, 2010, hit record levels of 2,357 MT, valued at \$1.2 million. Over a two-fold increase in volume and a four-fold increase in value compared with the prior year. USPB credits these gains to the MAP, TASC, and potato grower funds, which have carried out a wide range of activities over the past few years, including bringing potential Japanese buyers to the United States and maintaining regular U.S. industry contact with key market players. As a result, a key Japanese importer has imported as much chip-stock, 2,357 MT in June 2010, as some smaller markets do in a full year.
- **U.S. Dairy Export Council (USDEC) Trade Servicing in Southeast Asia Builds Demand for U.S. Cheese.** USDEC has conducted intensive trade servicing in Southeast Asia since 1997, using the MAP and FMD programs, to increase demand for U.S. dairy products. Recently, USDEC had encouraged the region's top processed cheese maker to diversify its purchases of natural cheese, previously dominated by Australia, by

introducing the company to several U.S. suppliers. In 2010, USDEC succeeded in matching the cheese maker to a large U.S. supplier. As a result, U.S. companies will ship 6,230 MT of bulk cheddar valued at nearly \$25 million by December 2010 to several Southeast Asian markets, including Indonesia (1,200 MT), the Philippines (600 MT), and other markets in the Pacific Rim (4,430 MT).

- **Constant and Open Communication with Nigerian Importers Results in U.S. Rice Export Sales.** As part of the efforts to increase U.S. market share of rice exports to Nigeria, FAS maintains a close and cordial relationship with all the major rice importers in the country. In August 2010, FAS monitored the price of U.S. rice and reported that for the first time in several years, U.S. rice prices had fallen to the level of Thai rice. FAS alerted the major rice importers and as a result, a total of 55,000 tons, valued at \$30 million of U.S. rice was exported to Nigeria between August and October 2010. U.S. parboiled rice has excellent market potential based on consumers' perception of its high quality and market share could increase substantially if it remains price competitive. Nigeria is a market for 1.8 million tons of imported parboiled rice per year which is one of the largest import markets
  
- **South China Hide Buyers' Mission to Generate Millions in Sales.** FAS led an eight-member team of Chinese buyers to the U.S. Hides, Skins, and Leather Association's (USHSLA) annual conference in October 2010. The team met with U.S. hides exporters in Texas and California. Shortly upon returning to China, two team members placed orders for containers of steer and cow hides worth \$70,000 and \$87,000, respectively. According to the buyers, this initial purchase is only a trial purchase. FAS' assistance in leading the trade mission to the United States was essential in securing these initial purchases. Given that the hides market is highly volatile and speculative, in the past 2 years, many Chinese buyers have lost confidence in U.S. hides. However, the recent visit proved that FAS' facilitation is critical in restoring trust in the U.S. hides industry. Each of the members on the delegation makes regular purchases of at least \$1.5 million per year. Because USHSLA does not have locally based offices in China or in the region, FAS plans on leading an annual buyer's mission to link South China's major tanneries with the U.S. hides industry.
  
- **South China to Pair with U.S. Wine Exporters.** FAS is raising the visibility of U.S. wine in South China by unifying the promotional efforts of exporters, and providing support and trade services to local distributors marketing U.S. wine in the Pearl River Delta region. With the strong support from leaders in business, government, industry, and media, FAS has launched the Pearl River Delta American Wine Import Association (the Association). Pursuing the ambitious goal of overtaking the competition from France, Australia, and Chile, the Association has a busy schedule of upcoming promotions, including U.S. wine tastings and food pairing events targeting hotels, restaurants, and the institutional food sectors in Guangzhou and Shenzhen. In FY 2009, \$26 million worth of U.S. wine entered South China ports accounting for 32 percent of total U.S. wine imports. The Association's strategy of pairing U.S. wines with popular Cantonese cuisine has been well received by local traders and lifestyle media, and U.S. wine imports in South China are expected to continue to grow significantly in the coming years.
  
- **U.S. Dairy Farmer Cooperative breaks into Nigeria's Dairy Market.** Agri-Mark, a major U.S. dairy farmer cooperative, learned about Nigeria's potential dairy market opportunities and worked with FAS to launch its first export of whey dairy product solids (one 20-foot container valued at \$17,100) to Nigeria's dairy market in September 2010. FAS also provided the cooperative with other Nigerian biscuit manufacturer contacts that resulted in requests for sample food ingredient products to test production. Whey dairy product solids are used in a variety of processed food and bakery applications to impart better browning characteristics to the finished products. Nigeria holds the potential for importing up to 1.3 million tons of milk products (worth about \$3 billion) because domestic dairy production is limited to approximately 600,000 tons.
  
- **Southern United States Trade Association (SUSTA) South African Mission Generates New Sales.** During July 25 through August 1, 2010, FAS hosted a six-company SUSTA Trade Mission. The mission, lead by the Florida Department of Agriculture, participated in the Africa Big Seven Food and Beverage Show in Johannesburg, followed by one-on-one meetings with several importers and food retailers in Cape Town. Participating companies have already generated more than \$300,000 in new sales as a result of the trade mission. SUSTA plans to hold a follow-up chef training in conjunction with a leading South African hotel in 2011, which will be followed by another SUSTA trade mission to South Africa in 2012.

- **First “Trade Leads System” Results in Success.** FAS has been at the forefront of a new Trade Leads System (TLS) transformation since its implementation in the summer of 2009. Japan is the largest overseas market for U.S. consumer ready foods, making it the perfect country to test the system. FAS focused its effort on promoting the TLS to potential importers and gathering trade leads, visiting over 100 Japanese companies. These efforts resulted in the success of the new Trade Leads System. While the value of the first shipment is small, only \$20,000, it could potentially lead to sales worth more than \$200,000 per year. In addition, FAS now has over 70 active trade leads with a potential value of more than \$60 million and has demonstrated the system’s ability to expand exports and support the National Export Initiative.
- **Long Term Market Development -Wisconsin Ginseng.** FAS participated in the launch of a partnership between the Ginseng Board of Wisconsin (GBW) and Chinese traditional medicine manufacturer, Tong Ren Tang. This event marked the culmination of a long-term cooperative effort by GBW and FAS, and the remarkable comeback of a U.S. industry. By FY 2009, sales had recovered to \$7.7 million, and through July 2010 were \$6.8 million, over double the same period in FY 2009. The FY 2010 event supported by FAS established an exclusive licensing agreement with China’s oldest traditional medicine company, a powerful heavy-hitter whose interests are now directly linked to the protection of GBW’s intellectual property.
- **Emerging City Markets (ECM) Retail Cluster Development/Qingdao.** FAS developed a new approach to development of ECM, integrating training and seminars with a series of lower-cost retail promotions to generate a higher impact than the more standard high-cost retail event. Qingdao was selected as the premier ECM, as it is a major population center with above average incomes. It is also a popular tourist destination for Chinese and foreign visitors as well. The fruit handling seminars generated additional proposals from retailers seeking to expand their offerings. Total immediate sales were in excess of \$140,000, and 6-month checks have confirmed that most products added to the permanent product list immediately after the promotion is still there. Among the more remarkable successes were U.S. microbrew beer, now readily available in the hometown of China’s largest brewery, and U.S. soymilk, selling in the country that invented soymilk.
- **Live Cattle Exports to Russia Increased 21 Percent in January - June 2010.** For the second consecutive year, the United States is the second largest supplier of live cattle to the Russian Federation. FAS actively facilitated numerous meetings partnering U.S. genetics suppliers and Russian buyers. FAS organized wide participation of U.S. livestock exporters in Russia’s biggest livestock expos, such as AgroFarm 2010 in May and Golden Autumn in October 2010. The World Dairy Expo organizers in Madison, Wisconsin reported that the 2010 Expo saw the largest number of Russian visitors in its history. In total, we expect the latest meetings to generate over \$60 million of new trade in FY 2010, increasing about 20 percent from FY 2009 exports of \$50 million.

## **INTERNATIONAL TRADE SHOWS**

In FY 2010, over 1,000 U.S. companies and organizations participated in 30 FAS-endorsed trade shows, in 19 countries. On-site sales totaled an estimated \$175 million and 12-month projected sales reported by exhibitors were estimated at \$1 billion. The companies made over 15,000 business contacts and displayed more than 5,270 new products in various markets on all continents. FAS’ direct costs in support of these events totaled approximately \$50,000. Below are some trade show highlights.

- **Abastur Trade Show Results in \$11 Million in Sales.** Twenty-six exhibitors joined the U.S. Pavilion at the Abastur show in Mexico City, September 30-October 2, 2009. Many of the 21,000 food trade visitors enjoyed U.S. gourmet dressing, seasoning blends, bakery products, dairy products, crab cakes, soybean oils, beef, cranberry products, and potato products. U.S. exhibitors reported an estimated \$11 million in 12-month sales and 708 business contacts. Abastur had three minority-owned companies exhibiting at the show.
- **ANUGA 2009 USA Pavilion Exhibitors Report Success Exceeding Expectations.** ANUGA, the world’s largest food and beverage trade event, was held in Cologne, Germany, October 10-14, 2009. This biannual event featured 6,522 exhibitors from 97 countries and attracted 153,500 trade visitors from 180 countries. The four U.S. Pavilions at ANUGA (Fine Foods, Meat & Poultry, Organic Foods, and Frozen Foods) were a successful platform for its 139 participants, of which 49 small, 11 new-to-market, and 5 minority owned companies, generated an estimated \$7.8 million in on-site sales and over \$158 million in 12-month projected

sales. U.S. Pavilion exhibitors reported 1,620 trade contacts and introduced more than 350 new products, including seasonings and sauces, frozen foods, dried fruits and vegetables, baked goods, ingredients, beverages, meat and poultry, organic products, an energy snack made from chopped buffalo meat and cranberries, artisan cheeses, pelletized ice cream, and more.

- **Fruit Logistica 2010 Highly Successful Showcase for U.S. Exhibitors Again.** The Fruit Logistica trade show was held February 3-5, 2010, in Berlin, Germany. This event is the world's leading international trade fair for fresh fruits and vegetables, dried fruits, and tree nuts. The show was attended by 2,302 exhibitors from 71 countries and attracted more than 53,000 trade visitors from 130 countries. Visitors to the U.S. Pavilion could find a wide variety of U.S. produce ranging from apples, cranberries, and dates, to pears, pomegranates, tree nuts, and more. The 19 exhibitors included eight small and four minority-owned companies in the U.S. Pavilion which introduced 26 products and made 505 serious contacts. Projected 12-month sales are estimated in excess of \$18 million.
- **U.S. Pavilion at Singapore's Food and Hotel Asia Generates \$25 Million in Projected Sales.** Food & Hotel Asia, Asia's largest international food and hospitality trade event, took place April 20-23, 2010, in Singapore. Food and Hotel Asia 2010 attracted 2,546 exhibiting companies from 63 countries and over 38,000 trade visitors. The U.S. Pavilion consisted of 70 exhibiting companies, including nine small, fifteen new-to-market, and four new-to-export companies. Three state regional trade groups (SRTGs) and three other FAS cooperator groups also participated. Pavilion exhibitors reported making a total of 2,033 contacts, resulting in on-site sales of \$1.37 million and 12-month projected sales totaling \$24.7 million. Products showcased included meats, dairy, poultry, eggs, high-value processed products, juices, frozen seafood, food and bakery ingredients, and specialty foods. FAS organized a market briefing for Pavilion exhibitors on export opportunities, and led a delegation of eight buyers to the U.S. Pavilion.
- **\$68 Million in Sales Projected at SIAL China.** May 19-21, 2010, SIAL China generated \$400,000 of onsite sales and an estimated \$68 million in 12-month projected sales for the U.S. exhibitors. The projected sales value this year represents a sharp increase in tree nut exports, especially pecans. Of the 60 companies in the USA Pavilion, 26 were new to the market and 22 had fewer than 50 employees and/or less than \$10 million in annual sales. U.S. exhibitors featured 486 products and made 975 contacts at the show. U.S. exhibitor evaluations indicate that Chinese distributors, processors, and retailers were most interested in tree nuts, popcorn, beverages, frozen and processed fruits, and cheese.
- **World Food Moscow (WFM) 2010 Generates Over \$64 Million in Sales for U.S. Companies.** World Food Moscow 2010, one of the largest food and beverage events in Moscow, Russia was held on September 14-17, 2010. This annual show attracts approximately 1,100 exhibitors from 55 countries and 50,000 trade visitors. The United States was one of the most diversified among foreign exhibitors with an impressive presence in the fruit, fish, grocery, and meat sectors. Forty-five companies participated in the USA Pavilions, including three new to market and five small or minority owned businesses. Pavilion exhibitors reported making 367 contacts resulting in \$300,000 in on-site sales, and \$62 million in 12-month projected sales. U.S. companies offered 82 new products to the Russian market. Products showcased included grapes, apples, berries, sweet corn, tomato paste, prunes, soy sauces, pistachios, fish and seafood, meat and poultry. FAS organized several value-added services for Pavilion exhibitors, including a market briefing and retail tour. WFM remains the main event for food exporters intending to start or develop sales to Russia.
- **U.S. Companies Report Big Sales from ANTAD 2010 Trade Show.** FAS organized a 42-booth U.S. Pavilion at ANTAD 2010, the biggest and most important retail show in Mexico. The event took place in Guadalajara, Jalisco, from March 10-12, 2010, and received more than 30,000 visitors. The U.S. Pavilion hosted 27 U.S. companies and 20 U.S. trade associations which displayed a broad range of U.S.-origin products including seafood, egg products, fruit, cheese, beef, pork, soybean products, pasteurized eggs, grains, shelf and canned food, beverages, and soups. U.S. exhibitors reported \$475,000 in on-site sales.
- **SIAL Canada Draws New Exporting Companies and Strong Sales.** SIAL Canada held April 21-23, 2010, in Montreal, Canada attracted over 500 exhibitors and more than 12,700 industry professionals. The U.S. Pavilion showcased three SRTGs and 29 companies, 10 of which were new to market and seven new to export companies. The U.S. Pavilion introduced over 200 new products and made an average of 13 contacts. Two

companies signed agent/distributor agreements, contributing to the total \$2,426,000 of on-site sales and almost \$9 million in projected 12-month sales.

- **Caribbean Buyers Get Their Fill at Chicago Food Show.** FAS' buying mission to the 2010 National Restaurant Association's (NRA) Show in Chicago estimated their purchases of U.S. agricultural exports would increase some \$2 million in the months following the show. The mission was comprised of 31 buyers from 15 companies and 8 countries, FAS' largest NRA show mission ever from the Caribbean. Strong recruitment efforts by FAS and a strategic partnership with the U.S. Meat Export Federation and the U.S. Dairy Export Council helped increase the size of this year's buying mission by over 70 percent.
- **China Buys into the Food Marketing Institute (FMI) Trade Show.** In May 2010, FAS led a record trade delegation to the FMI show in Las Vegas. The group also traveled to San Francisco and Los Angeles for one-on-one meetings and to visit U.S. companies. One mission member signed a wine contract on-site during a pre-arranged winery tour. Other members showed interest in a wide range of American products including: soy drinks, canned beans and corn, cheese, oatmeal, and processed and packaged meat products. Projected sales over the next 6 months amount to over \$12 million.
- **Booming Success at New Zealand Trade Show.** The inaugural Fine Food New Zealand was held June 10-12, 2010, in Auckland. The event was a resounding success featuring 244 exhibitors from 12 countries and 5,734 buyers. Visitors to the U.S. Pavilion could find information on and sample a wide variety of products such as hot sauce, whiskey, dried fruits, pasta, potato chips, energy drinks, dips, and dry fruit and nuts. Visitors were also treated to a culinary display featuring U.S. food products. The U.S. Pavilion consisted of two booths representing Dirty Chips Company and the Southern U.S. Trade Association. The product generating the most interest was a hot pepper sauce produced by an Alabama company. The company made over \$60,000 in sales as a result of participating in the show. The other company participating reported sales of over \$27,000 in total and they made 5-10 contacts at the show and have projected 12-month sales of over \$140,000.

#### **U.S. SHOWS WITH INTERNATIONAL COMPONENT**

In FY 2010, FAS actively facilitated buyer team visits at five to six U.S. shows with substantial international participation. Three of those key U.S. shows (National Restaurant Association Show, Americas Food and Beverage Show, and Fancy Food Summer Show) resulted in 33 buyer teams, with a total of 735 participants from various regions and with \$24.7 million projected sales of U.S. products.

- **National State Departments of Agriculture (NASDA) Used MAP Funds to Generate \$23 Million in Sales of U.S. Products at Miami Trade Show.** More than 3,200 international buyers representing over 60 countries visited Miami for the Americas Food and Beverage Show November 9-10, 2009. Organized by the World Trade Center Miami (WTCM), the Americas Food and Beverage Show is designed to facilitate trade within the Americas, from Canada to Argentina. Leveraging MAP resources, NASDA recruited buyers from all parts of the Western Hemisphere, including the Caribbean and Central and South America. NASDA and FAS sponsored the U.S. pavilion, which featured 83 exhibitors from 23 states. Many of them participated in pavilions sponsored by the Illinois, Georgia, and Minnesota Departments of Agriculture. The combination of the meetings and the open trade show forum allowed U.S. exhibitors to generate \$23 million in sales.
- **Study of Company Participation in USDA Endorsed Trade Shows.** FAS conducted an internal study on the participation of small and minority companies in various USDA-endorsed trade shows around the world. This report analyzed data compiled from evaluations received from 27 USDA endorsed trade shows taking place in CY 2009. Over 980 companies participated in these shows, with 68 percent of the responding companies meeting small company status and 69 percent responding as ethnic ownership. Statistics show that the most active minority ethnic group participants are Asian making up about 10 percent of the total companies reported, followed by 4 percent American Indian and Hispanic owned companies.

## COUNTRY STRATEGY SUPPORT FUND (CSSF)

FAS Headquarters works closely with FAS Posts to link Country Strategy Support Fund (CSSF) use to FAS and USDA goals and country strategies. The funds support market promotion and other FAS strategic priorities, including market access. Project examples include:

- **Iraqi Reverse Trade Mission Generates First Time U.S. Vegetable Seed Sales to Iraq.** To help develop the private planting seed industry in Iraq, collaborative efforts of FAS Baghdad and FAS Headquarters facilitated an Iraqi reverse trade mission to the United States. Using the CSSF, 11 private seed traders of the Iraqi Seed Trade Association (ISTA) travelled to Las Vegas in January to attend the Vegetable and Flower SeedExpo organized by the American Seed Trade Association (ASTA). During the 3-day conference, the Iraqis met with some of the largest planting seed companies in the United States. They learned about the importance of good foundation seeds in increasing agricultural productivity and the role of effective seed laws and regulations in the development of a viable local seed industry. ISTA is using ASTA as a model in developing a vibrant planting seed industry in Iraq. With 500 members, all over Iraq and growing, ISTA is expected to play a critical role in opening the Iraqi seed market, reforming existing seed policies, and improve Iraqi agriculture in the years ahead. ISTA is expected to attend ASTA's Vegetable and Flower SeedExpo in California in 2011.
- **Dominicans Love U.S. Livestock.** In 2010, CSSF funds allowed FAS Santo Domingo to lead two successful livestock and genetics buyers' missions to the United States. In early June 2010, FAS worked with the American Soybean Association to lead a group of 52 Dominican pork producers to Des Moines, Iowa, for the World Pork Expo. Before going to the Expo, the group visited other sites of interest such as a goat farm, meat processing plant, and feed processing operations. So far, the participants have purchased a total of 125 cows. In late September, FAS brought a group of 22 dairy producers to the World Dairy Expo in Madison, Wisconsin. The buyers have purchased 35 cows so far as well as bovine semen. Confirmed sales from these two livestock shows have exceeded \$225,000 to date.
- **U.S. Pavilion at 2010 China Animal Husbandry and Feed Industry Expo (CAHE) a Success.** FAS Beijing and the Foreign Commercial Service (FCS) sponsored a joint U.S. Pavilion at the CAHE. The project was initiated to increase U.S. exports of animal genetics and feed ingredients. FAS Beijing recruited 14 U.S. organizations to participate in this first ever U.S. Pavilion. One company made sales worth \$370,000 at the show and the U.S. pavilion attracted 17 U.S. exhibitors, up from 10 in 2009. Another U.S. exhibitor reported that Chinese buyers were interested in importing five plane loads of pigs valued at \$6.5 million; however, China currently has a ban on live swine imports. The pavilion was well-received both by U.S. exhibitors and Chinese attendees. Inquiries and contacts established at the trade show helped U.S. exhibitors lay the base for future sales. During the three day event, more than 70,000 professional visitors came to the expo. The show had 2,500 exhibitors from more than 30 countries. Exhibitors included animal breeding, feed additives, animal care, animal feed machinery, animal product processing, environmental engineering design, and investment consulting.
- **Chilean Beef Promotion Exceeds Expectations.** FAS Santiago collaborated with Wal-Mart Chile on a promotion to highlight the quality and value of U.S. beef. Chilean consumers are becoming interested in U.S. beef, but lack knowledge of the cuts of meat and the U.S. grading system. To educate consumers, Wal-Mart Chile and FAS placed ads in four Chilean newspapers during the Spring Bicentennial Independence Day celebrations (September 5-13, 2010), a time when barbecues are popular. Wal-Mart Chile and FAS shared costs equally. U.S. meat sales during this period would usually be 20,000 kilograms and FAS expected the sales to double – but sales increased six-fold to 120,000 kilograms. Orders for the 3 months following the promotion totaled \$3.2 million in sales, an increase of more than \$2.5 million. FAS, Wal-Mart, and USMEF plan more meat promotions in 2011.
- **Nationwide Series of U.S. Beef and Bourbon Promotions Leads to Jump in Sales in Russia.** Sales in Russia of U.S. boneless beef and bourbon are set to top \$100 million in 2010 for the first time ever. Over the course of 2010, FAS Russia has played a key role in a series of six successful sales-generating events spanning Russia, from the Northwest to the Far East. Teaming up with the USMEF and the Distilled Spirits Council of the United States (DISCUS), FAS led the logistical and press elements of the following events: Whiskey – American Classic in St. Petersburg; Winter and Summer American BBQs at the U.S. Embassy Dacha in

Moscow; cooking demonstrations and tastings for chefs, servers, and media in Yekaterinburg; Culinary Festival in Vladivostok; and Texas-Style Food Festival in Khabarovsk. Spurred by increasing knowledge of the products and growing consumer demand, sales of U.S. whiskey (bourbon) have jumped by nearly 50 percent through August 2010 to \$13.5 million versus \$9.1 million in 2009. U.S. exports of boneless beef for January through August 2010 reached \$68 million, up from \$5 million in the same 8 months of 2009.

- **South Africa: Support for Biotech Outreach Helps Delay Biotech Labeling Requirement.** During FY 2010, FAS Pretoria utilized just over \$3,100 in CSSF funds to partner with AfricaBio, a South Africa-based biotechnology advocacy group, to conduct biotech outreach workshops focused on South Africa's new draft labeling requirements for products containing biotech ingredients. The workshops brought together South African regulatory officials with private sector representatives to discuss the onerous requirements in the current draft legislation. South Africa has now delayed implementation of the new labeling requirements following extensive comments from FAS and the South African commercial agricultural sector.
- **American Institute of Baking (AIB) International Bakery Seminar in Chile.** FAS partnered with U.S. Wheat Associates and the AIB, using CSSF to fund the first and second AIB International Baking Seminars. The project was conceived in response to the lack of existing scientific and technological knowledge about flour improvement techniques in the Chilean baking sector. Chileans are the second largest consumers of bread in the world, after Turkey. Although the population is small, they consume a lot of wheat flour. The seminar exceeded expectations by attracting high-level executives representing the wheat-to-bread value-chain from the entire country, who paid \$1,200 and spent 3 days of their time to attend the course. Participants stated that the knowledge they acquired at the seminar will have an immediate application in their baking practices and that they will import flour and flour improvement products from the United States. U.S. wheat exports to Chile have increased 140 percent to \$82.5 million from January-August.

#### **COMMODITY CREDIT CORPORATION (CCC) EXPORT CREDIT GUARANTEE PROGRAMS**

The primary objective of the CCC export credit guarantee programs is to increase sales of U.S. agricultural commodities to international markets by facilitating the extension of export credits to countries that do not have access to adequate commercial credit. These CCC programs 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 2.5 years. The FY 2010 GSM-102 program provided credit guarantees which facilitated sales of \$3.09 billion. Middle East and North Africa showed strong exports under the program with an increase of over \$150 million from the previous year and the Eurasian region recorded exports of \$386 million which was an increase of over \$100 million from FY 2009. Increased sales and/or additions of U.S. agricultural commodities were exported to four countries and eight regions. Although there was a 40 percent decrease in GSM-102 program utilization in FY 2010 from a near-record level in FY 2009, there were substantial program increases in key outreach markets:

- Program use in the Middle East and North Africa increased 70 percent in FY 2010 compared to FY 2009.
  - Program use by Vietnamese banks increased over 400 percent from FY 2009 to FY 2010.
  - Program use in Turkey increased nearly 30 percent. In FY 2010, the GSM-102 program supported 79 percent of U.S. rice exports, 48 percent of U.S. soybean exports, and 20 percent of U.S. cotton exports to Turkey.
  - Over 25 percent of all U.S. agricultural exports to South Korea were supported by the GSM-102 program during the last 2 fiscal years.
- **Access to GSM-102 Bolsters U.S. Ag Exports to South Korea.** Korea is the single largest recipient of GSM-102 credit guarantees. Access to this program over the last couple decades has helped propel Korea to become the fifth largest market for U.S. agricultural products. In FY 2010, Korea used \$780 million of its \$1.2 billion GSM allocation to underwrite a variety of imported U.S. products, such as corn, wheat, soybeans, red meat, poultry, and cotton. This program not only facilitates imports of U.S. agricultural products where we have a natural competitive advantage like in the case of corn or wheat, but also levels the playing field for certain other

commodities, such as cotton. In fact, the Spinners & Weavers Association of Korea has stated that without access to GSM-102 credit guarantees, they would have sourced product from Egypt or Brazil. As a direct result of the GSM program, however, they instead purchased U.S. cotton, which totaled \$113 million in FY 2010.

**GSM-102 EXPORT CREDIT SALES REGISTRATIONS**  
**Summary of FY 2010**

Country/Region	\$ Millions
Caribbean	82.3
Central America	193.3
China/Hong Kong	100.9
Eurasia	385.7
Mexico	90.7
Middle East and North Africa	\$221.8
South America	195.1
South Asia	24.5
Southeast Asia	267.9
South Korea	780.0
Sub-Sahara Africa	132.2
Turkey	615.8
<b>TOTAL</b>	<b>\$3,090.2</b>

**FACILITY GUARANTEE PROGRAM (FGP)**

USDA continues its work on the revisions to the FGP regulations to incorporate the waiver of U.S. content on capital goods if the Secretary determines that use of U.S. goods is not practical. FAS will complete its development and implementation of a revised program regulation in FY 2011.

**PROGRAM MANAGEMENT/OVERSIGHT**

During FY 2010, FAS continued to proactively manage the GSM-102 program risks and costs. To help meet this goal, FAS continued its annual analysis of historical program defaults and recoveries to determine true net default rates, and applied actuarial data to the credit reform subsidy model. Average program subsidy changed from 0.60 percent in FY 2009 to 1.21 percent in FY 2010. For FY 2011, average program subsidy is estimated at 0.86 percent. On the revenue side, FAS developed a revised draft program fee schedule that is more commensurate with program risk.

**MARKET EXPANSION PROGRAM**

The Dairy Export Incentive Program (DEIP) helps U.S. dairy exporters meet prevailing world prices and encourages the development of international export markets in countries or regions where U.S. dairy products are not competitive due to subsidized dairy products from other countries. In FY 2010, USDA awarded bonuses for 1,720 MT of nonfat dry milk, 2,175 MT of butterfat, and 916 MT of cheese. The program has facilitated sales of U.S. dairy products to Africa and the Middle East, Asia, and Eurasia.

**IMPORT AND TRADE SUPPORT PROGRAMS**

**The Trade Adjustment Assistance (TAA) for Farmers Program.** The American Recovery and Reinvestment Act (ARRA) of 2009 reauthorized and modified the TAA for Farmers program. The Omnibus Trade Act of 2010 amends the statute by providing \$10.4 million for an additional 6-week period beginning January 1, 2011 and ending February 12, 2011. The TAA for Farmers program helps producers of raw agricultural commodities and fishermen adjust to a changing economic environment associated with import competition through technical assistance and cash benefits. Producers of a commodity who have recently suffered a greater than 15 percent decrease in the national average price, the quantity of production, value of production, or cash receipts compared to the average of

the 3 preceding marketing years, and imports contributed importantly to this decline, may be eligible to receive free information, technical assistance, and cash payments to develop and implement business adjustment plans from the TAA for Farmers program. A total of \$202.5 million has been made available for the program, with \$90 million per year for the 2009 and 2010 fiscal years, and \$32.9 million in FY 2011 ending February 2011.

These funds will be used for developing and implementing approved Extension training programs, as determined by the National Institute of Food and Agriculture (NIFA), for cash payments to producers for development and implementation of business plans, and for USDA administration of the program. Eligible producers who develop an approved business plan, with guidance from educators working under approved Extension programs, are entitled to receive a cash payment of up to \$4,000 to implement the initial business plan or develop a long-term business plan. Producers who subsequently develop approved longer-term business plans are entitled to receive an additional cash payment of up to \$8,000 to implement their long-term plans.

- On June 25, 2010, FAS certified three FY 2010 petitions on behalf of U.S. asparagus, catfish producers, and shrimp producers in the Gulf and South Atlantic region. According to USDA's Farm Service Agency and the program's training partner, the University of Minnesota, nearly 3,900 shrimp producers, 780 catfish producers, and nearly 270 asparagus producers applied for benefits. Producers will soon begin the training portion of the program and have until December 22, 2010, to complete the initial training and until June 25, 2013, to complete all training phases of the program.

### NEW TECHNOLOGIES

U.S. farmers are taking full advantage of biotechnology and other new technologies to increase their productivity, and they are expanding production of organic products in response to growing consumer demand. Commercialization of U.S. products from cloned animal progeny, genetically engineered animals, and nanotechnology is increasing significantly. However, trade in these products has been slowed by other countries' failure to provide timely approvals for new technologies and standards for organics. Unchecked, this situation will worsen as more and more biotech crop varieties and other new technologies are adopted by U.S. agriculture. In 2010, approximately 86 percent of the corn, 93 percent of the cotton, and 93 percent of the soybeans planted in the United States were biotech varieties. An estimated 60-80 percent of U.S. processed food products contain biotech ingredients and could be negatively affected by restrictive labeling measures, testing requirements, or outright bans. Exports of these crops and other foods produced or processed using modern biotechnologies are ubiquitous and form the core of the U.S. agricultural exports.

- **Multi-Billion Dollar Interruption to U.S.-Japan Grain Trade Preempted.** In 2010, the Japanese government dissolved their agricultural biotechnology review system under the direction of an anti-biotechnology politician. The suspension of a key committee's work threatened not only the ability of U.S. seed technology firms to commercialize new biotech seeds in the United States, but threatened the entire \$4 billion U.S.-Japan grain and oilseed trade, which would have grinded to a halt upon the discovery of unapproved biotech events in the U.S. grain supply. FAS marshaled forces throughout the entire U.S. government and successfully convinced the Japanese government to immediately re-institute their biotech approval system. FAS' rapid response and leadership on the issue was broadly recognized by the agricultural biotechnology community and the U.S. grain trade.
- **U.S. Rice Exports Continue Without Genetically Modified Organism (GMO) Testing.** On November 5, 2009, the Mexican Government decided to test 100 percent of U.S. milled rice shipments from three U.S. exporters for the presence of GMOs and mycotoxins. Within 3 weeks, FAS collaborated with the National Rice Producers Council of Mexico and Mexican rice importers to have these unjust requirements revoked by the Mexican Government. These actions saved \$5.6 million of rice trade which was detained during the 3 week period. For FY 2009, rice trade to Mexico was valued at over \$346 million.

### FOOD SECURITY

Global food insecurity impacts people worldwide. With over 1 billion hungry, the problem is exacerbated by the current global economic downturn. Food assistance alone is not enough availability is also about trade and in-country production increases. The biggest contributing factors to insufficient in-country production are chronic

under-investment in agriculture, inefficient inputs and markets, and poor governance. To address food insecurity, states must improve the entire value chain from farm to table, increasing production and efficient inputs, reducing post-harvest losses, adding value, and supporting mechanisms that encourage local, regional, and international trade. Food security must be country-driven and focused at the local and community levels.

- **Monitoring USDA Food Aid Programs Efficiency.** In January 2010, FAS opened a new office in Maputo, Mozambique as a satellite to the FAS office in Pretoria South Africa. The new FAS office quickly established its presence with the Non-Governmental Organizations that have received over \$100 million in USDA Food for Progress (FFP) and Food for Education (FFE) funding since 2005. FAS Maputo has conducted several visits to ongoing FFP and FFE programs as part of FAS monitoring efforts, which helps address the General Accounting Office's recommendations to improve USDA food aid efficiency.
- **USDA's Reconstruction and Stabilization Effort in Afghanistan.** As USDA's contribution to the Civilian Uplift in Afghanistan in FY 2010 FAS provided over 50 agricultural experts to advise Provincial Reconstruction Teams, Agricultural Development Teams, and District Support Teams. These experts have reported a total of 627 projects being implemented or completed which are valued at \$44 million and primarily utilizes the Commanders' Emergency Response Fund (CERP) of the Department of Defense. USDA experts also advised and helped to implement USAID projects valued at over \$251 million. Goal 1.1 of the USG Agricultural Assistance Strategy is to increase agricultural productivity. There were 292 projects implemented or advised by USDA's agricultural experts which directly centered on Goal 1.1 by focusing on increasing per hectare yields. Fifty-seven projects targeted improving irrigation techniques and another 44 projects targeted improving agribusiness development. USDA estimated that the projects led to the generation of over 85,000 thousand temporary and 10,000 permanent employment opportunities for Afghans. USDA has also trained 514 Ministry of Agriculture, Irrigation and Livestock (MAIL) officials covering at least 84 districts throughout Afghanistan and has trained over 7,000 farmers.

### **COCHRAN FELLOWSHIP PROGRAM**

The Cochran Fellowship Program (CFP) provided short-term training in the United States for 467 international participants from 68 countries in FY 2010. Since its inception in 1984, the program has provided training to more than 13,800 participants from 123 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 CFP accomplishments reported in FY 2010:

***West Africa.*** Senegal has been an active participant of the Cochran program since 1994 with 65 participants trained on agricultural related topics. On October 14, 2010, the U.S. Ambassador in Senegal hosted a reception to honor them. In FY 2010, the CFP provided short-term training in the United States for 13 participants, 12 from Senegal, and one from Burkina Faso.

***Malaysia.*** FAS Malaysia used CFP funds to provide training to Malaysian officials in August and September of 2010. Three Department of Veterinary Service (DVS) officials attended the Food Safety and Inspection Service (FSIS) meat inspection seminar, two participated in quarantine training, and one officer took animal health training. The FSIS Program is an especially popular program among DVS officials. This type of training over the years has led to considerable respect from Malaysia officials for the U.S. Meat Inspection System and to official recognition that the U.S. food safety and meat inspection system is equivalent to the Malaysian system.

***Malaysia.*** FAS Malaysia used CFP funds to sponsor a Malaysian delegation of two Genetically Modified Advisory Committee (GMAC) members to visit Washington in July 2010 to gain a better understanding of the U.S. biotechnology regulatory framework. The delegation learned about the benefits of biotechnology and expressed interest in facilitating a science-based biotechnology regulatory environment in Malaysia.

***Malaysia.*** Following a CFP sponsored exposure trip to the Pork Expo in Des Moines, Iowa in June 2010 (accompanied by FAS Malaysia), a team of Malaysian pig farmers returned to the United States in September to purchase pigs. They purchased more than 100 pigs (including boars and gilts).

**China.** In 1996, a businessman from China spent 3 weeks as a CFP Fellow learning about U.S. food retailing practices, food companies, and supermarket management techniques. He used the concepts learned to gear his grocery store, City Shop, toward fresh and imported food products that appeal to expatriates. Today, City Shop is one of the largest high-end supermarket chains in Shanghai with nine retail outlets and one in Beijing. More than 85 percent of City Shop's products are imported, and each store carries nearly 3,000 U.S. food and non-food items. Last year, total sales reached \$44 million.

**Turkmenistan.** In 2010, the U.S. Charge d'Affaires in Ashgabat hosted a CFP Reunion reception to honor the Cochran Program in Turkmenistan. Twenty five program alumni, including representatives of the Ministry of Agriculture, Ministry of Water Management, Food Industry Association, and the Ministry of Foreign Affairs, attended the event. During the reception, alumni shared experiences from their Cochran training programs. For example, an alumnus from 1995, who is a poultry farmer raising the popular "Halal" broiler chicken, noted that his training experience resulted in a substantial cost-savings of \$90,000 in electricity and feed expenses for his business. Another Cochran Fellow, who attended training on agricultural cooperative development, discussed her experience as leader of a women's cooperative in Balkan Province that adopted drip irrigation for olive tree cultivation, as a result of Cochran training.

**Costa Rica.** As a result of Cochran training at Iowa State University on sausage and processed meats, a Cochran Fellow reported that she was promoted to Quality Control Chief and Trainer for Cargill Cinta Azul, a family of meat processing plants. Her responsibilities include preparing, developing, and implementing training programs in food safety and quality control. With lessons learned through the CFP, the Fellow developed a beef processing workshop for employees from plants in Honduras, Guatemala, Nicaragua, and Costa Rica. She has trained employees, supervisors and high-level managers on meat processing, purchasing, and distribution. Her training modules have also been incorporated into the new employee orientation manuals.

***FY 2010 Participants by Region and Funding Source***

	<b>Appropriation</b>	<b>Dept. of State</b>	<b>USAID</b>	<b>Iraq/Afghanistan Technical Assistance</b>	<b>Americans for Bulgaria Foundation</b>	<b>Total</b>
<b>Asia</b>	90	0	5	0	0	95
<b>Eastern Europe and Eurasia</b>	54	94	0	0	15	163
<b>Latin America and the Caribbean</b>	83	0	0	0	0	83
<b>Africa and the Middle East</b>	113	0	0	13	0	126
<b>Program Total</b>	<b>340</b>	<b>94</b>	<b>5</b>	<b>13</b>	<b>15</b>	<b>467</b>

#### **BORLAUG FELLOWS PROGRAM (BFP)**

In its sixth year, the Norman E. Borlaug International Agricultural Science and Technology Fellows Program (BFP) continued to expand, training some 406 Fellows from 64 countries since the program's inception in 2004, including 48 Fellows in FY 2010. The authorization for the BFP under the Food, Conservation and Energy Act of 2008 institutionalizes this successful trade and scientific capacity-building program. The BFP offers fellowships for scientific training and research in the United States to potential leaders 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, marketing. The program also addresses obstacles to the adoption of technology, such as ineffective policies and regulations. The BFP continues to strive for diversity, with females comprising nearly 50 percent of participants. Accomplishments in FY 2010 include the following:

**Ukraine.** A Borlaug fellow from Ukraine has helped cement significant linkages between the University of Missouri and Ukraine's National University for Life and Environmental Sciences. Natalia Gerasymchuk was FAS Kiev's first Borlaug Fellow in 2009. In addition to the benefits of Borlaug to her own career, the Borlaug connection has helped Ukraine envision and reach for an improved extension service and to bring crop intelligence

and food security into better focus. The Borlaug participant's mentor, Dr. Willie Meyers, has fostered collaboration and developed new programs for Agricultural Exchanges between the University of Missouri and Ukraine's system of agricultural schools. On October 6, 2010 a Memorandum of Understanding between the University of Missouri and the National University of Life and Environmental Sciences of Ukraine established a scientific and cultural co-operation program. The agreement will provide opportunities for professors, post-graduates and students of both educational institutions to participate in exchange programs and co-operation, namely in the fields of agricultural and applied economics, agribusiness, extension education, agronomy, biotechnology, food technology, and veterinary medicine.

**Malawi.** An African Women in Science Borlaug alumna, who was trained in dairy management and nutrition at Southern University in Louisiana, reported that her training helped facilitate significant increases in milk production and calf births at the Kakoma Estate, a medium-size Malawian dairy cooperative where she is managing director. With additional sales and profits from milk and beef, Kakoma Estate was able to pay school fees for a greater number of orphans and other children affected by HIV/AIDS. The Borlaug training has not only paid significant dividends but has also had a multiplier effect. The alumna trained staff at Kakoma Estate and other local farm businesses in animal nutrition requirements and milk hygiene, which they incorporated into their own farms and households, resulting in improved dairy production and community food security.

**Romania.** A Borlaug alumnus from Romania, who is with the University of Agricultural Science in Timisoara, reported that he had spearheaded a research program in applied microbiology and biofuels as a result of the laboratory experience gained through his fellowship at the University of Kentucky. Leading a research team in a biofuels laboratory, he received a research grant focused on bioethanol from a lignocellulose project and is part of a research community that promotes the potential of renewable energy in Romania to agro-industry players, decision makers, and stakeholders. He has also engaged in teaching and extension activities, as well as professional conferences, where he presented new information to more than 750 people on how biofuel production utilizes non-food crops and farm refuse, which would otherwise be disposed of through other means.

**Guatemala.** A Borlaug alumnus from Guatemala, who studied the taxonomy of thrips and aphids with the Plant Protection and Quarantine staff of USDA's Animal and Plant Health Inspection Service in Miami, Florida, reported that, as a result of the training, he was able to improve the teaching curriculum at San Carlos University in Mazatenango on identifying thrips in vegetable crops. Thrips are common pests causing production losses due to direct feeding and transmission of viruses that further degrade the vegetables and reduce marketability.

**African Cocoa.** The partnership between the World Cocoa Foundation (WCF) and the BFP continues to produce increased outreach and research on topics impacting small-holder cocoa production and marketing in Africa. A Nigerian Borlaug alumnus was selected to give presentations at two meetings: the WCF Annual Partnership Meeting in Washington, DC, and the Annual Conference of the Pennsylvania Manufacturing Confectioners Association (PMCA), the premier event for chocolate manufacturers. His presentations were based on Borlaug training at the USDA Agricultural Research Service in Beltsville, Maryland, as well as his research on pheromones as an integrated pest management (IPM) tool in controlling the brown cocoa mirid, a devastating cocoa pest in West Africa. He routinely trains other scientists at the Cocoa Research Institute of Nigeria on new IPM techniques and gives workshops to cocoa farmers on how to build pheromone traps for the brown cocoa mirid.

**India.** An Indian alumna from the National Institute of Nutrition in Hyderabad, who received BFP training in the food safety assessment of biotechnology products, served as a regional expert at a workshop in Bangladesh in 2010. The workshop promoted appropriate utilization of scientific information in the food safety risk assessment of biotechnology products consistent with Codex international guidelines. The alumna had the opportunity to share with counterparts in government and academia the knowledge and skills gained through her fellowship and subsequent work.

#### **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, and water and soil conservation. Since its inception, the SCEP has facilitated the exchange of approximately 2116 U.S. and Chinese experts. 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. Accomplishments include the following:

- **Distillers Dried Grains with Solubles (DDGS)**. The U.S. market share of DDGS increased to 65 percent in the Hainan Province following a 2009/2010 SCEP-sponsored training designed to educate Chinese livestock suppliers, contract farmers, feedmills, and government officials on the cost-savings and nutritional benefits of using U.S. DDGS. The activity began in FY 2009 with the shipment of U.S. DDGS samples to China for scientific trials in May 2009. The U.S. team traveled to China in October 2009 to discuss the efficacy results with China's Ministry of Agriculture (MOA) and China's State Grain Administration. In December 2009, MOA introduced the U.S. team to key players in Hainan. Since that time, Chinese poultry and hog suppliers have visited the DDGS supplier, Marquis Energy, and the broker, Traders Group, to conduct more business. The higher quality U.S. feed has also helped Chinese farmers reduce livestock mortality rates, which improves food availability and the suppliers' return on investment.
- **Biotechnology-Based Veterinary Products**. Experts from USDA and faculty members from Iowa State University trained Chinese veterinary experts and policy makers on pre-license evaluation, risk assessment for genetically modified vaccines, standardized reagents, and post-marketing surveillance of veterinary biological products. The training and subsequent workshop in Beijing will expand opportunities to develop and trade safe, biotechnology-based veterinary products and strengthen the agricultural safeguarding system in China. The trainings will also assist the Chinese Government with establishing an International Office of Epizootics (OIE) Collaborating Center, thus improving China's understanding and compliance with international standards.
- **Genetic Transfer with Reduced Disease Transmission in Swine**. Swine experts from USDA and the University of Missouri transferred key technology to China to address effective methods of reducing disease transmission in swine during the genetic transfer process. The technology transfer will improve export opportunities for the U.S. genetics industry, enhanced goodwill between the countries' pork industries, where tensions had increased due to bilateral trade restrictions.

#### **SCIENTIFIC COOPERATION RESEARCH PROGRAM (SCRP)**

The SCRCP 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.

**India.** Scientists from Montana State University and the Indian Agricultural Research Institute conducted joint research on *Ascochyta* blight resistance. The research has increased the yields of chickpeas in India and the United States, thereby enhancing the development of sustainable agricultural systems, while increasing incomes of rural farmers.

**Mexico.** Scientists from the University of California at Riverside and Mexico's Universidad Autonoma Chapingo conducted joint research that used biotechnology applications to improve characterizations of the *Phaseolus vulgaris* L bean (GM). The GM bean was designed to resist drought and low soil fertility. Beans are a critical protein source in developing countries and an important export for Mexico. This ongoing project has already helped advance genomic sciences in Mexico by improving the skills of scientists who are applying biotechnology in transforming beans. Potential benefits from the joint effort include enhancing food security and food quality, increasing profitable and sustainable crop production, and reducing fertilizer and water inputs.

#### **EMBASSY SCIENCE FELLOWS PROGRAM (ESFP)**

The ESFP offers scientific advisory support to U.S. embassies and consulates. The program provides a valuable mechanism for USDA to advance national research and development priorities through international collaboration. The program also helps U.S. embassies guide policymaking decisions related to science and technology, energy, environment, and national security. Examples of ESFP results include:

**Kenya.** An expert from USDA's Foreign Agricultural Service trained Kenyan officials on the Sanitary and Phytosanitary (SPS) Agreement of the World Trade Organization (WTO). The training resulted in Kenya notifying

a newly drafted SPS regulation to the WTO for the first time. Compliance with the WTO SPS agreement will improve market access for U.S. agriculture and remove barriers to food security in Kenya.

**Food and Agriculture Organization (FAO) of the United Nations.** An expert from USDA's National Institute of Food and Agriculture provided scientific expertise to the FAO in support of the Global Partnership Initiative for Plant Breeding Capacity Building. The expert analyzed a set of new case studies across several countries and crop types, representing a range of investment histories in plant breeding systems, in support of developing a framework for improving investment in plant breeding and seed systems. This collaborative effort will help identify ways to mitigate climate change, improve food security, and increase economic prosperity in lesser development countries via agricultural product development.

### **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 importers. Programs administered by FAS consist of P.L. 480, Title I; Food for Progress (FFP); the McGovern-Dole International Food for Education and Child Nutrition Program (FFE); and the Local and Regional Food Aid Procurement Pilot Project (LRP). Fiscal year 2010 activities focused on helping countries move toward graduation and the development of their agricultural economies. The programs featured a mix of monetization, direct distribution, and local food aid commodity procurement to meet the specific needs of recipient countries.

FAS programmed 367,200 MT of food assistance with an estimated value of about \$371.2 million in FY 2010. Of this amount, estimated commodity costs represented \$183.9 million and estimated transportation and other non-commodity costs were \$163.5 million. FAS provided all of the food assistance through donations, with no concessional sales agreements in FY 2010. FAS also programmed \$23.8 million of food assistance through local and regional commodity procurement under the pilot project. Thirty-three countries received food assistance through FAS administered programs.

#### **FAS FOOD ASSISTANCE PROGRAM SUMMARY, FY 2010**

<b><u>Program</u></b>	<b><u>\$ Millions</u></b>	<b><u>000 MT</u></b>
P.L. 480 Title I Funded/FFP	\$19.7	40.7
CCC Funded/FFP	146.2	200.4
McGovern Dole Food for Education	181.5	126.1
Local and Regional Procurement Pilot Project	<u>23.8</u>	<u>N/A</u>
<b>Total, Food Assistant</b>	<b>371.2</b>	<b>367.2</b>

In addition, FAS has improved its procurement operations for food assistance. This is accomplished through increased use of long-term, multi-year agreements with private voluntary organizations 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. In FY 2010, FAS aligned its food aid agreements with new regulations for the programs, which improved processes for claims, implementation reports, and freight procurement. FAS uses the services of the Farm Service Agency, including the single-step procurement of commodity and freight for packaged commodities. When possible, FAS further combines purchases of both packaged and bulk commodities with the purchases of the U.S. Agency for International Development, 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 2010, 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. In FY 2010, Title-I funding provided 40,700 MT valued at \$13.6 million, and \$6.1 million of transportation and other non-commodity costs. These programs were with the Government of the Philippines and the Government of Nicaragua. Funds used to support these agreements were carried over from unobligated balances from prior years.

**FY 2010 P.L. 480 TITLE I FUNDED/FOOD FOR PROGRESS COUNTRY ALLOCATIONS**  
(\$000)

<u>COUNTRY</u>	<u>TOTAL VALUE</u>
Philippines	\$ 8.5
Nicaragua	<u>11.2</u>
<b>Subtotal</b>	<b>\$19.7</b>
<u>COMMODITY</u>	<u>000 MT</u>
Nonfat Dry Milk	0.7
Rice Milled	7.0
Soybean meal	9.0
Yellow Corn	<u>24.0</u>
<b>Subtotal</b>	<b>40.7</b>

Below is an example of a FY 2010 Food for Progress program funded through P.L. 480 Title I:

**Nicaragua.** Nicaragua is primarily an agricultural country with a small manufacturing base, and it is the second poorest country in the Western hemisphere. The agricultural sector (livestock, staple grain production, fisheries) suffers from drought and poor irrigation systems, limited infrastructure, and inadequate credit at high interest rates. Since FY 2003, Food for Progress has entered into multiple agreements with the Government of Nicaragua, including an FY 2010 agreement valued at \$11.2 million, to support the agricultural sector. These agreements promote Nicaragua's full implementation of the Dominican Republic-Central American-United States Free Trade Agreement (CAFTA-DR) through trade capacity building activities focused on sanitary and phytosanitary institutional capacity building, as well as development of scientifically-based regulatory systems consistent with international standards. To date, these agreements have supported the Government of Nicaragua with the eradication of classic swine fever in animals (Nicaragua expects to declare itself free of classic swine fever disease by 2012); certification of properties free from bovine Brucellosis and Tuberculosis; increased agricultural diversification and improvement in production inputs; improvement in management of production outputs (storage, processing, and commercialization); and strengthening of the Centers for Rural Development through training and technical assistance, good agricultural practices, and effective monitoring. Food for Progress is providing the Government of Nicaragua with the means to attain sustainable economic and agricultural growth, and full participation in CAFTA-DR.

**CCC-FUNDED FOOD FOR PROGRESS**

The Food for Progress (FFP) program assists developing countries and emerging democracies in introducing and expanding private enterprise in the agricultural sector. FFP agreements with countries may be funded with CCC or, as noted above, P.L. 480, Title I resources. In FY 2010, CCC funding provided 200,400 MT valued at \$96.4 million and \$49.8 million of transportation and other non-commodity costs. Implementing partners are either private voluntary organizations (PVO) or foreign governments that usually monetize (sell on the local market) 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 in FY 2010 are shown in the tables below:

**FY 2010 CCC –FUNDED FOOD FOR PROGRESS**

(\$000)

<u>COUNTRY</u>	<u>TOTAL VALUE</u>
Afghanistan	\$ 28.7
Pakistan	30.5
Timor-Leste	12.0
Guatemala	4.0
Honduras	7.9
Tanzania	9.0
Mozambique	26.3
Liberia	9.8
Mali	18.0
<b>Subtotal</b>	<b>\$146.2</b>

**COMMODITIES PROGRAMMED IN FY 2010 UNDER  
CCC-FUNDED FOOD FOR PROGRESS**

<u>COMMODITY</u>	<u>000 MT</u>
Rice	21.8
Soy Flour, Defatted	0.2
Soybean Meal	12.0
Soybean Oil	34.7
Soybeans	5.0
Wheat	116.9
Yellow Corn	9.8
<b>Subtotal</b>	<b>200.4</b>

FFP activities have included improving agricultural techniques and marketing systems, providing education to farmers, helping develop cooperatives, teaching irrigation and land conservation techniques, supporting agribusinesses and microcredit enterprises, and building the capacity to trade. One FFP project that demonstrates the success of this program was implemented by International Relief and Development, Inc. (IRD) in Gambia, southern Senegal, and northern Guinea-Bissau. This multi-country program focuses on developing the cashew sector through capacity building for farmer associations, improving agricultural practices, and promoting better processing methods, value addition and marketing. Since 2009, nearly 4,000 cashew farmers have participated in a series of cashew value-chain training sessions.

Traditionally, cashew farmers would sell their product individually to traders, and most of the raw cashews were exported to India and Vietnam. IRD encourages farmers to bulk their production through farmer associations so they can negotiate a better price and eliminate middlemen. In Gambia, a newly formed cashew farmer association of 800 members signed a contract with an international buyer, while a pilot village diversified the market by signing a contract with a Chinese firm. In addition to increasing exports of raw cashews, IRD is also working with farmers to add value to their cashews through improved processing methods. In order to build local demand for cashews, they have developed a nutritional brochure and have undertaken a media campaign promoting cashews and cashew products. In addition to the cashew nut, the fruit (cashew apple) can also be consumed or processed into other products (such as juice, wine, and jam), and cashew by-products can be used to produce biofuels.

Additional examples of success in FY 2010 under the FFP include the following:

**Tanzania.** Tanzania is among the world's poorest countries, with annual per capita income estimated at \$340. The dairy sector in Tanzania has a tremendous, untapped potential for increased production and processing of milk and dairy products to serve unmet demand in urban and regional markets. Land O'Lakes is monetizing 14,000 MT of wheat and using the proceeds to implement activities that produce results for Tanzania's dairy sector. Land O'Lakes FY 2010 FFPr grant is valued at \$9 million, including commodities, ocean freight, and other program costs. It is

working in the Tanga, Kilimanjaro, Arusha, and Mara regions to improve commercial milk production, processing, marketing, and consumer awareness. By the end of the program, it is projected that the gross value of milk produced will increase by \$2.1 million. The program will also create 180 new dairy-sector-related jobs in private enterprises. USDA food assistance in Tanzania is providing a means to attain sustainable economic and agricultural growth.

**Timor-Leste.** Independent only since 2002, Timor-Leste is the poorest country in Southeast Asia, with a per capita income of less than \$500 according to the International Monetary Fund. Low crop yields, inadequate income, drought, underdeveloped market opportunities, and civil strife make food insecurity a significant problem in Timor-Leste. As a means of addressing these issues, USDA awarded ACDI/VOCA a Food for Progress grant valued at \$12 million, including commodities, ocean freight and other program costs. The grant will supply ACDI/VOCA with 13,000 MT of rice to monetize, and ACDI/VOCA will use the proceeds to develop fisheries over the next 3 years. The goal of the program is to improve the income, food security, and nutritional status of over 21,000 direct and indirect beneficiaries in and around 20 coastal villages adjacent to the mangrove forests on Timor-Leste's northern coast. ACDI/VOCA will promote improved technical capacity and, subsequently, increased production levels for mud crabs and milkfish. Through ACDI/VOCA's support for local associations, communities will be positioned for improved economies of scale both in acquiring inputs and in marketing their products. ACDI/VOCA will establish mud crabs as a high-value product and develop sustainable market linkages. Approximately 80 percent of the direct beneficiaries will be women.

#### **MCGOVERN-DOLE INTERNATIONAL FOOD FOR EDUCATION AND CHILD NUTRITION PROGRAM**

The McGovern-Dole International Food for Education and Child Nutrition (FFE) program supports preschool and in-school food for education programs and nutrition programs for women, infants, and children in foreign countries. Authorized by the Farm Security and Rural Investment Act of 2002, the program started operating in FY 2003. About \$181.5 million of assistance was made available through the program in FY 2010. Approximately 42 percent of the total program cost was allocated for commodity expenses. The remainder of the funding was allocated as follows: 23 percent for freight and 35 percent for administrative expenses of implementing organizations, as well as activities to enhance program implementation. USDA programmed over 126,100 MT of commodities to support programs implemented by the WFP and PVOs. More than 4.5 million children and mothers benefited from the FY 2010 program.

#### **FY 2010 MCGOVERN-DOLE FOOD FOR EDUCATION**

(\$ Millions)

<b><u>COUNTRY</u></b>	<b><u>TOTAL VALUE</u></b>
Angola	\$ 0.2
Bangladesh	8.0
Bolivia	7.0
Cambodia	18.2
Cameroon	2.7
Chad	5.6
Ethiopia	4.5
Guatemala	16.1
Guinea-Bissau	0.1
Kenya	9.4
Kyrgyz Republic	3.2
Laos	7.3
Liberia	11.4
Malawi	8.3
Mozambique	25.4
Nicaragua	0.1
Pakistan	16.4

<u>COUNTRY</u>	<u>TOTAL VALUE</u>
Congo, Republic of	3.6
Rwanda	9.1
Senegal	0.2
Sierra Leone	2.3
Tanzania	9.7
Uganda	12.7
<b>Subtotal</b>	<b>\$181.5</b>

**COMMODITIES PROGRAMMED IN FY 2010 UNDER MCGOVERN-DOLE FOOD FOR EDUCATION**

<u>COMMODITY</u>	<u>000 MT</u>
Beans	3.4
Bulgur	13.8
Canned Salmon	0.9
Corn Soya Milk, instant	0.3
Cornmeal	12.9
Corn-Soy Blend	13.7
Lentils	0.7
Peas	6.4
Rice	16.9
Sorghum	1.7
Soy Flour, Defatted	0.1
Soy Fortified Cornmeal	17.0
Soy Protein Concentrate	0.2
Soybean Meal	8.0
Vegetable Oil	12.7
Wheat	15.7
Wheat Flour	1.7
<b>Subtotal</b>	<b>126.1</b>

The following are examples of successes in FY 2010 under the McGovern-Dole Food for Education program:

**Bolivia.** About three-fourths of Bolivia's population survives on \$2 a day and 26 percent of the population is chronically malnourished. Development is hindered by a lack of education, especially among girls, poor agricultural practices and limited infrastructure. To remedy this situation, USDA donated through the FFE program, more than 17,000 tons of wheat, wheat-soy blend, vegetable oil, peas and bulgur, valued at more than \$4 million to Project Concern International (PCI) since 2005. The commodities and cash provided by USDA were used by PCI to develop school feeding programs in 65 municipalities in the departments of Cochabamba, La Paz, Oruro and Potosi. In 21 of these 65 municipalities (845 schools), local governments are now fully operating school feeding programs that provide nutritious meals five days a week during the school year. In 22 of the remaining 44 municipalities, children are getting a meal one to three times a week or a small snack from PCI. These municipalities need further training and support to fully sustain a school feeding program. In recognition of the successes achieved so far and the desire by the governments and parents in these municipalities to continue school feeding activities, USDA extended the program another 2 years in 2010 by providing \$6.2 million for additional technical support and training to municipal governments to ensure the full sustainability of the school feeding program.

**Cambodia.** Cambodia has one of the highest national percentages of undernourished children in the world. It is commonplace for poor families to keep their children (especially girls) at home to earn extra income for the household instead of attending school. As a result, approximately half of Cambodia's school children do not complete primary school, and nearly 20 percent of children between the ages of six and eleven do not attend school

at all. Due to USDA's work through the United Nations World Food Programme (WFP), this is beginning to change. In 2007, WFP was awarded \$8.3 million to implement a 3-year McGovern-Dole International Food for Education and Child Nutrition Program to increase school attendance and fight malnutrition in Cambodia. In the 3-years, WFP fed 420,000 children hot breakfasts once a day and provided over 60,000 families with take-home rations. Following their success in Cambodia, USDA awarded WFP another 3-year program in 2010 valued at \$16.9 million to continue providing daily hot breakfasts and take-home rations to program beneficiaries. These activities provide incentives for Cambodian families to send their children to school. USDA's approval of the 2010 program will also ensure additional technical support and training to municipal governments that will help to ensure increased funding for school feeding programs.

**Senegal.** Senegal is considered one of western Africa's more stable economies despite poverty and unemployment affecting over half the nation's population. The country is also visibly scarred by the long-running separatist war in the southern Casamance region that has taken thousands of lives. In 2004, a cease-fire was signed, and hopes of peace are becoming a reality. However, in the Matam region of Senegal the majority people are extremely poor and face high rates of malnutrition. In addition, this area receives little rainfall, and food prices are inflated, making food unaffordable for vulnerable households. As a result, roughly 30 percent of children under the age of five are stunted in height, and 58 percent of women of child-bearing age suffer from anemia. In response, USDA donated more than 9,500 tons of soybean oil, vegetable oil, textured soy protein and barley valued at more than \$6 million to Counterpart International (CPI) under a 3-year FFE Program that started in fiscal year 2007. As a result, children in 112 primary schools and 21 pre-schools, and mothers and infants in 58 maternal and child health nutrition centers in the Matam region, are eating a daily meal. After nearly 3 years of operation, the program has achieved a large measure of sustainability. These accomplishments resulted in USDA renewing this program by providing CPI with \$8.5 million in fiscal year 2010 for another 3 years to achieve an even greater degree of sustainability.

#### **LOCAL AND REGIONAL FOOD AID PROCUREMENT PILOT PROJECT**

The Local and Regional Food Aid Procurement (LRP Project) Pilot Project was authorized under the 2008 Farm Bill. The primary purpose of the pilot program is to expedite the delivery of food aid to populations suffering from acute food insecurity due to a man-made crisis or natural disaster. A secondary purpose is to support development activities that help meet chronic food needs during non-emergencies. PVOs, intergovernmental organizations, and cooperatives are eligible to receive funding under the program.

In FY 2010, \$23.8 million was allocated for 13 programs in 12 countries. Of this amount, \$9.7 million was provided for local and regional procurement of commodities and \$14.1 million for associated costs including program administration, inland and internal transportation, storage and handling (ITSH), and monitoring and evaluation. Approximately \$12.7 million was allocated to emergency programs in Niger, Chad, Cameroon, the Republic of Congo and Guatemala, while \$11.1 million was allocated to development programs in Benin, Burkina Faso, Mali, Zambia, Bangladesh, Cambodia and Nicaragua. Nine of the 14 programs that USDA funded were with PVOs and five were with WFP. USDA LRP Project funding will enable these organizations to purchase nearly 21,000 metric tons of commodities for approximately 568,000 beneficiaries.

#### **FY 2010 LOCAL AND REGIONAL FOOD AID PROCUREMENT PILOT PROJECT**

(\$000)

<b><u>COUNTRY</u></b>	<b><u>TOTAL VALUE</u></b>
Bangladesh	\$ 2.6
Benin	1.3
Burkina Faso	1.0
Cambodia	0.7
Cameroon	0.8
Chad	3.1
Guatemala	1.8
Mali	1.2
Nicaragua	0.7

<u>COUNTRY</u>	<u>TOTAL VALUE</u>
Niger	4.6
Republic of Congo	2.4
Zambia	<u>3.6</u>
<b>Subtotal</b>	<b>\$23.8</b>

Below is one example of an FY 2010 success story for the LRP pilot project:

**Niger.** Niger ranks last out of 182 countries in the 2009 United Nations Development Program (UNDP) Human Development Index. Niger is a chronically food-insecure country that has had poor harvests in 4 of the last 5 years. While the country faces an annual hunger season, the 2010 hunger season started earlier and was more severe than usual. During the 2009 growing season, Niger experienced irregular rains that resulted in a harvest amounting to less than a quarter of annual, household food requirements. In response to the ensuing drought, USDA provided \$4.5 million to Mercy Corps International for the local purchase of food aid commodities for 65,000 beneficiaries in the Filingué Department. Mercy Corps was thus able to provide immediate food assistance during the hunger season, when it was needed most. The assistance also served to prevent beneficiaries from selling productive assets and engaging in heavy borrowing, which might otherwise have been necessary for them to afford basic sustenance. In September 2010, Mercy Corps distributed commodities at 62 different locations in the Filingué Department to ensure that all communities served would have access to a distribution site within 10 km of their homes. Beneficiaries received direct distributions of maize and cowpeas, as well as vouchers redeemable with local vendors for salt and vegetable oil. After the 2010 harvest, Mercy Corps will restock depleted community cereal banks and help local communities get involved in Niger's national early warning system. In 2011, it will also implement a second round of commodity distributions.

The USDA-funded local procurement program has enabled Mercy Corps to rapidly supply drought-stricken communities with urgently needed food assistance. The post-harvest restocking of community cereal banks and support for the national early warning system will help bring local emergency response mechanisms back to full capacity and better integrate remote communities with the national response strategy.

### CLIMATE CHANGE

In recent years, climate change has become an important issue for USDA. Globally, agriculture is a significant contributor to greenhouse gas emissions and will be heavily affected by climate change. At the same time, agricultural production must increase to feed a growing world population. USDA is taking the lead in several international efforts to address these issues. These include negotiations under the United Nations Framework Convention on Climate Change (UNFCCC) to reduce greenhouse gas emissions as well as work in several other multilateral organizations to integrate climate change considerations into ongoing work to promote food security. USDA also plays a major role in providing assistance to developing countries to increase their capacity to address climate change and in supporting collaborative research on these issues.

### Global Research Alliance

A major success for USDA this past year was the launching of the Global Research Alliance (GRA) on Agricultural Greenhouse Gases. The GRA was launched by Secretary Vilsack and 20 other Ministers of Agriculture in Copenhagen, Denmark during the December 2009 United Nations Climate Change Ministerial Conference. The purpose of the alliance, which has grown to 30 members, is to ensure that agricultural emissions are well understood and that global greenhouse gas emissions decline for every unit of food produced, while contributing to ensuring food security for the future. The GRA will deepen and broaden existing networks of research and build new ones, enhance scientific capacities in this area (particularly in developing countries) and effect a fundamental change in the current relationship between food production and greenhouse gases around the world.

-- **USDA GRA Borlaug Fellowship Program.** USDA also established a new scientific exchange program to assist developing country members of the GRA to advance their capacity for climate change related research. The program is the Global Research Alliance Norman E. Borlaug International Agricultural Science and

Technology Fellowship Program. It provides funding for researchers from developing countries to come to the United States and work side-by-side with U.S. scientists on climate change mitigation research. On October 8, 2010, Secretary Vilsack announced the selection of 10 researchers from seven developing countries under the Program. The 10 researchers, two each from Chile, India, and Malaysia and one each from Ghana, Mexico, the Philippines, and Vietnam, will work closely with U.S. scientists located at one of 10 U.S. universities or USDA Agricultural Research Service (ARS) facilities for up to 3 months in their targeted area of research. The practical knowledge and experience in new technologies, practices, and methods that these researchers will bring home with them directly addresses the intentions of the Global Research Alliance. The Alliance focuses on research, development, and extension of technologies and practices to grow more food (and more climate-resilient food systems) without growing greenhouse gas emissions. This will be accomplished through partnerships among researchers in participating countries with the purpose of developing new knowledge and technologies that can be transferred to farmers and other land and resource managers around the globe.

## FOREIGN AGRICULTURAL SERVICE

### Summary of Budget and Performance Statement of Agency Goals and Objectives

The Foreign Agricultural Service (FAS) was re-established on March 10, 1953, by Secretary's Memorandum No. 1320, Supplement 1. The mission of the agency is "*Linking U.S. agriculture to the world to enhance export opportunities and global food security.*"

FAS has two strategic goals and seven strategic objectives that contribute to two of the USDA Strategic Goals and two High Priority Performance Goals (HPPG).

USDA Strategic Goal	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<p><b>USDA Strategic Goal:</b> USDA will assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.</p>	<p><b>Agency Goal 1:</b> U.S. farmers, ranchers, and agricultural industry maintain and expand exports.</p>	<p><u>Objective 1.1:</u> Improve market access by increasing adherence to a rules-based international trading system.</p> <p><u>Objective 1.2:</u> Increase effectiveness of market development programs through public and private partnerships.</p> <p><u>Objective 1.3:</u> Increase the value of intelligence and analysis provided to agricultural stakeholders.</p>	<p>Agricultural Exports  Market Access Program; Foreign Market Development Program; Technical Assistance for Specialty Crops Program; Emerging Markets Program; Quality Samples Program; Export Credit Guarantee Program</p>	<p><u>Key Outcome:</u> Exports help U.S. agriculture prosper.</p>
<p><b>USDA Strategic Goal:</b> USDA will help America promote agricultural production and biotechnology exports as America works to increase food security.</p>	<p><b>Agency Goal 1:</b> U.S. farmers, ranchers, and agricultural industry maintain and expand exports.</p>	<p><u>Objective 1.1:</u> Improve market access by increasing adherence to a rules-based international trading system.</p>	<p>New Technologies  Borlaug Fellowship Program, Cochran Fellowship Program</p>	<p><u>Key Outcome:</u> U.S. exports of organics and crops produced using new technologies expand.</p>

USDA Strategic Goal	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<b>USDA Strategic Goal:</b> USDA will assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.	<b>Agency Goal 2:</b> U.S. agricultural resources support food security and national security policies.	<p><u>Objective 2.1:</u> Increase in-country capacity to develop sustainable agricultural systems.</p> <p><u>Objective 2.2:</u> Promote adoption of science-based solutions and technology.</p> <p><u>Objective 2.3:</u> Improve USDA's ability to respond to international crises.</p> <p><u>Objective 2.4:</u> Inform decision-makers with timely intelligence and analysis.</p>	Food Security  McGovern-Dole International Food for Education and Child Nutrition Program; Food for Progress; Borlaug Fellowship Program; Cochran Fellowship Program; Technical Assistance and Capacity-Building; Civilian Response Corps; Agricultural Reconstruction and Stabilization Activities	<u>Key Outcome:</u> Food is globally available, accessible, and appropriately used.
<b>USDA Strategic Goal:</b> USDA will assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.	<b>Agency Goal 1:</b> U.S. farmers, ranchers, and agricultural industry maintain and expand exports.	<u>Objective 2.4:</u> Inform decision-makers with timely intelligence and analysis.	Climate Change	<u>Key Outcome:</u> Climate change provisions in international agreements benefit U.S. agriculture.

**Key Outcome 1:** Exports help U.S. agriculture prosper.

#### HPPG Measurement

Performance Measure	2010 Actual	2011 Target	2012 Target
Number of major markets where non-tariff trade barriers were reduced	N/A	5 <sup>1/</sup>	5 <sup>2/</sup>
Increase in U.S. agricultural exports attributed to resolution of major issues (\$Billions)	1.03	2.0 <sup>1/</sup>	1.0 <sup>2/</sup>

<sup>1/</sup> Goals for 2011 are cumulative beginning from 2010.

<sup>2/</sup> Goal for 2012 is not cumulative; results are to be achieved in 2012.

Long-term Performance Measures

Performance Measure	2010 Actual	2011 Target	2012 Target
Dollar value of agricultural trade preserved through trade agreement negotiation, monitoring, and enforcement Non-Sanitary and Phytosanitary (Non-SPS) activities (\$ Billions)	0.50	0.53	0.55

The key to maintaining America's competitive edge in international markets is a level playing field. FAS works to improve market access for U.S. agricultural products by eliminating tariff and non-tariff barriers as well as other trading practices that reduce the international competitiveness of U.S. agriculture. These other trading practices include subsidies on agricultural production and exports, and involvement of government trading entities in commercial markets.

Careful monitoring and enforcement of trade agreements ensures that U.S. agriculture receives the full economic benefit of international trade agreements and trade rules. FAS provides a global monitoring system for U.S. agricultural trade through its overseas offices. Agricultural Counselors, Attachés, and Officers covering over 150 countries are often the first to hear about new or potential restrictions on U.S. trade. This global monitoring system enables USDA to act quickly to resolve bilateral market access issues for U.S. agriculture, resulting in millions of dollars of preserved trade each year.

With expanded exports, the chances increase that U.S. agriculture will encounter unexpected impediments to trade, including changing import regulations or the way they are applied, improper certification, disputes over testing or sampling to meet quality or other criteria, and disagreements over how trade rules should be implemented. Quick and effective resolution of these problems – without resorting to lengthy dispute settlement procedures – is important to U.S. exporters. When problems arise for U.S. companies in foreign markets, Agricultural Counselors and Attachés play a critical role in providing immediate assistance to prevent disruptions to trade.

Performance Measure	2010 Actual	2011 Target	2012 Target
Value of trade preserved annually through USDA staff intervention leading to resolution of barriers created by SPS or TBT actions (\$Billions)	3.6 <sup>1/</sup>	4.0 <sup>1/</sup>	4.25 <sup>1/</sup>

<sup>1/</sup>The methodology for this measure was revised to incorporate actual values of trade resulting from staff interventions. Previous measurements were based on estimated values of trade. Measuring the actual value of trade flows will significantly improve the accuracy of the measure.

Agricultural trade is unique with respect to the risks associated with the transfer of pests and diseases. As traditional barriers, such as tariffs, have been reduced, however, the prevalence of non-tariff barriers to trade, particularly in the SPS area, increased. In spite of the World Trade Organization (WTO) Agreement on the Application of SPS Measures, countries are looking increasingly to SPS barriers to protect domestic industries as global trade expands. Unnecessarily restrictive regulations to address the risks to human and animal health (sanitary) and plant health (phytosanitary) are major barriers to the expansion of global agricultural trade. FAS works to improve market access for U.S. agricultural products and reduce the harm to the industry resulting from SPS regulations by monitoring and enforcing international SPS rules, strengthening the global SPS regulatory framework, and encouraging the adoption of international standards.

The United States also maintains a broad and active agenda of engagement with foreign governments both to prevent unnecessary obstacles to trade and to resolve specific trade concerns arising from foreign technical barriers in the form of product standards, technical regulations, and conformity assessment procedures. These are often referred to as standard-related measures, which are aimed at preventing

deceptive practices and ensuring human health. To this end, the international food standardization efforts of the Codex Alimentarius and the World Health Organization (WHO) have focused on reduction of non-communicable diseases and a healthier citizenry. Efforts to reduce disease causing agents, restrict additives and allergen ingredients, and provide additional information to consumers have resulted in a proliferation of labeling, registration, certification and quality standards requirements for routinely consumed food products, sometimes resulting in unnecessary obstacles to trade. Trade issues concerning such measures are addressed by the WTO Agreement on Technical Barriers to Trade (TBT).

The United States seeks to reduce such obstacles through monitoring and enforcement of international standards, bilateral and multilateral discussions, technical cooperative efforts and information exchanges, and recognition of equivalent practices. Through bilateral discussions, the United States encourages the creation of recognition and equivalent agreements for organic products to reduce the burden of multiple certifications on U.S. organic producers, and to maintain access for U.S. organic products.

While FAS does not generally negotiate new SPS or TBT commitments in the texts of new trade agreements, these commitments do provide the incentive for our trading partners to more quickly bring problematic SPS or TBT measures into line with international standards.

Selected Past Accomplishments toward Achievement of the Key Outcome:

FAS has taken the following actions:

- Fought to gain, maintain, and expand access to foreign markets in the face of unfair trade barriers;
- Given U.S. government policy makers, producer groups, private exporters produced the market intelligence they need to develop successful market strategies;
- Facilitated development of and access to markets through technical assistance and capacity building programs;
- Supported commercial sales through credit guarantees and other strategic marketing support; and
- Provided the tools to build markets for U.S. exports.

FAS commodity analysts and country experts in Washington and around the world provide timely analysis of global trends, which enable policy makers and private exporters to respond promptly to changes in the international market. FAS' unique relationship with U.S. producer groups, known as cooperators, allows U.S. agriculture to nimbly respond to such changes. In FY 2010, over 1,000 U.S. companies and organizations participated in 30 FAS-endorsed trade shows in 19 countries, reporting on-site sales totaling \$175 million, and projecting estimated 12-month sales of \$1 billion.

U.S. farm exports also benefit from a wide range of programs and services administered by FAS. The level of agricultural exports of \$108.7 billion in FY 2010 translates to roughly 869,000 U.S. jobs. Almost one in every three farm jobs is related to exports. FAS plays a critical role in maintaining and expanding markets for U.S. farm exports. In 2006, FAS commissioned Global Insight Inc., a well respected economic analysis firm, to conduct a cost-benefit study of the Market Access Program and the Foreign Market Development Program. This study was updated in March 2010 and concluded that for every additional \$1 invested since 2002, there was a resulting \$35 increase in exports. Another key finding was that the increased investment in market development that took place over the FY 2002-2009 period resulted in an additional \$6.1 billion in U.S. agricultural exports by FY 2009. The Grains Council reported their market development programs generated approximately \$50 in additional producer income for every dollar invested. Their study concluded that the Council's market development program impact on the U.S. feed grains industry was worth \$915.7 million to U.S. farmers in FY 2009. In addition, a U.S. Wheat Associates' study showed that 'on average, \$1 invested in wheat export promotion by the U.S. Wheat Associates, increased total gross revenue to the entire wheat industry by \$95 to \$186.' The Export Credit Guarantee (GSM-102) program has also been particularly important during the recent global economic downturn. During FY 2009, the program facilitated sales of \$5.3 billion, the second highest in the program's almost 30 year history. In FY 2010, the program continued to help expand and maintain U.S. agricultural exports. The GSM-102 program facilitated sales of nearly \$3.1 billion and supported increased use from FY 2009 for exports to Africa and

the Middle East and to Turkey by 70 percent and 30 percent, respectively. During FY 2009, U.S. exporters used almost all of the \$1.3 billion allocation announced for Korea followed by \$780 million during FY 2010, making South Korea the largest user of the program both years. Approximately 25 percent of all U.S. agricultural exports to South Korea over the past 2 years were facilitated by the GSM-102 program.

Without an active FAS presence throughout the world and particularly in key markets, such as Canada, Mexico, China, Japan, and the EU, U.S. agricultural exports would fall, creating a ripple effect in rural America through lost jobs and reduced farm incomes. FAS continuously monitors threats, such as the 2009 mischaracterization of pandemic H1N1 influenza as “swine flu” that led many countries to temporarily ban U.S. live pig and pork product imports. Following the aggressive interagency effort led by FAS to engage trading partners on the issue, including facilitating announcements by the World Animal Health Organization (OIE) and the World Health Organization (WHO) on pork safety, by May 2010, 22 countries had lifted non-scientific meat bans. FAS worked closely with other government agencies and U.S. industry representatives, to regain access for U.S. poultry exports to Russia after exports were banned following Russia’s announcement that chlorine would no longer be allowed as a pathogen reduction treatment. Following an agreement in July 2010, exports resumed in August 2010. In addition, FAS worked to get specific pork plants relisted after tetracycline or other residues were identified in shipments of pork. Due to these efforts, the pork plants were relisted and have resumed shipments of pork to Russia.

USDA worked successfully with other USG counterparts to obtain changes or reversals to several foreign countries’ regulatory proposals on food additives and food colorings that would have hindered billions of dollars in trade of processed food products to important Asian markets.

In FY 2010, the International Trade Commission (ITC) approved a joint FAS, AMS, and ERS request to create an organic classification for certain organic products within the U.S. HS Tariff Codes. This will allow USDA and industry to accurately track the trade flow of organic products to and from the United States. In FY 2010, USDA also continued negotiations with the EU on organic equivalency, which will continue in FY 2011. The EU represents the largest developed consumer market for organic products outside the United States. The absence of a trade arrangement with the EU has limited U.S. exports to Europe to a small range of raw commodities. The organic industry overwhelmingly identifies the EU as the most important expansion market for U.S. organic products.

**Selected Accomplishments Expected at the FY 2012 Proposed Resource Level:** FAS continues to support the National Export Initiative, which has the primary goals of increasing economic activity and employment. Agricultural trade is an important generator of output, employment, and income in the U.S. economy. FAS will work with and through U.S. farm groups, state departments of agriculture, and state regional trade groups (SRTGs), agricultural trade and industry organizations, and other USDA agencies to draw on all available expertise to maximize the positive impacts of this initiative. Policy and negotiation activities as well as market development and credit programs, supported by FAS’ global attaché network and market analysis, provide the tools U.S. companies need to enter and compete in new and difficult markets. For example, India is a huge untapped market. Without FAS activities to open up the market and create a level playing field, U.S. companies will not be able to compete with other countries in the Indian market.

**Key Outcome 2:** U.S. exports of organics and crops produced using new technologies expand

Performance Measure	2010 Actual	2011 Target	2012 Target
Total volume of U.S. exports of crops (corn, soybeans, cotton) produced using new technologies (Million Metric Tons (MMT))	81.1	79	84
Total value of U.S. organic exports (\$Millions) (as estimated by Organic Trade Association)	\$1.8	\$1.9	\$2.0

The United States is the world's leading innovator, and largest producer of biotechnology crops. Today, almost all of the corn, soybeans, and cotton produced and exported from the United States are derived through biotechnology. The vast bulk of our biotechnology commodity and derived product exports enter commodity streams along with conventional varieties. FAS strives to minimize unwarranted barriers to the export of biotechnology crops that have undergone appropriate safety reviews. Toward this end, FAS seeks to foster international implementation of policies that ensure safe use of the technology, promote dispersion of its benefits, and maintain and expand trade in biotechnology products. FAS also seeks to achieve a broad and durable public appreciation of the importance of agricultural innovation through biotechnology and other new technologies.

Consumer demand for organic foods is expected to continue growing rapidly in the U.S. and other major markets, and the competition for these markets is likely to increase considerably. Industry estimates of the value of organic exports were \$1.8 billion in FY 2010, and slow growth is expected for the next few years. FAS supports the organic industry by providing assistance in resolving trade issues that affect the organic industry including labeling, certification, and market access. During FY 2010, USDA continued to work with Canada to resolve the remaining details of the FY 2009 organic equivalency agreement. In FY 2011 and FY 2012, FAS will continue to resolve barriers in Japan, China, and other markets.

Selected Past Accomplishments toward Achievement of the Key Outcome:

FAS has:

- Worked with U.S. government agencies and private industry to identify and prioritize key constraints;
- Drawn on Attachés' knowledge of negotiations to work with international organizations to develop fair, transparent international standards that will support the use of new technologies;
- Worked to win timely approvals for new technologies and resolve any trade disruptions related to new technologies, through relationships with agricultural counterparts in foreign governments;
- Worked with developing countries to develop their capacity to effectively regulate and commercialize crops produced using new technologies; and
- Worked to develop educational programs to introduce government officials and other opinion leaders to the benefits of new technologies, alongside the Department of State (DoS) and private industry.

U.S. farmers have widely adopted biotechnology and other crops produced using new technologies because of productivity gains and other benefits. New agricultural crops and products derived through modern technologies are in the pipeline and could appear in the market in the next few years. However, concern about these products, largely attributable to a lack of accurate information about their safety in other countries, as well as opposition to the technology in general, persists in various regions. These concerns and opposition in other countries have led to the proliferation of regulatory barriers to U.S. trade in biotechnology-derived agricultural products as well as other measures that limit the realization of the technology's potential to help meet food, feed, fuel, fiber, as well as other needs of their citizens.

Selected Accomplishments Expected at the FY 2012 Proposed Resource Level: FAS will support trade in U.S. agricultural products produced with new technologies, monitor worldwide developments in technologies including their adoption by competitor countries, and promote the use of new technologies in support of food security and sustainable agriculture. A proactive stance is critical because the development of diverse regulatory systems for new technologies could bring a virtual halt to trade in some commodities with a potential trade impact reaching billions of dollars.

The following are specific actions that FAS would support:

- Promote exports of genetically engineered agricultural products and exports of other agricultural products derived from new technologies;
- Avoid trade disruptions that would directly impact U.S. farm income or slow adoption of new technologies in the United States and globally;

- Strengthen initiatives that advance common approaches to risk assessment and science based regulations;
- Encourage countries to create organic regulations and standards in line with the CODEX guidelines in order to harmonize requirements for organic products, with a view towards facilitating trade and preventing misleading claims;
- Encourage and track the notification of new and amended standards and regulations through the Technical Barriers to Trade (TBT) Committee of the World Trade Organization (WTO); and
- Through bilateral discussions, encourage the creation of recognition and equivalence agreements for organic products to reduce the burden of multiple certifications on U.S. organic producers.

**Key Outcome 3:** Food is globally available, accessible, and appropriately used

HPPG Measurement:

Performance Measure	2010 Actual	2011 Target	2012 Target
Annual average number of provinces in Afghanistan that are deemed generally food secure	16 <sup>1/</sup>	14	14

<sup>1/</sup> 2010 average provinces exceed target; this level is not guaranteed in future years.

FAS efforts support implementation of the President's strategies for Afghanistan by providing technical experts who serve as advisors to key government ministries and serve on civilian-military units that work with farmers and local agricultural officials. These technical experts are essential for stabilizing strategic areas of the country, building government capacity, ensuring the successful management of assistance programs, and addressing food insecurity.

Long-term Performance Measures:

Performance Measure	2010 Actual	2011 Target	2012 Target
Annual number of women and children assisted under McGovern-Dole International Food for Education Program (Millions)	4.5	5.0	5.0

FAS has significant experience administering aid, technical assistance, capacity building programs, and exchange programs (e.g., McGovern-Dole, Food for Progress, Borlaug, and Cochran) that build in-country productivity. The U.S. National Security Strategy (NSS) cites international economic development, defense, and diplomacy as the three pillars of U.S. foreign and national security policy. Food assistance and capacity building have been traditional components of U.S. economic development assistance.

The McGovern-Dole International Food for Education and Child Nutrition (FFE) Program has proven to be an effective tool to support the NSS international economic development pillar. The fundamental goal of the FFE program is to use food as an incentive to improve education and nutrition. The key objectives of the FFE program are to reduce hunger and improve literacy and primary education, with a focus on girls. By providing school meals, teacher training, and related support, FFE projects help boost school enrollment and academic performance. The FFE program also provides nutrition programs for pregnant women, nursing mothers, infants, and preschool youngsters to sustain and improve the health and learning capacity of children before they enter school.

The U.S. government, through the FFE Program, provides 10 percent of the World Food Program's School Feeding Program budget. For many of those children, that is the only meal they consume each day. McGovern-Dole particularly benefits girls; enrollment, attendance, and retention rates for girls increase when school feeding programs are introduced. More than 4.5 million children and mothers benefited from the FY 2010 program. When girls go to school, it has lasting, ripple impacts - additional socio-economic gains that benefit entire societies, such as increased economic productivity, higher family incomes, delayed

marriages, and improved health and survival rates for infants and children. In fact, “educating girls quite possibly yields a higher rate of return than any other investment available in the developing world” (UNESCO 2007). Without the incentive of a free school lunch, many of these girls would be kept home, creating a downward pull on their countries’ development.

Selected Past Accomplishments toward Achievement of the Key Outcome: FAS is the link that enables the United States to share both its food resources and its technical expertise with those in need. Our global network of agricultural Attachés and Locally Employed Staff (LES) provide first-hand information on foreign agricultural markets, crop conditions, and political dynamics, an institutional knowledge of host-countries policies and long-term relationships with foreign stakeholders. We have significant experience administering aid, (McGovern-Dole International Food for Education and Child Nutrition Program and Food for Progress Program), technical assistance, capacity building programs, and exchange programs, (e.g., Norman Borlaug International Science and Technology Fellowship Program and Cochran Fellowship Program) that build in-country expertise. FAS also manages USDA’s component of the Civilian Response Corps and the deployment of USDA experts abroad to assist in developing competitive food systems in countries which are of high priority for meeting U.S. national security and food security objectives. These capabilities complement USAID capabilities and the overall policy lead of the DoS.

The Cochran and Borlaug Programs annually train about 600 participants from over 75 countries. Graduates of the program influence decisions that result in expanded trade and support science-based practices and policies. For example, Cochran participants attend high-profile events such as the World Dairy Expo and the Produce Marketing Association Fresh Summit or undertake training in integrated pest management, SPS, food safety, biotechnology, or post harvest losses. Borlaug participants conduct research in areas critical to promoting food security and economic growth through increasing utilization of new agricultural technologies and promoting the use of science-based standards in foreign markets. Both Cochran and Borlaug have contributed to increased market access opportunities for U.S. agricultural exports.

The Cochran and Borlaug programs have advanced U.S. government food security and stabilization programs in such priority countries as Afghanistan, Pakistan, and Haiti, where agricultural extension agents, veterinary officials, and agricultural researchers received training to support food production and regional trade. In Haiti, both programs are focused on developing the mango sector as a key component of a new U.S. strategy that aims to put Haiti on a sustainable path of economic growth. In addition, Borlaug fellows from Sub-Saharan Africa conducted research in areas critical to promoting food security and economic growth through increasing utilization of new agricultural technologies and promoting the use of science-based standards in foreign markets. Examples include two female Borlaug fellows from Mali and Mozambique trained in goat production, genetic improvement, and artificial insemination at Texas A&M and Prairie View A&M Universities. Their work is allowing farmers in these two countries to improve the native goat breeds for milk and meat traits. In addition, fellows were trained in cocoa pest and disease prevention, organic certification, and plant biotechnology.

Through training programs, Cochran has achieved successes in trade capacity building, which is another important component of food security. Cochran has contributed to increased market access opportunities for U.S. agricultural exports. For example, after receiving Cochran training on U.S. food retailing practices and supermarket management techniques, a Cochran fellow from China now has one of the largest, high-end supermarket chains in Shanghai and one outlet in Beijing. Each store carries nearly 3,000 American food and non-food items, as well as other imported products, and total sales reached \$44 million. Another Cochran fellow from Kenya established the Intellectual Property Board at Kenyatta University, became its director, and helps to enforce compliance with intellectual property (IP) while promoting commercialization of IP through technology transfer among academia, industry partners, and entrepreneurs.

Other accomplishments include the following:

- Colombia updated its biotechnology labeling requirements for consistency with U.S. standards;
- Jamaica changed its position to support U.S. policies and initiatives at the April 2009 Codex Committee on Pesticide Residues meeting;
- USDA's resolution of meat and poultry trade issues with the Philippines resulted in a tripling of exports;
- Ukraine lifted its ban on pork imports, which was expected to result in an estimated \$24 million in U.S. exports during FY 2009; and
- Cochran training for the heads of Plant Quarantine Services in Kenya, Uganda, and Tanzania enabled them to initiate harmonization of phytosanitary services in the three east African countries, which is now at the approval stage for the Council of Ministers.

FAS programs also support U.S. national security:

- Without capacity building efforts to improve food safety, global food supplies could be threatened;
- Without government-to-government capacity building efforts, there is higher risk for the spread of animal diseases, such as BSE and Avian Influenza, and plant diseases, such as UG99 wheat stem rust; and
- Without trade capacity building programs, global food security goals will not be met, and countries will not be able to generate income through trade.

Selected Accomplishments Expected at the FY 2012 Proposed Resource Level: Technical assistance and capacity building will be provided through training programs both in the United States and in foreign countries through the Cochran Fellowship Program, the Norman E. Borlaug International Agricultural Science and Technology Fellows Program, and Faculty Exchange Programs. Nearly 14,000 participants have been trained under Cochran from 122 countries. Since 2004, over 460 fellows have been trained under Borlaug from 59 countries, and under the Faculty Exchange Program, since 1995, 320 participants from 23 countries have been trained. FAS is working to continue expanding this valuable network of influential agricultural specialists that make valuable contributions to improving national trade policies and regulatory frameworks that can and do increase market access for U.S. agricultural products.

The Food for Progress Program provides approximately \$150 million of food assistance each year, which helps to support agricultural development in countries that are taking steps towards democracy and private enterprise. The program normally benefits more than 3 million farmers, agribusinesses, and their families. Key components of the program are private-sector development and agricultural productivity, focusing on such areas as improved agricultural techniques, marketing systems, farmer education and cooperative development, expanded use of processing capacity, and development of agriculturally related businesses.

Implementation of two special, food-assistance initiatives will continue in FY 2012. USDA will monitor and review the implementation of the micronutrient fortification project within the McGovern-Dole program. This initiative is developing and field-testing new products that will improve nutrition for school children and mothers under the McGovern-Dole program. USDA will also be implementing the final year of the Local and Regional Procurement Pilot program. USDA will hire a third party to evaluate the operation and results of the program that provided about \$55 million of funding for local and regional procurement during FY 2009-2011.

FAS' exchange programs enhance global food security through the annual training of hundreds of scientists, policy-makers, educators, farmers, extensionists, food industry professionals, and many others in over 75 countries each year. By 2012 FAS expects to be making major contributions towards global food security through capacity building efforts in support of the Feed the Future (FTF) Initiative. FAS has conducted training programs in past years that have benefitted agricultural specialists in all 20 of the FTF focus countries and, assuming budget resources are available, the numbers of Cochran, Borlaug, and Faculty Exchange Fellows that can be trained from FTF countries should significantly increase.

These programs have advanced U.S. government food security and stabilization programs in such priority countries as Afghanistan, Pakistan and Haiti. In Afghanistan and Pakistan these exchange programs train agricultural extension agents, veterinary officials and agricultural researchers to support food production and regional trade. In Haiti, another priority country, both programs are focusing on developing the mango sector as a key component of a new U.S. strategy that aims to put Haiti on a sustainable path of economic growth. FAS is also beginning to utilize the scientific exchange programs to provide training and support research in developing countries in the area of climate change.

**Key Outcome 4:** Climate change provisions in international agreements benefit U.S. agriculture

Long-term Performance Measure:

<b>Performance Measure</b>	<b>2007 Actual</b>	<b>2008 Actual</b>	<b>2009 Actual</b>	<b>2010 Actual</b>	<b>2011 Target</b>	<b>2012 Target</b>
Timely field report analysis on the impact on agriculture of global climate change and international policies, legislation, and activities (number of reports)	n/a	1	2	15	30	35

In recent years, climate change has become an important issue for USDA. Globally, agriculture is a significant contributor to greenhouse gas emissions and will be heavily affected by climate change. At the same time, agricultural production must increase to feed a growing world population. FAS is taking the lead in several international efforts to address these issues. These include negotiations under the United Nations Framework Convention on Climate Change (UNFCCC) to reduce greenhouse gas emissions as well as work in several other multilateral organizations to integrate climate change considerations into ongoing work to promote food security. FAS also plays a major role in providing assistance to developing countries to increase their capacity to address climate change in the agricultural sector and in supporting collaborative research on these issues.

Careful monitoring and analysis of international climate change policies, legislation, and activities ensures that U.S. agriculture receives the full benefit of international agreements and trade rules. FAS provides a global monitoring system for U.S. agricultural trade through its overseas offices. Agricultural Counselors, Attachés, and Officers covering over 150 countries are often the first to hear about issues of concern to U.S. agricultural interests. FAS field posts report on the agricultural implications of climate change policies, including trends in carbon offsets in foreign markets. FAS headquarters monitors and analyzes U.S. domestic legislation and regulatory activity that pertains to all aspects of climate change with an emphasis on any international trade implications, including domestic carbon offset programs.

Selected Past Accomplishments toward Achievement of the Key Outcome: A major success for USDA this past year was the launching of the Global Research Alliance on Agricultural Greenhouse Gases (GRA). The GRA was launched by Secretary Vilsack and 20 other Ministers of Agriculture in Copenhagen, Denmark during the December 2009 UN climate change Ministerial conference. The GRA will deepen and broaden existing networks of research and build new ones, enhance scientific capacities in this area (particularly in developing countries) and effect a fundamental change in the current relationship between food production and greenhouse gases around the world. FAS played a leading role in building international support for the GRA prior to the Copenhagen meeting and has been deeply involved in developing the governance structure for the Alliance during FY 2010 and FY 2011.

FAS also established a new scientific exchange program to assist developing country members of the GRA to advance their capacity for climate change related research. The program is the Global Research Alliance Norman E. Borlaug International Agricultural Science and Technology Fellowship Program. It provides funding for researchers from developing countries to come to the United States and work side-by-side with U.S. scientists on climate change mitigation research. On October 8, 2010, Secretary Vilsack announced the selection of 10 researchers from seven developing countries under the Program. The 10 researchers,

two each from Chile, India, and Malaysia and one each from Ghana, Mexico, the Philippines, and Vietnam, will work closely with U.S. scientists located at one of 10 U.S. universities or USDA Agricultural Research Service (ARS) facilities for up to three months in their targeted area of research. The practical knowledge and experience in new technologies, practices, and methods that these researchers will bring home with them directly addresses the intentions of the Global Research Alliance.

Selected Accomplishments Expected at the FY 2012 Proposed Resource Level: FAS will continue to support the Department and U.S. agriculture by serving at international negotiations on a UN climate change convention and in other international fora where climate change policies that affect agriculture are being discussed. U.S. agriculture needs a voice as international climate change rules are made and implemented. Full operationalization of the Global Research Alliance is a major goal for the coming fiscal year. This will include completion of its Charter as well as the Terms of Reference for its subsidiary research focus groups. Integrating the GRA Borlaug Fellowship Program into normal FAS scientific exchange programming activities is another goal. FAS will continue to provide the intelligence and analysis needed to support climate change negotiations and U.S. government policy decisions. The Borlaug Fellowship Program has sponsored five fellows in climate change since 2005 and, in FY 2010, began supporting scientific research collaboration with developing countries that are members of the Global Research Alliance, a U.S.-led research initiative in the area of climate change.

Strategic Goal Funding Matrix  
(On basis of appropriation)  
(\$000)

USDA Strategic Goal	2010 Actual		2011 Estimated		Increase or Decrease	2012 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Agricultural Exports	\$121,634	456	\$122,672	533	+\$28,622	\$151,294	533
New Technologies	\$23,198	86	\$23,406	101	+\$1,725	\$25,131	101
Climate Change	\$2,897	10	\$2,929	12	+\$264	\$3,193	12
<b>Total, Goal 1</b>	<b>\$147,729</b>	<b>552</b>	<b>\$149,007</b>	<b>646</b>	<b>+\$30,611</b>	<b>\$179,618</b>	<b>646</b>
<b>USDA Strategic Goal</b>							
Food Security	\$37,506	150	\$37,825	173	+\$18,752	\$56,577	173
<b>Total, Goal 3</b>	<b>\$37,506</b>	<b>150</b>	<b>\$37,825</b>	<b>173</b>	<b>+\$18,752</b>	<b>\$56,577</b>	<b>173</b>
<b>Total, Available</b>	<b>\$185,235</b>	<b>702</b>	<b>\$186,832</b>	<b>819</b>	<b>+\$49,363</b>	<b>\$236,195</b>	<b>819</b>

## FOREIGN AGRICULTURAL SERVICE

### Summary of Budget and Performance Key Performance Outcomes and Measures

**USDA Strategic Goal:** Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving

**FAS Goal 1:** U.S. Farmers, Ranchers, and Agricultural Industry Maintain and Expand Exports

**Key Outcome:** Exports help U.S. agriculture prosper.

**HPPG Measures:**

- Number of major markets where non-tariff trade barriers were reduced
- Increase in U.S. agricultural exports attributed to resolution of major issues

**Key Performance Measures:**

- Dollar value of agricultural trade preserved through trade agreement negotiation, monitoring, and enforcement (Non-Sanitary and Phytosanitary)
- Value of trade preserved annually through USDA staff intervention leading to resolutions of barriers created by sanitary and phytosanitary (SPS) or technical barriers to trade (TBT) actions

**Key Performance Targets:**

Performance Measures	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Target	2012 Target
Dollar value of agricultural trade preserved through trade agreement negotiation, monitoring, and enforcement Non-Sanitary and Phytosanitary (Non-SPS) activities (\$ Billions)	0.67	0.48	0.37	0.50	0.53	0.55
Value of trade preserved annually through USDA staff intervention leading to resolution of barriers created by SPS or TBT actions (\$ Billions)	2.5	7.3	9.5	3.6 <sup>1/</sup>	4.0 <sup>1/</sup>	4.25 <sup>1/</sup>

<sup>1/</sup>The methodology for this measure was revised to incorporate actual values of trade resulting from staff interventions. Previous measurements were based on estimated values of trade. Measuring the actual value of trade flows will significantly improve the accuracy of the measure.

**HPPG Measures:**

Performance Measures	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Target	2012 Target
Number of major markets where non-tariff trade barriers were reduced	N/A	N/A	N/A	N/A	5 <sup>1/</sup>	5 <sup>2/</sup>
Increase in U.S. agricultural exports attributed to resolution of major issues (\$ Billions)	N/A	N/A	N/A	1.03	2.0 <sup>1/</sup>	1.0 <sup>2/</sup>

<sup>1/</sup>Goals for 2011 are cumulative beginning from 2010.

<sup>2/</sup>Goal for 2012 is not cumulative; results are to be achieved in 2012.

**USDA Strategic Goal:** USDA will help America promote agricultural production and biotechnology exports as America works to increase food security

**FAS Goal 1:** U.S. farmers, ranchers, and agricultural industry maintain and expand exports

**Key Outcome:** U.S. exports of organics and crops produced using new technologies expand

**Key Performance Measure:** Total volume of U.S. exports of crops (corn, soybeans, cotton) produced using new technologies

**Key Performance Target:**

<b>Performance Measure</b>	<b>2007 Actual</b>	<b>2008 Actual</b>	<b>2009 Actual</b>	<b>2010 Actual</b>	<b>2011 Target</b>	<b>2012 Target</b>
Total volume of U.S. exports of crops (corn, soybeans, cotton) produced using new technologies (MMT)	84.3	90.0	85.3	81.1	79	84

**FAS Goal 2:** U.S. Agricultural Resources Support Food Security and National Security Policies

**Key Outcome:** Food is globally available, accessible, and appropriately used

**HPPG Measure:**

- Annual average number of provinces in Afghanistan that are deemed generally food secure

**Key Performance Measures:**

- Annual number of women and children assisted under McGovern-Dole International Food for Education Program

**Key Performance Targets:**

<b>Performance Measures</b>	<b>2007 Actual</b>	<b>2008 Actual</b>	<b>2009 Actual</b>	<b>2010 Actual</b>	<b>2011 Target</b>	<b>2012 Target</b>
Annual number of women and children assisted under McGovern-Dole International Food for Education Program (Millions)	3.2	3.0	4.2	4.5	5.0	5.0

**HPPG Measure:**

<b>Performance Measure</b>	<b>2007 Actual</b>	<b>2008 Actual</b>	<b>2009 Actual</b>	<b>2010 Actual</b>	<b>2011 Target</b>	<b>2012 Target</b>
Annual average number of provinces in Afghanistan that are deemed generally food secure	n/a	11	10	16 <sup>1/</sup>	14	14

<sup>1/</sup> 2010 average provinces exceed target; this level is not guaranteed in future years.

**USDA Strategic Goal:** USDA will assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving

**FAS Goal 1:** U.S. farmers, ranchers, and agricultural industry maintain and expand exports

**Key Outcome:** Climate change provisions in international agreements benefit U.S. agriculture

Key Performance Measure: Timely field report analysis on the impact on agriculture of global climate change and international policies, legislation, and activities

Key Performance Target:

<b>Performance Measure</b>	<b>2007 Actual</b>	<b>2008 Actual</b>	<b>2009 Actual</b>	<b>2010 Actual</b>	<b>2011 Target</b>	<b>2012 Target</b>
Timely field report analysis on the impact on agriculture of global climate change and international policies, legislation, and activities (number of reports)	n/a	1	2	15	30	35

## FOREIGN AGRICULTURAL SERVICE

Full Cost by Agency Strategic Goal				
Agency Goal 1: U.S. farmers, ranchers, and agricultural industry maintain and expand exports.				
PROGRAM	PROGRAM ITEMS	2010 AMOUNT (\$000)	2011 AMOUNT (\$000)	2012 AMOUNT (\$000)
<b>Agricultural Exports</b>				
<b>DISCRETIONARY PROGRAM</b>				
Salaries and Expenses:				
	Administrative Costs (Direct)	83,660	84,374	104,060
	Indirect Costs	37,974	38,298	47,234
	Subtotal	121,634	122,672	151,294
<b>MANDATORY PROGRAM (CCC Funded)</b>				
	Market Access Program	200,000	200,000	200,000
	Technical Assistance for Specialty Crops Program	7,835	9,000	9,000
	Emerging Markets Program	9,164	10,000	10,000
	Foreign Market Development Cooperator Program	34,500	34,500	34,500
	Export Credit Guarantee Program	3,719,000	5,500,000	5,500,000
	Quality Samples Program	2,213	2,500	2,500
	Trade Adjustment Assistance for Farmers Program	90,000	32,900	0
	Subtotal	4,062,712	5,788,900	5,756,000
	Total Costs	4,184,346	5,911,572	5,907,294
	FTE's	456	533	533
HPPG Performance Measures:				
	--Number of major markets where non-tariff trade barriers were reduced.	N/A	5	5
	--Value of U.S. agricultural exports.	1.03	2.0	1.0
Non-HPPG Performance Measures:				
	--Dollar value of agricultural trade preserved through trade agreement negotiation, monitoring, and enforcement (Non-SPS). (\$Billions)	0.50	0.53	0.55
	--Value of trade preserved through USDA staff intervention leading to resolution of barriers created by SPS or TBT measures. (\$Billions)	3.6	4.0	4.25
<b>Agency Goal 1: U.S. farmers, ranchers, and agricultural industry maintain and expand exports.</b>				
PROGRAM	PROGRAM ITEMS	2010 AMOUNT (\$000)	2011 AMOUNT (\$000)	2012 AMOUNT (\$000)
<b>New Technologies</b>				
<b>DISCRETIONARY PROGRAM</b>				
Salaries and Expenses:				
	Direct Costs	15,956	16,099	17,285
	Indirect Costs	7,242	7,307	7,846
	Total	23,198	23,406	25,131
	FTE's	86	101	101
Non-HPPG Performance Measure:				
	--Total Volume of U.S. exports of crops (corn, soybeans, cotton) produced using new technologies. (Million Metric Tons)	81.1	79	84

## FOREIGN AGRICULTURAL SERVICE

Full Cost by Department Strategic Objective				
Agency Goal 2: U.S. agriculture's resources support food and national security policies.				
PROGRAM	PROGRAM ITEMS	2010 AMOUNT (\$000)	2011 AMOUNT (\$000)	2012 AMOUNT (\$000)
<b>Food Security</b>				
<b>DISCRETIONARY PROGRAM</b>				
Salaries and Expenses:				
	Direct Costs	25,796	26,016	38,914
	Indirect Costs	11,710	11,809	17,663
	Subtotal	37,506	37,825	56,577
Programs:				
	McGovern-Dole International Food for Education and Child Nutrition Program	209,500	209,500	200,500
	Subtotal	209,500	209,500	200,500
	Total, Discretionary Costs	247,006	247,325	257,077
<b>MANDATORY PROGRAM (CCC Funded)</b>				
	Food for Progress	146,200	191,937	156,207
	Pilot Program for Local and Regional Food Aid	25,000	25,000	5,000
	Total, Mandatory Program Costs	171,200	216,937	161,207
	Total, Discretionary and Mandatory Costs	418,206	464,262	418,284
	FTE's	150	173	173
HPPG Performance Measure:				
	--Increase in the number of provinces in Afghanistan in which women and children are food secure from 10 to 14, ensuring food security for 41% of the country in support of the President's Afghanistan and Pakistan strategy.	16	14	14
Non-HPPG Performance Measure:				
	--Number of women and children assisted under McGovern-Dole. (Millions)	4.5	5.0	5.0
Agency Goal 2: U.S. agriculture's resources support food and national security policies.				
PROGRAM	PROGRAM ITEMS	2010 AMOUNT (\$000)	2011 AMOUNT (\$000)	2012 AMOUNT (\$000)
<b>Climate Change</b>				
<b>DISCRETIONARY PROGRAM</b>				
Salaries and Expenses:				
	Direct Costs	1,993	2,015	2,196
	Indirect Costs	904	914	997
	Total	2,897	2,929	3,193
	FTE's	10	12	12
Non-HPPG Performance Measure:				
	--Number of reports providing timely analysis of the impact on agriculture of global climate change and international policies, legislation, and activities.	15	30	35

## 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.

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 are targeted to the neediest people of that country and are 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 disrupt world prices or 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 not less than 7.5 percent nor more than 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 is 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.

FOREIGN AGRICULTURAL SERVICE  
Public Law 480  
Available Funds  
2010 Actual and Estimated 2011 and 2012

Item	Actual 2010 Amount	Estimated 2011 Amount	Estimated 2012 Amount
<u>Title I Program Account:</u>			
Unobligated balance carried forward start of year	\$18,733,827	\$13,092,740	0
Transfer from Title I OFD Account	14,000,000	5,000,000	0
Unobligated balance carried forward end of year	0	0	0
Total Title I Subsidy and Grants	32,733,827	18,092,740	0
Appropriation -- Administrative Expenses	2,812,000	2,812,000	\$2,812,000
Total Title I Administrative Expenses	2,812,000	2,812,000	2,812,000
<u>Title I Ocean Freight Differential Grants:</u>			
Unobligated balance carried forward start of year	17,171,719	5,661,957	0
Transfer to Title I Program Account	-14,000,000	-5,661,957	0
Unobligated balance carried forward end of year	-5,661,957	0	0
Recoveries	1,093,499	0	0
Maritime Administration Reimbursements	1,431,843	0	0
Total Title I Ocean Freight Differential	35,104	0	0
Total Title I	35,580,931	20,904,740	2,812,000
<u>Title II Grants:</u>			
Appropriation	1,840,000,000	1,690,000,000	1,690,000,000
Unobligated Balance carried forward start of year	258,038,211	260,895,028	0
Unobligated Balance carried forward end of year	-260,895,028	0	0
Recoveries	170,643,739	0	0
Maritime Administration Reimbursements	165,388,860	91,000,000	98,000,000
Total Title II Grants	2,173,175,782	2,041,895,028	1,788,000,000
Total P.L. 480	2,208,756,713	2,062,799,768	1,790,812,000

## FOREIGN AGRICULTURAL SERVICE

The estimates include appropriation language for P.L. 480 as follows (new language underscored; deleted matter enclosed in brackets):

Food For Peace 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, Food for Peace Act (Public Law 83-480) and the Food for Progress Act of 1985, \$2,812,000, which shall be paid to the appropriation for "Farm Service Agency, Salaries and Expenses": *Provided*, 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.

Food for Peace 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 (Public Law 83-480, as amended), for commodities supplied in connection with dispositions abroad under title II of said Act, including up to \$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, \$1,690,000,000, to remain available until expended.

FOREIGN AGRICULTURAL SERVICE  
PUBLIC LAW 480

**Title I Program Account**

Annualized Continuing Resolution, 2011.....	\$2,812,000
Budget Estimate, 2012.....	2,812,000
Change in Appropriation.....	<u>0</u>

**Title II Grants**

Annualized Continuing Resolution, 2011.....	\$1,690,000,000
Budget Estimate, 2012.....	1,690,000,000
Change in Appropriation.....	<u>0</u>

**Total PL 480**

Annualized Continuing Resolution, 2011.....	\$1,692,812,000
Budget Estimate, 2012.....	1,692,812,000
Change in Appropriation.....	<u>0</u>

Summary of Increases and Decreases  
(On basis of appropriation)

<u>Item of Change</u>	<u>2011</u> <u>Estimated</u>	<u>Pay Costs</u>	<u>Program</u> <u>Changes</u>	<u>2012</u> <u>Estimated</u>
Title I Administrative Expense	\$2,812,000	0	0	\$2,812,000
Title II Grants	1,690,000,000	0	0	1,690,000,000
Total Available	<u>1,692,812,000</u>	<u>0</u>	<u>0</u>	<u>1,692,812,000</u>

FOREIGN AGRICULTURAL SERVICE  
PUBLIC LAW 480

Project Statement by Program  
(On basis of appropriation)

	<u>2010 Actual</u> <u>Amount</u>	<u>2011 Estimated</u> <u>Amount</u>	Increase or <u>Decrease</u>	<u>2012 Estimated</u> <u>Amount</u>
PL 480 Title I Administrative Expenses	\$2,812,000	\$2,812,000	0	\$2,812,000
PL 480 Title II Donations	1,840,000,000	1,690,000,000	0	1,690,000,000
Total Available or Estimate	<u>1,842,812,000</u>	<u>1,692,812,000</u>	0	<u>1,692,812,000</u>

Project Statement by Program  
(On basis of available funds)

	<u>2010 Actual</u> <u>Amount</u>	<u>2011 Estimated</u> <u>Amount</u>	Increase or <u>Decrease</u>	<u>2012 Estimated</u> <u>Amount</u>
Title I Food for Progress				
Title I Food for Progress Grants	\$19,641,086	\$18,092,740	-\$18,092,740	0
PL 480 Title I Ocean Freight Differential	35,104	0	0	0
Title I Administrative Expenses	2,812,000	2,812,000	0	\$2,812,000
Total Title I	<u>22,488,190</u>	<u>20,904,740</u>	<u>-18,092,740</u>	<u>2,812,000</u>
PL 480 Title II Donations	2,173,175,782 a/	2,041,895,028	-253,895,028	1,788,000,000
Total	<u>2,195,663,972</u>	<u>2,062,799,768</u>	<u>-271,987,768</u>	<u>1,790,812,000</u>

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

FOREIGN AGRICULTURAL SERVICE  
PUBLIC LAW 480

Classification by Objects  
2010 Actual and Estimated 2011 and 2012

<u>Object Class</u>		<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Title I</u>				
25.3	Purchases of goods and services	\$2,812,000	\$2,812,000	\$2,812,000
41.0	Grants, subsidies and contributions	19,676,190	18,092,740	0
	Total Title I	<u>22,488,190</u>	<u>20,904,740</u>	<u>2,812,000</u>
 <u>Title II</u>				
41.0	Grants, subsidies and contributions	2,173,175,782	2,041,895,028	1,788,000,000
	Total Direct Obligations	<u>2,195,663,972</u>	<u>2,062,799,768</u>	<u>1,790,812,000</u>

COMMODITY CREDIT CORPORATION

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

Commodity Credit Corporation Export Loans Program Account (Including Transfers of Funds)

For administrative expenses to carry out the Commodity Credit Corporation's export guarantee program, GSM 102 and GSM 103, \$6,820,000; 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 \$6,465,000 shall be paid to the appropriation for "Foreign Agricultural Service, Salaries and Expenses", and of which \$355,000 shall be paid to the appropriation for "Farm Service Agency, Salaries and Expenses".

COMMODITY CREDIT CORPORATION  
CCC EXPORT CREDIT GUARANTEE PROGRAMS

	Guaranteed <u>Loan Level</u>	<u>Subsidy</u>	Administrative <u>Expenses</u>
Annualized Continuing Resolution, 2011	\$5,500,000,000	\$18,480,000	\$6,820,000
Budget Estimate, 2012.....	5,500,000,000	0	6,820,000
Change in Appropriation.....	0	-18,480,000	0

Summary of Increases and Decreases  
(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>FY 2011 Estimated</u>	<u>Pay Costs</u>	<u>Program Changes</u>	<u>FY 2012 Estimated</u>
Subsidy Costs				
GSM-102 .....	0	0	0	0
Facilities Guarantees .....	\$18,480,000	0	-\$18,480,000	0
Total Subsidy Costs.....	18,480,000	0	-18,480,000	0
Administrative Expenses:				
FSA .....	355,000	0	0	\$355,000
FAS .....	6,465,000	0	0	6,465,000
Total Administrative Expenses .....	6,820,000	0	0	6,820,000
Total Available .....	25,300,000	0	-18,480,000	6,820,000

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

	<u>2010 Actual</u>	<u>2011 Estimated</u>	Increase or Decrease	<u>2012 Estimated</u>
Guaranteed Credit Level				
GSM-102	\$3,090,000,000	\$5,400,000,000	0	\$5,400,000,000
Facilities	0	100,000,000	0	100,000,000
Total Guaranteed Credit Level	<u>3,090,000,000</u>	<u>5,500,000,000</u>	<u>0</u>	<u>5,500,000,000</u>
Subsidy				
GSM-102	0	0	0	0
Facilities	0	18,480,000	-\$18,480,000	0
Total Guaranteed Subsidy Cost	<u>0</u>	<u>18,480,000</u>	<u>-\$18,480,000</u>	<u>0</u>
Administrative Expenses	6,820,000	6,820,000	0	6,820,000
Total, Appropriation	<u>6,820,000</u>	<u>25,300,000</u>	<u>-\$18,480,000</u>	<u>6,820,000</u>

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

	<u>2010 Actual</u>	<u>2011 Estimated</u>	Increase or Decrease	<u>2012 Estimated</u>
Guaranteed Credit Level				
GSM-102	\$3,090,000,000	\$5,400,000,000	0	\$5,400,000,000
Facilities	0	100,000,000	0	100,000,000
Total Guaranteed Credit Level	<u>3,090,000,000</u>	<u>5,500,000,000</u>	<u>0</u>	<u>5,500,000,000</u>
Subsidy				
GSM-102	0	0	0	0
Facilities	0	18,480,000	-\$18,480,000	0
Total Guaranteed Subsidy Cost	<u>0</u>	<u>18,480,000</u>	<u>-\$18,480,000 (1)</u>	<u>0</u>
Administrative Expenses	6,820,000	6,820,000	0	6,820,000
Total, Appropriation	<u>6,820,000</u>	<u>25,300,000</u>	<u>-\$18,480,000</u>	<u>6,820,000</u>

Justification of Increases and Decreases

- (1) Due to increased fees for these programs, the subsidy for these programs is negative and consequently no budgetary authority is needed in FY 2012.

COMMODITY CREDIT CORPORATION  
CCC EXPORT CREDIT GUARANTEE PROGRAMSClassification by Objects2010 Actual and Estimated 2011 and 2012

	<u>2010</u>	<u>2011</u>	<u>2012</u>
25.3 Purchase of goods and services from Government accounts	\$6,820,000	\$6,820,000	\$6,820,000
41.0 Grants, subsidies, and contributions	0	18,480,000	0
99.0 Total direct obligations	<u>6,820,000</u>	<u>25,300,000</u>	<u>6,820,000</u>

## 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 Costs

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) \$200,500,000, 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.

SALARIES AND EXPENSES - CURRENT LAW

Annualized 2011 Continuing Resolution.....	\$209,500,000
Budget Estimate, 2012.....	<u>200,500,000</u>
Change in Appropriations.....	<u><u>-\$9,000,000</u></u>

SUMMARY OF INCREASES AND DECREASES

(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>2011 Estimated</u>	<u>Program Changes</u>	<u>2012 Estimated</u>
McGovern-Dole Program	\$209,500,000	-\$9,000,000	\$200,500,000

Project Statement

(On basis of adjusted appropriation)

2010 Actual and Estimated 2011 and 2012

	<u>2010 Actual</u>	<u>2011 Estimated</u>	<u>Decrease</u>	<u>2012 Estimated</u>
McGovern-Dole Program.....	\$209,500,000	\$209,500,000	-\$9,000,000	\$200,500,000
Unobligated balance.....	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total, Available or Estimate .....	<u>209,500,000</u>	<u>209,500,000</u>	<u>-9,000,000</u>	<u>200,500,000</u>
Total Appropriation.....	<u><u>\$209,500,000</u></u>	<u><u>\$209,500,000</u></u>	<u><u>-\$9,000,000</u></u>	<u><u>\$200,500,000</u></u>

Classification by Objects  
2010 Actual and Estimated 2011 and 2012

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Other Objects:			
41 Grants.....	\$209,500,000	\$209,500,000	\$200,500,000
Unobligated balance.....	<u>0</u>	<u>0</u>	<u>0</u>
Total Obligations.....	<u>\$209,500,000</u>	<u>\$209,500,000</u>	<u>\$200,500,000</u>

Geographic Breakdown of Obligations  
2010 Actual and Estimated 2011 and 2012

	<u>2010</u> Amount	<u>2011</u> Amount	<u>2012</u> Amount
District of Columbia.....	\$209,500,000	\$209,500,000	\$200,500,000
Unobligated balance.....	<u>0</u>	<u>0</u>	<u>0</u>
Total Appropriation.....	<u>\$209,500,000</u>	<u>\$209,500,000</u>	<u>\$200,500,000</u>