

## FOREIGN AGRICULTURAL SERVICE

### PURPOSE STATEMENT

The Foreign Agricultural Service (FAS) is unique within the U.S. Government for its sole focus on global agricultural trade and food security issues. This recognized expertise is trusted by the broader U.S. agricultural community, from farmers and ranchers to food processors, other U.S. government agencies, and non-governmental organizations to provide sound, reliable and consistent intelligence on foreign agricultural markets, crop conditions and agro-political dynamics. The agency's on the ground global network of agricultural attachés and locally employed staff provide an unparalleled resource for understanding trade policy and market development issues as they arise. Through this talented and highly skilled staff FAS has built long-term, agriculture-specific relationships with foreign stakeholders that are invaluable to building institutional knowledge of host countries' agricultural sectors. This knowledge is put to work on maintaining a level playing field for U.S. food and agricultural exports abroad and expanding new opportunities in countries with market potential.

FAS links U.S. agriculture to the world to enhance export opportunities and global food security. FAS facilitates international trade and trade cooperation, which are critical to the economic vitality of the U.S. agricultural sector and the Administration's top economic priority: job creation. Increased economic activity in food and agricultural-related sectors of the economy help rural communities build and maintain prosperity. Nowhere is this more evident than in agricultural trade. In fact, our strategic goal is to generate an additional \$89 billion worth of U.S. economic activity by expanding export opportunities for U.S. food and agricultural exporters by the end of 2016. This goal is based on a projected increase in agricultural exports to \$175 billion by end-year 2016, from the \$108.6 billion worth exported in the baseline year of FY 2010. FAS plans to achieve this goal through eight objectives aligned under three core activity pillars: Trade promotion, trade policy, and capacity-building/food security.

FAS trade promotion programs and services provide timely and accurate market information to the U.S. agricultural industry; timely and efficient delivery of market development and export credit guarantee loan programs; expanded and enhanced partnerships with Small- and Medium-Sized Exporters (SMEs); and increased public awareness of export opportunities through education and outreach efforts. The overarching benefit of FAS' trade promotion programs and services is the expansion of foreign demand for U.S. food and agricultural products, which ultimately creates jobs and income for rural America through increased export sales.

FAS trade policy work maintains a level playing field for U.S. food and agricultural exporters who compete internationally. By partnering with other government agencies and trade associations, as well as regional and international organizations, FAS coordinates global efforts aimed at trade liberalization by negotiating trade agreements; monitoring trade agreement compliance through formal and informal mechanisms; establishing transparent, science-based standards for U.S. agricultural products; and eliminating trade barriers.

FAS trade capacity building and food security programs and services are aimed at expanding new avenues to trade and economic growth by strengthening emerging markets and addressing food security challenges through food assistance and agricultural development programs. FAS leverages its position to partner with other U.S. government agencies, land grant universities, other institutions, as well as the private sector to provide technical assistance and training where needed and urge the adoption of market-based policies in food-insecure nations. FAS' trade capacity building and food security programs build the foundations for future markets and create long-term international relationships that further advance U.S. agriculture's trade interests in developing countries.

Description of Agency Activities:

#### **Trade Promotion**

A substantial portion of U.S. agricultural cash receipts comes from export sales, making the vitality of rural America dependent on international trade. FAS commodity analysts and country experts in Washington and Foreign Service Officers 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 also has a full cadre of foreign field offices staffed by highly trained and knowledgeable Locally Employed Staff who help match foreign buyers to U.S. sellers, advise private exporters, and myriad other market promotion activities. FAS' unique relationship with U.S. producer groups, known as cooperators, allows U.S. agriculture to respond to such changes in the international market place for food and agricultural exports. FAS programs that contribute to food and agricultural exports include: Market Access Program (MAP), Foreign Market Development Program (FMD), Technical Assistance for Specialty Crops Program

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(TASC), Emerging Markets Program (EMP), Quality Samples Program (QSP), and Export Credit Guarantee Program (GSM-102).

### **Trade Policy**

FAS works to 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 adds jobs and income to allied sectors such as storage, transportation, and insurance. FAS also promotes the acceptance of crops produced using biotechnology and other new technologies and organic standards around the world. The Agency draws on headquarters staff and attachés covering more than 160 countries to negotiate with foreign governments and work with international organizations to develop fair, transparent international standards that will support the use of these technologies. An estimated 60-80 percent of U.S. processed food products contain biotechnological ingredients which could be negatively affected by restrictive labeling measures, testing requirements, and/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 \$140.9 billion in 2013.

FAS will continue monitoring and enforcing international Sanitary and Phyto-Sanitary (SPS) rules, strengthening the global SPS regulatory framework, and encouraging the adoption of international standards in the trade policy arena.

### **Capacity Building/Food Security**

FAS is the link that enables the U.S. to share both its food resources and its technical expertise with those in need. FAS has significant experience administering aid, technical assistance, Feed the Future resources, capacity building programs, and exchanges that build in-country productivity. FAS also manages USDA's component of the Civilian Response Corps and deploys 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 U.S. Agency for International Development (USAID) capabilities and the overall policy lead of the Department of State (DoS). FAS' ongoing effort to improve internal operational processes will enable the Agency to continue to conduct in-country trade capacity building, research, and technical training with prospective future trading partner countries. These base resources allow FAS to play the lead role in coordinating the linkage of agricultural expertise to U.S. international development activities, ensuring alignment with U.S. trade and foreign affairs policies, as well as the national security strategy.

The Headquarters of FAS is located in Washington, D.C. In addition to a highly specialized Washington-based staff, the agency maintains a targeted and highly efficient network of 96 offices providing coverage in more than 160 countries 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, 2013, FAS had 549 in permanent full-time employment, which included 468 in headquarters and 81 in field locations.

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### LEGISLATIVE AND DEPARTMENTAL AUTHORITIES

FAS was established on March 10, 1953, by Secretary's Memorandum No. 1320, Supplement 1. Public Law 83-690, enacted August 28, 1954, transferred the agricultural attachés from the Department of State to FAS. These memoranda were consolidated in Title 5 of the Agricultural Trade Act of 1978, as amended. Secretary's Memorandum No. 1020-39 dated September 30, 1993, transferred the functions of the former Office of International Cooperation and Development to FAS.

Title 5 of the Agricultural Trade Act of 1978, most recently amended in 2008, states that the Administrator of FAS is given the power to “exercise such functions and perform such duties related to foreign agriculture,” and may also be assigned other duties by law or by the Secretary of Agriculture (Title 5, section 502b). Additionally, the Administrator is responsible for oversight of FAS, the General Sales Manager, and the Agricultural Attaché Service (Title 5, section 502c).

Specifically, U.S. Code, Title 7, Chapter 87, 5693, mandates: “*The Service shall assist the Secretary in carrying out the agricultural trade policy and international cooperation policy of the United States by –*

- (1) Acquiring information pertaining to agricultural trade;*
- (2) Carrying out market promotion and development activities;*
- (3) Providing agricultural technical assistance and training; and*
- (4) Carrying out the programs authorized under this Act, the Food for Peace Act (7 U.S.C. 1691 et seq.), and other Acts.” (Title 5, section 503)”*

USDA Regulation 1051-001 (June 2005) defines the role of the Foreign Agricultural Service as the Department’s lead agency in coordinating all agricultural matters with foreign countries. Regulation 1051-002 (December 2004) further states that FAS’ responsibilities “include, but are not limited to, the responsibility to coordinate the carrying out by Department agencies of their functions involving foreign agriculture policies and programs and their operations and activities in foreign areas; acting as a liaison on these matters and functions relating to foreign agriculture with the DOS, the United States Trade Representative (USTR), USAID, and foreign governments; conducting functions of the Department relating to the World Trade Organization (WTO), and legislation affecting international agricultural trade; and administering and directing the Department’s programs in international development, technical assistance and training carried out under the Foreign Assistance Act of 1961, as amended.”

### 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 program has been re-authorized under the Agricultural Act of 2014 (Farm Bill) through 2018.

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USDA OFFICE OF INSPECTOR GENERAL AND U.S. GOVERNMENT ACCOUNTABILITY OFFICE AUDIT  
ACTIVITY  
2013

**Office of Inspector General Reports**

<b>In Progress</b>	<b>Status/Date</b>	<b>Subject</b>
07601-0001-22	Audit Began June 30, 2011	Private Voluntary Organization Grant Fund Accountability
50601-0002-16	Audit Began May 24, 2012	Section 632(a) Transfer of Funds for Afghanistan from USAID to USDA
07601-0001-23	Audit Began September 20, 2013	Effectiveness of the Export Credit Guarantee Program
<b>Completed</b>	<b>Status/Date</b>	<b>Subject</b>
50601-0001-22 (formerly 50601-02-ER)	Report Issued March 28, 2013	Effectiveness of the Foreign Agricultural Service's Recent Efforts to Implement Measurable Strategies Aligned to the Department's Trade Promotion and Policy Goals
50703-0001-23 (formerly 50703-1-23)	Report Issued October 18, 2013	American Recovery and Reinvestment Act – Trade Adjustment Assistance for Farmers Program

**U.S. Government Accountability Office Reports**

<b>In Progress</b>	<b>Status/Date</b>	<b>Subject</b>
320911	Audit Began February 20, 2013	U.S. Monitoring of China's Implementation of Bilateral Trade Commitments
451052	Audit Began August 20, 2013	The Role of the Agency Priority Goal Leader
451055	Audit Began August 20, 2013	Cross Agency Goal Reviews
320997	Audit Began October 25, 2013	U.S. Civilian Presence in Afghanistan
<b>Completed</b>	<b>Status/Date</b>	<b>Subject</b>
GAO-12-862 (formerly 320880)	Report Issued September 24, 2012	INTERNATIONAL FOOD ASSISTANCE: Improved Targeting Would Help Enable USAID to Reach Vulnerable Groups
GAO-13-217 (formerly 320885)	Report Issued January 30, 2013	EXPORT PROMOTION: Small Business Administration Needs to Improve Collaboration to Implement Its Expanded Role
GAO-13-740 (formerly 320926)	Report Issued July 31, 2013	AGRICULTURAL TRADE: USDA Is Monitoring Market Development Programs as Required but Could Improve Analysis of Impact
GAO- 13-809 (formerly 320886)	Report Issued September 17, 2013	GLOBAL FOOD SECURITY: USAID Is Improving Coordination but Needs to Require Systematic Assessments of Country-Level Risks

Note: In FY 2013 OIG incorporated previously reported audit 07099-0001-16 into audit 50601-0002-16.

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<u>Available Funds and Staff Years (SY)</u> (Dollars in thousands)								
Program	2012 Actual		2013 Actual		2014 Estimate		2015 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
<b>Discretionary Appropriations:</b>								
Salaries and Expenses.....	\$176,347	820	\$176,789	661	\$177,863	770	\$182,563	770
McGovern-Dole Program.....	184,000	-	184,000	-	185,126	-	185,126	-
CCC Export Guarantee Programs Admin. Expense .....	6,465	31	6,452	31	6,394	31	6,394	31
Rescission.....	-	-	-5,206	-	-	-	-	-
Sequestration.....	-	-	-18,453	-	-	-	-	-
Transfers In.....	-	-	10,686	-	-	-	-	-
Adjusted Appropriation.....	366,812	851	354,268	692	369,383	801	374,083	801
Balance Available, SOY.....	53,000	-	37,966	-	-	-	-	-
Total Available.....	419,812	851	392,234	692	369,383	801	374,083	801
Lapsing Balances.....	-	-	-	-	-	-	-	-
Balance Available, EOY.....	-37,966	-	-	-	-	-	-	-
Total Obligations.....	381,846	851	392,234	692	369,383	801	374,083	801
<b>Obligations under other USDA appropriations:</b>								
Commodity Credit Corporation for:								
Reimbursable Activities:								
Market Access Program Admin. Costs.....	3,624	3	4,762	29	4,980	29	4,980	29
Technical Assistance for Specialty Crops								
Program Admin. Costs.....	405	1	945	4	996	4	996	4
Emerging Markets Program Admin. Costs .....	514	2	1,043	5	996	5	996	5
Quality Samples Program Admin. Costs.....	188	1	190	1	200	1	200	1
Foreign Market Development Program Admin. Costs..	-	1	1,259	6	1,328	6	1,328	6
Local and Regional Procurement Admin. Costs.....	536	2	-	-	-	-	-	-
Food for Progress Admin. Costs.....	1,894	2	2,570	14	2,570	14	2,570	14
Legal Services.....	-	-	155	-	155	-	155	-
McGovern Dole Program .....	2,891	13	2,916	10	3,500	10	3,500	10
Landsat data and support of export programs.....	1,301	3	1,371	3	1,500	3	1,500	3
IRM Activities.....	18,000	-	17,451	-	18,000	-	18,000	-
IRM Activities (Non-CCC).....	4,880	-	4,745	-	5,000	-	5,000	-
Under Secretary Int'l Travel for Trade Matters.....	-	-	314	-	500	-	500	-
Emerging Markets Program.....	3,302	5	2,102	1	3,400	1	3,400	1
Support of and access to the USDA Satellite Imagery								
Library: NRCS, APHIS, ARS, RMA, NASS, FS.....	448	1	65	-	100	-	100	-
Capital Security Cost Share.....	2,353	1	2,262	1	2,500	1	2,500	1
Visiting Scientist Program.....	662	-	122	-	700	-	700	-
Codex.....	1,491	-	907	1	950	1	950	1
Office of the Secretary: Congressional Relations.....	110	-	110	-	110	-	110	-
Trade Negotiations and Biotechnology Fund (OSEC)....	-	8	669	2	750	2	750	2
Avian Influenza (APHIS).....	110	1	-	-	-	-	-	-
P.L. 480 Title II.....	120	1	114	1	120	1	120	1
Total, Other USDA Appropriations.....	42,829	45	44,072	78	48,355	78	48,355	78
Total, Agriculture Appropriations.....	424,675	896	436,306	770	417,738	879	422,438	879
<b>Other Federal Funds:</b>								
U.S. Agency for International Development (USAID) and others for developmental assistance.....	60,757	100	75,709	126	61,251	95	61,251	95
USAID and U.S. Department of State (DoS) for Reconstruction and Stabilization Activities.....	33,959	21	23,876	65	30,000	65	30,000	65
Total, Other Federal Funds.....	94,716	121	99,585	191	91,251	160	91,251	160
Total, Foreign Agricultural Service.....	519,391	1,017	535,891	961	508,989	1,039	513,689	1,039

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Permanent Positions by Grade and Staff Year Summary

Item	2012 Actual			2013 Actual			2014 Estimate			2015 Estimate		
	Wash.			Wash.			Wash.			Wash.		
	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total
ES.....	7	-	7	5	0	5	7	-	7	7	-	7
SES.....	2	15	17	16	16	32	2	15	17	2	15	17
GS-15.....	69	-	69	39	1	40	69	-	69	69	-	69
GS-14.....	177	-	177	121	0	121	177	-	177	177	-	177
GS-13.....	197	1	198	129	1	130	197	1	198	197	1	198
GS-12.....	160	-	160	104	0	104	160	-	160	160	-	160
GS-11.....	22	-	22	23	0	23	22	-	22	22	-	22
GS-10.....	1	-	1	1	0	1	1	-	1	1	-	1
GS-9.....	24	1	25	15	1	16	24	1	25	24	1	25
GS-8.....	18	-	18	11	0	11	18	-	18	18	-	18
GS-7.....	24	-	24	23	0	23	24	-	24	24	-	24
GS-6.....	6	-	6	11	0	11	6	-	6	6	-	6
GS-5.....	-	-	-	5	0	5	-	-	0	-	-	0
GS-4.....	-	-	-	2	0	2	-	-	0	-	-	0
GS-3/2.....	-	-	-	3	0	3	-	-	0	-	-	0
Other Graded Positions.....	11	169	180	57	95	152	11	169	180	11	169	180
Total Perm. Positions.....	718	186	904	565	114	679	718	186	904	718	186	904
Unfilled, EOY.....	204	99	303	97	33	130	-	-	-	-	-	-
Total, Perm. Full-Time Employment, EOY.....	514	87	601	468	81	549	718	186	904	718	186	904
Staff Year Est.....	832	185	1,017	692	269	961	801	269	1,070	801	269	1,070

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### Size, Composition and Cost of Motor Vehicle Fleet

The passenger motor vehicles of the Foreign Agricultural Service (FAS) are used almost exclusively by Foreign Service Officers and their staffs stationed at posts overseas. FAS' overseas 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 representation events with agribusiness organizations, transporting official visitors, and providing mail/messenger courier services.

Although FAS owns its overseas vehicle fleet, these vehicles are subject not only to USDA Directives, but are also under the authority of the Chief of Mission at each station. Each overseas station has an established vehicle policy to which USDA Foreign Service Officers must adhere and the Chief of Mission has the authority to determine other authorized uses that are permitted in accordance with the Foreign Affairs Manual governing Asset Management.

Changes to the motor vehicle fleet. In FY 2013, FAS received a donated 2007 Ford Endeavour from the USDA APHIS office in Ottawa, Canada and an SUV was purchased for the new office in Accra, Ghana. For FY 2015, FAS' overseas vehicle fleet will consist of one (1) station wagon, one (1) sedan, thirty(30) mini-vans, sixteen (16) 4x2 Light Trucks , and twenty-five (25) 4x4 Light Trucks.

Replacement of passenger motor vehicles. Normally, passenger vehicles may not be replaced unless they either have a mileage of 100,000 or 7 years or more of age. Armored vehicles have a shorter life-span and are normally replaced every 5 years. Condition of the vehicle and cost analysis of maintenance and operating cost are also factors for replacement. Each post that has a vehicle is required to record daily usage, including fuel cost and maintenance in a Vehicle Log.

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

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Size, Composition, and Annual Operating Costs of Vehicle Fleet

Fiscal Year	Number of Vehicles by Type *							Annual Operating Costs (\$ in 000) **	
	Sedans and Station Wagons	Light Trucks, SUVs, and Vans		Medium Duty Vehicles	Ambulances	Buses	Heavy Duty Vehicles		Total Number of Vehicles
		4x2	4x4						
2012	23	9	23	-	-	-	-	55	\$132
Change	-21	+19	+2	-	-	-	-	-	-32
2013	2	28	25	-	-	-	-	55	100
Change	-	+1	-	-	-	-	-	+1	+23
2014	2	29	25	-	-	-	-	56	123
Change	-	+1	-	-	-	-	-	+1	+15
2015	2	30	25	-	-	-	-	57	138

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

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



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### Proposed Language Changes

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

#### Salaries and Expenses (including transfers of funds):

For necessary expenses of the Foreign Agricultural Service, including not to exceed \$158,000 for representation allowances and for expenses pursuant to section 8 of the Act approved August 3, 1956 (7 U.S.C. 1766), [~~\$177,863,000~~] \$182,563,000, of which no more than 6 percent will remain available until September 30, 2016, for overseas operations to include the payment of locally employed staff. *Provided*, That the Service may utilize advances of funds, or reimburse this appropriation for expenditures made on behalf of Federal agencies, public and private organizations and institutions under agreements executed pursuant to the agricultural food production assistance programs (7 U.S.C. 1737) and the foreign assistance programs of the United States Agency for International Development: *Provided further*, That funds made available for 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.

The change is for the purpose of ensuring a small percentage of S&E funds are available to give FAS the flexibility to operate overseas in the event of Appropriation lapse or other funding interruptions and ensure continuity and retention of its dedicated staff overseas who are critical to FAS' mission.

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Lead-Off Tabular Statement

Budget Estimate, 2015.....	\$182,563,000
2014 Enacted.....	<u>177,863,000</u>
Change in Appropriation.....	<u>+ 4,700,000</u>

Summary of Increases and Decreases

(Dollars in thousands)

	2012	2013	2014	2015	2015
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Discretionary Appropriations:					
Trade Policy.....	\$77,487	-\$5,800	+\$6,454	+\$1,974	\$80,115
Trade Promotion.....	58,521	-4,398	+4,918	+1,693	60,734
Capacity Building/Food Security.....	40,339	-3,019	+3,361	+1,033	41,714
Total, Appropriation or Change.....	<u>176,347</u>	<u>-13,217</u>	<u>+14,733</u>	<u>+4,700</u>	<u>182,563</u>

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

Program	2012 Actual		2013 Actual		2014 Estimate		Inc. or Dec.		2015 Estimate		
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Appropriations:											
Trade Policy.....	\$77,487	345	\$71,687	280	\$78,141	324	+\$1,974	(1)	-	\$80,115	324
Trade Promotion.....	58,521	295	54,123	239	59,041	277	+1,693	(2)	-	60,734	277
Capacity Building/Food Security....	40,339	180	37,320	146	40,681	169	+1,033	(3)	-	41,714	169
Subtotal Adjusted Approp.....	176,347	820	163,130	665	177,863	770	4,700	-	-	182,563	770
CCC Export Programs Admin. ....	6,465	31	5,952	27	6,394	31	-	-	-	6,394	31
Total Adjusted Approp.....	182,812	851	169,082	692	184,257	801	4,700	-	-	188,957	801
Rescissions, Transfers, and											
Seq. (Net).....	-	-	14,159	-	-	-	-	-	-	-	-
Total Appropriation.....	182,812	851	183,241	692	184,257	801	4,700	-	-	188,957	801
Rescission.....	-	-	-4,962	-	-	-	-	-	-	-	-
Sequestration.....	-	-	-9,197	-	-	-	-	-	-	-	-
Bal. Available, SOY.....	-	-	-	-	-	-	-	-	-	-	-
Total Available.....	182,812	851	169,082	692	184,257	801	4,700	-	-	188,957	801
Total Obligations.....	182,812	851	169,082	692	184,257	801	4,700	-	-	188,957	801

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

Program	2012 Actual		2013 Actual		2014 Estimate		Inc. or Dec.		2015 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Obligations:										
Trade Policy.....	\$40,339	180	\$71,687	146	\$78,141	169	+\$1,974	-	\$80,115	169
Trade Promotion.....	77,487	345	54,123	280	59,041	324	+\$1,693	-	60,734	324
Capacity Building/Food Security.....	58,521	295	37,320	239	40,681	277	+\$1,033	-	41,714	277
Total Obligations.....	176,347	820	163,130	665	177,863	770	4,700	-	182,563	770
CCC Export Programs Admin. ....	6,465	31	5,952	27	6,394	31	-	-	6,394	31
Total Available.....	182,812	851	169,082	692	184,257	801	4,700	-	188,957	801
Rescissions, Transfers, and										
Seq. (Net).....	-	-	14,159	-	-	-	-	-	-	-
Total Appropriation.....	182,812	851	183,241	692	184,257	801	4,700	-	188,957	801
Rescission.....	-	-	-4,962	-	-	-	-	-	-	-
Sequestration.....	-	-	-9,197	-	-	-	-	-	-	-
Bal. Available, SOY.....	-	-	-	-	-	-	-	-	-	-
Total Available.....	182,812	851	169,082	692	184,257	801	4,700	-	188,957	801
Total Obligations.....	182,812	851	169,082	692	184,257	801	4,700	-	188,957	801

## FOREIGN AGRICULTURAL SERVICE

### Justification of Increases and Decreases

The total 2015 Salaries and Expenses (S&E) budget request is \$182,563,000. This is a net increase of \$4,700,000 over the 2014 enacted level. This funding level will allow FAS to continue to move forward in support of America's agricultural economic sector. FAS will continue to move toward its long-term goal of increasing U.S. economic activity through trade facilitation and international cooperation. In most foreign countries, foreign nationals employed by the United States are entitled to be paid a "separation allowance" when they resign, retire, or are otherwise separated through no fault of their own. Unlike severance pay for federal employees, these separation allowances represent binding commitments which accrue during the period of employment. As such, they should be recorded as obligations when they are earned rather than when they are paid. For this reason, FAS has established a trust fund to record these liabilities.

Continuation of FAS' mission is critical because it:

- Provides a level playing field for U.S. Agriculture Exporters;
- Increases the demand for U.S. Agriculture products;
- Develops emerging markets overseas; and
- For every \$1 billion of agricultural exports, an estimated 6,577 jobs are supported.

FAS has requested authority to carryover a small percentage of its S&E funds into the next fiscal year to ensure the flexibility to operate internationally. Currently the Department of State, USAID, the Peace Corps, and the Foreign Commercial Service operate under this authority to protect the USG from financial risks and ensure the continuity of its dedicated staff overseas that is critical to achieving the FAS mission of linking U.S. agriculture to the world.

1. An increase of \$1,140,000 for pay costs (\$285,000 for annualization of the 2014 pay raise and \$855,000 for the 2015 pay raise). This increase in pay will provide FAS a pay incentive to retain quality staff, which is so vital to achieving the agency's objective of facilitating trade and international cooperation for U.S. agricultural products. Without the requested increase FAS could be forced reduce crucial administrative expenses. These reductions will have an adverse impact on the Agriculture Export market. The increase is spread among FAS' three budget activity structure pillars.
2. An increase of \$950,000 for the GSA and DHS payments. USDA proposes in FY 2015 the decentralization of GSA Rental Payments and DHS payments. The amount shown is the equivalent share of the current GSA Rent and DHS central appropriations based upon current space occupancy across the continental United States. The appropriations request for the central rent account and the DHS payment account has been reduced accordingly.
3. An increase of \$2,844,000 for International Cooperative Administrative Support Services (ICASS). The International Cooperative Administrative Support Services (ICASS) organization was established by Public Law 104-208 (U.S. Department of State Appropriations Act) in 1996. The ICASS system is the principal means by which the U.S. Department of State (State) provides and shares the cost of common administrative support at its more than 200 diplomatic and consular posts overseas to the Foreign Agricultural Service (FAS) and all other foreign affairs agencies. FAS relies on its base funding to maintain continuous administrative support services for overseas offices provided by State and the U.S. Agency for International Development (USAID). Under ICASS regulations, participating agencies are required to pay their portion of these "platform" costs. For FY 2015, State will implement a policy change that will mandate full participation in ICASS furniture and appliance pools. This mandated expansion of the ICASS platform will increase the direct and indirect ICASS costs for FAS. Base funds for State ICASS charges will continue to fund these service expenses, but an increase is needed to cover the estimated 2015 State assessment due to the policy change. This increase will support these rising costs in FAS' three budget activity structure pillars.
4. A decrease of \$234,000 for FAS headquarters' administrative costs. A decrease from headquarters offices will offset a portion of the increase for the GSA Rental Payments and DHS payments. Headquarters' offices will see a decrease in a portion of costs in order to absorb this cost.

FOREIGN AGRICULTURAL SERVICE

**2015 Budget Activity Structure:**

USDA Goal 1: Trade Policy.....	42%
Trade Promotion .....	36%
USDA Goal 3: Capacity Building/Food Security.....	<u>22%</u>
Total.....	100%

FAS’ strategic framework mirrors its commitment to provide exceptional service and consistent management excellence across the Agency. FAS has separate management plans that detail its strategies to achieve its goals in the areas of enterprise governance, financial resource management, human capital management, performance and efficiency, information technology, and emergency preparedness.

In support of the USDA Strategic Plan and the Administration’s economic priority of increasing exports and creating jobs, FAS’ strategy and overarching goal is to generate an additional \$89 billion worth of domestic economic activity through agricultural export growth by the end of 2016. FAS’ unrivaled global network of agricultural affairs and agricultural trade offices connect agricultural exporters to foreign customers and provides crucial information on international agricultural markets. This goal is underpinned by three activity pillars: trade promotion, trade policy, and capacity building/food security. These three pillars work together to help maintain the Agency’s focus on helping create economic growth in rural America, and the overall U.S. economy, through agricultural trade.

**Trade Policy**

(1) A net increase of \$1,974,000 for Trade Policy (\$78,141,000 and 324 staff years available in 2014) administrative costs and activities.

- A. An increase of \$479,000 from salary and benefits to cover pay cost;
- B. An increase of \$399,000 for GSA Rent and DHS payments.
- C. An increase of \$1,194,000 to cover higher ICASS costs; and
- D. A decrease of \$98,000 in funding for headquarters’ administrative costs.

The agency continues its trade policy work which ensures that U.S. exporters can sell safe, wholesome U.S. food and agricultural products around the world. With its network of knowledgeable overseas attachés and Washington experts, FAS is well positioned to harness a wide range of resources to address complex problems. FAS partners with other U.S. Government agencies and trade associations, as well as regional and international organizations in a coordinated effort to negotiate trade agreements; establish transparent, science-based standards; and resolve trade barriers. Removing existing barriers, while ensuring new ones are not introduced, will directly help U.S. food and agricultural producers thrive.

The proposed increase for trade policy work with trading partner countries will support the Agency’s ongoing effort to modernize and streamline operations in order to continue its work to ensure foreign markets are open for U.S. exporters to sell safe, wholesome U.S. food and agricultural products, with more cost-efficient and effective service delivery.

Maintaining the current staffing level will continue support for monitoring and enforcing international phytosanitary (SPS) rules, strengthening the global SPS regulatory framework, and encouraging the adoption of international standards. These efforts strengthen U.S. trade and help to overcome the sanitary and SPS barriers of other countries to protect their domestic industries as global trade expands.

**Trade Promotion**

(2) A net increase of \$1,693,000 for Trade Promotion (\$59,041,000 and 308 staff years available in 2014) administrative costs and activities.

## FOREIGN AGRICULTURAL SERVICE

- A. An increase of \$410,000 from salary and benefits to cover pay cost;
- B. An increase of \$342,000 for GSA Rent and DHS payments.
- C. An increase of \$1,024,000 to cover higher ICASS costs; and
- D. A decrease of \$83,000 in funding for headquarters' administrative costs.

With this net increase, FAS will continue its trade promotion activities which help U.S. food and agricultural exporters take advantage of market opportunities created by its trade policy and capacity building successes. FAS administers programs and activities, working in partnership with private sector associations and state and regional trade groups, and U.S. food and agricultural exporters. 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 diets. As markets change, farmers need tools to introduce new products to new customers, maintain current sales in the face of new competition, and overcome constraints such as tight credit.

The 2015 increase will maintain service delivery to support trade promotion activities as part of the agency's ongoing effort to assist U.S. food and agricultural exporters to take advantage of market opportunities created by the agency's trade policy and capacity building successes. FAS is responsible for administering these programs and activities and partners with private sector associations, state and regional trade groups, and U.S. food and agricultural exporters. The results of FAS' efforts ultimately benefit both the farm and non-farm sectors of the U.S. economy through job creation and additional economic activity.

FAS continues to support the National Export Initiative (NEI) which has the primary goal of spurring economic growth and employment opportunities. Currently, FAS coordinates with the interagency Trade Promotion Coordinating Committee, State Departments of Agriculture, agricultural and industry organizations, and other USDA agencies to maximize the positive impacts of NEI. The agency employs available personnel and information resources to contribute to preparation of the National Export Strategy, report on NEI activities and accomplishments, and plan and execute NEI road shows.

### **Capacity Building/Food Security**

(3) A net increase of \$1,033,000 for Capacity Building/Food Security (\$40,681,000 and 169 staff years available in 2014) administrative costs and activities.

- A. An increase of \$251,000 from salary and benefits to cover pay cost;
- B. An increase of \$209,000 for GSA Rent and DHS payments.
- C. An increase of \$626,000 to cover higher ICASS costs; and
- D. A decrease of \$53,000 in funding for headquarters' administrative costs.

The requested increase for FAS' capacity building and food security activities supports U.S. agriculture's trade interests in developing countries around the world. The proposed funding level will continue support of in-country institutional capacity-building, research, technical training, and food assistance activities targeted at developing economies with promising market potential.

FAS administers several food assistance programs which support agricultural development, encourage the development of private enterprise and democratic participation in developing countries, and expand international trade. Programs administered by FAS include Food for Progress (FFP); and the McGovern-Dole International Food for Education and Child Nutrition Program (McGovern-Dole). These programs feature a mix of monetization, direct distribution, and local food aid commodity procurement to meet the specific needs of recipient countries.

FOREIGN AGRICULTURAL SERVICE

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

State/Territory	2012 Actual		2013 Actual		2014 Estimate		2015 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
District of Columbia.....	\$119,019	664	\$109,903	511	\$119,767	614	\$122,822	614
Other Countries.....	63,793	187	59,179	181	64,490	187	66,135	187
Obligations.....	182,812	851	169,082	692	184,257	801	188,957	801
Total, Available.....	182,812	851	169,082	692	184,257	801	188,957	801

FOREIGN AGRICULTURAL SERVICE

Classification by Objects  
(Dollars in thousands)

	2012	2013	2014	2015
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
<b>Personnel Compensation:</b>				
Washington D.C.....	\$44,375	\$52,240	\$59,568	\$60,178
Field.....	36,307	20,984	23,927	24,147
11 Total personnel compensation.....	80,682	73,224	83,495	84,325
12 Personal benefits.....	32,332	27,797	30,058	30,380
13.0 Benefits for former personnel.....	2,545	589	-	-
Total, personnel comp. and benefits.....	115,559	101,610	113,553	114,705
<b>Other Objects:</b>				
21.0 Travel and transportation of persons.....	5,657	6,074	7,000	7,000
22.0 Transportation of things.....	188	237	237	250
23.1 Rental payments to GSA.....	28	365	365	950
23.2 Rental payments to others.....	2,547	4,297	3,000	4,300
23.3 Communications, utilities, and misc. charges...	2,092	3,261	2,500	3,300
24.0 Printing and reproduction.....	46	25	25	50
25.1 Advisory and assistance services.....	36,140	34,680	38,999	40,138
25.2 Other services from non-Federal sources.....	6,920	5,562	5,576	6,000
25.3 Other purchases of goods and services from Federal sources.....	5,570	4,484	4,484	5,001
25.4 Operation and maintenance of facilities.....	63	237	237	250
25.5 Research and development contracts.....	5,326	5,634	5,634	4,273
25.6 Medical care.....	28	128	128	150
25.7 Operation and maintenance of equipment.....	349	153	153	165
25.8 Subsistence and support of persons.....	6	204	204	210
26.0 Supplies and materials.....	1,830	1,549	1,700	1,750
31.0 Equipment.....	205	291	210	210
41.0 Grants.....	63	247	247	250
42.0 Insurance claims and indemnities.....	29	5	5	5
92.0 Undistributed.....	166	39	-	-
Total, Other Objects.....	67,253	67,472	70,704	74,252
99.9 Total, new obligations.....	182,812	169,082	184,257	188,957
<b>Position Data:</b>				
Average Salary (dollars), ES/FE Positions.....	\$169,957	\$169,645	\$171,342	\$173,374
Average Salary (dollars), FO/FP Positions.....	\$115,429	\$118,939	\$120,129	\$117,749
Average Salary (dollars), GS/GM/FSN Positions.....	\$98,934	\$99,835	\$100,834	\$100,922
Average Grade, GS Position.....	13.3	12.5	13.1	13.1

FOREIGN AGRICULTURAL SERVICE

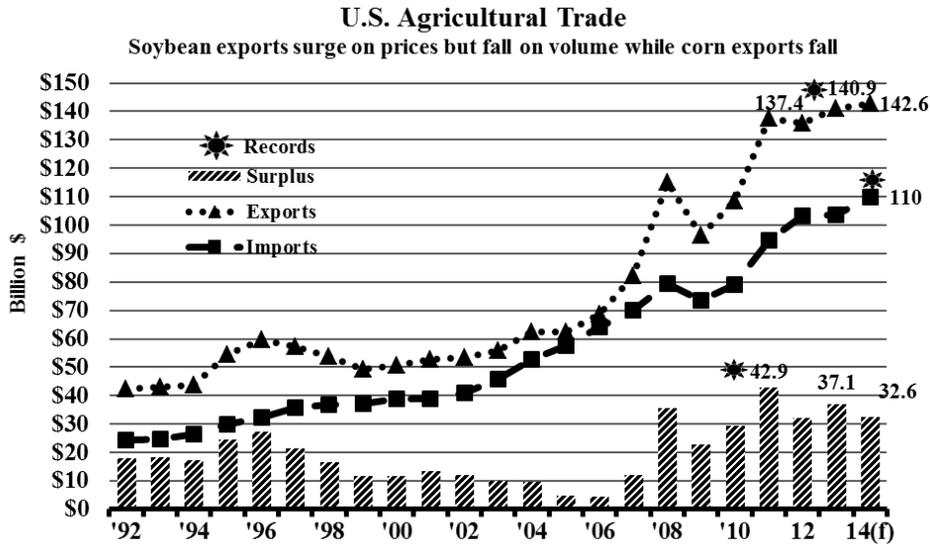
<u>Shared Funding Projects</u>				
	2012	2013	2014	2015
<b>Working Capital Fund:</b>	Actual	Actual	Estimate	Estimate
<b>Administration:</b>				
Beltsville Service Center.....	\$181,445	\$132,624	\$155,212	\$160,427
Integrated Procurement Systems.....	104,004	60,127	60,093	62,345
Mail and Reproduction Management.....	380,156	200,433	238,992	241,756
Procurement Operations.....	-	6,030	6,030	6,030
	665,605	399,214	460,326	470,558
<b>Communication:</b>				
Creative Media and Broadcast Center.....	307,043	390,723	384,451	405,491
<b>Correspondence Management:</b>				
Correspondence Management.....	169,005	191,067	167,650	199,146
<b>Finance and Management:</b>				
Controller Operations .....	602,274	573,788	328,856	331,303
Financial Systems.....	6,131,856	444,909	771,979	2,270,992
Internal Control Support Services.....	55,850	63,464	65,068	70,259
National Finance Center.....	177,315	194,731	249,443	256,756
	6,967,294	1,276,892	1,415,346	2,929,310
<b>Information Technology:</b>				
Information Technology Services.....	5,543,354	978,804	-	-
National Information Technology Center.....	1,769,768	1,784,592	1,275,539	1,277,541
Telecommunications Services.....	1,669,883	4,424,831	1,246,306	1,390,305
	8,983,004	7,188,227	2,521,845	2,667,846
<b>Total, Working Capital Fund.....</b>	<b>17,091,951</b>	<b>9,446,123</b>	<b>4,949,618</b>	<b>6,672,352</b>
<b>Department-Wide Reimbursable Programs:</b>				
1890 USDA Initiatives.....	28,944	28,784	26,890	26,890
Advisory Committee Liaison Services.....	90,957	70,186	82,931	82,931
Continuity of Operations Planning.....	16,438	20,365	19,200	19,200
E-GOV Initiatives HSPD-12 .....	59,444	65,004	61,750	61,750
Emergency Operations Center.....	22,495	22,793	21,227	21,227
Facility and Infrastructure Review and Assessment.....	45	4,112	4,110	4,110
Faith-Based Initiatives.....	3,839	3,809	3,580	3,580
Federal Biobased Products Preferred Procurement Program.....	3,351	3,404	3,165	3,165
Hispanic-Serving Institutions National Program.....	19,085	19,447	18,236	18,236
Honor Awards.....	556	446	704	704
Human Resources Transformation (includes Diversity).....	15,855	15,745	14,907	14,907
Intertribal Technical Assistance Network.....	18,774	-	-	-
Medical Services.....	23,512	30,067	30,405	30,405
Personnel and Document Security.....	168,031	111,081	113,959	113,959
Preauthorized Funding.....	32,960	33,483	34,107	34,107
Retirement Processor Web Application.....	5,060	5,594	5,201	5,201
Sign Language Interpreter.....	63,178	78,966	79,792	79,792
TARGET Center.....	8,448	8,926	8,385	8,385
USDA 1994 Program.....	7,600	7,527	7,169	7,169
Virtual University.....	20,022	20,318	18,892	18,892
Visitor Information Center/People's Garden.....	7,552	8,448	8,935	8,935
<b>Total, Department-Wide Reimbursable Programs .....</b>	<b>616,146</b>	<b>558,505</b>	<b>563,545</b>	<b>563,545</b>
<b>Agency Total.....</b>	<b>17,708,097</b>	<b>10,004,628</b>	<b>5,513,163</b>	<b>7,235,897</b>

FOREIGN AGRICULTURAL SERVICE

**STATUS OF PROGRAM**  
**SUMMARY OF AGRICULTURAL TRADE**

In FY 2013, U.S. agricultural exports totaled \$140.9 billion, a four percent increase from last year and a new record. The previous export record set in FY 2011 was \$137.4 billion. Higher prices for soybeans led to export sales of nearly \$21 billion, a five percent increase from FY 2012, which more than offset the fact that soybean export volumes were down nine percent from last year. Exports of wheat increased on both volume (15 percent) and value (20 percent) bases, as shipments totaled nearly 31 MMT valued at over \$10 billion. Exports of consumer-oriented products increased eight percent on the year to a record \$62.8 billion. Tree nuts and dairy products were responsible for the largest export increases among consumer-oriented products. Tree nut exports rose 17 percent over last year to nearly \$7.2 billion. Dairy exports, up 18 percent on the year, also hit a new high of \$6.1 billion. Increased exports of these products offset drought-stricken corn exports, the lowest since the Mississippi River floods of 1993. Corn exports closed out the year at 18.2 MMT, down 53 percent from the year before, with an export value halved as well to \$5.6 billion. The forecast for U.S. agricultural exports for FY 2014 is \$142.6 billion. Though export volume is forecast to rise, the increase will not likely be large enough to offset suppressed prices that are expected to lead to an overall decline in export value in FY 2014.

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.



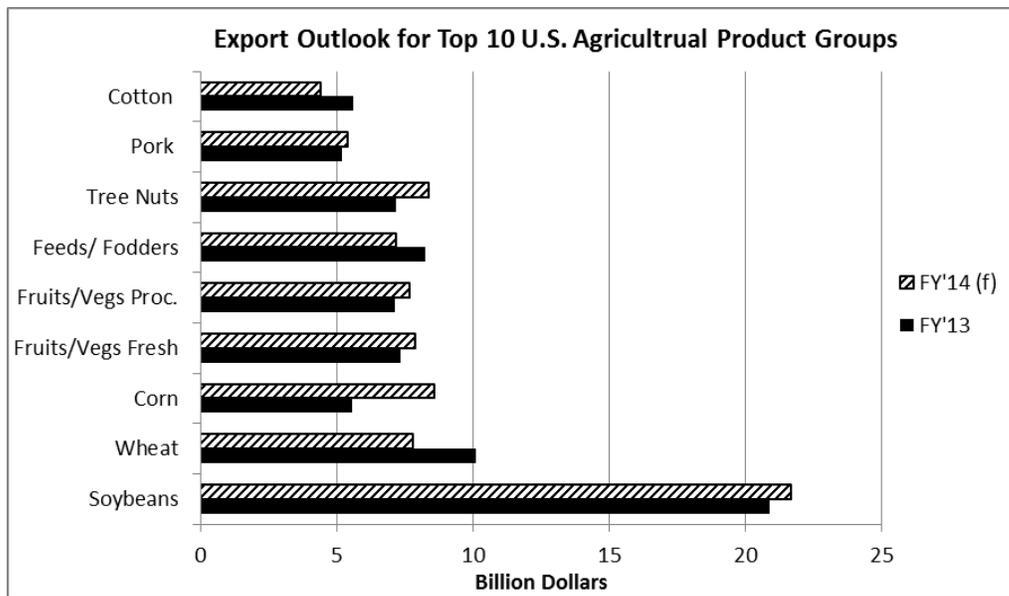
Note: Forecasts are based on USDA's "Outlook for U.S. Agricultural Trade" published on December 2, 2013. Source of trade data: the U.S. Bureau of the Census.

**COMMODITY EXPORT HIGHLIGHTS**

The overall projected decrease in the agricultural export value for 2014, compared to the previous year, is largely due to lower prices for bulk commodities such as corn and soybeans. Overall volumes for bulk commodities are expected to rebound as a result of a record U.S. corn crop and larger exportable supplies of soybeans. High value product unit values and volumes remain strong and are forecast at a record for horticultural products.

Bulk commodity exports are forecast at \$42.9 billion in 2014 compared to \$46.2 billion in 2013. Total bulk export volume is forecast up, with corn and soybeans accounting for most of the increase. Compared to the previous year, the highlights for 2014 are:

Grains. Wheat and coarse grain exports are forecast for 2014 at \$15.5 billion, down from \$16.2 billion in 2013. Despite sharply higher corn volume, the record U.S. corn crop is hanging over the world market and depressing prices. Wheat volume and unit value are both down, as competition with Canada is projected to intensify and prices are pressured by good planting conditions in the Northern Hemisphere for next year’s crop as well as abundant global feed grain supplies.



Soybeans. Soybean exports are forecast at \$19.9 billion. The forecast is \$1.0 billion lower than final 2013 exports, driven down by lower prices in response to an improved domestic supply. Volume is expected to increase by 13 percent.

Cotton. Cotton exports are forecast at \$4.3 billion, a decrease of \$1.3 billion from 2013. Export volume is down due to a sharp decline in production and falling global import demand, particularly from China. Prices are also down as the market reacts to expected changes in China’s reserve policy.

High-value product exports are forecast at \$94.1 billion in 2014, signaling strong foreign demand and increasing unit values. The animal product export forecast is even with last year but horticultural exports, which include all fresh and processed fruits, vegetables, tree nuts, and wine, are forecast at a record \$34.5 billion. Compared to the previous year, the highlights for 2014 are:

Feed and Oilseed Products. Export value of distiller’s dried grains (DDGS) is down due to prices dropping sharply with corn prices and increased corn feeding. Soybean meal export volume is down on increased competition from South America.

Animal Products. The export forecast for livestock, poultry, and dairy products is \$31.8 billion, \$300 million higher than 2013 exports. Growth in pork and hides and skins is forecast to offset declines in beef, poultry,

## FOREIGN AGRICULTURAL SERVICE

and dairy. Pork is forecast \$300 million higher at \$5.5 billion, with strong demand expected from Mexico and some Asian markets. Poultry is forecast down \$100 million on lower broiler meat prices. Beef is down \$200 million as lower volumes offset higher prices. Dairy exports are forecast to decline \$200 million to \$5.9 billion as volume and global prices are expected to moderate.

*Horticultural Products.* The fiscal 2014 export forecast is a record \$34.5 billion, up \$3.1 billion from 2013. Fresh fruit and vegetables are forecast at a record \$8.1 billion, up \$800 million. Exports to Canada and Mexico are expected to continue expanding. Processed fruit and vegetables are forecast at \$8.0 billion, up \$900 million. Unit values for several processed products are expected continue rising with demand from major markets. Whole and processed tree nuts are forecast at \$7.8 billion, up \$600 million primarily due to continued strong demand from China and Europe for almonds, pistachios, and walnuts.

### **TOP EXPORT MARKETS**

The top five markets accounted for 62 percent of U.S. agricultural exports in 2013. U.S. agricultural exports to our North American Free Trade Agreement (NAFTA) partners, Canada and Mexico, are forecast at \$40.2 billion in 2014. Canada is expected to return as the largest market for U.S. exports at \$21.6 billion, edging out China by \$100 million. Exports to Canada are forecast up about \$200 million over 2013 on strong imports of high value products with horticultural products leading the way. Exports to Mexico are forecast at \$18.6 billion as demand continues strong for grain, pork, and oilseeds.



U.S. agricultural exports to Asia are forecast down from \$60.0 billion in 2013 to \$58.6 billion in 2014. Lower bulk commodity prices are responsible for the decrease. China is forecast to be the second largest market at \$21.5 billion, which is down \$2.0 billion from 2013. While the forecast for China is the third highest on record, the slight decrease is due to lower expected soybean prices and reduced cotton import demand. However, exports of corn, wheat, tree nuts, and dairy products are expected to be up. Japan is forecast up from 2013 mostly due to increased corn exports. Exports to Japan reached \$12.4 billion last year and are forecast at \$13.1 billion in 2014.

### **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 European Union (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.

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Prior to 2009, U.S. agricultural imports had risen steadily for the past four decades. From 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 jumped in 2011 to \$94.5 billion as demand recovered and prices soared for key import products. Growing demand and soaring prices resulted in another record import year in 2013 of \$103.8 billion.

*The overall import outlook for 2014* is relatively strong demand for most major product categories and record imports of \$109.5 billion. Higher import volume accounts for most of the 5.5 percent increase.

*Horticultural Products.* Imports are forecast to rise to a record \$48.1 billion. Demand for fresh fruits has continued to increase strongly over the past several years and is forecast to reach \$9.1 billion in 2014.

*Grains, Oilseeds, and Products.* Imports are forecast down \$1.9 billion to \$18.2 billion as a result of recovered U.S. production.

*Livestock.* Imports are forecast to increase in 2013 to \$14.6 billion. Beef imports are forecast up \$200 million in 2014 with both unit values and volume up due to strong demand. Pork imports are forecast up \$100 million as more shipments from Canada are expected.

*Sugar and Tropical Products.* Imports are forecast to increase to \$25.3 billion as gains are expected in rubber, coffee, cocoa, and sweeteners. Most of these commodities, many of which are produced in developing countries, do not have domestically-grown counterparts. Noncompetitive imports such as tropical products (e.g., coffee, cocoa, bananas, mangos, rubber, etc.) comprise the largest and fastest growing portion of the U.S. import bill. The beneficiaries of this import pattern are the developing countries, which, as a group, now supply 57 percent of U.S. imports, up from 47 percent a decade ago.

### **TOP FOREIGN SUPPLIERS**

The top five forecasted suppliers in descending order are Canada, Mexico, EU-28, China, and India. Supplies from these exporters are forecast to increase to \$68.0 billion in 2014, with the Western Hemisphere accounting for 55 percent of the total import bill. Europe and Eurasia, with an expected increase of \$800 million from 2013, rises to \$19.5 billion or 19 percent of the total. Asia, with an expected increase of \$1.1 billion from 2013, rises to \$20.5 billion or 19 percent of the total.

### **TRADE PROMOTION**

The Foreign Agricultural Service (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 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. Independent economic analysis has found that every dollar invested in export promotion by USDA and the agricultural industry has led to an estimated increase in U.S. agricultural exports of \$35. 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. small- to medium-sized enterprises (SMEs). FAS' overseas offices also support industry efforts, especially in developing markets, by providing market intelligence and helping introduce U.S. exporters to potential foreign customers. FAS facilitates the United States' participation in a range of international trade shows and manages credit guarantee programs to benefit U.S. agricultural exports.

### **MARKET DEVELOPMENT PROGRAMS**

- **U.S. Frozen Potato Exports Reach Over \$1 Billion for the First Time** Thanks to the world-wide United States Potato Board's (USPB) MAP, QSP, and industry funded seminars, web sites, recipe books, merchandizing visits, newsletters and public relations, U.S. frozen potatoes are increasingly recognized as a versatile and nutritious product. USPB also supported many of the new product launches with cooperative promotions. These efforts contributed to record U.S. frozen potato exports, reaching \$1.05 billion during the

## FOREIGN AGRICULTURAL SERVICE

July 2012-June 2013 marketing year. This is over 50 percent higher by value and 30 percent higher by volume than the level just 5 years ago. Brand new customers were found in all target markets and represent a huge range of types of companies: cinemas, rice noodle chains, in-store bakeries, school cafeterias, Chinese wok restaurants, a furniture store, ethnic cuisine, donut shops and even bowling alleys. The new usage was as varied as the chefs and restaurateurs that invented them – from a Filipino restaurant that adopted U.S. frozen flavored wedges in lieu of croutons in its soup; to an Indonesian restaurant specializing in Japanese cuisine that launched a unique main dish; to a donut chain in Korea that began utilizing U.S. frozen tater puffs in its bagel dough; to a large Quick Serve Restaurant (QSR) in Mexico that introduced fries topped with cheese and spicy red sauce. Increased exports benefit the 31 states that produce potatoes, however, California, Colorado, Idaho, Maine, Michigan, Minnesota, North Dakota, Oregon, Washington, and Wisconsin account for about 90 percent of total production.

- **California Walnut Exports to Korea Surge with MAP-Supported Activities** The California Walnut Commission (CWC) reported a 45 percent increase in walnut exports to South Korea, compared to 3 years ago, reaching \$95 million in August-July 2012/2013. This increase was largely due to MAP funds used by CWC to partner with the Korean magazine “Monthly Nutriand” to target a select audience of nutritionists and chefs for school lunch programs. The magazine featured California Walnuts multiple times during the year highlighting recipes, health benefits, and nutrition information. CWC indicates that the activity resulted in California walnut use in schools that would have otherwise been unaware of the product. The project also had the long-term benefit of imparting a favorable impression of California walnuts to youth, demonstrating taste attributes and novel uses to the next generation of South Korean consumers.
- **National Sunflower Association (NSA) Grows Turkish Demand for U.S. Confectionary Sunflower Seeds** NSA conducted joint, in-store promotions in the spring of 2013 with two large retail chains, with more than 1,550 stores throughout the country. The promotions reached more than 120,000 Turkish consumers with the product’s health benefits message. NSA used MAP to develop the point-of-sale materials that featured healthy images and happy families with sunflower seeds. These materials were distributed at a special booth in the stores and consumers had a chance to sample the sunflower seeds. Sales during the March-May campaign increased by 1,000 percent and after the promotion, and sales were 300 percent higher than the pre-promotion levels. In-store promotions are extremely important as the Turkish retail sector has grown at a remarkable rate during the past decade. Turkey is currently the second largest export market for U.S. confectionary sunflower seeds. In 2012, the NSA promotions boosted exports of in-shell confectionary sunflower seeds to more than 10,600 metric tons (MT), and for the first nine months of 2013, exports were about three times the volume during the same period in 2012. NSA estimates the value of exports to reach at least \$16.8 million by the end of the 2013.
- **USA Poultry & Egg Export Council (USAPEEC) Building Demand For New Poultry Products in the United Arab Emirates (UAE)** In 2013, MAP-funded in-store promotions were conducted with popular retailers, featuring U.S. whole turkey, processed turkey, and chicken products. In addition to displaying point-of-sale material identifying the quality and safety of U.S. poultry, approximately 5,000 consumers sampled U.S. poultry in stores. As a result of these in-store promotions, retailers are now stocking new processed chicken and turkey items. Overall, retail sales of U.S. poultry products increased 70 percent during the in-store promotions and 35 percent after promotions ended. U.S. poultry and products exports to the UAE have shown considerable growth, more than doubling in value since 2010 to reach nearly \$116 million in 2012. U.S. turkey meat in particular has seen significant growth recently, January-September 2013 U.S. exports are just over \$7 million, which is 80 percent above the 2012 level for the same period.
- **MAP-Funded Trade Visit to Poland Results in New Sales** Poland is a very price-sensitive market, importing product almost exclusively from China, and preferring a large white bean variety that the United States could not supply. However, markets change and the MAP-funded U.S. Dry Bean Council (USDBC) trade visit in 2012 revealed that Polish consumers are interested in a wider range of dry beans, including U.S. Great Northern beans, garbanzo beans and dark red kidney beans. In particular, there were opportunities to provide U.S. dark red kidney beans for the Polish canning industry. They met with a leading Polish company that cans white beans, garbanzo beans, and dark red kidney beans for the retail and the food service sectors, and the company was surprised to learn that U.S. dark red kidney beans were very price competitive. They were also impressed with the extremely high quality of the U.S. product samples. As a direct result of this visit, the Polish canner purchased 330 MT from a Michigan-based company. The beans were processed in

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Minnesota. Subsequently the company visited additional potential suppliers in the United States. They are expected to continue to buy U.S. dark red kidney beans on an ongoing basis; \$380 million-worth of U.S. dry beans were exported in 2012 and about the same level have already been exported January-September 2013; no exports were reported in 2011.

- **Ohio Company Exports Gourmet Products to Central America Thanks to “Learn and Sell” Buyers Mission** In September 2013, Milo’s Whole World Gourmet, a SME located in Athens, Ohio, attended the Food Export Midwest “Learn and Sell” Buyers Mission, supported with MAP funds, where they showcased their products to a buyer from Central America. Just one month later, they made a sale of Vino De Milo salad dressings and pasta sauces worth \$35,000, to be sold at Walmart stores in Guatemala and Costa Rica. According to Founder Jonathan Leal, “This is a pretty good jump in export sales for us. Our export business has slowed somewhat over the past couple of years.” Because up to 95 percent of Milo’s ingredients are sourced in Ohio, any new export sale results in additional purchasing. As a result of the sales, Milo’s added three temporary employees to assist in order processing. Leal explained that 90 percent of their exporting has come from participating in various Food Export activities. Milo’s Whole World Gourmet is a family-owned, minority-owned business that manufactures specialty and gourmet salad dressings and pasta sauces by hand in small batches.
- **New Hampshire Lollipop Company Makes Sweet Deal with Buyer in Sweden** In January 2013, Original Gourmet Food Company, an SME located in Salem, New Hampshire, participated in Food Export Northeast’s MAP-funded Specialty Foods Buyers Mission, in conjunction with the Winter Fancy Food show held in San Francisco, California. Through one-on-one meetings with pre-qualified buyers, the company was introduced to a candy buyer from Sweden. The company shipped its first sale of their gourmet lollipops valued at \$80,000 to Sweden in July, followed by a second sale in September for another \$80,000. Original Gourmet produces the largest gourmet pops sold, including 24 novelty lollipop flavors featuring bright colors. According to the Swedish buyer, the gourmet lollipops are being sold in a new specialty chain store throughout Europe. The customer response to the gourmet lollipops has been wonderful. The buyer said that they would never have found this product if they hadn’t participated in the Buyers Mission.
- **Oregon Company’s Participation in Softwood Export Council (SEC) Trade Mission to China Results in \$1.5 Million in Projected New Sales** A small lumber trading company based in Beaverton, Oregon participated in the SEC’s FMD funded China Trade Mission in March 2013. This company had historically focused on imports and domestic sales, but was forced to explore exports as a result of the domestic downturn and turned to the SEC programs and services for help. As a result of their participation in the trade mission, the company made new contacts in the market and projects \$1.5 million of new sales. They are now selling to one of the largest Chinese importers buying up to \$5 million-worth of lumber each year. This lumber will come from Mobile, Alabama; Savannah, Georgia; Sweet Home, Oregon; and Springfield, Oregon. The company expects the relationships formed as a result of the trade mission will ensure that they continue to have long term business with these customers and see their exports grow each year.
- **Georgia Company Makes First Time Export Sales** In February 2013, Southern Culture Artisan Foods participated in the Gulfood trade show in Dubai, UAE, an activity sponsored by the Southern U.S. Trade Association’s MAP. At the show, the Decatur, Georgia-based SME exhibited their pancake and waffle mix to international buyers. Through MAP, the company was able to seek 50/50 reimbursement for their booth expenses, travel expenses, freight, interpreters/demonstrators, and printed sales materials. In the three months following the show, Southern Culture Artisan Foods received their first international purchase order for \$24,000 and are currently working on signing a distribution agreement. They are projecting that resulting sales will reach \$250,000 in their first year exporting. Chief Executive Officer Erica Barrett said, “We are very excited about the assistance we are receiving from Southern United States Trade Association (SUSTA) and have booked five shows for 2013 through SUSTA. The show has been instrumental in validating our business and helping us grow.”
- **Texas Company Has Success at Seoul Food & Hotel 2013** In May 2013, Colony Enterprises Inc. participated in Seoul Food & Hotel in Seoul, Korea, thanks to SUSTA’s MAP. At the event, the Dallas-based SME successfully introduced 10 new products to the market. Colony Enterprises Inc. secured one, new, distributorship as a result of this event and made sales of \$400,000 on-site. They hope to make at least an additional \$1 million in sales for 2013 as a result of participating with SUSTA at this trade show.

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- **Washington Fruit Finds Easy Passage to Mexico Markets with MAP** Honey Bear Tree Fruit, an SME based in Wenatchee, Washington, has surpassed the sales they anticipated from their participation in the Western U.S. Agricultural Trade Association's (WUSATA) MAP-funded, 2013 Mexico Inbound Trade Mission. During the mission, they introduced their fresh apple and pear varieties to five buyers. From mid-July through August, they have sold 14 loads of fruit, valued at \$250,000 and are projecting total sales at \$750,000. Honey Bear is optimistic about seeing continued success from the trade mission. "Mexico and the rest of Latin America are motivated to buy fruit and do business with us. We exceeded our sales goal for the trade mission, and we're hoping to reach additional markets in the coming year."
- **California Ranch Exhibits at Gulfood, Thanks to MAP** In February of 2013, Hilltop Ranch of Ballico, California showcased their premier almonds at the Gulfood Trade Show, with the support of WUSATA's MAP. The company was able to establish valuable relationships with the market's key importers. As a result, Hilltop Ranch reported over \$2.4 million in sales while attending the Gulfood trade show and projected an additional \$4 million in sales over the next 12 months. Paul Ewing, Director of Sales, commented that: "Our brand's reputation continues to become more widely known and highly demanded with each season. Through our attendance at these shows we are able to reach new markets and create many new relationships to benefit our company."
- **Small Illinois Meat Company Benefits from MAP Support** Lincoln Provision, a company from Chicago, Illinois, attended the 2013 Food and Hotel China show as a first-time participant, thanks to the U.S. Meat Export Federation's MAP branded program. As a result of their participation, they reported that they sold three containers of pork, valued at \$500,000. The company introduced new-to-market pork and sausage products through tasting and sampling demonstrations.
- **Distilled Spirits Council of the United States (DISCUS) Helps Small Distillers Enter Export Markets** As of October 2013, DISCUS now represents 80 small distillers in thirty states. Small distillers have participated in three promotions highlighting American spirits products in recent years. The results of these efforts are already bearing fruit; January-September 2013, U.S. spirits exports to China have increased by 25 percent compared with the same period in 2012, reaching just over \$9 million. In keeping with the goals of the National Export Initiative (NEI), the DISCUS will continue to support and serve as a resource for SME companies in the distilled spirits industry that are seeking to increase overseas sales or export for the first time. MAP funding is a critical element in the effort to expand exports in this growing sector.
- **Increased Wool Sales to India Helps the U.S. Wool Growers Diversify Sales** Through the use of MAP, QSP, and industry funding, the American Sheep Industry (ASI) increased and diversified sales of American wool to India. The manufacturer was quite pleased with the trial results and began making regular purchases of American wool, purchasing \$65,000 of wool in 2010 and \$375,000 in 2011. In 2012, after participating in a reverse trade mission (partially funded by the MAP program) to the wool buying areas of the United States and learning about the variety of wools available, they were convinced to conduct another trial with a different type of wool (coarser micron). Sales to this manufacturer in 2012 jumped to \$700,000, and for the first half of 2013 sales reached \$840,000. ASI projects that continued sales will reach at \$1 million annually for at least the next 5 years. India is the second largest market for American wool exports, behind China.
- **Israeli Trade Team Examines the U.S. Wheat Crop from Farm to Port** U.S. Wheat Associate's (USW) MAP and FMD-funded trade teams are critical to reinforcing the reliability, quality and value of the U.S. wheat crop to wheat buyers from around the world. Israeli flour millers have been long-term buyers of U.S. wheat as they can only source about 10 percent of their milling wheat domestically. However, it has been very important to reinforce relationships and provide an opportunity to see the crop first-hand. USW organized a team of technical and commercial milling managers from Israel to travel to Oklahoma, Texas, and Washington, DC. The visits were held June 22-28, 2013, to examine the U.S. Hard Red Winter (HRW) wheat production areas and crops, visit export elevators, and discuss trade policy. The team had the opportunity to study the U.S. production, research, transportation and marketing systems in order to explore the technical, religious and commercial comparison between U.S. wheat, domestic Israeli wheat and competitor wheat. Over the past three June-May marketing years, the United States has exported an average of 309,000 MT of wheat annually to Israel, valued at approximately \$100 million. This Israeli trade team was sponsored in part by the

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Oklahoma Wheat Commission, with collaboration from the Texas Wheat Producers Board.

- **American Hardwood Export Council (AHEC) Red Oak Promotions in China Reaping Benefits** In 2012, AWP sold 6.5 million board feet of Red Oak to China, and they expect to finish 2013 having sold more than 6.8 million board feet. The real good news is that in the past 3 years more than 60 percent of AWP's Red Oak sales in China have been to companies that make wood products that are sold to consumers in China. The company attributes this true export market growth to the AHEC promotions, and the growth in export sales to various export markets have allowed AWP to add second shifts this year at two facilities in West Virginia. This means employment for an almost 100 new employees.
- **U.S. Hide, Skin and Leather Association (USHSLA) Uses EMP to Increase U.S. Raw Hide Exports to Indonesia** The 2012 trade mission spent just over \$58,000 in EMP funds, with industry contributions exceeding \$27,000. The value of U.S. exports of raw hides to Indonesia increased from \$44,000 in 2012 to over \$2.5 million through June 2013, more than a 50-fold increase in export value to Indonesia in just one year. This increase in value would not likely have been possible without the joint efforts of FAS and the U.S. hide industry to develop this market. Additional exports are expected as more Indonesian leather tanners are introduced to the benefits and qualities of U.S. hides and skins; U.S. exports of hides to Indonesia are expected to exceed \$3.5 million by the end of 2013.
- **California Prune Board (CPB) finds New Market in the Ukraine using EMP and MAP** The CPB explored market opportunities in five Eastern European markets, thanks to EMP funding. CPD responded to the opportunities identified in the Ukraine by quickly reallocating limited marketing year 2011 through 2012 MAP funds to undertake promotions in 30 Kiev supermarkets, in cooperation with a major Ukrainian importer. The two 4-day promotions generated 2,070 kgs in sales during the promotion, an average uptick per store of 270 percent, and an additional 2,130 kgs in sales subsequent to the promotions. The importer was particularly impressed with the results as the promotions took place when there was an abundance of local fresh fruit as well as very weak sales of other imported products. California prune exports to the Ukraine grew 10-fold in volume during August 2012-July 2013 to 931 MT, valued at \$2.6 million, bumping it from 38th to 17th place in value terms as an export destination for California prunes, evidence of the export opportunities that can be developed in new markets when EMP and MAP are used in concert.
- **Gulfood Participation Drives New Connections, Sales Prospects, for U.S. Cheese and Dairy Ingredients in the Middle East and North Africa** The Middle East/North Africa region is an attractive growth market with significant untapped potential for U.S. dairy exports, and the U.S. Dairy Export Council (USDEC) helped many U.S. suppliers capitalize on opportunities for dairy products in that region. Using MAP and FMD funds, USDEC facilitated six cheese and dairy ingredient exporters participation at the annual Gulfood Show (February 25-28, 2013) in Dubai – the region's largest annual food and hospitality trade event. The exporters, based in California, Minnesota, Missouri, New York, North Carolina and Wisconsin, have farm and plant operations spanning multiple additional states nationwide. At Gulfood, the companies showcased U.S. cheeses, whey ingredients, and skim milk powders to approximately 350 buyers and end-users from across the Middle East and North Africa. They reported establishing 64 new contacts and new sales of 5,800 MT from their Gulfood participation, representing potential additional sales of \$19.3 million. USDEC's market development activities targeting the Middle East and North Africa have helped make these regions the fastest growing import markets for U.S. dairy. U.S. dairy exports to these regions in 2013 are \$228 million above last year for the same period (January-September) and contributed to the record \$4.9 billion in total U.S. dairy exports in 2013, \$1 billion above last year.
- **FMD Helps Grow U.S. Leather Exports to China** Leather Industries of America (LIA) used FMD funds in 2013 to participate at the Asia Pacific Leather Fair (APLF) in China. At the conclusion of the show, LIA surveyed its exhibitors to determine both their satisfaction with LIA's trade servicing activities, and their success at the show. In many cases, sales of U.S. leather do not occur as a result of contracts executed at the show itself. If the end use customer, usually major retailers, like the products, they order the product from the leather goods producer who then order production quantities of leather from the leather manufacturer. Only when that leather is shipped is this sale reported as an export sale to China. LIA tracks both sampling activity and traffic quality as components in the success of the show. In the survey forms for 2013, exhibitors uniformly gave LIA excellent marks and reported substantial success in their marketing efforts with most

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planning to return to the show next year. LIA projects 2013 export sales of U.S. leather to China to be approximately \$1.2 billion.

- **Florida Department of Citrus (FDOC) Uses MAP Funds to Drive Grapefruit Sales to Canada** The FDOC used MAP to directly reach Canadian consumers through media outreach programs, in-store and sampling programs, and the distribution of product information, during marketing year July-June 2012/13. These efforts resulted in U.S. grapefruit sales reaching \$12.7 million during this period, a 25 percent increase from the previous year. FDOC couples MAP funds with contributing dollars from the Florida citrus growers to implement their multi-dimensional program, that educates Canadian consumers about the attributes of Florida grapefruit, and builds demand and purchase preference for the product. The Florida citrus industry has over 8,000 growers and employs more than 76,000 people, providing a \$9 billion annual economic benefit to the state of Florida.
- **Alaska Seafood Marketing Institute (ASMI) Reported \$2 Million in On-Site Sales at Asian Trade Show** HOFEX is the largest food and beverage trade show in Asia. Held May 7-10, 2013, the show attracted more than 19,000 exhibitors and 35,000 visitors from Hong Kong and the region. The USA Pavilion had 41 exhibitors and an estimated 32,000 visitors during the show. MAP funding enabled ASMI and their industry members to participate at the show. They had strong trade leads from Hong Kong, China, Singapore, and the Philippines, covering a wide spectrum of products from Pacific cod to yellow fin sole and reported \$2 million in on-site sales and projected 12-month sales totaling an additional \$10 million.
- **FAS Develops an Italian Television Show to Promote U.S. Food Products** FAS/Rome conceptualized and developed an Italian TV special/trade luncheon to promote U.S. food products for Thanksgiving 2013. First, they persuaded the Italian producers of the show to develop the luncheon concept. They then convinced the State Department to sponsor a chef for the show, negotiated the contract with the TV station, recruited eight U.S. cooperator groups to provide the food products, secured the Ambassador's participation, and oversaw the editing of the final show. The event introduced 60 key trade and media contacts to U.S. products during the luncheon. The show aired six times on Italian television and was watched by hundreds of thousands of Italians throughout the country. All the U.S. products that were showcased experienced increased sales after the broadcast. In fact, one of the Italian companies invited to the show recently purchased frozen turkeys from the United States that could reach up to \$3 million in sales over the next 12 months.

### **INTERNATIONAL TRADE SHOWS**

In FY 2013, over 1,050 U.S. companies and organizations participated in 29 USDA-endorsed trade shows in 19 countries. On-site sales totaled an estimated \$449 million and 12-month projected sales reported by exhibitors were estimated over \$1.4 billion. The companies made over 11,500 business contacts and displayed more than 4,900 new products in various markets on all continents.

- **U.S. Exhibitors Projected Sales of \$87.7 Million at SIAL Paris** Salon International de L'Alimentation (SIAL) Paris, held October 2012, is a bi-annual international food show which welcomed nearly 6,000 exhibitors from more than 100 countries. Show attendance increased by 10 percent compared with SIAL Paris 2010, attracting 150,192 visitors, of whom 63 percent were international attendees from 200 countries. The USA Pavilion had 143 exhibitors, including 42 small, six minority-owned, eight new-to-market and four new-to-export companies. U.S. exporters reported \$12.8 million in on-site sales, \$87.7 million in 12-month projected sales, 2,024 sales contacts, and 617 new products displayed.
- **USA Pavilion at Thai Feed Industry Show Facilitates an Estimated \$42 Million in Sales** VIV Asia, one of the largest regional feed industry trade shows, took place March 13-15, 2013, in Bangkok, Thailand. This biennial event welcomed 32,229 visitors, an increase of 11 percent from the previous edition in 2011. The USA Pavilion consisted of 22 companies, including 15 small, and two new-to-market and new-to-export businesses. The USA Pavilion participants showcased the latest developments in feed ingredients, feed additives, animal genetics, enzymes, and milling and livestock production equipment. Pavilion exhibitors reported generating 380 legitimate or business contacts with 12-month projected sales of \$42 million, an increase of 62 percent from the previous edition.

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- **Plenty of Fish in the Sea at the 2013 European Seafood Exposition (ESE)** ESE, the most important global event for the seafood industry, took place April 23-25, 2013 in Brussels, Belgium. This annual event attracts approximately 24,000 visitors from more than 140 countries. A total of 38 companies participated in the U.S. area with three cooperators, Food Export USA-Northeast, the Southern U.S. Trade Association, and the Alaska Seafood Marketing Institute. U.S. exhibitors, which included 38 small and nine minority-owned companies, reported on-site sales of \$304 million and 12-month projected sales of \$657 million. A seminar was held on the Global Sustainability Seafood Initiative (GSSI) during the event. The mission of GSSI is to deliver a global benchmarking tool for seafood certification and labeling programs. Since sustainability requirements are increasingly gaining more attention in the European seafood marketplace, FAS and its industry partners participated.
- **Over \$30 Million in Sales Projected at HOFEX** The largest biennial international endorsed trade-only Hong Kong food show was held on May 7-10, 2013, with over 41 exhibitors in the USA Pavilion reporting \$13.8 million in on-site sales and close to \$30.26 million of 12-month projected sales of U.S. agricultural products. U.S. companies made over 404 legitimate or business contacts and introduced 330 products in the market. The most popular U.S. products at the show were ice cream, seafood, cranberries, dried nuts and potatoes. Of the 41 U.S. companies represented, 26 were small, eight new-to-export, 16 new-to-market and eight were minority-owned companies.
- **Fine Food Australia 2013 Produces Excellent Results for U.S. Exhibitors** Australia's largest trade-only show for the food, beverage, and food industry equipment sectors, took place on September 9-12, 2013, in Sydney. The USA Pavilion consisted of 12 booths representing 11 companies (eight small, three new-to-market) and one FAS cooperator—the Southern United States Trade Association (SUSTA). Pavilion exhibitors reported making 382 legitimate or business contacts, \$98,000 in on-site sales, and 12-month projected sales of more than \$26.2 million. Strong interest in U.S. food products continues to be supported by the high Australian dollar vis-à-vis the U.S. dollar, which has enhanced the price competitiveness of high-value food products in this increasingly lucrative market.
- **World Food Moscow 2013 Reported Close to \$30 Million in Projected Sales for U.S. Companies** World Food Moscow, one of the largest food and beverage events in Russia, took place on September 16-19, 2013 in Moscow, Russia. Held annually, this show attracted approximately 1,600 exhibitors from 70 countries and 27,000 trade visitors. The United States was one of the most diversified among the national pavilions with an impressive presence in the fruit, seafood and meat sectors; 27 companies and associations participated in the USA Pavilions, seven of which were SMEs and four new-to-market companies; exhibitors reported 185 business contacts, \$3.5 million on-site sales, and 12-month projected sales of \$29.1 million.
- **Dubai's 2013 Gulfood Show Concludes with Record On-Site Sales** The annual Gulfood show, held on February 25-28, 2013 in Dubai, United Arab Emirates, with 4,200 exhibitors and 110 national pavilions was larger than last year's by 1,400 new exhibitors. This USDA- endorsed show had over 137 U.S. exhibitors in the USA Pavilion reporting close to a record of \$102.2 million in on-site sales; 43 new-to-market companies were represented. U.S. exporters reported projected one-year sales of \$313.9 million. Administrator Suzanne Heinen participated in the opening ceremony of the USA Pavilion with U.S. Ambassador to UAE, Michael Corbin, and Consul General Rob Waller. The best-selling U.S. products for the show were: bakery products, beef, beverages, chocolates, candies, dairy products, dried fruits, poultry, seafood, and snacks.

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

- **The National Restaurant Association (NRA) Show** At the 2013 NRA show, FAS actively facilitated foreign buyer team visits which included 232 potential buyers from various regions, resulting in approximately \$4.3 million in projected sales. The American Food Fair at the NRA's Restaurant Hotel-Motel Show was held in Chicago, Illinois on May 18-21, 2013. The show annually attracts upwards of 66,000 industry professionals from all 50 states and over 100 countries to see the products of over 2,000 exhibitors focused on the restaurant, foodservice and hospitality industry.
- **The American Food Fair** The 2013 American Food Fair organized by the National Association of State Departments of Agriculture (NASDA), included 69 U.S. companies seeking export opportunities. U.S. exhibitors generated over \$4.3 million in reported export sales. In addition to the American Food Fair, the

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show offered specialty pavilions including Technology Pavilion, International Cuisine Pavilion, and the Organics & Natural Pavilion.

- **The Summer Fancy Food Show:** Held in New York City, New York from June 30 – July 2, 2013, the show attracted over 2,400 exhibitors from 80 countries, 1,500 U.S., and regions featuring over 180,000 products. FAS worked with the show organizer, the Specialty Food Association, formerly the National Association of Specialty Food Trade (NASFT), to coordinate FAS' involvement in the show. FAS offices in China, Russia, Philippines, the UAE and Venezuela organized buyer groups and brought a total of 33 foreign buyers to the show. The Beijing Agricultural Trade Office reported \$90,000 on-site and projected six-month sales of \$2 million as a result of Chinese buyers' participation at the show.

### **OTHER TRADE SERVICES HELPING SMALL COMPANIES**

- **Servicing Exporter Customers** In FY 2013, FAS responded to over 390 requests for information on the Exporter Assistance Line. These inquiries requested information on buyers overseas, general export related questions, such as how to export meat and poultry and seafood products, help with both the Foreign Buyers List and the U.S. Suppliers' lists (services recently discontinued), Trade Leads, and information on FAS-supported trade shows. In FY 2013, FAS provided 840 foreign buyers list reports to 118 U.S. exporters. Many specific inquiries concerned export certification and labeling requirements for exporting various products throughout the world, and specifically China. Inquiries also included questions on how to export baby food, pecans, pork products and timber to China, rice to Nigeria, poultry to Colombia, vegan food to India, organic apple juice to Canada, and live cattle to Turkey. Many of the inquiries are referred to other parts of the FAS for responses with about one-third of the requests being forwarded to the FAS/Trade Facilitation Desk seeking assistance on export certificates and related questions.

### **COUNTRY STRATEGY SUPPORT FUND**

FAS Washington works closely with FAS Posts to link the use of the Country Strategy Support Fund (CSSF) to the strategic trade expansion goals of FAS and USDA. The fund supports market promotion and other FAS strategic priorities, including market access. Project examples include:

- **FAS Field Office Reverse Trade Missions to U.S. Trade Shows** One of the key market development tools for FAS overseas offices is the reverse trade mission, often using CSSF to accompany foreign buyers to U.S. trade shows. Accomplishments include:
  - In FY 2013, the Agricultural Trade Office (ATO)/Shanghai organized a reverse trade mission to the Produce Marketing Association's Fresh Trade Summit Trade Show in Atlanta, Georgia followed by field visits in Washington State. This reverse trade mission led to a purchase by a Chinese importer of \$1.7 million of fresh U.S. fruit. This was the first time this Chinese company imported fresh fruit from the United States and the importer told ATO staff that these imports would not have happened without the reverse trade mission.
  - In FY 2013, FAS/Cairo recruited 12 Egyptian buyers to participate in the Food Marketing Institute (FMI) show Dallas, Texas in April 2012. The mission resulted in more than \$500,000 in on-site sales. Since the show, participants report that an additional \$175,000 in U.S. exports.
  - The ATO/Beijing brought 30 Chinese traders to the Fancy Food Show held in New York City, in July 2013. Many attended the show for the first time, and were skeptical about whether they could find products in an appropriate price range. In the end, all of the traders were quite impressed and \$90,000 worth of orders were placed on the spot, with over \$2 million in sales booked for the next six months. Beverages were the largest selling item category.
  - Using CSSF, FAS Lima's Agricultural Counselor led a Peruvian mission, consisting of 13 Peruvian food and agricultural importers, to the National Restaurant Association's (NRA) 2013 Restaurant, Hotel-Motel Show on May 18-21, and the Sweets & Snack Show on May 22-23, both held in Chicago, Illinois. These Peruvian companies learned a great deal about the safety, availability, reliability, high quality, and nutrition and health benefits of U.S. food and beverage products. One of the companies made an initial purchase of one U.S.

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product worth \$25,000, with annual sales expected to reach \$650,000. Total 12-month sales resulting from the mission are projected to reach \$1.5 million.

- **Korean Wine Importers Learn About Washington State Wine** CSSF enabled an ATO/Seoul staff member to accompany a team of three Korean wine importers to attend the Washington State Wine Experience (WSWE) 2013, June 3-7, sponsored by the Washington State Wine Commission. The WSWE is a biennial event that brings a large group of wine traders and professionals from all over the world to Washington State wine country for in-depth education programs as well as business development opportunities. The Korean importer team experienced the value, quality and diversity of Washington state wine while developing contacts with a large number of export-ready suppliers. Participants reported an estimated \$200,000 in new 12-month sales from the trip. Wine represents less than 2 percent of total alcohol beverage sales in Korea, indicating a significant potential growth in demand for wine. In March 2012, implementation of the Korea Free Trade Agreement eliminated a 15 percent import tariff on U.S. wine, leveling the playing field. U.S. Department of Commerce, Census Bureau Foreign Trade Statistics reported \$15.8 million of U.S. wine and wine products exported to Korea in 2012, more than 14 percent above the previous year. U.S. exports January-June 2013 reached \$9.2 million, over 60 percent above the 2012 level for that period.
- **FAS/Osaka Developed a Successful Campaign Targeting Regional Supermarket Chains in Western Japan** In FY 2013, FAS Osaka used CSSF to provide support to two regional supermarket chains in Western Japan to hold American Fairs. Kansai Super Market held an American Fair during the week of November 13-19, 2012. This regional supermarket is one of the leading grocery chains in Kansai, running 60 stores in the Osaka/Kobe area. The week long Fair featured California grapes and several other fruits and vegetables from the United States and sales totaled over \$1 million. Sanyo Marunaka, a regional supermarket chain based in Okayama, held its first American fair at all 73 outlets from June 6 - 9, 2013. The reported sales of U.S. agricultural products reached around \$140,000.

### **TRADE POLICY**

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, reduce trade-distorting domestic subsidies and foster the development of rules-based international systems that facilitate global trade. FAS works with other USDA agencies, the Office of the United States Trade Representative (USTR), and others in the United States Government (USG) to monitor and negotiate new trade agreements and enforce existing trade agreements. On a continuing basis, FAS attachés and analysts in Washington, covering more than 150 countries worldwide, prevent and resolve trade problems involving U.S. products, and provide country and regional intelligence to support U.S. exporters and agricultural producers. These efforts directly augment the private sector's ability to export and support the President's National Export Initiative goal to spur job creation and sustainable economic growth through the doubling of exports by 2015 (NEI goal has always been to double exports by 2015). Notable achievements in these areas in 2013 include:

- **Trade Agreement with Panama Expands Opportunities for U.S. Agriculture** On October 31, 2013, the U.S.- Panama Trade Promotion Agreement came into force, eliminating more than half of Panama's tariffs on U.S. agricultural products. Most of Panama's remaining tariffs will be eliminated by 2028. FAS is working with stakeholders to ensure smooth implementation of this Agreement. In 2013, FAS initiated a series of training programs for Panamanian trade officials. During the August 2013 bilateral consultation on agriculture, Panama accepted USDA's proposal to modify import requirements for U.S. pet food containing ruminant ingredients. Panama also removed an export verification requirement for U.S. beef and beef products that was inhibiting trade. In FY 2013, U.S. red meat exports to Panama rose 47 per cent, reaching a record \$32.9 million.

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- **U.S. - Colombia Trade Agreement Expands Opportunities for U.S. Agriculture** The U.S.-Colombia Trade Promotion Agreement entered into force on May 15, 2012, providing duty free access to more than half of U.S. farm exports to Colombia, and virtually eliminating all remaining tariffs within the next 15 years. In 2013, FAS worked closely with APHIS to develop mitigation measures to address phytosanitary concerns regarding unmilled U.S. rice. This effort facilitated the resumption of U.S. rice trade with Colombia, propelling exports to a record \$95.2 million. FAS also worked with FSIS to facilitate export procedures for U.S. poultry plants. As a result, U.S. poultry exports increased by more than 50 percent, reaching a record \$45.3 million in FY 2013. In 2013, FAS also provided training to Colombian customs officials to facilitate exchange of information on country of origin designations.
- **FAS Supports Signing of Japan-U.S. Organic Equivalence Arrangement** FAS played a leading role in the negotiation and final signing on September 26, 2013, of the organic equivalence arrangement with Japan. The arrangement allows organic products certified in one country to be sold as such in the other, and removes the cost and burden of additional certifications for producers. Using TASC funds, FAS facilitated the official comparison of Japanese and U.S. regulations, coordinated U.S. industry input, and participated on the negotiating and audit teams to finalize the arrangement. Japan is estimated to be the third largest organic export market for the U.S. after Canada and the EU with which the United States also enjoys equivalence. In 2012, U.S. organic exports to Japan were about \$80 million, with potential to grow to \$250 million in 10 years due to the equivalence arrangement. Of organic products for which U.S. government statistics are available, U.S. exports of cauliflower, broccoli and grapes lead fresh exports to Japan.
- **Beef Is What They Want** In 2013, FAS facilitated expanded beef market access in several major markets. Following the May decision by the World Organization for Animal Health (OIE) to recognize the United States as having a negligible risk status for bovine spongiform encephalopathy (BSE) additional markets in Asia, Europe and the Western Hemisphere have signaled to FAS Overseas Posts that they are relaxing beef import protocols. In 2013, Mexico, Japan and Hong Kong (all among the top five export markets for U.S. beef) expanded the range of U.S. beef products allowed entry. FAS continues to lead the regulatory agencies in negotiations and coordinate with USTR to ensure that discussions reflect OIE recommendations for imports from negligible risk status countries. U.S. beef and beef product exports reached a record \$5.9 billion (1.1 million tons) in FY 2013, and expanded access is expected to result in hundreds of millions of dollars in additional exports in the coming years.
- **China Got More Milk** In January 2013, a new certificate negotiated by an FAS-coordinated team took effect for exports of U.S. dairy products to China. In order to avoid disruption to pipeline shipments, the team also convinced the Chinese to allow the previously-used certificate to be valid for 60 days for Chinese customs clearance. In FY 2012, U.S. dairy exports to China reached nearly \$432 million. For FY 2013, exports soared to almost \$608 million, a year to year increase of 41 percent.
- **Diversifying the Market in China – The Biggest Export Market for U.S. Agricultural Products** In 2013, FAS helped resolve several issues that led to expanded U.S. agricultural exports to China – a record \$23.5 billion in FY 2013. For example, at FAS’s request, China reduced the tariff for in-shell almonds from 24 percent to 10 percent, and an almond marketing issue was resolved with China’s publication of a standard that changes the official Chinese name for almonds. Similarly, FAS/Guangzhou and industry worked together to persuade China to lower duties on dried cranberries from 30 percent to 15 percent. The United States and China agreed to open up their respective markets to each other’s pears. FAS also helped negotiate streamlined paperwork for wine, and recognition of Napa Valley Wines as a geographic indicator. After the close of the December U.S.-China Joint Commission on Commerce and Trade meeting, China lifted an avian influenza-related import suspension on poultry products from the state of Minnesota. FAS also facilitated a successful effort to persuade China to relist six U.S. pork and poultry plants as eligible to export to China.
- **FAS Advances U.S. Electronic Certification Efforts** On November 19, 2012 a new release of the European Union (EU) Trade Control and Expert System (TRACES) was successfully deployed. The system tracks all shipments of animals and animal products into and through the EU. Backed by MAP funds, FAS led policy discussions with foreign countries, and coordinated with AMS (the technical lead on the project) to implement TRACES. The new release automates creation of export documents based on required EU certificates, reducing errors by exporters, and reducing the need for FAS Posts to engage with foreign officials to secure the release of shipments with incorrect documentation. The United States and EU electronic certificates will

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soon be available for non-animal products, composite products, and products in transit. FAS efforts facilitated trade of more than \$120 million in dairy and related products to the EU in FY 2013 under the TRACES system. FAS is also engaging China and other trade partners on electronic certification, with the potential to impact \$1.75 billion in trade among all trading partners.

- **FAS Launches Online Agricultural Tariff Tracker** The United States enjoys free trade agreements (FTAs) with 20 countries. Implementation of a new FTA often immediately reduces tariffs to zero for many products, while tariff elimination for other products is phased in over several years. The price competitiveness of U.S. products increases as tariffs fall, opening new opportunities for U.S. exporters. In September 2013, FAS launched an online Agricultural Tariff Tracker for many of the countries with which the United States has FTAs. The database provides exporters with online access to the schedules for tariff rate changes under the FTAs, facilitating the rapid identification of emerging market opportunities.
- **The Sweet Taste of Success.** U.S. artificial sweetener exports have grown in recent years to \$2 billion in FY 2013. Importing countries have a variety of requirements related to specific sweeteners. FAS works closely with U.S. industry to ensure that U.S. processed food exporters are aware of these requirements, and that trade is not limited by unnecessary foreign regulations. For example, in 2013, FAS assisted the U.S. sweetener industry in compiling and evaluating data concerning the safety and efficacy of steviol glycoside which facilitated Canada's approval of the sweetener. FAS also worked with the sweeteners industry in Thailand to raise awareness of the safety of sweeteners through the EMP, culminating in the Thai's Food and Drug Administration (FDA) decision to allow the use of cyclamate and steviol glycoside as food additives (sweeteners or ingredients in processed foods).
- **FAS Opens Asian Markets for U.S. Potatoes** In 2013, FAS assistance opened or expanded market access for U.S. potatoes in several Asian countries. The Philippines approved the entry of U.S. fresh table-stock potatoes (previously only fresh U.S. potatoes destined for processing into potato chips were allowed), Taiwan approved the import of fresh potatoes from Colorado, and Korea lifted a suspension on Idaho, Oregon, and Washington chipping potatoes produced under certain pest mitigation measures. The TASC program played an important role by supporting visits by Taiwan and Filipino officials to the United States. The Korea success resulted from close collaboration between FAS, APHIS, and the U.S. industry to develop Zebra Chip mitigation measures that the industry could meet. In FY 2013, potato exports to these countries reached nearly \$21 million, up 13 percent from FY 2012.
- **FAS Addresses Maximum Residue Level (MRL)-Related Trade Barriers** During 2013, FAS worked closely with the U.S. agricultural industry to resolve maximum residue level (MRL) -related trade barriers. In response to concerns expressed by FAS, Taiwan's FDA extended its timeline for phasing out a critical pesticide MRL thereby protecting over \$84 million in annual U.S. apple exports. In addition, Japan approved the use of an important post-harvest fungicide MRL after 5 years of repeated prompting by FAS, protecting over \$250 million in U.S. citrus exports. FAS also coordinated the development and submission of compliance plans addressing concerns related to MRL violations in Japan and Taiwan which alleviated restrictions on U.S. exports of soybeans, stone fruit, blueberries, and lentils valued at over \$15 billion in FY 2013. Finally, FAS protected \$20 million in agricultural exports by encouraging the EU to delay restrictions on a post-harvest treatment widely used by the U.S. apple and pear industries to treat scald.
- **FAS Prevents Major Disruption of U.S. Wheat Markets** In 2013, FAS led U.S. Government efforts that quickly reopened Korea and Japan to U.S. wheat exports valued at about \$1.5 billion annually. These countries suspended tendering for U.S. origin wheat and wheat flour following the detection of genetically engineered wheat volunteers in a field in Oregon in May 2013. FAS' quick response also likely prevented other major markets from closing their doors to U.S. wheat imports, thus minimizing the trade disruption from this incident.
- **FAS Gains Release of Detained Shipments Valued in the Millions** Part of the story behind FY 2013's record \$140.9 billion in U.S. agricultural exports is the assistance that FAS offices in 80 countries provided to U.S. firms with consignments detained in foreign customs. In 2013 alone, FAS negotiated the release of hundreds of detained shipments in dozens of countries, valued at well over \$34 million, and ranging from California melons in Mexico, to Nebraska beef in Chile, Montana whey in New Zealand, wine in China, and Georgia poultry to the United Arab Emirates.

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- **Collaboration Fuels Global Gains in Biotechnology** FAS outreach broadens the global coalition in support of biotechnology trade. One result is the endorsement on April 10, 2013, of a “Joint Statement on Innovative Agricultural Production Technologies, Particularly Plant Biotechnologies” by six countries (Argentina, Australia, Brazil, Canada, Paraguay, and the United States) that are members of a group called the “Like-minded Group of Countries.” FAS was also very active in other multilateral initiatives supportive of trade of products of agricultural biotechnology and with regional partners within the frameworks of the North American Biotechnology Initiative (Canada, Mexico) and the Southern Agricultural Council (Brazil, Argentina, Chile, Bolivia, Uruguay, and Paraguay).
- **Regional Biotechnology Regulatory Frameworks Enhance Biotech Trade** In 2013, FAS engaged in capacity building projects to build or enhance the biotechnology regulatory structure in key current and future export markets, including Indonesia, Vietnam, and across Africa. In particular, FAS assisted in and helped gain high-level support for the endorsement of the Common Market of Eastern and Southern Africa’s (COMESA) regional policy on biotechnology and biosafety. FAS engaged in multiple efforts to assist in drafting this document and gain high-level support over the past 3 years, and worked closely with USAID to promote a regional framework concept that had stagnated since 2003. The framework will facilitate cultivation, and intra and inter-regional trade of products of agricultural biotechnology by allowing for sharing of regulatory information and resources and preventing redundancy.
- **FAS and AMS Crack the Case** After more than 2 years of hard work, on November 5, 2012 an exchange of letters between AMS and FDA provided the mechanism for AMS to issue export certificates for processed/cooked egg products such as frozen egg patties, quiche, hard boiled eggs and mayonnaise that fall under FDA jurisdiction. The program will provide exporters access to an untapped worldwide market potentially worth \$500 million. At the request of U.S. industry, FAS first worked with Mexico to develop certificates that will provide market access to a number of products previously ineligible for entry to Mexico. FAS is similarly working with China, Taiwan, Vietnam, and other countries to expand market access for egg products.
- **Review of Proposed Foreign Regulations Prevents Disruptions to Agricultural Trade** In 2013 alone, FAS reviewed over 1,500 measures and commented on over 266 measures proposed by foreign governments that, if implemented, would have significantly affected U.S. exports, and/or violated a major World Trade Organization (WTO) commitment. For example, FAS engagement with Thailand on a measure notified to the WTO on “special purpose foods” helped clarify that the measure would not introduce new requirements for infant formula, reducing uncertainty for U.S. exporters and facilitating continued access for U.S. special purpose food exports valued at \$50 million annually.

### **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 credit to countries that may 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.

Although repayment terms of up to 3 years are permitted by statute, the current program scales maximum tenor by country risk and is currently capped by policy at 2 years. This facilitation of financing allows the Export Credit Guarantee Program (GSM-102) to directly support U.S. agricultural exports. In turn, this helps to create and maintain jobs in production agriculture and the processing, transportation, distribution, and maritime industries in support of the President’s National Export Initiative.

The CCC Export Credit Guarantee Program was impacted by the drought related downturn in U.S. feed corn exports. The FY 2013 program finished at \$3.01 billion in registered port value for all commodities, compared to \$4.1 billion in FY 2012. Highlights for 2013 include:

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- In FY 2013, GSM-102 supported increased sales of poultry, corn gluten meal, grain sorghum, paper, rice, cotton, lumber, distillers dry grains, soybean meal, soybean oil, tallow and wheat. These increased sales somewhat offset the decline in corn and soybean exports due to the drought.
- The GSM-102 Program supported increased exports to several markets in 2013 (versus 2012), including Mexico (up 18 percent to \$475 million), Turkey (up 11 percent to \$780 million), and South America (up 8 percent to \$509 million).
- Turkey was the largest GSM-102 market in FY 2013 with registrations of \$780 million, a new high for Turkey in the history of the GSM-102 program. Sales of cotton, soybean meal, printing/writing paper, distillers dry grains, and wheat to Turkey increased in FY 2013. In fiscal year 2013, GSM-102 supported 35 percent of total U.S. agricultural exports to Turkey, including 86 percent of all U.S. soybean and soybean meal exports and 31 percent of all cotton.
- In FY 2013, a U.S. exporter registered a \$3 million sale of poultry to Georgia. This is the first sale registered to that country under the program since FY 2008.
- In the Africa/Middle East Region, for the first time since 2002, the GSM-102 program supported exports of U.S. hard red winter wheat to Nigeria (approximately \$19 million). In addition, for the first time ever, U.S. rice was shipped to Libya (approximately \$9 million) under the program. Poultry exports to Angola under GSM-102 more than tripled this year over 2012 to a total of \$40 million.
- The GSM-102 program supported \$51 million in sales of U.S. agricultural commodities to Vietnam in FY 2013; the primary commodity was soybeans. Sales of U.S. lumber to Vietnam increased by 30 percent in FY 2013.

### **GSM-102 EXPORT CREDIT SALES REGISTRATIONS Summary of 2013**

<b>Country/Region</b>	<b>\$ Millions</b>
Africa & Middle East	253.5
Caribbean	126.9
Central America	310.9
Central Asia	3.1
Mexico	474.9
Russia	92.62
South America	508.9
Southeast Asia (including Vietnam)	162.6
South Korea	306.3
Turkey	780.2
<b>TOTAL</b>	<b>\$3,019.9</b>

### **FACILITY GUARANTEE PROGRAM (FGP)**

USDA continues its work on 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 expects to issue a proposed rule for the FGP in 2014.

### **PROGRAM MANAGEMENT/OVERSIGHT**

In 2013, FAS continued to proactively manage GSM-102 program risk 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 is estimated to remain negative at -1.07 percent in 2014, compared to -1.10 percent in 2013.

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### **CAPACITY BUILDING/FOOD SECURITY**

FAS continues to strengthen the capacity of foreign countries to trade and fully participate in international markets, thus expanding demand for U.S. agricultural products and enhancing global food security. USDA's food assistance programs address food security challenges by building food and market systems that expand trade and economic growth in cooperating countries. The Food for Progress Program, for example, is increasing productivity and expanding trade of agricultural products along the value chain, while the McGovern-Dole International Food for Education program is improving literacy, health, hygiene, and nutrition practices of school-aged beneficiaries in targeted countries. Moreover, USDA foreign cooperators in developing countries, host-government officials, farmers, agricultural scientists, extension agents, educators, and private-sector representatives are also key to USDA's success in promoting food security and trade capacity building. Their participation in the Department's trade and scientific exchange programs, notably the Borlaug and Cochran Fellowship Programs, are also critical to achieving food security objectives.

### **COCHRAN FELLOWSHIP PROGRAM**

The Cochran Fellowship Program (CFP) provided short-term training in the United States for 612 international participants from 65 countries in FY 2013. Since its inception in 1984, the program has trained more than 15,700 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 that strengthen trade linkages between recipient countries and the United States:

#### ***Agricultural Marketing***

***Vietnam.*** In October 2010 the Cochran Fellowship Program trained three Vietnamese produce executives on fresh fruit procurement and marketing. In the summer of 2013, two of the three Fellows reported that, as a result of the training, each of their companies increased purchases of U.S. fresh fruits including apples, grapes, and cherries by \$2 million. Thus, \$4 million in increased trade can be attributed to this training.

***Thailand.*** Near the end of FY 2012 the Cochran Fellowship Program provided training on quality standards of Dried Distillers Grains with Solubles (DDGS) to three Thai Government Officials in an effort to remove a new Thai regulation that was impeding U.S. trade. In 2013, Thailand's Feed Quality Control Committee and the Director General approved changes to the regulation that lowered protein content in imported DDGS from 26 percent to 24 percent, thus allowing U.S. trade to continue despite rising prices. Thailand has a high demand for DDGS to support its feed industry, and the United States has been the main supplier accounting for nearly all of total imports. Thailand's DDGS imports have increased sharply from \$45.7 million in 2008 to \$62.9 million in 2012.

***Tunisia.*** In 2012 the Cochran Fellowship Program collaborated with World Wide Sires to train three Tunisian Fellows from the Ministry of Agriculture on bovine genetics in an effort to open the market for U.S. products. This training helped the Tunisian regulatory authorities develop a better understanding of the U.S. regulatory system and inspection procedures. As a result, the Tunisian Ministry of Agriculture revised the 'Cahier des Charges' issued in 2010, which had challenging import requirements for U.S. suppliers, such as stringent levels of predicted transmitting ability for milk. In 2013, the Ministry put in place new amendments allowing U.S. exports of bovine genetics to resume.

#### ***Biotechnology***

***Vietnam.*** In August 2012 the Cochran Fellowship Program provided training on Conducting Environmental Risk Assessments for Biotech Crops to nine Fellows from Vietnam. Among the Fellows trained was the Deputy Chief Editor of the Vietnam Agricultural Newspaper. In 2013, it was reported that after returning from his training, the Fellow published a series of pro-biotech articles under the title, "GM Crops: Opportunities and Challenges." These articles helped to confirm the Ministry of Agriculture and Rural Development's policy on biotech development and adoption and served to inform the Vietnamese public of the safety of biotech products.

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### *New Products*

**Mozambique.** In 2013 it was reported that a Cochran Fellowship Program alumni became the Minister of Science and Technology in Mozambique in October 2012. The fellow participated in a 2003 Cochran Fellowship Program focused on Texturized Vegetable Protein (TVP) and other soyfoods. The training focused on TVP and an overview of the U.S. soyfood industry to promote development of new soyfood products in Mozambique.

### *Food Safety*

**Senegal.** In 2004 the Cochran Fellowship Program trained a fellow from Senegal on food safety, regulatory issues, risk management, and HACCP (Hazard Analysis and Critical Control Points). In 2013, FAS learned that, upon returning to Senegal, she was appointed Head of Public Health of the Veterinary Service Department. In this capacity, she trained 50 meat inspection agents in six regions in Senegal and 100 professionals in the meat sector. The Fellow also contributed to the formulation of a document framework to modernize livestock infrastructure, including cattle markets and slaughterhouses. She also developed educational tools to improve animal food safety controls and received funding from the World Bank to produce a guide on good practices in meat inspection and a post mortem inspection sheet.

### *Free Trade Agreements*

**Colombia.** In April 2012, the Cochran Fellowship Program hosted nine Colombian officials representing Colombia's Ministry of Agriculture, Food and Beverage Surveillance Institute and the Tax and Customs Administration Directorate. The officials received training in the Administration of Tariff Rate Quotas (TRQ), which was pivotal in the implementation phase of the Free Trade Agreement (FTA) between Colombia and the United States. Upon returning to Colombia, the officials were successfully able to replicate and manage a "first come first serve" TRQ system in Colombia's major ports. The training program assisted the United States and Colombia in implementing the FTA without disrupting trade in 2013.

### *Laboratory Training*

**Mexico.** In August 2012, the Cochran Fellowship Program in cooperation with USDA's Animal and Plant Health Inspection Service and Agricultural Research Service (ARS) hosted two Mexican officials from SENASICA (the National Service for Health, Safety and Quality of Agrofood) for a laboratory training program on High Pathogenic Avian Influenza (HPAI). At the ARS Southeast Poultry Research Laboratory (SPRL) in Athens, Georgia, they learned to develop and test vaccines that could be used to protect Mexican poultry during an HPAI outbreak in the State of Jalisco. The SENASICA scientists tested several viral strains at the SPRL for use in potential vaccines. Their study showed that the *A/duck/Mexico/2006 H7N3* low-virulent virus strain would protect against the deadly *HPAI H7N3* virus that caused the outbreak. In 2013, this strain was used by the Mexican government as the vaccine.

### *Water Management*

**Turkmenistan.** In 2007, the Cochran Fellowship program trained a specialist from Turkmenistan's Water Management Institute on Water and Land Management at the University of California, Davis. The training focused on Federal, state, and local levels of water management and related environmental issues. In 2013, it was reported that the Fellow applied what he learned from the Cochran program by training over 400 regional specialists. He also contributed to drafting new laws on water management and trans-border water issues, as well as a pending bill on improving Water User Associations.

### *Increased Productivity*

**Albania.** In 2013 two Fellows from Albania reported that, as a result of Cochran training on Agricultural Association Management in 2007, their association of vegetable producers has nearly quadrupled to 100 members, with annual yields of 10,000 MT of produce valued at €5million (U.S. \$6.9 million). The two Fellows also successfully applied for a grant from the U.S. Agency for International Development to purchase a warehouse for Association members. They used the new structure and skills learned from the Cochran training to strengthen member collaboration and obtain better input prices, technical training, and improved vegetable production and

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quality. Moreover, the Association was able to develop the area with a newly paved road through town that shortens transportation time by several hours and provided 80 percent of the local families with greenhouses.

**FY 2013 Cochran Participants by Region and Funding Source**

Region	USDA Appropriation	Dept. of State	USAID	America for Bulgaria Foundation	Total
Asia	86	0	7	0	93
Eastern Europe and Eurasia	75	108	0	22	205
Latin America and the Caribbean	135	0	37	0	172
Africa and the Middle East	126	0	16	0	142
<b>Program Total</b>	<b>422</b>	<b>108</b>	<b>60</b>	<b>22</b>	<b>612</b>

**BORLAUG FELLOWSHIP PROGRAM (BFP)**

The Norman E. Borlaug International Agricultural Science and Technology Fellows Program (BFP) continued to expand, training over 740 Fellows from 64 countries since the program’s inception in 2004, including 40 Fellows in FY 2013. The BFP offers fellowships for scientific training and research in the United States to potential leaders from eligible countries, and helps developing countries strengthen agricultural practices through the transfer of new science and agricultural technologies. 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 29 percent of participants in 2013. Accomplishments in FY 2013 include the following:

***Egypt.*** In 2010 Egypt banned the importation of Upland Cotton from the United States due to concerns over the Boll Weevil, which has been largely eradicated here. Because of the ban, FAS aimed to increase Egypt’s scientific understanding of the measures that USDA/APHIS and the U.S. cotton industry have undertaken to eradicate this pest and prevent its spread within the United States and to U.S. export customers overseas. As a result, the Borlaug Fellowship program sponsored a ten week training program at Texas A&M University, Weslaco, Texas for a Senior Phytosanitary Specialist from Egypt’s Central Administration for Plant Quarantine (CAPQ) in the Fall of 2011. Upon his return to Egypt, the Specialist was critical to internal discussions concerning lifting the import ban, and it was finally eliminated in March 2012. The United States was then able to ship 9,282 metric tons (\$36 million) of cotton to Egypt from March 2012 – February 2013, and U.S. cotton exports increased from \$11.6 million in 2010 to \$27 million in just the first six months of 2013.

***Indonesia.*** A Borlaug Fellow from Indonesia continued to collaborate with her mentors from Louisiana State University following her fellowship in 2011 on sweet potato cultivars for resistance to environmental stress during postharvest handling and storage. The research findings were published in the May 2013 Journal of the American Society for Horticultural Science. The research has important implications for reducing post-harvest losses and increasing productivity for sweet potato growers.

***Philippines.*** In 2013 a Borlaug Fellow from the Philippines was promoted to Head of the Genetic Resources Division (GRD) of the Philippine Rice Research Institute (PhilRice). During her 2011 fellowship at the University of Missouri, the Fellow researched sophisticated molecular marker technology to breed and develop biotic and abiotic rice varieties with resistance to stress. The GRD handles traditional rice cultivars indigenous to the Philippines, which are rich resources of novel genes that can be used to address specific traits or breeding programs to develop rice varieties for farmers’ use, particularly those resistant to drought and disease. As GRD Head, she is in charge of directing the research agenda on rice genetic resources of PhilRice, with emphasis on genetic diversity research and gene discovery.

***Liberia.*** In August 2013 a Borlaug alumna and owner of a spice wholesale and manufacturing business began exporting her products to buyers in the United States. She credits her success to the knowledge and research experience gained in food processing and packaging during her program in February 2013 at Pennsylvania State University. There she attended a special entrepreneurship and leadership training that focused on value-added production, marketing, and innovative marketing strategies; an essential component of the program. She believes

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that the specialized training on overall food processing and value-added production helped provide her with the knowledge and skills to expand her business.

**FY 2013 Borlaug Participants by Region and Funding Source**

Region	USDA Appropriation	America for Bulgaria Foundation	Total
Asia	11	0	11
Eastern Europe and Eurasia <i>(including Pakistan and Afghanistan)</i>	2	2	4
Latin America and the Caribbean	2	0	2
Africa and the Middle East	23	0	23
<b>Program Total</b>	<b>38</b>	<b>2</b>	<b>40</b>

### **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 2,300 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:

**China.** On August 19, 2013, China's Institute of Control of Agrochemicals (ICAMA) signed a letter of intent (LOI) on Good Laboratory Practices with the Environmental Protection Agency's Office of Enforcement and Compliance Assurance. The letter of intent is the result of a series of FAS-funded exchanges. The LOI will lead to greater confidence in data sharing between the U.S. and China on joint chemical assessments and also advance China's recognition in the Organization for Economic Co-operation and Development Mutual Acceptance of Data program. This partnership provides a framework for acceptance of pesticide studies conducted in the United States and China that are used in support of pesticide registration in both countries. In practical terms, this LOI can reduce duplicative regulatory costs for U.S. pesticide companies registering their products with ICAMA.

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

The SCRП 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 they make practical use of biotechnology and other tools to help solve trade, food and agricultural problems. Following is an example of project impact from this mutually beneficial, competitive grants program.

**Senegal.** In 2013, under the SCRП, the University of Missouri collaborated with local scientists in the Potou region of Senegal to enhance the conversion of animal waste into methane for fuel and fertilizer. This research is fueling low-cost biodigester technology development that is improving livelihoods for rural families. Low-cost biodigester technology is improving sanitary conditions through alternative treatment of animal waste and enhancing soil quality and crop productivity by generating organic fertilizer. Additionally, this SCRП project is helping households use biodigesters to convert animal manure into low-emissions fuel for cooking and lighting. Before the families had biogas, up to five village women were charged with gathering firewood, which had a negative impact on both the environment and their own respiratory health when the firewood was burned for household use. Since installation, village families have reported a decrease in exposure to firewood pollution, increased availability of organic fertilizer, and higher farmer incomes resulting from greater onion and peanut yields.

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**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); and the McGovern-Dole International Food for Education and Child Nutrition (FFE) Program. In 2013, activities focused on helping countries move toward both graduation from food assistance and development of their agricultural economies. The programs featured a mix of monetization and direct distribution to meet the specific needs of recipient countries.

In 2013, FAS programmed 248,200 metric tons (MT) of food assistance with an estimated value of approximately \$333.1 million. Of this amount, estimated commodity costs were \$163 million, with transportation and other non-commodity costs estimated at \$170.1 million. Food assistance was provided through donations, with no concessional sales agreements. No programs were furnished under the P.L. 480, Title I program, which did not receive an appropriation. A total of 18 countries received food assistance through FAS-administered programs.

**FAS FOOD ASSISTANCE PROGRAM SUMMARY, 2013**

<u>Program</u>	<u>\$ Millions</u>	<u>000 MT</u>
CCC Funded/FFP	149.6	157.7
McGovern-Dole Food for Education	<u>183.5</u>	<u>90.5</u>
<b>Total, Food Assistance</b>	<b>333.1</b>	<b>248.2</b>

**CCC-FUNDED FOOD FOR PROGRESS**

The FFP program assists developing countries and emerging democracies in introducing and expanding private enterprise in the agricultural sector. In 2013, CCC funding provided 157,720 MT of commodities valued at \$92.9 million, as well as \$56.6 million of transportation and other non-commodity costs.<sup>1/</sup> Implementing partners were either private voluntary organizations (PVOs) or foreign governments that usually monetize (sell on the local market) the commodities and use sales proceeds to fund development projects. Countries receiving CCC-funded FFP assistance and the quantity of the commodities programmed in 2013 are shown in the tables below:

**2013 CCC –FUNDED FOOD FOR PROGRESS**  
(\$000)

<u>COUNTRY</u>	<u>TOTAL VALUE</u>
Bangladesh	14.4
Burkina Faso	18.5
Democratic Republic of Timor-Leste	12.9
Ethiopia	23.8
Kenya	23.1
Liberia	13.2
Mauritania	5.2
Mozambique	15.1
Philippines	23.3
Sri Lanka	<u>0.1</u>
<b>Subtotal</b>	<b>\$149.6</b>

<sup>1/</sup> Transportation obligations under Food for Progress include \$5.6 million of MARAD reimbursements, which allowed FAS to program additional commodities in FY 2013.

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**COMMODITIES PROGRAMMED IN 2013 UNDER  
CCC-FUNDED FOOD FOR PROGRESS**

<b><u>COMMODITY</u></b>	<b><u>000 MT</u></b>
Crude Degummed Soybean Oil	17.7
Dehydrated Potatoes Flakes	0.5
Milled Rice	34.2
Hard Red Winter Wheat	77.6
Soybean Meal	<u>27.7</u>
<b>Subtotal</b>	<b>157.7</b>

**ACTIVE FOOD FOR PROGRESS PROGRAMS  
2010 - 2013 FISCAL YEAR OBLIGATIONS**  
(\$Millions)

<b><u>FY</u></b>	<b><u>COUNTRY</u></b>	<b><u>TOTAL VALUE</u></b> (\$Millions)
2010	Afghanistan	28.7
2010	Guatemala	4.1
2010	Honduras	11.5
2010	Liberia	9.7
2010	Mali	18.0
2010	Nicaragua	12.5
2010	Pakistan	32.0
2010	Philippines	8.5
2010	Tanzania	10.0
2010	Timor-Leste	12.0
2011	Bangladesh	24.2
2011	Benin	6.0
2011	Burkina Faso	9.1
2011	Dominican Republic	8.9
2011	El Salvador	14.4
2011	Honduras	11.4
2011	Jordan	19.0
2011	Kenya	28.0
2011	Liberia	17.1
2011	Malawi	17.4
2011	Philippines	13.6
2011	Tanzania	9.5
2012	Afghanistan	5.8
2012	El Salvador	12.4
2012	Ethiopia	0.8
2012	Guatemala	10.9
2012	Honduras	20.4
2012	Jordan	22.5
2012	Mali	31.0
2012	Mongolia	7.1
2012	Mozambique	27.7
2012	Nicaragua	35.5

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<u>FY</u>	<u>COUNTRY</u>	<u>TOTAL VALUE</u> (\$Millions)
2012	Republic of Senegal	31.9
2012	Tanzania	39.7
2013	Bangladesh	14.4
2013	Burkina Faso	18.5
2013	Democratic Republic of Timor-Leste	12.9
2013	Ethiopia	23.8
2013	Kenya	23.1
2013	Liberia	13.2
2013	Mauritania	5.2
2013	Mozambique	15.1
2013	Philippines	<u>23.3</u>
	<b>Total</b>	<b>\$720.8</b>

Following are success stories in the Food for Progress program:

**Ethiopia.** Raising livestock is a major livelihood activity and source of income in Ethiopia. The country’s livestock population is the largest in Africa and contributes to the livelihoods of 60–70 percent of Ethiopia’s population. Ninety percent of crop production is dependent on animal draft power. However, quantity and quality of feed are major constraints to livestock production. USDA started a \$23.9 million grant in FY 2013 with ACIDI/VOCA to develop the animal feed sector through improved agronomic practices and enterprise development, and to expand the value chain of agricultural products in the livestock and poultry sector including dairy and meat products. USDA will develop new feed manufacturing enterprises geared to supply the growing cattle and poultry industry, while providing technical assistance and training and in-kind and cash grants disbursed through cooperatives and unions. Thus far, feed manufacturers have received training in business development and marketing topics including study tours of feed manufacturers at other dairies, feedlots, and forage production sites within Ethiopia and in India. The USDA grant is also helping cooperatives improve their dairy operations and diversify dairy products for sale (including cheese and butter instead of raw milk alone). Thus far in 2013, project interventions have resulted in increased milk production of 75 percent for indigenous cows and 43 percent for cross-bred cows.

**Honduras.** Honduras ranks first in Central America in coffee exports by volume and differs from other coffee-growing countries in the region because of the prevalence of small producers selling less than 77 bags each. They account for 85 percent of all coffee grown in Honduras. The coffee sector provides employment to 30 percent of the population and generates much needed foreign exchange. In a decade of rising prices for coffee, Honduran coffee farmers failed to take advantage of price premiums because of a lack of infrastructure and inadequate capacity for post-harvest processing. In FY 2012 USDA provided Technoserve (TS) with a \$20.4 million grant to improve the competitiveness of both coffee and cocoa bean value chains. Over 27,000 agricultural producers (mainly small-scale) and 140 cooperatives are expected to directly benefit. In FY 2013, USDA provided agronomic training with coordination from local organizations including the Government of Honduras agricultural programs and the Honduran Coffee Institute (IHCAFE), distributing technical manuals for coffee cultivation to supplement the training. Exports of specialty, certified, and organic coffee have been increasing and now make up greater portions of total Honduran coffee exports. So far over the course of the project, USDA has helped producers expand their access to credit, learn profitable marketing strategies, and gain connections with international buyers. USDA-supported farmers have benefited from higher incomes, making gains in better nutrition, health, and educational opportunities. Members of one coffee cooperative used their increased income to bring potable water and electricity to their mountainous village.

**Mozambique.** USDA is investing in the expansion of the dairy industry in Mozambique for improving both the domestic market value chain and foreign trade. In 2012, Land O’Lakes International (LOL) received a \$20.6 million grant to help dairy cooperatives improve milk sales and develop efficient marketing channels for the perishable product. The dairy development program is linking over 4,500 smallholder farmers to commercial dairy operations in four provinces. So far, USDA funding has helped to revive four struggling dairy cooperatives, which reported a 400 percent jump in the sale of milk in just ten months, with smallholder-farmer incomes more than

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doubled. By 2015, USDA anticipates that the value of locally-produced and processed milk will climb from \$112,000 per year to \$5.9 million. Moreover, the project is distributing its first 60 bred heifers to farmers through a co-financed grant program to restock the national dairy herd. USDA is also working with local polytechnics to develop dairy farming demonstrations and training sessions, which will eventually become part of an agricultural degree course. The improved technical knowledge is helping extension agents, farmers, and processors.

*Mali.* Sesame and fonio (a cultivated grain) are important crops in West Africa because of their ability to survive in drought-prone and poor soil environments. Their potential for realizing higher value has been only a recent focus, as the nutritional benefits of these cereals and seeds have been recognized more widely. USDA started a \$7.8+ million project with International Relief and Development (IRD) in FY 2010 to increase production and raise the productivity of smallholder farmers. This project has stimulated the exports of fonio and sesame not only to the region, but also to France. Over 7,000 farmers were introduced to improved seed varieties, trained in modern agronomic techniques, and provided improved equipment for harvesting crops and for post-harvest storage and handling. These farmers saw productivity increases of 25 percent per hectare and income increases of 25 percent.

### **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 2003. About \$183.5 million of assistance was made available through the program in 2013, with about 54 percent allocated for commodity and freight expenses. The remainder funded complementary activities focused on building the sustainability of the program and educational instruction, including teacher training, school infrastructure construction, water and sanitation improvements, and administrative expenses of USDA and implementing organizations. USDA programmed 90,500 MT of commodities to support programs implemented by the World Food Program (WFP) and PVOs. About 6.8 million children and mothers benefited from the 2013 program.

### **2013 MCGOVERN-DOLE FOOD FOR EDUCATION** (\$ Millions)

<b><u>COUNTRY</u></b>	<b><u>TOTAL VALUE</u></b>
Cambodia	20.0
Ethiopia	26.5
Guatemala	28.7
Guinea-Bissau	0.9
Haiti	10.0
Kenya	19.6
Liberia	20.0
Malawi	21.0
Nepal	6.0
Nicaragua	13.4
Tanzania	17.4
<b>Subtotal</b>	<b>\$183.5</b>

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**COMMODITIES PROGRAMMED IN 2013 UNDER MCGOVERN-DOLE FOOD FOR EDUCATION**

<b><u>COMMODITY</u></b>	<b><u>000 MT</u></b>
All Purpose Flour	0.4
Beans	4.1
Wheat	21.5
Corn-Soy Blend	26.3
Lentils	1.8
Rice	17.0
Sorghum	1.9
Soybean Meal	4.8
Split Yellow Peas	4.6
Vegetable Oil	6.4
Yellow Corn	<u>1.7</u>
<b>Subtotal</b>	<b>90.5</b>

**ACTIVE MCGOVERN-DOLE FOOD FOR EDUCATION PROGRAMS**  
**2010-2013 FISCAL YEAR OBLIGATIONS**

(\$ Millions)

<b><u>FY</u></b>	<b><u>COUNTRY</u></b>	<b><u>TOTAL VALUE</u></b>
2010	Bolivia	6.6
2010	Cambodia	12.3
2010	Guatemala	5.6
2010	Kenya	28.5
2010	Kyrgyz Republic	3.1
2010	Laos	4.3
2010	Liberia	4.4
2010	Malawi	13.9
2010	Mozambique	21.3
2010	Pakistan	5.9
2010	Tanzania	9.4
2010	Uganda	12.3
2011	Bangladesh	29.8
2011	Burkina Faso	15.8
2011	Congo, Republic of	17.6
2011	Guatemala	25.0
2011	Guinea-Bissau	20.6
2011	Haiti	13.8
2011	Laos	9.9
2011	Mali	24.0
2011	Nepal	8.8
2011	Nicaragua	14.8
2011	Senegal	9.0
2012	Afghanistan	18.3
2012	Cambodia	10.9
2012	Cameroon	16.7
2012	Guatemala	0.1
2012	Guinea-Bissau	1.2
2012	Haiti	9.1
2012	Honduras	17.7
2012	Kenya	9.7
2012	Kyrgyz Republic	11.3
2012	Laos	12.3

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<u>FY</u>	<u>COUNTRY</u>	<u>TOTAL VALUE</u>
2012	Liberia	7.1
2012	Malawi	8.7
2012	Mozambique	43.7
2012	Nepal	6.0
2012	Niger	3.8
2012	Sierra Leone	11.0
2012	Tanzania	4.1
2013	Cambodia	20.0
2013	Ethiopia	26.5
2013	Guatemala	28.7
2013	Haiti	10.0
2013	Kenya	19.6
2013	Liberia	20.0
2013	Malawi	21.0
2013	Nepal	6.0
2013	Nicaragua	13.4
2013	Tanzania	<u>17.4</u>
	<b>Total</b>	<b>\$691.0</b>

Following are success stories in the McGovern-Dole program:

**Nepal.** USDA provided \$6 million in FY 2013 to the World Food Program (WFP) for a school feeding project in Nepal through the McGovern-Dole Program. The project will provide mid-day meals for 210,000 children at 1,800 pre-primary and primary schools in the mid-and far-western mountain regions, where most of the food-insecure and chronically malnourished Nepalese live. Many of the schools lack basic infrastructure such as classrooms, furniture, kitchen areas, cooking stoves, safe paths to school, and latrines. USDA has supported small-scale construction and rehabilitation, cooking equipment, and toilets to develop school infrastructure in more than 60 primary schools. Approximately 10,000 young children are able to benefit from these improved school and learning environments, which is reflected in the quality of their educational performance. Through a formal partnership with Open Learning Education Nepal, USDA funds are being used to provide digital learning materials to rural primary schools, where more than 800 children gained access to laptop computers and digital educational materials. Government teachers and staff from district education offices gained knowledge of the materials through week-long residential training and in-school training. As a result of this project, girls' attendance rates rose by 27 percent and their enrollment increased by 52 percent. Additionally, both children and teachers report improvements in cognitive and learning abilities.

**Tanzania.** USDA has supported a McGovern-Dole project with Project Concern International (PCI) in Tanzania since 2010. PCI received over \$14 million in FY 2013 to continue the school feeding project in 103 rural schools in the Mara region, along the Serengeti border in northern Tanzania. Approximately 70,000 children are served through this program, and the majority of nomadic pastoralists, who inhabit this remote area, rely on subsistence hunting for their livelihoods. With minimal income, 31 percent of children under the age of five are stunted, and only about one-third of the population has completed primary school. USDA's project feeds a cooked morning snack with sorghum and oil to both pre-primary and primary students, as well as an afternoon meal to primary students with rice and beans supplemented with locally-grown vegetables. Attendance rates have shown steady increases, and the gap between the education of boys and girls has narrowed. USDA distributed text books and effectively reduced the ratio of books-to-students from 1:8 to 1:3 in the key subjects of English and mathematics. This intervention benefits the children through more direct exposure to instructional materials, while improving improves the quality of education. Parents are increasingly sending children to school, with an understanding of the value and quality of their education. cite

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**Kenya.** USDA has been a key contributor and partner to the WFP school feeding project in Kenya since 2004. In FY 2013, USDA provided \$20 million for hot mid-day lunches for 650,000 primary and pre-school children each year for three years. WFP is using the funding to provide an early-morning, nutritious porridge, prepared from corn soy blend, and a hot lunch to 52,500 pre-school children with high malnutrition rates in 250 UNICEF-supported Early Childhood Development Centers. USDA is also working with the Government of Kenya (GOK) on capacity building activities, so the GOK can successfully take over the school meals program that is becoming one of the largest nationally-owned programs in East Africa. Approximately 50,000 students a year are being transitioned from the USDA-supported project to the GOK school feeding program.

**Honduras.** According to the Economic Commission for Latin America and UNICEF, two-thirds of the children in Honduras are malnourished and lack access to safe water, sanitation and education. USDA is implementing a project valued at \$17.7 million with Catholic Relief Services (CRS) to improve the education of school aged children in the western highlands. Over 53,000 children, their families and more than 2,000 teachers and administrators are benefiting from the project. USDA is focusing on early grade reading and math assessment, while supporting the testing of children's abilities and training for teachers and administrators. USDA also produced tutoring materials for 170 schools intended for a peer-to-peer tutoring program, with school supply kits and supplementary educational material kits (workbooks, aids) for thousands of students. A successful aspect of the project is motivating and organizing the work of parents and community members to support child education. As a result, 509 community organizations and 921 community members have been mobilized in the Volunteer Substitute Teacher Program, which ensures education is provided to the children every day.

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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 one strategic goal and eight strategic objectives that contribute to two of the USDA Strategic Goals and one Agency Priority Goal under the pillars of: 1) trade promotion, 2) trade policy, and 3) trade capacity building and food security.

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

Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<b>Agency Goal:</b> Generate an additional \$89 billion worth of U.S. economic activity through trade facilitation and international cooperation.	<p><u>Objective 2.1:</u> Negotiate and enforce market-expanding trade agreements for U.S. exporters of agricultural, fish, and forest products</p> <p><u>Objective 2.2:</u> Prevent or resolve foreign Technical Barriers to Trade (TBT) or Sanitary/Phyto-Sanitary (SPS) measures that hinder U.S. agricultural exports</p> <p><u>Objective 2.3:</u> Pursue the development of rules-based international systems that facilitate global trade</p>	<p>Trade Policy</p> <p>Market Access Program; Foreign Market Development Program; Emerging Markets Program; Technical Assistance for Specialty Crops Program</p>	<p><u>Key Outcome:</u> U.S. exports of food and agricultural products increase as a result of trade agreements and issues resolution.</p>

Key Outcome: U.S. exports of food and agricultural products increase as a result of trade agreements and issues resolution.

Performance Measure	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2015 Target
Value of U.S. agricultural exports to S. Korea, Colombia, and Panama (\$ billions)	\$5.2	\$6.3	\$8.4	\$7.6	\$8.4	\$7.6	\$8.3
Number of agricultural commodities for which annual U.S. exports to Korea, Colombia and Panama exceed \$1 million	345	376	415	437	415	437	470

Because the United States’ competitive edge in international markets is dependent on negotiated trade agreements that set fair ground rules, FAS negotiates and enforces Free Trade Agreements. New trade agreements can achieve two critical trade objectives for the United States: they immediately provide vastly improved access to key markets, and they can level the playing field with respect to third-country competitors.

In 2012, three agreements went into effect: the U.S. – Korea Trade Agreement (KORUS) on March 15, the U.S. – Colombia Trade Promotion Agreement on May 15, and the U.S. – Panama Trade Promotion Agreement on October 31. Upon implementation of these agreements, over 50 percent of U.S. agricultural exports gained duty-free access as early as mid-2012. Virtually all other tariffs will be reduced in equal annual increments over a

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phase-out period. Looking ahead, FAS will continue engagement in the Trans-Pacific Partnership (TPP) Agreement negotiations between Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam, aimed at creating a high-standard, broad-based regional trade pact with the fastest growing economies in the world. The TPP Agreement is the first U.S. trade agreement that seeks to go beyond the World Trade Organization (WTO) commitments on Sanitary and Phytosanitary (SPS) measures and technical barriers to trade (TBT). FAS also continues engagement in negotiation of the Transatlantic Trade and Investment Partnership (T-TIP) trade agreement with the European Union that got underway in 2013. FAS and other U. S. Government (USG) agencies will also be reviewing options to further progress in WTO multilateral trade talks based in Geneva. The agency will work to ensure that we obtain the benefits of these agreements through its monitoring and enforcement efforts.

<b>Performance Measure</b>	<b>2009 Actual</b>	<b>2010 Actual</b>	<b>2011 Actual</b>	<b>2012 Actual</b>	<b>2013 Actual</b>	<b>2014 Target</b>	<b>2015 Target</b>
Value of trade preserved through resolution of foreign market access issues such as U.S. export detention, restrictive SPS & TBT issues, and trade regulations (\$ Billions)	N/A	\$4.1	\$4.1	\$3.7	\$3.8	\$3.8	\$3.8

FAS relies on its worldwide network of attachés, its frequent communication with private sector stakeholders, and formal WTO notification procedures to monitor foreign trade and regulatory actions that have the potential to affect trade. Then, working in concert with other U.S. trade and regulatory agencies, it seeks out ways to prevent market closures or reopen markets, leading to billions of dollars in additional exports annually.

With the expansion in global trade, this work has become more and more complex. While traditional barriers (e.g., tariffs) have fallen, the prevalence of non-tariff barriers to trade, particularly in the SPS area, has increased. In spite of the WTO Agreement on the Application of SPS Measures, countries increasingly adopt SPS barriers as a means of protecting their domestic industries as global trade expands. 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.

Similarly, FAS and its partners maintain a broad and active agenda to prevent non-SPS TBT in the form of product standards, technical regulations, and conformity assessment procedures. These measures, aimed at preventing deceptive practices, have resulted in a proliferation of disparate labeling, registration, certification, and quality standard requirements for routinely consumed food and feed products, sometimes resulting in unnecessary obstacles to trade. Trade issues concerning such measures are addressed by the WTO Agreement on Technical Barriers to Trade.

<b>Performance Measure</b>	<b>2009 Actual</b>	<b>2010 Actual</b>	<b>2011 Actual</b>	<b>2012 Actual</b>	<b>2013 Actual</b>	<b>2014 Target</b>	<b>2015 Target</b>
Number of WTO members	153	153	153	157	153	157	160
Number of foreign SPS, TBT, and WTO Committee on Agriculture (COA) measures reviewed	1,387	1,637	1,568	1,412	1,568	1,412	1,412
Number of foreign SPS, TBT, and COA measures raised with foreign countries	318	330	335	319	335	319	319

WTO Members are obligated to notify fellow members of changes in sanitary, phytosanitary, and standard related measures that may affect trade, as well as changes in tariff quotas, export subsidies and domestic support commitments. As membership in the WTO has grown, so has the number of countries submitting notification via the WTO Committees on Agriculture (COA), SPS and TBT. Increased notifications also reflect growing concerns

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over food safety, increased liability on governments to ensure the safety of their consumers by adopting more complex and broader measures, and an overall movement toward greater regulation and transparency. FAS reviews these notifications to assess their potential impact on agricultural trade. The agency submits comments that challenge SPS and TBT measures that are unnecessarily trade restrictive, and raises issues at the WTO COA, SPS and TBT. The agency's efforts focus on ensuring that trading partners are complying with their obligations, and acknowledge like or equivalent systems between countries. FAS also focuses on ensuring that requirements are science-based, while allowing for a voluntary approach to provide consumers with additional information. FAS publishes a weekly list of the most recent foreign measures for review by U.S. stakeholders, and works with 20 USG stakeholders and 1,230 industries to review and challenge foreign measures. These include U.S. exporters, USDA regulatory agencies, the U.S. Food and Drug Administration, the Environmental Protection Agency, the Departments of Commerce and State, and the Office of the U.S. Trade Representative. The comment process helps to prevent the adoption and implementation of trade restrictive measures, and consequent market disruptions.

### Selected Past Accomplishments toward Achievement of the Key Outcome:

- Playing a leading role in implementation of the 2012 trade agreements with Korea, Colombia, and Panama. These agreements provide American agriculture with improved access to nearly 100 million consumers for an increasingly diverse mix of products;
- Supporting the December 2013 9<sup>th</sup> World Trade Organization Ministerial Conference;
- Collaborating with USTR in the United States' successful World Trade Organization case against China's imposition of higher duties on chicken "broiler products";
- Endorsement on April 10, 2013 of a "Joint Statement on Innovative Agricultural Production Technologies, Particularly Plant Biotechnologies" along with Argentina, Australia, Brazil, Canada and Paraguay that broadened the coalition of like-minded countries that support trade in agricultural biotechnology;
- Negotiating protocols with Mexico, Japan and Hong Kong that expand the range of beef products that may be imported. In FY 2013, U.S. beef and beef product exports reached an all-time record of \$5.9 billion, well beyond the value of FY 2004 exports, when BSE was first discovered in the United States;
- Supporting ongoing negotiations of the Trans-Pacific Partnership (TPP) Agreement including the addition of Japan as a partner in FY 2013. This agreement is a potential platform for advancing U.S. agricultural market access, SPS and TBT issues across the critical Asia-Pacific region;
- Expanding and diversifying market access to China, the largest market for U.S. agricultural exports valued at \$23.5 billion in FY 2013. Dairy, poultry, pork, almonds, cranberries and wine are among the products for which FAS resolved issues in FY 2013;
- Securing the release of hundreds of detained U.S. agricultural shipments valued over \$34 million in dozens of countries, ranging from California melons in Mexico, to Nebraska beef in Chile, Montana whey in New Zealand, California wine in China, and Georgia poultry to the United Arab Emirates;
- Playing a leading role in negotiation of the Japan-U.S. Organic Equivalence Agreement, signed on September 26, 2013, that will allow products certified as organic in one country to be sold as such in the other;
- Supporting negotiations for expanding market access for U.S. specialty crops, including potatoes to Asia, citrus to Japan, blueberries to Taiwan, and apples and pears to the European Union;
- Launching a new public database that provides U.S. exporters with direct access to the tariff schedules for free trade agreement partner countries, facilitating rapid identification of market opportunities; and,
- Implementation of a new release of the EU Trade Control and Expert System (TRACES) that automates creation of export documents for animals and animal products based on required EU certifications, reducing the incidence of shipments detained because of incorrect documentation.

### Selected Accomplishments Expected at the 2015 Proposed Resource Level:

- Implement the TPP, finalizing market access packages and favorable rules of origin that protect U.S. agricultural producer interests and expand access for U.S. agricultural exporters into Vietnam, New Zealand, Malaysia, and Brunei;
- Engage in negotiation of the Transatlantic Trade and Investment Partnership (T-TIP) to expand market access to the EU;
- International outreach on science-based regulation of veterinary drugs;
- Negotiate key veterinary certificates to facilitate U.S. agricultural trade with Russia;

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- Negotiate expanded market access for beef and beef products where BSE-related restrictions remain;
- Work with a coalition of like-minded countries supportive of the use and trade of products derived from innovative agricultural production methods, with a focus on plant biotechnology and new livestock production technologies;
- Reduce the threat of disruption to agricultural trade by shortening the gap for new biotech approvals between China and the United States;
- Enforce U.S. trade agreements and defend U.S. agricultural interests through the World Trade Organization’s Dispute Settlement Body;
- Encourage countries to create science-based regulations and standards in line with the Codex guidelines in order to harmonize requirements, and with a view towards facilitating trade and preventing misleading claims;
- Encourage and track the notification of new and amended standards and regulations through the SPS and TBT Committees of the WTO while enhancing service to industry through expansion of public databases of foreign SPS/TBT measures;
- Through bilateral and multilateral discussion, encourage the development of risk based, science based regulatory approaches to minimize disruption to agricultural trade and adoption of new technologies; and
- Continue working with U.S. regulatory agencies to expand electronic export certification aligned with Agriculture Marketing Service’s core Electronic Trade Document Exchange system.

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

Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<p><b>Agency Goal:</b> Generate an additional \$89 billion worth of U.S. economic activity through trade facilitation and international cooperation.</p>	<p><u>Objective 1.1:</u> Increase effectiveness of FAS market development programs and outreach activities</p> <p><u>Objective 1.2:</u> Manage FAS credit guarantee programs to yield the greatest benefit to U.S. agriculture</p> <p><u>Objective 1.3:</u> Maintain a global market intelligence information system that supports policy and program objectives</p>	<p>Trade Promotion</p> <p>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>

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

Agency Priority Goal: Expand U.S. agricultural exports to at least \$175 billion by year end 2016, up from a level of \$108.6 billion in baseline year of FY 2010.

<b>Performance Measure</b>	<b>2009 Actual</b>	<b>2010 Actual</b>	<b>2011 Actual</b>	<b>2012 Actual</b>	<b>2013 Actual</b>	<b>2014 Target</b>	<b>2015 Target</b>
Total number of companies participating in State and Regional Trade Group (SRTG) activities <sup>1</sup>	N/A	N/A	2,150	2,500	2,150	2,300	2,350
Value of agricultural exports resulting from participation in foreign food and agricultural trade shows (\$Billions)	\$0.77	\$1.07	\$1.12	\$1.26	\$1.46	\$1.46	\$1.46
Participants that are rated moderately effective or higher (%)	63%	65%	69%	67%	69%	67%	70%
Economic Return Ratio (\$ Total Return/Total Costs)	\$35	\$35	\$36	\$37	\$36	\$37	\$38

FAS market development programs support the National Export Initiative (NEI). NEI focuses government resources to help exporters succeed, particularly small to medium sized enterprises (SMEs) that have the largest potential to expand internationally. About 90 percent of the companies participating in SRTG activities are SMEs. SMEs benefit substantially from FAS’ market development programs and can access MAP funding on a cost-shared basis from SRTGs and other industry organizations. SMEs primarily use these funds to facilitate trade show participation and participate in trade teams. FAS and market development participants have conducted export readiness training and various outreach activities to increase the number of SMEs participating in market development programs. FAS facilitates all U.S. industry partner participation in a wide-range of international trade shows. International trade shows allow agriculture exports an opportunity to showcase the varied products available for export.

FAS’ unique relationship with U.S. producer groups, known as cooperators, allows U.S. agriculture to respond to changing opportunities in the international market. FAS manages several market development programs. These programs provide matching funds to U.S. non-profit organizations to conduct a wide range of activities including market research, consumer promotion, trade servicing, capacity building, and market access support. FAS conducts a Results-Oriented Management, performance-based review to allocate program funds. FAS assesses each participant’s performance in strategic planning, program implementation and management, and program evaluation and results. Best practices in these areas are believed to be good indicators of a program’s success, that a program over time results in positive trade outcomes. Participants are rated as highly effective, moderately effective, adequate or results not demonstrated. FAS’ goal is to increase the number of moderately effective and highly effective participants and reduce the number of participants that are given a rating of adequate or results not demonstrated. Measuring and tracking the number of participants that fall into the various ratings are a good indicator of the work FAS does as well as the quality of the programs FAS manages. FAS’ goal is to have 75 percent of participants reach moderately effective or higher by 2016.

<b>Performance Measure</b>	<b>2009 Actual</b>	<b>2010 Actual</b>	<b>2011 Actual</b>	<b>2012 Actual</b>	<b>2013 Actual</b>	<b>2014 Target</b>	<b>2015 Target</b>
GSM-102 Loan Guarantees (\$Billions in Port Value)	\$5.2	\$3.0	\$4.1	\$4.2	\$4.1	\$4.2	\$3.4
Agricultural Trade Multiplier (\$1.31 based on ERS study) (\$Billions)	\$6.9	\$3.9	\$5.4	\$5.5	\$5.4	\$5.5	\$4.4
Total Accrued Returns	\$12.1	\$6.9	\$9.5	\$9.7	\$9.5	\$9.7	\$9.8
Economic Return Ratio (\$: Total Returns/Total Costs)	\$110.58/ \$1	\$97.69/ \$1	\$107.77/ \$1	\$107.22/ \$1	\$117.22/ \$1	\$100/ \$1	\$100/ \$1

<sup>1/</sup> Performance Measure data is not available from 2008 -2010.

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The Export Credit Guarantee (GSM-102) program continues to expand and maintain U.S. agricultural exports. By guaranteeing trade finance obligations, FAS provides U.S. exporters, including SMEs, the credit necessary to continue to do business and expand. The Economic Research Service has established a multiplier that reflects additional business activity leveraged from the coverage that brings total activity facilitated by the program in 2013 to \$7.8 billion. As a result, GSM-102 exceeded its goal of an economic return ratio of \$100/\$1, even though the value of exports supported declined due to the drought-related downturn in U.S. feed grain exports.

Performance Measure	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2015 Target
Value of agricultural trade leads generated by FAS' overseas field offices using TLS to match overseas buyers with U.S. exporters (\$Millions)	N/A	\$4.0	\$13.2	\$22.4	\$13.2	\$22.4	\$31.6
Accuracy of quarterly export forecasts, widely used as the "benchmark" by commodity trader (%)	N/A	90%	91%	92%	91%	92%	93%

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. 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 163 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.

### Selected Past Accomplishments toward Achievement of the Key Outcome:

#### FAS:

- Provided U.S. government policy makers, producer groups, and private exporters the market intelligence they need to develop successful market strategies;
- Supported commercial sales through credit guarantees and other strategic marketing support;
- Provided the tools to build markets for U.S. exports;
- In 2013, over 1,050 U.S. companies and organizations participated in 30 USDA-endorsed trade shows in 21 countries. On-site sales totaled an estimated \$449 million and 12-month projected sales reported by exhibitors were estimated at \$1.46 billion. The companies made over 11,400 business contacts and displayed more than 4,900 new products in various markets on all continents. On average, about 67 percent of the exhibitors in U.S. Pavilions at USDA-endorsed shows are small and medium-sized enterprises. The goal is to reach \$1.5 billion in USDA-endorsed trade show related exports by 2016;
- Provided market development programs that are linked to exports and exports help U.S. agriculture prosper—the key outcome from the agency goal of generating an additional \$84 billion worth of U.S. economic activity through trade facilitation and international cooperation. U.S. agricultural exports reached a record \$140.9

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billion in 2013, supporting nearly 1 million jobs. Almost one in every three farm jobs is related to exports. FAS managed market development programs play a critical role in maintaining and expanding markets for U.S. farm exports;

- Additional studies include: A “Return on Investment Study for the USA Poultry & Egg Export Council, completed in 2012, that identified an average \$59.32 export return on all products with every dollar of market development investment since 2001-02. An “Economic Analysis of the U.S. Meat Export Federation’s Export Market Development Programs”, completed in 2011, determined that over the past 10 years, every dollar invested in MAP and FMD programs generated median net returns of \$3.87 and \$7.42 to beef and pork producers, respectively. The “Export Contribution by the U.S. Sheep Industry” commissioned by the American Sheep Industry in 2011, concluded that the total effect of sheep export activities was \$184.3 million in 2010 and generated an estimated total 14,881 jobs in the United States. The U.S. 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 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.”; and
- In 2013, the GSM-102 Program exceeded a targeted economic return ratio of \$100/\$1. Total agricultural exports supported by the program were valued at \$3.4 billion. To date, there have been no defaults related to 2013 program activity. In FY 2013, program demand for several commodities, including corn gluten meal, grain sorghum lumber, poultry, and cotton, increased over FY 2012.

### Selected Accomplishments Expected at the 2015 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 SRTGs, agricultural trade and industry organizations, and other USDA agencies to draw on all available expertise to maximize the positive impacts of this initiative.
- The State Regional Trade Groups are actively reaching out to the offices of 14 mayors in major cities across the country, all members of the U.S. Conference of Mayor’s Food Policy Task Force, to alert them to USG export programs and services;
- For the first six months of 2012, over 1,250 buyers from around the world visited the U.S. to purchase \$2.8 billion worth of agricultural products. Those buyers were brought to the United States thanks to over 140 reverse trade mission organized by USDA export program partners helping hundreds of SMEs make a first time export sale;
- In 2014 the USDA will target support of nearly 30 international trade shows. That effort will be driven by USDA overseas office support of state and industry activities in developing markets by providing market intelligence, and introducing U.S. exporters to potential foreign customers;
- USDA will continue to target developing agricultural markets in Fiscal Year 2014 – building on success it has achieved in expanding export opportunities in developing markets in fiscal 2012 and 2013;
- Fiscal Year 2014 also should see the reemergence of a new enhanced Facility Guarantee Program designed to assist in financing infrastructure projects in emerging markets that will benefit the export of US agricultural commodities and their products; and
- To counter the uncertainties in global economic conditions, USDA will continue to enhance due diligence and risk assessment processes which have allowed the program to meet its statutory requirement to cover operating costs and losses and has resulted in the lack of defaults and claims paid for guarantees issued in 2011, 2012 and 2013 to date.

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

Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<b>Agency Goal:</b> Generate an additional \$89 billion worth of U.S. economic activity through trade facilitation and international cooperation.	<p><u>Objective 3.1:</u> Address food security challenges by building food and market systems that expand trade and economic growth through food assistance programs</p> <p><u>Objective 3.2:</u> Enhance partner countries' capacity for agricultural development and participation in international trade</p>	<p>Capacity Building/ Food Security</p> <p>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</p>	<b>Key Outcome:</b> Food is globally available; accessible; and appropriately used.

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

Performance Measure	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2015 Target
Number of women and children benefitting from McGovern-Dole International Food for Education Program (Millions)	4.2	4.5	4.3	4.8	6.8	4.0	4.0
Number of persons benefitting from assistance under the Food for Progress Program (Millions)	4.2	3.8	1.6	5.5	3.6	5.0	4.0
Countries that have benefitted from FAS-led agricultural trade capacity building,	N/A	113	113	110	113	110	107

*Note:* The indicators for Food for Progress and McGovern-Dole are useful in reporting on the number of people who benefit from the program, but the measures vary substantially each year based on the types of activities. In FY 2013, FAS funded a larger number of projects implemented by the World Food Program under McGovern-Dole. These projects tend to provide a larger number of recipients with food and allocate fewer resources to educational components. The greater share of projects implemented by the World Food Program led to a higher-than-targeted number of recipients. The actual figure for Food for Progress fell below the target for FY 2013. The individual projects funded in FY 2013 assisted a lower number of people with more sophisticated activities that require more funds on a per-capita basis. The FY 2013 grant agreements for both Food for Progress and McGovern-Dole require grantees to report on more sophisticated indicators that will describe the effects of the programs. FAS will begin to receive the results of these programs in FY 2014.

FAS has significant experience administering food aid, technical assistance, capacity building programs, and exchange programs (e.g., McGovern-Dole International Food for Education, Food for Progress, Borlaug, and Cochran Fellowship Program) that build in-country productivity. The U.S. National Security Strategy 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 program has proven to be an effective

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tool to support the NSS international economic development pillar. The fundamental goal of the McGovern-Dole program is to use food as an incentive to improve education and nutrition. Its key objectives are to reduce hunger and improve literacy and primary education, with a focus on girls. By providing school meals, teacher training, and related support, McGovern-Dole projects help boost school enrollment and academic performance. The 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.

McGovern-Dole particularly benefits girls: enrollment, attendance, and retention rates also increase when school feeding programs are introduced. About 6.8 million children and mothers benefited from the 2013 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:

- The Cochran and Borlaug Fellowship Programs have advanced USG food security and stabilization programs in such priority regions as Asia, Europe, Latin America, and Africa, where agricultural extension agents, veterinary officials, and agricultural researchers received training to support food production and regional trade; and
- Over 15,700 participants have been trained under Cochran from 123 countries. Since 2004, over 700 fellows have been trained under Borlaug from 64 countries.

### Selected Accomplishments Expected at the 2015 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. 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. In FY 2015, the Cochran and Borlaug Fellowship Programs are expected to train an estimated 600 participants from over 75 countries to support food security and trade;
- 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. FAS is currently making major contributions towards global food security through capacity building efforts in support of the Administration’s 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, the numbers of Cochran, Borlaug, and Faculty Exchange Fellows, who can be trained from FTF countries, should remain stable or increase;
- In FY 2015, the Food for Progress Program will provide more than \$200 million of food assistance, which will help support agricultural development in countries that are taking steps towards democracy and private enterprise. The program will benefit more than 4 million farmers, agribusinesses, and their families. The projects will seek to increase agricultural productivity and expand markets and trade by 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;
- The McGovern-Dole Program will continue to help improve the literacy and the nutrition of children in FY 2015 through the provision of school meals, teacher training, improvements in sanitation, and improved school infrastructure. The Program will continue to build the capacity of national governments and communities so that they can continue school feeding after USDA support ends; and
- Implementation of a special, food-assistance initiative will continue in FY 2015. 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 will improve nutrition for school children and mothers under the McGovern-Dole program. The pilot project will be completed in FY 2015 as grantees complete final evaluations of their activities.

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Strategic Goal Funding Matrix  
(Dollars in thousands)

Program/ Program Items	2012 Actual	2013 Actual	2014 Estimate	Increase	
				or Decrease	2015 Estimate
<b>USDA Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving</b>					
Trade Policy.....	\$77,487	\$71,687	\$78,141	+\$1,974	\$80,115
Staff Years.....	345	280	324	-	324
Trade Promotion.....	58,521	54,123	59,041	+1,693	60,734
Staff Years.....	295	239	277	-	277
CCC Export Guarantee Program Admin. Expense.....	6,465	5,952	6,394	-	6,394
Staff Years.....	31	27	31	-	31
<b>USDA Strategic Goal: Help america promote agricultural production and biotechnology exports as america works to increase food security</b>					
Capacity Building/Food Security.....	40,339	37,320	40,681	+1,033	41,714
Staff Years.....	180	146	169	-	169
Total Costs, All Strategic Goals.....	182,812	169,082	184,257	+4,700	188,957
Total Staff Years, All Strategic Goals..	851	692	801	-	801

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Full Cost by Department Strategic Goal

(Dollars in thousands)

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

Program/ Program Items	2012 Actual	2013 Actual	2014 Estimate	2015 Estimate
<b>Trade Policy</b>				
Administrative costs (direct).....	\$72,063	\$66,669	\$72,671	\$74,507
Indirect costs.....	5,424	5,018	5,470	5,608
Total Costs.....	77,487	71,687	78,141	80,115
FTEs.....	345	280	324	324
Performance Measure:				
Export of S. Korea, Colombia, Panama (\$Billions).....	\$7.6	\$8.4	\$7.6	\$8.3
No. of agricultural commodities.....	437	415	437	470
Value trade preserved (\$Billions).....	\$3.7	\$3.8	\$3.8	\$3.8
No. of WTO members.....	157	153	157	160
No. of foreign measures reviewed.....	1,412	1,568	1,412	1,412
No. foreign measures raised.....	319	335	319	319
<b>Trade Promotion</b>				
Administrative costs (direct).....	54,425	50,334	54,908	56,483
Indirect costs.....	4,096	3,789	4,133	4,251
Total Costs.....	58,521	54,123	59,041	60,734
FTEs.....	295	239	277	277
CCC Export Guarantee Prgm Admin. Expense.....	6,465	5,952	6,394	6,394
Total Costs.....	6,465	5,952	6,394	6,394
FTEs.....	31	27	31	31
Performance Measure:				
No. of STRGs activities.....	2,500	2,150	2,300	2,350
Value of exports from trade shows (\$Billions).....	\$1.26	\$1.46	\$1.46	\$1.46
Participants rated (%).....	67%	69%	67%	70%
Economic Return Ratio (\$Dollars).....	\$37	\$36	\$37	\$38
GSM-102 Loan Guarantees (\$Billions).....	\$4.2	\$4.1	\$4.2	\$3.4
Ag Trade Multiplier (\$Billions).....	\$5.5	\$5.4	\$5.5	\$4.4
Total accrued returns (\$Dollars).....	9.7	9.5	9.7	7.8
Economic Return Ratio (\$Dollars).....	\$107.76/\$1	\$107.77/\$1	\$117.22/\$1	\$100/\$1
Value of ag trade leads (\$Millions).....	\$22.4	\$13.2	\$22.4	\$31.6
Accuracy of qtrly export forecasts (%).....	92%	91%	92%	93%

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

Program/ Program Items	2012 Actual	2013 Actual	2014 Estimate	2015 Estimate
<b>Capacity Building/Food Security</b>				
Administrative costs (direct).....	37,515	34,708	37,833	38,794
Indirect costs.....	2,824	2,612	2,848	2,920
Total Costs.....	40,339	37,320	40,681	41,714
FTEs.....	180	146	169	169
Performance Measure:				
No. of women and children (Millions).....	4.8	4.3	4.8	5.0
No. of persons benefitting from FFP (Millions).....	5.5	1.6	5.5	5.0
Countries benefitting TCB.....	110	113	110	107
Total Costs, All Strategic Goals.....	182,812	169,082	184,257	188,957
Total FTEs, All Strategic Goals.....	851	692	801	801

## FOREIGN AGRICULTURAL SERVICE

### PUBLIC LAW 480

#### PURPOSE STATEMENT

Under programs authorized by 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

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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.

Title II of the Food for Peace Act (P.L. 83-480), as amended, formerly the Agricultural Trade Development and Assistance Act of 1954) authorizes the provision of U.S. food assistance to meet emergency food needs around the world, and funds development-oriented programs to help address the underlying causes of food insecurity. Funding for Title II, also known as P.L. 480 Title II, is appropriated to the U.S. Department of Agriculture and is administered by the Office of Food for Peace in the U.S. Agency for International Development (USAID).

The FY 2015 Title II request of \$1.400 million includes \$270 million to be used for development programs. An additional \$80 million is requested in the Development Assistance (DA) account under USAID's Community Development Fund, bringing the total funding for these types of programs to \$350 million. Together, these resources support development food assistance programs' efforts to address chronic food insecurity in areas of recurrent crises using a multi-sectoral approach to reduce poverty and build resilience.

The balance of the FY 2015 Title II request, \$1.130 billion, will be used to provide emergency food assistance in response to natural disasters and complex emergencies. In an emergency, when people face the threat of imminent starvation, Title II emergency programs save lives, boost the resilience of disaster-affected communities, and support the transition from relief to recovery. This food, including specialized, processed commodities, provides life-saving assistance to millions of vulnerable people facing disasters overseas.

The request includes new authority to provide the flexibility to use up to 25 percent of these resources, valued at \$350 million, for cash-based food assistance for emergencies. In these cases, interventions such as the local or regional procurement of agricultural commodities, use of food vouchers, or use of cash transfers, will allow USAID to make emergency food aid more timely and cost effective, improving program efficiencies and performance. It is estimated that this flexibility will allow USAID to assist approximately 2 million more emergency beneficiaries annually with the same level of resources.

The flexibility will help to mitigate the reduction in available resources for Title II programming due to the elimination of U.S. Maritime Administration (MARAD) reimbursements in the Bipartisan Budget Act of 2013. MARAD reimbursements, while helped USAID offset the increased cost of using U.S. flagged carriers versus foreign flagged carriers to deliver food aid around the world, contributed to USAID's annual operating budget and increased the reach of emergency food assistance.

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 13 percent nor more than 20 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

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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.

### Proposed Language Changes

The estimates include appropriation language for P.L. 480, Title I 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 and Cancellation Of Funds)

- 1 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, [~~\$2,735,000~~] \$2,528,000, shall be [transferred to and merged with] paid to the appropriation for “Farm Service Agency, Salaries and Expenses”:
- 2 *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
- 3 Appropriations of both Houses of Congress] of the unobligated balances provided pursuant to Title I of the Food For Peace Act, \$13,000,000 are hereby permanently cancelled: Provided, That no amounts may be cancelled from amounts that were designated by the Congress as an emergency requirement pursuant to the Concurrent Resolution on the Budget or the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

The first change clarifies the appropriation language for the reimbursement of the FSA Salaries and Expenses account for work to administer the Title I direct credit program.

The second change proposes deletion of the language included in the 2014 Enacted Budget. The Bipartisan Budget Act of 2013 repealed sections 55316 and 55317 related to MARAD reimbursements to USDA/CCC.

The third change proposes the cancellation of \$13 million of unobligated balances that are not needed for program operations.

## FOREIGN AGRICULTURAL SERVICE

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

### 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, [\$1,466,000,000] \$1,400,000,000, to remain available until expended: Provided, That for purposes of funds appropriated under this heading, in addition to amounts made available under section 202(e)(1) of the Food for Peace Act, of the total amount provided under this heading, \$35,000,000 shall be made available pursuant to section 202(e)(1) of the Food for Peace Act to eligible organizations: [Provided further, That funds made available pursuant to section 202(e)(1) of the Food for Peace Act to eligible organizations may, in addition to the purposes set forth in section 202(e)(1)(A)-(C), be made available to assist such organizations to carry out activities consistent with section 203(d)(1)-(3) of the Food for Peace Act:] Provided further, That notwithstanding any other provision of law, the requirements pursuant to 7 U.S.C. 1736f(e)(1) may be waived by the Administrator for any [amounts] amount higher than [those specified under this authority for fiscal year 2009] that set forth in 7 U.S.C. 1736f(e)(2): Provided further, That in addition to funds otherwise available for such purposes, and notwithstanding any other provision of law, including the requirements of the Food for Peace Act, up to 25 percent of the funds appropriated under this heading may be made available as monetary awards for emergency assistance to address such needs on such terms and conditions as the Administrator may deem appropriate.

The first change removes the waiver in the 2014 appropriations act to take into account changes to minimum non-emergency development food aid floor authorized in the 2014 Farm Bill.

The second change includes a request for authority to use up to 25 percent of Title II resources, valued at \$350 million, be made flexible for use as cash-based food assistance for emergencies. In these cases, interventions such as the local or regional procurement of agricultural commodities, use of food vouchers, or use of cash transfers will allow USAID to make emergency food aid more timely and cost-effective, improving program efficiencies and performance. It is estimated that this flexibility will allow USAID to assist approximately 2 million more emergency beneficiaries per year with the same level of resources. This flexibility would help to mitigate the reduction in available resources for Title II programming due to the elimination of MARAD reimbursements in the Bipartisan Budget Act of 2013. MARAD reimbursements, which helped USAID offset the increased cost of using U.S. flagged carriers versus foreign-flagged carriers to deliver food aid around the world, contributed to Title II's annual operating budget, and increased the reach of emergency food assistance.

FOREIGN AGRICULTURAL SERVICE

P.L. 480 TITLE I

Lead-Off Tabular Statement

Budget Estimate, 2015.....	\$2,528,000
2014 Enacted.....	2,735,000
Change in Appropriation.....	-207,000

P.L. 480 TITLE I

Summary of Increases and Decreases

(Dollars in Thousands)

	2012 <u>Actual</u>	2013 <u>Change</u>	2014 <u>Change</u>	2015 <u>Change</u>	2015 <u>Estimate</u>
Discretionary Appropriations:					
Administrative Expenses-P.L. 480 Title I Grants..	\$2,500	+\$104	+\$131	-\$207	\$2,528
Total, Appropriation or Change.....	2,500	+104	131	-207	2,528

P.L. 480 TITLE II

Lead-Off Tabular Statement

Budget Estimate, 2015.....	\$1,400,000,000
2014 Enacted.....	1,466,000,000
Change in Appropriation.....	-66,000,000

P.L. 480 TITLE II

Summary of Increases and Decreases

(Dollars in Thousands)

	2012 <u>Actual</u>	2013 <u>Change</u>	2014 <u>Change</u>	2015 <u>Change</u>	2015 <u>Estimate</u>
Discretionary Appropriations:					
P.L. 480 Title II.....	\$1,466,000	-\$106,642	+\$106,642	-\$66,000	\$1,400,000
Total, Appropriation or Change.....	1,466,000	-106,642	+106,642	-66,000	1,400,000

FOREIGN AGRICULTURAL SERVICE

P.L. 480 TITLE I  
Project Statement  
 Appropriations Detail  
 (Dollars in thousands)

<u>Program</u>	<u>2012 Actual</u> Amount	<u>2013 Actual</u> Amount	<u>2014 Estimate</u> Amount	<u>Inc. or Dec.</u> Amount	<u>2015 Estimate</u> Amount
Discretionary Appropriations:					
P.L. 480 Title I					
Administrative Expenses.....	\$2,500	\$2,604	\$2,735	-\$207	\$2,528
Subtotal.....	2,500	2,604	2,735	-207	2,528
Total Adjusted Approp.....	2,500	2,604	2,735	-207	2,528
Rescissions, Transfers, and Seq. (Net).....					
Total Appropriation.....	2,500	2,806	2,735	-207	2,528
Rescission.....	-2,336	-76	-	-	-
Sequestration.....	-	-126	-	-	-
Bal. Available, SOY.....	2,336	-	13,205	-	13,205
Recoveries, Other (Net).....	-	13,205	-	-13,205	-13,205
Total Available.....	2,500	15,809	15,940	-13,412	2,528
Bal. Available, EOY.....	-	-13,205	-13,205	13,205	-
Total Obligations.....	2,500	2,604	2,735	-207	2,528

P.L. 480 TITLE I OFD  
Project Statement  
 Appropriations Detail  
 (Dollars in thousands)

<u>Program</u>	<u>2012 Actual</u> Amount	<u>2013 Actual</u> Amount	<u>2014 Estimate</u> Amount	<u>Inc. or Dec.</u> Amount	<u>2015 Estimate</u> Amount
Discretionary Appropriations:					
P.L. 480 Title I OFD.....					
Total Adjusted Approp.....	-	-	-	-	-
Rescission.....	-\$3,235	-	-	-	-
Bal. Available, SOY.....	3,235	-	-	-	-
Total Obligations.....	-	-	-	-	-

FOREIGN AGRICULTURAL SERVICE

P.L. 480 TITLE II					
<u>Project Statement</u>					
Appropriations Detail					
(Dollars in thousands)					
Program	<u>2012 Actual</u> Amount	<u>2013 Actual</u> Amount	<u>2014 Estimate</u> Amount	<u>Inc. or Dec.</u> Amount	<u>2015 Estimate</u> Amount
Discretionary Appropriations:					
P.L. 480 Title II Donation.....	\$1,466,000	\$1,359,358	\$1,466,000	-\$66,000	\$1,400,000
Subtotal.....	1,466,000	1,359,358	1,466,000	-66,000	1,400,000
Total Adjusted Approp.....	1,466,000	1,359,358	1,466,000	-66,000	1,400,000
Rescissions, Transfers, and Seq. (Net).....					
	-	75,642	-	-	-
Total Appropriation.....	1,466,000	1,435,000	1,466,000	-66,000	1,400,000
Rescission.....	-	-1,894	-	-	-
Sequestration.....	-	-73,748	-	-	-
Bal. Available, SOY.....	193,279	231,832	220,596	-220,596	-
Recoveries, Other (Net).....	659,363	178,972	-	-	-
Total Available.....	2,318,642	1,770,162	1,686,596	-286,596	1,400,000
Bal. Available, EOY.....	-231,832	-220,596	-	-	-
Total Obligations.....	2,086,810	1,549,566	1,686,596	-286,596	1,400,000

FOREIGN AGRICULTURAL SERVICE

P.L. 480 TITLE I  
Project Statement  
 Obligations Detail  
 (Dollars in thousands)

<u>Program</u>	<u>2012 Actual</u> Amount	<u>2013 Actual</u> Amount	<u>2014 Estimate</u> Amount	<u>Inc. or Dec.</u> Amount	<u>2015 Estimate</u> Amount
Discretionary Obligations:					
P.L. 480 Title I					
Administrative Expenses.....	\$2,500	\$2,604	\$2,735	-\$207	\$2,528
P.L. 480 Title I Grants.....	-	-	-	-	-
Subtotal.....	2,500	2,604	2,735	-207	2,528
Total Obligations.....	2,500	2,604	2,735	-207	2,528
Recoveries, Other (Net).....	-	-	-	-13,205	-13,205
Bal. Available, EOY.....	-	13,205	13,205	-13,205	-
Other Balances Withdrawn.....	-	-	-	13,205	13,205
Total Available.....	2,500	15,809	15,940	-13,412	2,528
Rescission.....	-2,336	76	-	-	-
Sequestration.....	-	126	-	-	-
Bal. Available, SOY.....	2,336	-	-13,205	13,205	-
Other Adjustments (Net).....	-	-13,205	-	-	-
Total Appropriation.....	2,500	2,806	2,735	-207	2,528

P.L. 480 TITLE I OFD  
Project Statement  
 Obligations Detail  
 (Dollars in thousands)

<u>Program</u>	<u>2012 Actual</u> Amount	<u>2013 Actual</u> Amount	<u>2014 Estimate</u> Amount	<u>Inc. or Dec.</u> Amount	<u>2015 Estimate</u> Amount
Discretionary Obligations:					
Total Obligations.....	-	-	-	-	-
Rescission.....	\$3,235	-	-	-	-
Bal. Available, SOY.....	-3,235	-	-	-	-
Total Appropriation.....	-	-	-	-	-

FOREIGN AGRICULTURAL SERVICE

P.L. 480 TITLE II					
<u>Project Statement</u>					
Obligations Detail					
(Dollars in thousands)					
Program	<u>2012 Actual</u> Amount	<u>2013 Actual</u> Amount	<u>2014 Estimate</u> Amount	<u>Inc. or Dec.</u> Amount	<u>2015 Estimate</u> Amount
Discretionary Obligations:					
P.L. 480 Title II Donations .....	\$2,086,810	\$1,549,566	\$1,686,596	-\$286,596	\$1,400,000
Subtotal.....	2,086,810	1,549,566	1,686,596	-286,596	1,400,000
Total Obligations.....	2,086,810	1,549,566	1,686,596	-286,596	1,400,000
Bal. Available, EOY.....	231,832	220,596	-	-	-
Total Available.....	2,318,642	1,770,162	1,686,596	-286,596	1,400,000
Rescission.....	-	1,894	-	-	-
Sequestration.....	-	73,748	-	-	-
Bal. Available, SOY.....	-193,279	-231,832	-220,596	220,596	-
Other Adjustments (Net).....	-659,363	-178,972	-	-	-
Total Appropriation.....	1,466,000	1,435,000	1,466,000	-66,000	1,400,000
P.L. 480 Title I					
<u>Justification of Increases and Decreases</u>					
(1) <u>A decrease of \$207,000 (\$2,735,000 available in FY 2014)</u>					
<p>Although no new loans are being made under P.L. 480 Title I, there are still over \$1 billion dollars in outstanding loans that must be serviced. Base funding for the administrative support of the existing portfolio will be necessary until all loans are paid or otherwise closed out.</p>					
P.L. 480 Title II					
<u>Justification of Increases and Decreases</u>					
(2) <u>A decrease of \$66,000,000 (\$1,466,000,000 available in FY 2014)</u>					
<p>This decrease reflects the overall reduction in program funding to meet budgetary constraints. The FY 2015 Budget request includes \$1.4 billion for Title II grants, which is \$66 million less than the FY 2014 appropriation. The FY 2015 request of \$1.4 billion includes \$270 million to be used for development programs in combination with an additional \$80 million requested in the Development Assistance (DA) account under USAID's Community Development Fund, bringing the total funding for these types of programs to \$350 million. The balance of the request, \$1.13 billion, will be used to provide emergency food assistance in response to natural disasters and complex emergencies. The request includes new authority to use up to 25 percent (\$350 million) of the appropriation in emergencies for interventions such as local or regional procurement of food near emergencies, food vouchers, or cash transfers. This flexibility makes emergency food aid more timely and cost-effective, improving program efficiencies and performance, and allowing USAID to assist about 2 million more emergency beneficiaries annually with the same level of resources.</p>					

FOREIGN AGRICULTURAL SERVICE

P.L. 480 Title I					
<u>Classification by Objects</u>					
(Dollars in thousands)					
		2012	2013	2014	2015
		<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Other Objects:					
25.3	Other purchases of goods and services				
	from Federal sources.....	\$2,500	\$2,604	\$2,735	\$2,528
99.9	Total, new obligations.....	<u>2,500</u>	<u>2,604</u>	<u>2,735</u>	<u>2,528</u>
P.L. 480 TITLE II					
<u>Classification by Objects</u>					
(Dollars in thousands)					
		2012	2013	2014	2015
		<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Other Objects:					
41.0	Grants.....	\$2,086,810	\$1,549,566	\$1,686,596	\$1,400,000
99.9	Total, new obligations.....	<u>2,086,810</u>	<u>1,549,566</u>	<u>1,686,596</u>	<u>1,400,000</u>



FOREIGN AGRICULTURAL SERVICE

<u>Project Statement</u>										
Appropriations Detail and Staff Years (SY)										
(Dollars in thousands)										
Program	2012 Actual		2013 Actual		2014 Estimate		Change		2015 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Discretionary Appropriations:										
McGovern-Dole Program.....	\$184,000	-	\$174,501	-	\$185,126	-	-	-	\$185,126	-
Subtotal.....	184,000	-	174,501	-	185,126	-	-	-	185,126	-
Total Adjusted Approp.....	184,000	-	174,501	-	185,126	-	-	-	185,126	-
Rescissions, Transfers, and										
Seq. (Net).....	-	-	9,499	-	-	-	-	-	-	-
Total Appropriation.....	184,000	-	184,000	-	185,126	-	-	-	185,126	-
Balance Available, SOY.....	-	-	37,966	-	-	-	-	-	-	-
Subtotal.....	184,000	-	221,966	-	185,126	-	-	-	185,126	-
Rescission.....	-	-	-243	-	-	-	-	-	-	-
Sequestration.....	-	-	-9,256	-	-	-	-	-	-	-
Total Available.....	184,000	-	212,467	-	185,126	-	-	-	185,126	-
Lapsing Balances.....	-	-	-	-	-	-	-	-	-	-
Balance Available, EOY.....	-	-	-	-	-	-	-	-	-	-
Total Obligations.....	184,000	-	212,467	-	185,126	-	-	-	185,126	-
<u>Project Statement</u>										
Obligations Detail and Staff Years (SY)										
(Dollars in thousands)										
Program	2012 Actual		2013 Actual		2014 Estimate		Change		2015 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Discretionary Obligations:										
McGovern-Dole Program.....	\$184,000	-	\$184,000	-	\$185,126	-	-	-	\$185,126	-
Subtotal.....	184,000	-	184,000	-	185,126	-	-	-	185,126	-
Total Obligations.....	184,000	-	184,000	-	185,126	-	-	-	185,126	-
Total Available.....	184,000	-	184,000	-	185,126	-	-	-	185,126	-
Rescission.....	-	-	-243	-	-	-	-	-	-	-
Sequestration.....	-	-	-9,256	-	-	-	-	-	-	-
Balance Available, SOY.....	-	-	37,966	-	-	-	-	-	-	-
Total Appropriation.....	184,000	-	212,467	-	185,126	-	-	-	185,126	-
Lapsing Balances.....	-	-	-	-	-	-	-	-	-	-
Bal. Available, EOY.....	-	-	-	-	-	-	-	-	-	-
Total Obligations.....	184,000	-	212,467	-	185,126	-	-	-	185,126	-

**FOREIGN AGRICULTURAL SERVICE**

**JUSTIFICATION OF BASE FUNDING**

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 2003. Maintaining the base funding level at \$185 million will help more than 4 million children and mothers gain access to improved nutrition. Approximately 40 percent of the total program cost is allocated for commodity expenses. The remainder of the funding is allocated for freight and administrative expenses, including administrative expenses of implementing organizations and activities to enhance program implementation. Impacts to funding reductions would result in cuts for new projects and school children in recipient countries would not receive school meals and related assistance to gain greater literacy.

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands)

State/Territory	2012 Actual		2013 Actual		2014 Estimate		2015 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY
District of Columbia.....	\$184,000	-	\$174,501	-	\$185,126	-	\$185,126	-
Undistributed.....	-	-	-	-	-	-	-	-
Obligations.....	184,000	-	174,501	-	185,126	-	185,126	-
Lapsing Balances.....	-	-	-	-	-	-	-	-
<b>Total, Available.....</b>	<b>184,000</b>	<b>-</b>	<b>174,501</b>	<b>-</b>	<b>185,126</b>	<b>-</b>	<b>185,126</b>	<b>-</b>

Classification by Objects

(Dollars in thousands)

	2012 Actual	2013 Actual	2014 Estimate	2015 Estimate
Other Objects:				
41.0 Grants.....	\$184,000	\$174,501	\$185,126	\$185,126
<b>Total Obligations.....</b>	<b>184,000</b>	<b>174,501</b>	<b>185,126</b>	<b>185,126</b>

FOREIGN AGRICULTURAL SERVICE

CCC Export Credit Guarantee Programs					
The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):					
<u>Commodity Credit Corporation Export Loans Program Account (Including Transfers of Funds)</u>					
For administrative expenses to carry out the Commodity Credit Corporation's export guarantee program, GSM 102 and GSM 103, \$6,748,000; 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 \$6,394,000 shall be [transferred to and merged with] <u>paid to</u> the appropriation for "Foreign Agricultural Service, Salaries and Expenses", and of which \$354,000 shall be [transferred to and merged with] <u>paid to</u> the appropriation for "Farm Service Agency, Salaries and Expenses".					
<u>These two changes</u> clarify the appropriation language for the reimbursement of the Foreign Agricultural Service and Farm Service Agency Salaries and Expenses accounts for work to administer the Commodity Credit Corporation Export Credit Guarantee Programs.					
<u>Lead-Off Tabular Statement</u>					
Budget Estimate, 2015.....					\$6,748,000
2014 Enacted.....					6,748,000
Change in Appropriation.....					0
<u>Summary of Increases and Decreases</u> (Dollars in Thousands)					
	2012 Actual	2013 Change	2014 Change	2015 Change	2015 Estimate
Discretionary Appropriations:					
FSA Administrative Expense.....	\$355	-\$28	+\$27	-	\$354
FAS Administrative Expense.....	6,465	-513	+442	-	6,394
Subtotal.....	6,820	-541	+469	-	6,748
Total, Appropriation or Change.....	6,820	-541	+469	-	6,748

FOREIGN AGRICULTURAL SERVICE

CCC Export Credit Guarantee Programs					
Project Statement					
Appropriations Detail					
(Dollars in thousands)					
Program	<u>2012 Actual</u> Subsidy	<u>2013 Actual</u> Subsidy	<u>2014 Estimate</u> Subsidy	<u>Inc. or Dec.</u> Subsidy	<u>2015 Estimate</u> Subsidy
Discretionary Appropriations:					
FSA Administrative Expenses .....	\$355	\$327	\$354	-	\$354
FAS Administrative Expenses .....	6,465	5,952	6,394	-	6,394
Subtotal.....	6,820	6,279	6,748	-	6,748
Total Adjusted Approp.....	6,820	6,279	6,748	-	6,748
Rescissions and Transfers (Net).....	-	184	-	-	-
Sequestration.....	-	343	-	-	-
Total Appropriation.....	6,820	6,806	6,748	-	6,748
Rescission.....	-20,237	-184	-	-	-
Sequestration.....	-	-343	-	-	-
Bal. Available, SOY.....	20,237	-	-	-	-
Recoveries, Other (Net).....	-	-	-	-	-
Total Available.....	6,820	6,279	6,748	-	6,748
Bal. Available, EOY			-	-	-
Total Obligations .....	6,820	6,279	6,748	-	6,748
Mandatory Loan Level					
GSM 102.....	\$4,131,834	\$3,107,263	\$5,400,000	-	\$5,400,000
Facilities .....	-	-	100,000	-	100,000
Subtotal.....	4,131,834	3,107,263	5,500,000	-	5,500,000

FOREIGN AGRICULTURAL SERVICE

CCC Export Credit Guarantee Programs					
<u>Project Statement</u>					
Obligations Detail					
(Dollars in thousands)					
Program	<u>2012 Actual</u> Subsidy	<u>2013 Actual</u> Subsidy	<u>2014 Estimate</u> Subsidy	<u>Inc. or Dec.</u> Subsidy	<u>2015 Estimate</u> Subsidy
Discretionary Appropriations:					
FSA Administrative Expenses.....	\$355	\$327	\$354	-	\$354
FAS Administrative Expenses.....	6,465	5,952	6,394	-	6,394
Subtotal.....	6,820	6,279	6,748	-	6,748
Total Obligations.....	6,820	6,279	6,748	-	6,748
Bal. Available, EOY.....	-	-		-	-
Total Available.....	6,820	6,279	6,748	-	6,748
Rescission.....	-20,237	-184	-	-	-
Sequestration.....	-	-343	-	-	-
Bal. Available, SOY.....	20,237	527	-	-	-
Other Adjustments (Net).....	-	-	-	-	-
Total Appropriation.....	6,820	6,279	6,748	-	6,748
Mandatory Loan Level					
GSM 102.....	\$4,131,834	\$3,107,263	\$5,400,000	-	\$5,400,000
Facilities.....	-	-	100,000	-	100,000
Subtotal.....	4,131,834	3,107,263	5,500,000	-	5,500,000
<u>Justification of Increases and Decreases</u>					
<p>The FY 2015 Budget Request is sufficient to cover base funding needs. Funding will be used to carry out the administrative functions for GSM 102 and Facilities. Funding will be used to cover program management, financial management, overhead, and other functions for the Commodity Credit Corporations Export Loan Guarantee program.</p>					

FOREIGN AGRICULTURAL SERVICE

CCC Export Credit Guarantee Programs					
<u>Classification by Objects</u>					
(Dollars in thousands)					
		2012	2013	2014	2015
		<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Other Objects:					
25.3	Other purchases of goods and services				
	from Federal sources .....	\$6,820	\$6,279	\$6,748	\$6,748
99.9	Total, new obligations .....	<u>6,820</u>	<u>6,279</u>	<u>6,748</u>	<u>6,748</u>