

2019 President's Budget  
Foreign Agricultural Service

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## 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 farmers and ranchers, 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 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. Increased economic activity in food and agricultural sectors of the economy help rural communities build and maintain prosperity. Nowhere is this more evident than in agricultural trade. As departmental coordinator for international activities, FAS helps strengthen food and agricultural systems in developing countries, establishing a foundation for future trading opportunities while supporting U.S. national security interests. FAS plans to achieve this through three core activity pillars: trade policy, trade promotion, and capacity-building/food security.

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 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.

FAS advances global trade and food security with food assistance, agricultural training, and technical assistance for developing economies worldwide. Its programs foster market-based, economic growth, along the full agricultural development spectrum, and build the capacity of countries to integrate into the global economy and become trading partners with the United States. The adoption of U.S. trade and regulatory policies and new agricultural technologies is a priority. The objective is to move these countries along the agricultural market continuum from developing economies, where capacity building is the primary focus, to developed economies, where market expansion is the primary focus. FAS' trade capacity building 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 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 draws on headquarters staff and attachés covering more than 170 countries to negotiate with foreign governments to open markets. It also works with international organizations to develop fair, transparent international trading rules and standards that facilitate trade. The agency promotes the acceptance of crops produced using biotechnology and other new technologies and the acceptance of U.S. organic standards around the world. An estimated 60-80 percent of U.S. processed food products 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 \$140.5 billion in 2017, while exports of high valued organic products continue to grow.

## FOREIGN AGRICULTURAL SERVICE

FAS will continue to negotiate, monitor and enforce international trade rules, including those related to sanitary and phytosanitary measures undertaken by foreign governments.

### 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, 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 (LES) who help match foreign buyers to U.S. sellers, advise private exporters, and support other market promotion activities. FAS' 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: Technical Assistance for Specialty Crops Program (TASC), Emerging Markets Program (EMP), Quality Samples Program (QSP), and Export Credit Guarantee Programs.

### Capacity Building/Food Security

FAS is the link that enables the U.S. to share both its food resources and its technical agricultural expertise with developing economies. FAS has significant experience in providing food assistance, training and technical assistance, and technical exchanges that build foreign country capacity and buy and process U.S. agricultural products. Programs that have supported food security include: Food for Progress Program, Norman E. Borlaug International Agricultural Science and Technology Fellowship Program, the Cochran Fellowship Program, and agricultural-related technical assistance and capacity building. FAS' ongoing effort to improve internal operational processes will enable the agency to continue to conduct in-country food assistance and capacity building programs, as well as U.S.-based technical training, with prospective, future trading-partner countries. These enabling resources allow FAS to play a 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.

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 93 offices providing coverage in more than 170 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, 2017, FAS had 605 in permanent full-time employment which include 490 in headquarters, 115 Foreign Service Officers, and 42 LES' whom are not included as part of FAS' permanent full-time employment count.

## 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, which transferred the agricultural attachés from the Department of State to FAS. This 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)"*

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USDA Regulation 1051-001 (June 2005) defines the role of the FAS 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 Department of State (DoS), the United States Trade Representative (USTR), U.S. Agency for International Development (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 2019 Budget proposes to eliminate the program because it has unaddressed oversight and performance monitoring challenges.

2017

#### OIG Reports – Completed

#07601-0002-23 12/09/16

FAS' Monitoring of the Administration's Trade Agreement Initiatives

#### OIG Reports – In Progress

#07601-0001-41

Controls over the Export Credit Guarantee Program

#### GAO Reports – Completed

#GAO-17-316 03/03/17

Agencies Can Improve the Quality and Dissemination of Program Evaluations (formerly 100386)

#GAO-17-399 04/13/17

Information on U.S. Agencies' Monitoring and Enforcement Resources for International Trade Agreements (formerly 100842)

#GAO-17-563R 06/13/17

U.S. Foreign Assistance: Inventory of Strategies at Selected Agencies (formerly 101302)

#### GAO Reports – In Progress

#101039

U.S. Foreign Assistance to Inter-American Multilateral Organizations

#102383

U.S. Agencies' Implementation of Tobacco Export Promotion

**FOREIGN AGRICULTURAL SERVICE**

Available Funds and Staff Years (SYs)  
(Dollars in thousands)

Item	2016 Actual		2017 Actual		2018 Estimate		2019 President's Budget	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
<b>Discretionary Appropriations:</b>								
Salaries and Expenses.....	\$191,566	679	\$196,571	737	\$195,236	750	\$193,085	742
McGovern-Dole Program.....	201,626	-	201,626	-	200,257	-	-	-
CCC Export Guarantee Programs Admin. Expense .....	6,394	30	6,074	30	6,033	30	6,382	30
Local and Regional Food Aid Procurement .....	a/	-	a/	-	-	-	-	-
Adjusted Appropriation.....	399,586	709	404,271	767	401,526	780	199,467	772
Rescissions, Transfers, and Seq. (Net).....	-8,799	-	-10,403	-	-	-	-	-
Total Appropriations.....	390,787	709	393,868	767	401,526	780	199,467	772
Bal. Available, SOY.....	228,461	-	61,128	-	9,083	-	-	-
Recoveries, Other (Net).....	136,838	-	6,300	-	-	-	-	-
Total Available.....	756,086	709	461,296	767	410,609	780	199,467	772
Lapsing Balances.....	-	-	-	-	-	-	-	-
Bal. Available, EOY.....	-64,585	-	-13,657	-	-	-	-	-
Total Obligations.....	691,501	709	447,639	767	410,609	780	199,467	772
<b>Obligations under other USDA appropriations:</b>								
Commodity Credit Corporation for:								
Reimbursable Activities:								
Market Access Program Admin. Costs.....	5,604	23	5,604	23	5,604	23	5,604	23
Technical Assistance for Specialty Crops								
Program Admin. Costs.....	1,083	3	1,086	3	1,086	3	1,092	3
Emerging Markets Program Admin. Costs .....	970	5	970	5	970	5	977	5
Quality Samples Program Admin. Costs.....	202	1	188	1	189	1	204	1
Foreign Market Development Program Admin. Costs.	1,321	6	1,321	6	1,321	6	-	-
Food for Progress Admin. Costs.....	4,100	15	4,020	15	4,020	15	-	-
Cotton and Wool Project Admin. Costs.....	252	1	250	1	259	1	-	-
Legal Services.....	155	-	-	-	-	-	-	-
McGovern Dole Program .....	3,500	11	1,659	11	3,500	11	2,545	8
Landsat data and support of export programs.....	-	-	4,930	3	5,617	3	5,325	3
IRM Activities.....	18,856	2	18,430	2	18,430	2	19,045	2
IRM Activities (Non-CCC).....	4,750	3	4,422	3	5,000	3	4,798	3
Under Secretary Int'l Travel for Trade Matters.....	500	-	500	-	500	-	500	-
Emerging Markets Program.....	3,400	1	2,000	1	3,400	1	3,400	1
Support of and access to the USDA Satellite Imagery								
Library: NRCS, APHIS, ARS, RMA, NASS, FS.....	-	-	75	-	-	-	-	-
Codex.....	450	1	705	1	450	1	450	1
Office of the Secretary: Congressional Relations.....	-	-	110	-	-	-	-	-
Trade Negotiations and Biotechnology Fund (OSEC)....	300	2	750	2	300	2	300	2
P.L. 480 Title II.....	-	-	112	-	-	-	-	-
Total, Other USDA Appropriations.....	45,443	74	47,132	77	50,646	77	44,240	52
Total, Agriculture Appropriations.....	736,944	783	494,771	844	461,255	857	243,707	824
<b>Other Federal Funds:</b>								
U.S. Agency for International Development (USAID) and others for developmental assistance.....								
	73,600	169	94,568	170	92,000	170	87,396	147
Total, Other Federal Funds.....	73,600	169	94,568	170	92,000	170	87,396	147
Total, Foreign Agricultural Service.....	810,544	952	589,339	1,014	553,255	1,027	331,103	971

a/ The Act Provided \$5 million from with McGovern-Dole for local and regional procurement.

FOREIGN AGRICULTURAL SERVICE

Permanent Positions by Grade and Staff Year Summary

Item	2016 Actual			2017 Actual			2018 Estimate			2019 President's Budget		
	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total
ES.....	6	-	6	6	-	6	6	-	6	6	-	6
SES.....	5	17	22	5	13	18	5	13	18	5	13	18
GS-15.....	46	-	46	46	-	46	46	-	46	46	-	46
GS-14.....	116	1	117	116	1	117	116	1	117	116	1	117
GS-13.....	154	1	155	154	1	155	168	1	169	160	1	161
GS-12.....	106	-	106	106	-	106	106	-	106	106	-	106
GS-11.....	45	-	45	45	1	46	45	1	46	45	1	46
GS-10.....	1	-	1	1	-	1	1	-	1	1	-	1
GS-9.....	22	1	23	22	1	23	22	1	23	22	1	23
GS-8.....	7	-	7	7	-	7	7	-	7	7	-	7
GS-7.....	18	-	18	18	-	18	18	-	18	18	-	18
GS-6.....	2	-	2	2	-	2	2	-	2	2	-	2
GS-5.....	1	-	1	1	-	1	1	-	1	1	-	1
GS-4.....	3	-	3	3	-	3	3	-	3	3	-	3
GS-3/2.....	-	-	-	-	-	-	-	-	-	-	-	-
Other Graded Positions.....	22	96	118	22	99	121	22	98	120	22	98	120
Total Perm. Positions.....	554	116	670	554	116	670	568	115	683	560	115	675
Unfilled, EOY.....	82	1	83	64	1	65	-	-	-	-	-	-
Total, Perm. Full-Time Employment.....	472	115	587	490	115	605	568	115	683	560	115	675
Staff Year Est.....	709	243	952	767	247	1,014	780	247	1,027	772	199	971

## FOREIGN AGRICULTURAL SERVICE

### 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 conduct field 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: For FY 2019, there are three anticipated vehicle purchases. The vehicles purchased will replace existing vehicles and will require the disposal of three vehicles. The vehicles anticipated to be replaced average ten (10) years in age and average 40,000 miles. All other vehicles are working properly. FAS' overseas vehicle fleet currently consists of one (1) sedan, nine (9) mini-vans, eight (8) 4x2 Light Trucks, and thirty-eight (38) 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.

### 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						
2016	1	29	26	-	-	-	-	56	\$201
Change	-	-12	+10	-	-	-	-	-2	+15
2017	1	17	36	-	-	-	-	54	216
Change	-	-	+2	-	-	-	-	+2	-42
2018	1	17	38	-	-	-	-	56	174
Change	-	-	-	-	-	-	-	-	+12
2019	1	17	38	-	-	-	-	56	186

\* 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.

FOREIGN AGRICULTURAL SERVICE

Shared Funding Projects

(Dollars in thousands)

	2016	2017	2018	2019
	Actual	Actual	Estimate	President's Budget
<b>Working Capital Fund:</b>				
Administration:				
Material Management Service Center.....	\$148	\$166	\$171	\$177
HR Enterprise System Management.....	8	8	11	16
Integrated Procurement Systems.....	83	83	109	110
Mail and Reproduction Management.....	248	358	433	447
	487	615	724	750
Communication:				
Creative Media and Broadcast Center.....	34	89	61	23
Correspondence Management:				
Correspondence Management:.....	108	93	84	91
Finance and Management:				
Financial Management Service.....	592	841	899	916
Internal Control Support Services.....	68	76	59	59
National Finance Center.....	228	227	253	258
	888	1,144	1,211	1,233
Information Technology:				
Client Technology Services.....	3,448	2,842	925	927
National Information Technology Center.....	1,285	2,395	2,590	2,590
Enterprise Network Services.....	125	86	168	175
	4,858	5,323	3,683	3,692
Total, Working Capital Fund.....	6,375	7,264	5,763	5,789
<b>Departmental Shared Cost Programs:</b>				
1890 USDA Initiatives.....	27	38	34	34
Advisory Committee Liaison Services.....	13	11	12	12
Classified National Security Information.....	175	189	121	121
Continuity of Operations Planning.....	17	21	19	19
Emergency Operations Center.....	20	24	21	21
Facility and Infrastructure Review and Assessment.....	4	5	4	4
Faith-Based & Neighborhood Partnership.....	3	4	4	4
Federal Biobased Products Preferred Procurement Program	-	-	-	-
Hispanic-Serving Institutions National Program.....	15	20	18	18
Honor Awards.....	1	-	1	1
Human Resources Transformation (includes Diversity).....	13	17	16	16
Identify & Access Management (HSPD-12).....	57	69	61	61
Intertribal Technical Assistance Network.....	-	-	-	-
Medical Services.....	53	48	53	53
People's Garden.....	5	7	6	6
Personnel Security Branch.....	100	117	154	154
Preauthorized Funding.....	32	35	33	33
Retirement Processor Web Application.....	5	6	5	5
Sign Language Interpreter.....	-	-	-	-
TARGET Center.....	12	15	13	13
USDA 1994 Program.....	6	8	7	7
Virtual University.....	16	21	17	17
Visitor Information Center.....	-	-	-	-
Total, Department Shared Cost Programs.....	574	655	599	599

FOREIGN AGRICULTURAL SERVICE

Shared Funding Projects

(Dollars in thousands)

	2016	2017	2018	2019
<b>E-Gov:</b>	Actual	Actual	Enacted	President's Budget
Budget Formulation and Execution Line of Business.....	5	5	3	4
Disaster Assistance Improvement Plan.....	-	-	-	-
Enterprise Human Resources Initgration.....	17	20	19	20
E-Rulemaking.....	10	17	21	22
E-Training.....	24	-	-	-
Financial Management Line of Business.....	1	1	1	1
Geospatial Line of Business.....	7	13	13	14
GovBenefits.gov.....	-	-	-	-
Grants.gov.....	-	-	-	-
Grants Management Line of Business.....	-	-	-	-
Human Resources Line of Business.....	2	2	3	4
Integrated Acquisition Environment - Loans and Grants.....	-	-	-	-
Integrated Acquisition Environment.....	15	14	14	15
Recreation One-Stop.....	-	-	-	-
Total, E-Gov.....	81	72	74	80
Agency Total.....	7,030	7,898	6,436	6,468

FOREIGN AGRICULTURAL SERVICE

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

Salaries and Expenses:

For necessary expenses of the Foreign Agricultural Service, including not to exceed \$250,000 for representation allowances and for expenses pursuant to section 8 of the Act approved August 3, 1956 (7 U.S.C. 1766), [~~\$196,571,000~~] \$193,085,000, of which no more than 6 percent shall remain available until September 30, 2020, 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 first change deletes 2018 appropriation amount and replaces it with the 2019 request.

Lead-Off Tabular Statement

Budget Estimate, 2019.....	\$193,085,000
2018 Annualized Continuing Resolution.....	<u>195,236,000</u>
Change in Appropriation.....	<u>-2,151,000</u>

FOREIGN AGRICULTURAL SERVICE

Project Statement

Adjusted Appropriations Detail and Staff Years  
(Dollars in thousands)

Program	2016 Actual		2017 Actual		2018 Estimate		Inc. or Dec.		2019 President's Budget	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
	Discretionary Appropriations:									
Trade Policy.....	\$80,457	285	\$82,560	310	\$81,999	315	\$12,615	(2) +20	\$94,614	335
Trade Promotion.....	68,964	245	70,766	265	70,285	270	-\$7,511	(3) -14	62,774	256
Capacity Building/Food Security.....	42,145	149	43,245	162	42,952	165	-\$7,255	(4) -14	35,697	151
Subtotal.....	191,566	679	196,571	737	195,236	750	-2,151	(1) -8	193,085	742
CCC Export Programs Admin.....	6,394	30	6,074	30	6,033	30	349	-	6,382	30
Total Adjusted Appropriations.....	197,960	709	202,645	767	201,269	780	-1,802	-8	199,467	772
Rescissions, Transfers, and Seq. (Net).....	-8,799	-	-10,403	-	-	-	-	-	-	-
Total Appropriations.....	189,161	709	192,242	767	201,269	780	-1,802	-8	199,467	772
Bal. Available, SOY.....	-	-	-	-	-	-	-	-	-	-
Recoveries, Other (Net).....	-	-	-	-	-	-	-	-	-	-
Total Available.....	189,161	709	192,242	767	201,269	780	-1,802	-8	199,467	772
Lapsing Balances.....	-	-	-	-	-	-	-	-	-	-
Bal. Available, EOY.....	-3,457	-	-4,574	-	-	-	-	-	-	-
Total Obligations.....	185,704	709	187,668	767	201,269	780	-1,802	-8	199,467	772

Project Statement

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

Program	2016 Actual		2017 Actual		2018 Estimate		Inc. or Dec.		President's Budget	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
	Discretionary Obligations:									
Trade Policy.....	\$75,457	285	\$76,269	310	\$81,999	315	\$12,615	(2) +20	\$94,614	335
Trade Promotion.....	64,678	245	65,374	265	70,285	270	-\$7,511	(3) -14	62,774	256
Capacity Building/Food Security.....	39,526	149	39,951	162	42,952	165	-\$7,255	(4) -14	35,697	151
Subtotal.....	179,661	679	181,594	737	195,236	750	-2,151	(1) -8	193,085	742
CCC Export Programs Admin.....	6,043	30	6,074	30	6,033	30	349	-	6,382	30
Total Obligations.....	185,704	709	187,668	767	201,269	780	-1,802	-8	199,467	772
Lapsing Balances.....	-	-	-	-	-	-	-	-	-	-
Bal. Available, EOY.....	3,457	-	4,574	-	-	-	-	-	-	-
Total Available.....	189,161	709	192,242	767	201,269	780	-1,802	-8	199,467	772
Transfers.....	8,799	-	10,403	-	-	-	-	-	-	-
Sequestration (Net).....	-	-	-	-	-	-	-	-	-	-
Bal. Available, SOY.....	-	-	-	-	-	-	-	-	-	-
Recoveries, Other (Net).....	-	-	-	-	-	-	-	-	-	-
Total Appropriations.....	197,960	709	202,645	767	201,269	780	-1,802	-8	199,467	772

## FOREIGN AGRICULTURAL SERVICE

### Justification of Increases and Decreases

- (1) A total decrease of \$2,151,000 and 8 staff years (\$195,236,000 and 750 staff years available in 2018).

The total 2019 Salaries and Expenses (S&E) budget request is \$193,085,000 and 742 staff years (does not include CCC Export Credit Guarantee Program funding of \$6,382,000 and 30 staff years for 2019). This request results in a net decrease of funding of \$2,151,000 and 8 staff years for 2019 (\$195,236,000 and 750 staff years available in 2018). The proposed funding level will allow the Foreign Agricultural Service (FAS) to continue strong support of its long-term goal of increasing U.S. economic activity through trade facilitation and international cooperation. Funds requested will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

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
- Increases global food security.

The funding change is requested for the following items:

- a. An increase of \$1,537,000 for International Cooperative Administrative Support Services (ICASS) (\$17,077,020 available in 2018). The International Cooperative Administrative Support Services (ICASS) entity 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 (DoS) provides and shares the cost of common administrative support at its more than 200 diplomatic and consular posts overseas with FAS and all other agencies with an overseas presence in a U.S. Mission. Under the Chief of Mission's authority, FAS relies on its base funding to maintain continuous administrative support services for overseas offices provided by DoS and the U.S. Agency for International Development (USAID). Under ICASS regulations, participating agencies are required to pay their portion of these "platform" costs. These projections are based on the 2018 DoS global analysis which estimates growth in overseas wage increases, overseas price inflation and cost relocation of strategic activities into the ICASS platform such as the Foreign Service National Separation Liability Trust Fund; enhancements to the myServices software platform and Conversion of the Information Management positions to ICASS.
- b. An increase of \$1,500,000 for pay costs for FAS' Locally Engaged Staff (LES) (\$23,500,000 available in 2018). The worldwide target market position for LES is currently set by DoS at the 65 percentile. The LES wage increases are being implemented over several years and FAS will continue to incur increased payments of compensations for LES into 2019.
- c. An increase of \$3,187,000 for Capital Security Cost Sharing (CSCS) (\$7,300,000 available in 2018). DoS implements the CSCS under the authority of Section 604 of the Secure Embassy Construction and Counterterrorism Act of 1999, as amended. The law authorizes the Secretary of State to determine the cost share amount allocable to each agency to support safe, secure, and in some cases new, U.S. diplomatic facilities. It applies to all agencies with overseas personnel under chief of mission authority. The required contributions provided by FAS fund the construction of new U.S. Government facilities (i.e. Embassies and Consulates) and maintenance of existing facilities through-out the world. CSCS is calculated based on actual Statement of Charges minus any disputes FAS has made with DoS. These disputes may apply to rent credits, current/planned positions, and charges by position which may result in the agency paying less than the Statement of Charges. In 2019, the growth in estimated costs is due to the change in methodology used by DoS. Previously, the costs were calculated using estimated space requirements. Now, the DoS is basing its cost estimates on a more accurate method using actual as-designed space. This resulted in an increase of \$2,362 per position charge for non-classified space. This change in methodology was the result of a Congressional request to re-evaluate how CSCS costs are calculated.

FOREIGN AGRICULTURAL SERVICE

- d. An increase of \$10,000,000 and 20 staff years for monitoring and enforcement of trade agreements, rapid responses, and associated technical assistance. FAS will be able to increase staff resources for skilled trade analysts and researchers in order to strengthen monitoring and enforcement of existing trade agreements. The proposal also enhances USDA’s ability to monitor and enforce trade agreements, support trade-related technical assistance, and respond to urgent trade situations. The increase of \$10 million and 20 staff years provides funding resources for staff and travel for the following purposes: 1) add dedicated staff resources who are skilled in monitoring and enforcing existing trade agreements; 2) request specific appropriations to support trade-related technical assistance that supports USDA trade objectives; and 3) cover staff and travel costs for rapid response teams to resolve urgent trade situations. Funding for trade-related technical assistance will provide a direct source to provide technical assistance to break down barriers to U.S. exports and to assist countries with developing science-based trade mechanisms. Rapid response teams will include FAS, APHIS, AMS, GIPSA, and FSIS representatives and will be sent to areas where urgent trade situations are identified by USDA staff and external stakeholders. This effort will respond directly to external stakeholders’ concerns about getting rapid resolution on detained shipments, application of non-scientific-based trade barriers, and other urgent situations that affect U.S. exports. Within its agency reform plan, FAS proposes that the Secretary establish the Interagency Trade Policy Committee (ITPC). The Under Secretary for Trade and Foreign Agricultural Affairs (TFAA) would chair the ITPC, and permanent members would consist of the Under Secretary for Marketing and Regulatory Programs and the Under Secretary for Food Safety. The purpose of the ITPC is to develop a unified Departmental trade strategy that actively considers input across USDA agencies, to serve as a decision-making body on trade issues and strategies, and to ensure that regulatory and scientific matters impacting trade are deliberated in the development of consistent trade policy positions.
- e. A decrease of \$8,053,000 for FAS administrative costs. A decrease for office administrative costs. These costs would be realized within the agency’s contractual services, non-IT contracts, and increased Headquarters and Overseas office efficiencies.
- f. A decrease of \$10,322,000 and a decrease of 28 staff years due to attrition. The proposed action would decrease 28 staff years from Trade Promotion and Capacity Building activities and reflects efforts to realign and streamline employment levels while maintaining continuity and strong support for U.S. agricultural exports.

**2019 Budget Activity Structure**

Trade Policy .....	49%
Trade Promotion .....	32%
Capacity Building/Food Security .....	19%
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.

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. FAS’ mission is supported by three activity pillars: trade policy, trade promotion, 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.

## FOREIGN AGRICULTURAL SERVICE

### Trade Policy

FAS works with foreign governments, international organizations, and the Office of the U.S. Trade Representative to establish international standards and rules to improve accountability and predictability for agricultural trade. Services are needed now because the United States' competitive edge in international markets is dependent on negotiated trade agreements that establish transparent and science-based ground rules. FAS is the best entity to deliver the services and works to ensure that negotiated Free Trade Agreements lead to meaningful market access for the U.S. agricultural sector and that agreements are properly implemented and enforced to provide the greatest benefit to American farmers, ranchers, processors and exporters.

FAS provides this service so that new trade agreements can achieve two critical trade objectives for the United States: (1) they immediately provide vastly improved access to key markets, and (2) they can level the playing field with respect to third-country competitors.

Base funds will allow FAS to continue to play a particularly important role in monitoring agreements and then work with other agencies to enforce them. 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. Some problems can be addressed quickly on the ground by our overseas staff. Where that fails, FAS works in concert with other U.S. trade and regulatory agencies to prevent market closures or reopen markets, leading to billions of dollars in additional exports annually. FAS uses a full range of tools from trade capacity building, to the coordination of technical consultations, to formal high level political engagement to address the issues without entering into lengthy and expensive litigation. When needed, we work hand-in-hand with USTR on formal litigation under the WTO.

FAS serves and works to improve market access for U.S. agricultural products and reduce the harm to the industry resulting from non-science based 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 Technical Barriers to Trade (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 TBT.

FAS will support the Under Secretary for Trade and Foreign Agricultural Affairs (TFAA) to advance agricultural trade. FAS will establish an Interagency Trade Policy Committee (ITPC), which will be led by the Under Secretary for TFAA. The ITPC will include the Under Secretary for Marketing and Regulatory Programs and the Under Secretary for Food Safety to ensure Departmental coordination on trade policy issues.

The agency uses the dollar value of trade that was preserved through FAS assistance with foreign market access issues as a measure of meeting its strategic goal. The data used for this measure is readily available to collect and represents a direct linkage between FAS actions and export value. As part of its effort to support the new Trade and Foreign Affairs Mission area, the agency will work with a contractor, the Under Secretary, and the newly established International Trade Policy Committee to establish additional performance measures related to trade policy. The performance measures will quantify the impact of FAS activities on indicators such as the value of agricultural exports and market shares in specific country/commodity markets.

- (2) A net increase of \$12,615,000 and 20 staff years for Trade Policy (\$81,999,000 and 315 staff years available for the 2018) administrative costs and activities.
  - a. An increase of \$646,000 for ICASS costs;
  - b. An increase of \$630,000 for LES costs;
  - c. An increase of \$1,339,000 for CSCS; and
  - d. An increase of \$10,000,000 to establish an ITPC.

## FOREIGN AGRICULTURAL SERVICE

### **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, 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 supports U.S. industry efforts to build, maintain, and expand overseas markets for U.S. food and agricultural products. FAS fulfills an immediate service need for continual trade promotion activities globally which helps U.S. food and agricultural exporters take advantage of market opportunities created by its trade policy and capacity building successes. FAS is the lead entity of these programs and activities that works collaboratively through partnerships 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, FAS facilitates the American farmer's efforts to export by providing tools to introduce new products to new customers, maintain current sales in the face of new competition, and overcome constraints such as tight credit, benefiting both the farm and non-farm sectors of the U.S. economy through job creation and additional economic activity.

FAS coordinates with the interagency Trade Promotion Coordinating Committee, State Departments of Agriculture, agricultural and industry organizations, and other USDA agencies to identify opportunities to collaborate and increase program effectiveness.

- (3) A net decrease of \$7,511,000 and 14 staff years for Trade Promotion (\$70,285,000 and 270 staff years available for the 2018) for administrative costs and activities.
- a. An increase of \$553,000 for ICASS costs;
  - b. An increase of \$540,000 for LES costs;
  - c. An increase of \$1,147,000 for CSCS;
  - d. A decrease of \$4,590,000 for administrative costs;
  - e. A decrease of \$5,161,000 and 14 staff years for attrition; and

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

FAS is the link that enables the U.S. to share both its food resources and its technical agricultural expertise with developing economies. FAS has significant experience in providing food assistance, training and technical assistance, and technical exchanges that build foreign country capacity to grow, buy, and process U.S. agricultural products.

FAS' trade capacity building and food security activities are needed to support U.S. agriculture's trade interests in developing countries around the world. FAS provides these services and supports in-country institutional trade capacity-building, research, technical training, and food assistance activities targeted at developing economies with promising market potential.

FAS advances global trade and food security with agricultural training, technical assistance, and food assistance for developing economies worldwide. FAS provides its programs to foster market-based, economic growth along the full agricultural development spectrum, and builds the capacity of countries to integrate into the global economy and become trading partners with the United States, as well as the adoption of U.S. trade and regulatory policies and new agricultural technologies. FAS serves these countries to move them along the agricultural market continuum from developing economies, where capacity building is the primary focus, to developed economies, where market expansion is the primary focus. FAS' trade capacity building 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.

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These services are needed to strengthen the capacity of foreign countries to trade and participate in international markets fully, thus expanding demand for U.S. agricultural products and enhancing global food security. 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. The Cochran and Borlaug Fellowship Programs assist in opening markets, decreasing or assisting in eliminating trade barriers, which ultimately increases and creates new opportunities for U.S. agricultural exports. The Borlaug program trained 49 Fellows in 2017 by assisting developing and middle-income countries in strengthening agricultural practice through the transfer of science and new agricultural technology. The Cochran program trained 583 international participants who 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.

- (4) A net decrease of \$7,255,000 and 14 staff years for Capacity Building/Food Security (\$42,952,000 and 165 staff years available for the 2018) administrative costs and activities.
- a. An increase of \$338,000 for ICASS costs;
  - b. An increase of \$330,000 for LES costs;
  - c. An increase of \$701,000 for CSCS;
  - d. A decrease of \$3,463,000 for administrative costs;
  - e. A decrease of \$5,161,000 and 14 staff years for attrition; and

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

State/Territory	2019							
	2016 Actual		2017 Actual		2018 Estimate		President's	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
District of Columbia.....	\$124,715	593	\$127,666	651	\$127,860	665	\$125,663	657
Other Countries.....	73,245	116	74,979	116	74,470	115	73,803	115
Total Obligations .....	197,960	709	202,645	767	201,269	780	199,467	772
Rescissions, Transfers, and Seq. (Net)	-8,799	-	-10,403	-	-	-	-	-
Total Appropriations.....	189,161	709	192,242	767	201,269	780	199,467	772
Bal. Available, SOY.....	-	-	-	-	-	-	-	-
Recoveries, Other (Net).....	-	-	-	-	-	-	-	-
Total Available.....	189,161	709	192,242	767	201,269	780	199,467	772
Lapsing Balances.....	-	-	-	-	-	-	-	-
Bal. Available, EOY.....	-3,457	-	-4,574	-	-	-	-	-
Total Obligations.....	185,704	709	187,668	767	201,269	780	199,467	772

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Classification by Objects

(Dollars in thousands)

	2016	2017	2018	2019
	Actual	Actual	Estimate	President's Budget
<b>Personnel Compensation:</b>				
Washington D.C.....	\$55,812	\$57,844	\$61,457	\$62,934
Field.....	21,705	22,495	25,397	26,930
11 Total personnel compensation.....	77,517	80,339	86,854	89,864
12 Personal benefits.....	28,911	28,074	29,889	30,649
13.0 Benefits for former personnel.....	300	-	300	300
Total, personnel comp. and benefits.....	106,728	108,413	117,043	120,813
<b>Other Objects:</b>				
21.0 Travel and transportation of persons.....	8,535	8,919	9,000	9,000
22.0 Transportation of things.....	1,551	1,550	1,600	1,600
23.1 Rental payments to GSA.....	92	92	93	94
23.2 Rental payments to others.....	3,523	3,763	4,000	4,000
23.3 Communications, utilities, and misc. charges.....	2,109	3,550	3,700	3,700
24.0 Printing and reproduction.....	100	305	500	500
25.1 Advisory and assistance services.....	51,870	56,821	29,994	30,888
25.2 Other services from non-Federal sources.....	5,989	7,755	8,000	6,500
25.3 Other purchases of goods and services from Federal sources.....	2,261	2,207	2,300	2,300
25.4 Operation and maintenance of facilities.....	27	20	20	20
25.5 Research and development contracts.....	12,258	13,850	14,000	9,178
25.6 Medical care.....	105	218	225	225
25.7 Operation and maintenance of equipment.....	820	1,618	2,000	2,000
25.8 Subsistence and support of persons.....	5	8	10	10
26.0 Supplies and materials.....	1,290	1,442	1,500	1,000
31.0 Equipment.....	472	766	1,000	1,000
41.0 Grants.....	-	-	-	-
42.0 Insurance claims and indemnities.....	16	41	50	50
Total, Other Objects.....	91,023	102,925	77,992	72,065
99.9 Total, new obligations.....	185,704	196,571	195,236	193,085
DHS Building Security Payments (included in 25.3)	\$209	\$200	\$201	\$202
<b>Position Data:</b>				
Average Salary (dollars), ES/FE Positions.....	\$175,108	\$176,859	\$173,357	\$173,357
Average Salary (dollars), FO/FP Positions.....	\$118,926	\$120,115	\$117,737	\$117,737
Average Salary (dollars), GS/GM/FSN Positions.....	\$101,931	\$102,950	\$100,912	\$100,912
Average Grade, GS Position.....	13.3	13.1	12.9	12.9

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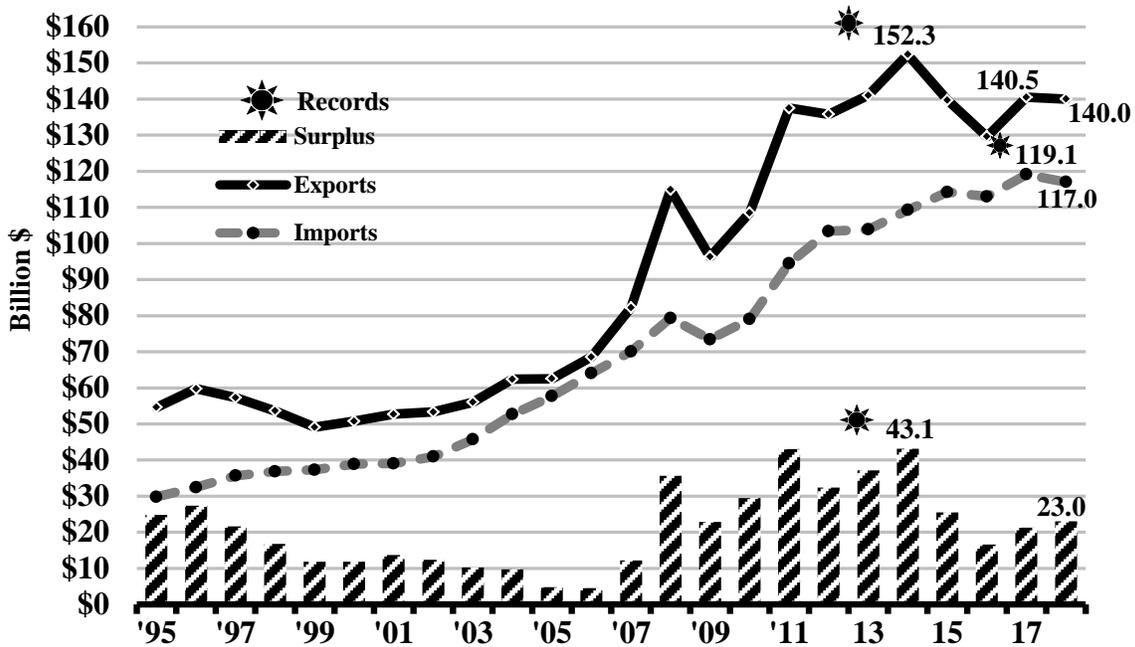
**SUMMARY OF AGRICULTURAL TRADE**

In 2017, U.S. agricultural exports reached \$140.5 billion, up \$10.8 billion, or 8 percent, from 2016 and the third highest year in history. Export volumes for bulk commodities increased 11 percent to a record 160 million metric tons (MMT), while export values were up 16 percent to \$51.4 billion in 2017. Soybean exports by volume were at a record 60 MMT valued at \$24 billion in 2017. Exports of corn, wheat, and cotton were all up on both volume and value. Livestock, poultry, and dairy exports rose 13 percent from 2016, with beef and dairy products showing the largest value gains. Horticultural product exports increased 3 percent from 2016 to \$33.9 billion, largely driven by an 8-percent increase in exports of tree nuts, which reached \$8.1 billion, the second largest year ever.

China is back as the largest U.S. export market, with shipments valued at \$22 billion in 2017, up 15 percent from the previous year. Canada returned to the second place, with sales that stayed even from 2016 at \$20.3 billion. Mexico remained the third largest export market with sales at \$18.6 billion, a 6 percent gain from the previous year. While exports to Japan recovered from 2016’s dip and went up 12 percent to \$11.8 billion, exports to the European Union (EU) remained virtually unchanged at \$11.6 billion in 2017. Rounding out the top ten markets were South Korea (\$6.9 billion), Hong Kong (\$4 billion), Taiwan (\$3.4 billion), Indonesia (\$3 billion), and the Philippines (\$2.6 billion).

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

**U.S. Agricultural Trade**



Note: Forecasts are based on USDA’s “Outlook for U.S. Agricultural Trade” published on November 30, 2017. Source of trade data: the U.S. Bureau of the Census.

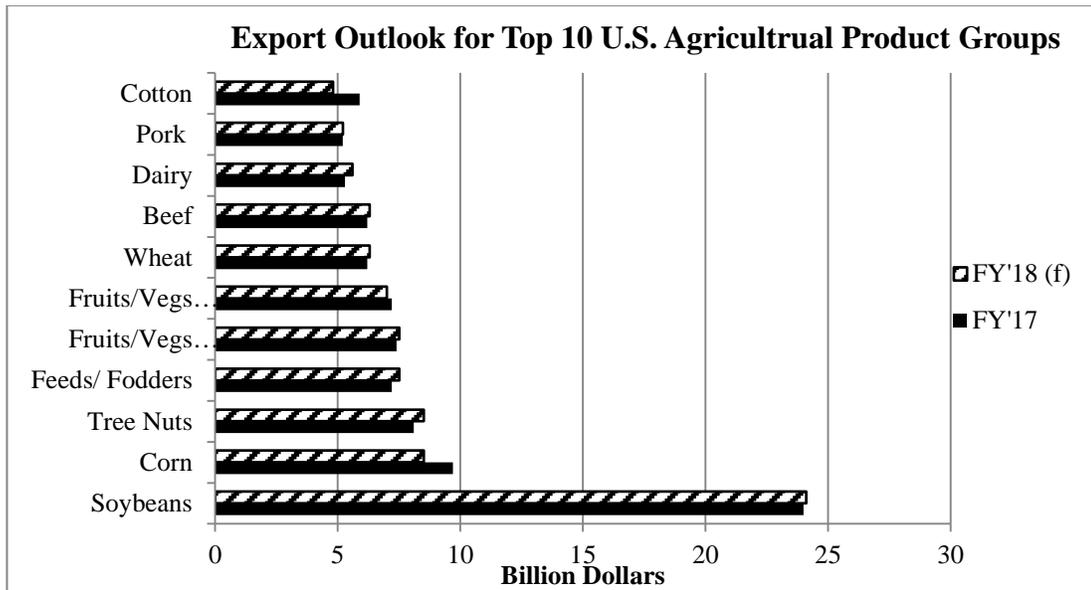
FOREIGN AGRICULTURAL SERVICE

**COMMODITY EXPORT HIGHLIGHTS**

The 2018 agricultural exports are forecast at \$140 billion, slightly down from last year and would be the fourth highest in history if realized.

Major bulk commodity exports are forecast at \$47.5 billion in 2018 compared to \$49.6 billion in 2017. Major bulk export volume is expected to reach 149.1 MMT, a 5 percent reduction from last year, primarily due to lower corn projections. Compared to the previous year, the highlights for 2018 are:

*Grains.* Wheat and corn exports for 2018 are forecast to be \$14.8 billion, down from \$15.9 billion in 2017. For corn, higher competition from South America has reduced U.S. export prospects, and corn volume is projected to be 12 percent smaller than last year while unit values have changed a little. Wheat export volume is down 6 percent; however, higher unit values more than offset the lower volume and over wheat export value is up slightly.



*Soybeans.* Soybean exports are forecast at \$24.1 billion. The forecast is \$0.1 billion higher than 2017 exports, as volumes are projected to reach a new record and more than offset lower unit values. Record U.S. soybean production is driving this forecast.

*Cotton.* Cotton exports are forecast at \$4.8 billion, a decline of \$1.1 billion from 2017. Lower unit values due to ample foreign stocks are the main reason behind the decline.

*High-value product exports* are forecast at \$92.5 billion in 2018, up \$1.7 billion from 2017. Compared to the previous year, the forecasted highlights for 2018 are:

*Feed and Oilseed Products.* Feeds and fodders exports are expected to be up \$0.3 billion as demand for distiller’s dried grains (DDGS) is expected to be strong, especially from Vietnam which recently reopened its market to U.S. supplies. Soybean meal export values are up slightly from last year at \$4 billion, while soybean oil exports are down slightly at \$0.8 billion.

*Animal Products.* The export forecast for livestock, poultry, and dairy products is \$29.7 billion, \$0.8 billion higher than 2017 exports, with dairy and beef accounting for the largest increase. Stronger world prices and improved demand help boost projected dairy export value up \$0.3 billion up to \$5.6 billion. Export volume of beef, pork, and broiler meat, are all expected to increase moderately. Beef exports are forecast at \$6.3 billion, \$0.2 billion higher than 2017. Pork exports are expected to be \$5.2 billion, similar to last year, as lower unit value offsets a 6-percent increase in volume. Poultry is forecasted at \$5 billion, \$0.1 billion higher than 2017.

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*Horticultural Products.* The 2018 export forecast for horticultural products is at \$34.5 billion, up \$0.6 billion from 2017. Higher tree nut exports more than offset small reductions in fresh fruit and vegetable exports. Tree nut exports are expected to increase \$0.4 billion to \$8.5 billion on rebounding unit values of almonds and walnuts. Fresh fruit and vegetable exports are forecast at \$7 billion (down \$0.2 billion). Processed fruit and vegetable exports are forecast at \$7.5 billion (up \$0.1 billion).

### **TOP EXPORT MARKETS**

The top five markets account for 61 percent of U.S. agricultural exports. China is expected to remain the largest U.S. agricultural market with exports at \$22.6 billion. Lower cotton prices are expected to curtail the export value of U.S. cotton to China. However, record U.S. soybean production and lower prices are expected to boost sales, while strong Chinese demand for dairy, especially nonfat dry milk and whey, helps offset reductions in cotton. U.S. agricultural exports to our North American Free Trade Agreement partners, Canada, and Mexico are forecast at \$40.4 billion in 2018, up \$1.4 billion from last year. Mexico is forecast up \$0.6 billion to \$19.2 billion as a result of stronger expected exports of pork and dairy products. The forecast for Canada is up \$0.8 billion to \$21.2 billion, largely due to higher sales of fresh fruit and vegetables.



Exports of agricultural products to the EU are forecast at \$11.8 billion, up \$0.2 billion from last year, on the strength of higher export values of horticultural products and soybeans. Exports to Japan are projected at \$11.1 billion, down \$0.7 billion from 2017 primarily due to falling corn sales.

### **COMMODITY IMPORT HIGHLIGHTS**

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

The import forecast for 2018 is \$117 billion, down \$2.1 billion from last year, primarily due to lower horticultural product imports.

*Horticultural Products.* Imports are forecast to drop to \$55.9 billion, down \$0.9 billion from last year. Imports of processed fruits and vegetables, fresh vegetables, and tree nuts are expected to remain strong.

*Grains, Oilseeds, and Products.* Imports are forecast down \$0.5 billion to \$20.1 billion.

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*Livestock and Dairy.* Imports are forecast to decline \$0.3 billion to \$15.8 billion, largely due to reductions in beef and pork shipments resulting from increased domestic red meat supplies.

*Sugar and Tropical Products.* Imports are forecast to drop \$0.6 billion to \$23.3 billion as declines are expected in coffee and cocoa products.

### **TOP FOREIGN SUPPLIERS**

The top forecasted suppliers in descending order are Mexico, Canada, EU, China, Brazil, and Indonesia (tied for fifth). Supplies from these exporters are forecast to account for 67 percent of total U.S. imports, with the Western Hemisphere accounting for 56 percent of the total import bill.

### **PRIORITY MARKETS (7 USC 5603)**

FAS' Global Market Strategy (GMS) fulfills USDA's legislative requirement under 7 USC 5603(d)(1) to identify priority markets (A) in which imports of agricultural products show the greatest potential for increase; and (B) those markets in which, with the assistance of federal export promotion programs, exports of U.S. agricultural commodities and related products, including high-value products, show the greatest potential for increase. The GMS was developed and priority markets were determined through a comprehensive, data-driven analysis of multiple factors including historic import trends, domestic consumption and production patterns, population dynamics, GDP growth, foreign competition, free trade agreements, and retail marketing trends. Priority markets include a mixture of large mature markets where U.S. agricultural export expansion may be achievable through capturing competitor market share, as well as growth markets where economic and population dynamics are driving increased food demand. Exports are vital to the livelihoods of American farmers and ranchers, and improved access to current, expanding and new overseas markets further improves that condition.

<b>(7 USC 5603(d)(1)(A)) Priority markets &amp; those with greatest potential for increasing imports</b>	
<b>Markets</b>	<b>USDA/FAS Overseas Offices</b>
Canada	Ottawa - OAA, Toronto - OAA
CAFTA-DR	Costa Rica (San Jose) - OAA, Dominican Republic (Santo Domingo) - OAA, El Salvador (San Salvador) - OAA, Guatemala (Guatemala City) - OAA, Honduras (Tegucigalpa) - OAA, Nicaragua (Managua) - OAA
China/Hong Kong	Beijing - OAA, Beijing - ATO, Chengdu - ATO, Guangzhou - ATO, Shanghai - ATO, Shenyang - ATO, Hong Kong - ATO
Colombia	Bogota - OAA
European Union	Belgium (Brussels) - USEU, Austria (Vienna) - OAA, Bulgaria (Sofia) - OAA, Croatia (Zagreb) - OAA, Czech Rep. (Prague) - OAA, France (Paris) - OAA, Germany (Berlin) - OAA, Hungary (Budapest) - OAA, Italy (Rome) - OAA, Italy (Rome) - FODAG, Netherlands (The Hague) - OAA, Poland (Warsaw) - OAA, Romania (Bucharest) - OAA, Spain (Madrid) - OAA, UK (London) - OAA
India	New Delhi - OAA, Mumbai - OAA
Indonesia	Jakarta - OAA
Japan	Tokyo - OAA, Tokyo - ATO, Osaka - ATO
Malaysia	Kuala Lumpur - OAA
Mexico	Mexico City - OAA, Mexico City - ATO, Monterrey - ATO
Philippines	Manila - OAA
South Korea	Seoul - OAA, Seoul - ATO
Taiwan	Taipei - AIT, Taipei - ATO
Turkey	Ankara - OAA, Istanbul - OAA
Vietnam	Hanoi - OAA, Ho Chi Minh City - OAA

*Markets listed alphabetically.*

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<b>(7 USC 5603(d)(1)(B)) Priority markets with greatest potential to increase U.S. agricultural exports using federal export promotion programs</b>	
<i>Markets</i>	<i>USDA/FAS Overseas Offices</i>
Canada	Ottawa - OAA, Toronto - OAA
CAFTA-DR	Costa Rica (San Jose) - OAA, Dominican Republic (Santo Domingo) - OAA, El Salvador (San Salvador) - OAA, Guatemala (Guatemala City) - OAA, Honduras (Tegucigalpa) - OAA, Nicaragua (Managua) - OAA
China/Hong Kong	Beijing - OAA, Beijing - ATO, Chengdu - ATO, Guangzhou - ATO, Shanghai - ATO, Shenyang - ATO, Hong Kong - ATO
Colombia	Bogota - OAA
European Union	Belgium (Brussels) - USEU, Austria (Vienna) - OAA, Bulgaria (Sofia) - OAA, Croatia (Zagreb) - OAA, Czech Rep. (Prague) - OAA, France (Paris) - OAA, Germany (Berlin) - OAA, Hungary (Budapest) - OAA, Italy (Rome) - OAA, Italy (Rome) - FODAG, Netherlands (The Hague) - OAA, Poland (Warsaw) - OAA, Romania (Bucharest) - OAA, Spain (Madrid) - OAA, UK (London) - OAA
India	New Delhi - OAA, Mumbai - OAA
Indonesia	Jakarta - OAA
Japan	Tokyo - OAA, Tokyo - ATO, Osaka - ATO
Malaysia	Kuala Lumpur - OAA
Mexico	Mexico City - OAA, Mexico City - ATO, Monterrey - ATO
Philippines	Manila - OAA
Singapore	Singapore - OAA
South Korea	Seoul - OAA, Seoul - ATO
Taiwan	Taipei - AIT, Taipei - ATO
Thailand	Bangkok - OAA
Vietnam	Hanoi - OAA, Ho Chi Minh City - OAA

*Markets listed alphabetically.*

**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 U.S. Government to negotiate new trade agreements and enforce existing trade agreements. FAS overseas attachés and Washington-based analysts cover more than 170 countries worldwide to prevent and resolve trade problems involving U.S. products and to provide country and regional intelligence to support U.S. exporters and agricultural producers. FAS combines its intelligence gathering, analytical skills, overseas presence, extensive industry contacts, marketing programs, trade capacity building programs, technical expertise, and relations with other U.S. Government agencies to develop and implement coordinated strategies to open overseas markets for U.S. agriculture. These efforts directly augment the private sector's ability to export and support the President's goals of job creation and sustainable economic growth. Notable achievements in these areas in 2017 include:

**Defending our Rights.** In 2017, FAS provided critical support for ongoing WTO disputes against several trading partners to defend the rights of U.S. farmers and exporters. Working closely with USTR, we have pushed China for an end to its excessive government support and non-transparent administration of tariff rate quotas for wheat, corn, and rice which have cost U.S. farmers billions. We have challenged China to ensure it eliminates all antidumping and countervailing duties on U.S. poultry imports. We have pursued the right to retaliate at a rate of up to \$450 million annually against India for its trade restrictive measures against U.S. poultry imports. We have defended our U.S. victory on 18 out of 18 claims against Indonesia's restrictive licensing requirements for horticultural and animal

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products restricting as much as \$200 million in U.S. trade. We have sent a message to Canada that provincial level wine measures that provide a competitive advantage to Canadian products over imports will not be tolerated.

**Reversing Bovine Spongiform Encephalopathy (BSE) Restrictions.** In 2017, U.S. beef arrived in China for the first time since 2013. While it will take some time to build that market to its tremendous potential, FAS and its partners are in it for the long haul. Additionally, Brazil and Thailand expanded the range of U.S. beef products allowed entry to align with international standards. U.S. beef and beef product exports reached \$7.1 billion in 2017, and expanded access is expected to result in continued growth in the coming years. FAS has begun to reap benefits from its efforts to shift resources into addressing related restrictions on other meats and meat products such as lamb and pet food. FAS opened the Moroccan market to U.S. pet food and the Guatemalan market to U.S. lamb exports.

**Cattle Exports Stampede into New Markets.** In 2017, FAS facilitated expanded beef and live cattle market access in several major markets following the World Organization for Animal Health (OIE)'s 2013 recognition of the United States as a negligible risk country for BSE. In 2017, FAS and the Animal Plant Health Inspection Service (APHIS) negotiations with Venezuela resulted in new animal health protocols that allow resumption of U.S. live cattle exports. Negotiated protocols with Bosnia, Herzegovina, and Morocco allow resumption of U.S. bovine genetics exports. These new markets contributed to U.S. breeding cattle and genetics exports reaching \$242 million in 2017.

**European Union (EU) Reprieve Preserves Fruit & Nut Trade.** In 2017, FAS persuaded the European Commission to postpone for two years the lowering of maximum residue limits (MRLs) for a key pesticide used on U.S. agricultural products (including citrus fruits, apples, pears, almonds, cherries, and cranberries) while supporting industry efforts to develop data needed for a permanent reprieve. This postponement has protected \$1.7 billion of 2017 exports of citrus fruits, apples, pears, almonds, cherries, and cranberries to the EU.

**China Postpones Implementation of its Certificate Requirement for All Imported Foods.** In 2017, FAS coordinated closely with like-minded countries and engaged extensively with China to seek changes and delay implementation of new rules that would have imposed onerous certification requirements for all foods exported to China. These efforts preserved access for an estimated \$1.5 billion in U.S. exports of processed foods. FAS will use this two-year window to press China for more reasonable certification requirements.

**FAS Gains Release of Detained Shipments Valued in the Millions.** FAS offices in 80 countries are ready to assist U.S. firms with consignments detained in foreign ports. In 2017 alone, FAS negotiated the release of hundreds of detained shipments in dozens of countries. FAS documented over \$27 million in saved shipments ranging from poultry in Turkey, almonds in Spain, cheese in Chile, crabs in China, and eggs in Japan.

**FAS Prevents Disruption to Poultry Exports.** Working closely with APHIS and other partners, FAS has helped manage market disruptions in the face of highly pathogenic avian influenza (HPAI) findings. Most major partners now regionalize the United States when a case does appear, supported by closely coordinated communications plans that are instrumental in minimizing the trade impact on the U.S. poultry industry. This has allowed trade to continue from areas of the United States not affected by HPAI. U.S. poultry and poultry product exports to these 47 trading partners in 2017 were \$3 billion. Korea lifted its nationwide ban as soon as possible after our latest outbreak and we have worked closely with them to change their rules to allow regionalization in the future. We are optimistic that this change will take place in 2018. We continue to work with China and India to modify their import requirements and lift their import bans.

**New Markets Are Delighted with U.S. Pork.** In 2017, FAS expanded markets for pork and pork products by opening new markets in Barbados, Grenada, and Uzbekistan. These gains have relied, in part, on the recent agreement in the World Organization for Animal Health (OIE) on a new Terrestrial Code chapter for porcine reproductive and respiratory syndrome.

**Full Court Press on Vietnam Restores Access for Distillers Dried Grain (DDGs) Vietnam and Maintains Access for Corn and Wheat.** In 2017, FAS and APHIS' coordinated action pressed Vietnam to restore market access for DDGs and to adjust trade restrictive fumigation requirements for corn and wheat. Prior to suspension in December 2016, Vietnam was the third largest market for U.S. DDGs valued at more than \$230 million. The adjustments to fumigation requirements preserved market access for corn and wheat valued at \$100 million and \$50 million respectively.

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**Chipping Away at “Eggs” Client Opportunities in Japan and Korea.** In 2017, FAS capitalized on domestic shortages in Japan and Korea to expand access for potatoes and eggs respectively. When HPAI struck Korea in 2017 and caused Korean egg production to fall significantly, FAS worked quickly to open the market for U.S. shell eggs and egg products, resulting in over \$15 million in exports. A potato shortage in Japan created opportunities to negotiate an extended window during which U.S. potatoes could be shipped and stored, which should lead to expanded exports in coming years.

**Review of Proposed Foreign Regulations Prevents Disruptions to Agricultural Trade.** In 2017, FAS reviewed nearly 1,900 regulatory measures proposed by foreign governments that had the potential to significantly affect U.S. exports. After soliciting input from stakeholders across the U.S. Government (USG) and private industry, we developed formal written comments on 255 of these measures to minimize the negative impact on trade. For example, in February 2017, FAS commented on a Japanese proposal to reduce or remove maximum residue limits (MRLs) for a key pesticide on a number of commodities, including potatoes, cucumbers, squash, and cranberries. In May, Japan altered its proposal to adopt U.S. tolerances for these key commodities facilitating continued access for approximately \$56 million of the affected commodities in 2017. U.S. comments on a Chilean notification resulted in the rescission of restrictive corn and wheat seed requirements, preserving \$6 million in trade. Looking ahead, FAS continues to expect a large number of new regulations from China that will have to be reviewed and addressed.

**FAS Keeps the Spotlight on Biotech Goods.** FAS maintains an extensive program of engagement to prevent needless restrictions on biotech goods. In 2017, China, Brazil, and other countries approved applications for genetically engineered products for food and/or animal feed that facilitated continued market access and growth of U.S. exports. In Senegal, FAS advocacy ensured that certain processed food products derived from biotech crops would be temporarily allowed for import without a lengthy biosafety review. This ongoing work is essential in preventing trade disruptions, particularly for corn, soybeans, and related products.

**“Milking” Dairy Markets for All They Are Worth.** FAS facilitated the retention of markets and renegotiation of dairy certificates around the world, facilitating dairy exports to the tune of \$5.3 billion. FAS facilitated exchanges over a three-year period between the Food and Drug Administration and China leading to an Memorandum of Understanding (MOU) that will facilitate the registration of U.S. dairy, infant formula, seafood, and other facilities desiring to ship to China. Following the MOU signing, FAS worked quickly to expand the list of dairy establishments eligible to ship to China.

**FAS Expands Rice Access to Colombia.** In 2017, FAS supported by USTR, reached agreement with Colombia to remove strict costly phytosanitary requirements and to expand the number of ports to which U.S. rice can be exported. FAS actions improve access in this market worth \$59 million in 2017.

**Gulf Cooperation Council (GCC) Food Import Guide – Suspended until Further Notice.** FAS’s aggressive efforts in 2017 successfully convinced the GCC (Saudi Arabia, United Arab Emirates, Kuwait, Qatar, Bahrain, and Oman) to indefinitely suspend implementation of their harmonized import requirements that are more onerous and trade-restrictive than necessary. The suspension will continue to allow unrestricted access for U.S. agricultural exports valued at over \$3.3 billion (with \$1.1 billion in processed products) in 2017.

**FAS Counters Non-Science and Non-Risk-based Proposals across the Globe.** In 2017, FAS actions around the world persuaded trading partners to not enact or enforce numerous requirements that were not based on science or risk. For example, FAS and the Food and Drug Administration (FDA) successfully persuaded China to not prohibit U.S. honey access while the United States continues to respond to a lengthy questionnaire food safety and honeybee diseases and health. FAS pressed Nicaragua to reverse a decision to enforce an older salmonella standard that was not in line with international norms. As a result of FAS efforts, U.S. poultry now meets a performance-based standard similar to U.S. requirements. In 2017, FAS successfully negotiated with Thailand to reverse its suspension of annatto food coloring, a natural yellow food coloring, and include it in a positive list. In 2017, FAS convinced Pakistan to not modify its import requirements for soybeans, pulses, and distillers dried grains. FAS action prevented the imposition of costly and non-risk-based fumigation requirements on U.S. exports. Collectively, FAS actions preserved \$600 million worth of U.S. exports in these markets alone.

**Guatemala Accelerates CAFTA-DR Tariff Elimination on Poultry.** In 2017, Guatemala finalized an agreement with the United States to accelerate tariff elimination for fresh, frozen, and chilled U.S. chicken-leg quarters (CLQ). Under the Central America Free Trade Agreement –Dominican Republic (CAFTA-DR), Guatemala could have maintained tariff-rate quotas on CLQ through 2022. Guatemala also agreed to maintain a duty-free tariff-rate quota

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of 1,000 metric tons annually of processed CLQ for the remaining years of CAFTA-DR implementation. The accelerated tariff elimination creates new opportunities for a market already worth \$105 million in annual poultry exports.

**FAS Breaks Down Technical Barriers to Trade.** In 2017, FAS successfully broke down technical barriers to trade around the world. Notable examples include: persuading the EU to accept alternatives to paper for certificates of origin and ensuring that Ukraine completed requirements to authorize and staff a new certification office in a timely manner.

**FAS Fights Country of Origin Challenge under KORUS.** In 2017, FAS enforced the U.S.-Korea (KORUS) Free Trade Agreement by convincing Korean Customs to accept existing documentation as proof of origin for corn.

**Fewer Pesticide Residues Limit U.S. Horticultural Exports.** FAS persuades nations around the world to set pesticide residue limits that are favorable to the United States. In 2017, FAS had success in maintaining existing favorable standards in Japan for chemicals used in the production of apples, pears, pork, and beef. FAS also had success in convincing Korea to establish U.S.-friendly standards for chemicals used in the production of hay and fodder and that occur naturally in hops. FAS efforts in Korea preserved a market worth \$377 million in hay and fodder and worth \$750,000 in hops.

### **TRADE PROMOTION**

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. The results of FAS' efforts ultimately benefit both the farm and non-farm sectors of the U.S. economy through the creation of jobs and new market opportunities. Working with the State Regional Trade Groups (Food Export USA Midwest, Food Export USA Northeast, the Western United States Agricultural Trade Association, and the Southern United States Trade Association) and other industry organizations, FAS 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 U.S. industry participation in a range of international trade shows and manages credit guarantee programs to benefit U.S. agricultural exports.

### **MARKET DEVELOPMENT PROGRAMS**

**U.S. Corn Exports to Bangladesh Growing Thanks to MAP and FMD.** The U.S. Grains Council's (USGC) FMD-funded trade servicing and MAP-sponsored trade teams developed important trade relationships in Bangladesh. When India, Bangladesh's traditional corn supplier, was having difficulty supplying their needs in 2016, USGC visited buyers to discuss how U.S. supply could be a more economical alternative. Bangladesh imported \$17 million of U.S. corn in CY 2015 and \$33.4 million in CY 2016; January-August 2017 exports have already reached \$31 million.

**MAP Helps Texas Nut Company Makes Sales in Japan.** In March 2017, representatives from San Saba Pecan traveled to Tokyo, Japan to exhibit at the FOODDEX trade show. The pavilion was sponsored by the Southern United States Trade Association (SUSTA) using MAP funds. During the event, the Texas-based company met with six new buyers and the company reported \$30,000 in sales. The company expects another \$10,000 in sales in the coming months.

**Potatoes USA Used EMP and MAP to Build a Solid Foundation for U.S. Exports to Myanmar.** The Southeast Asian nation of Myanmar is Potatoes USA's newest target market. Over the past several years, Potatoes USA has used EMP and MAP funding to build relationships and expand U.S. product knowledge in the foodservice, retail, and ingredient sectors. Activities have included one-on-one meetings, educational seminars, cold chain training, and distribution of educational materials. A key strategy focused on developing direct export relationships to overcome constraints related to the transshipment of products. On the U.S. side, Potatoes USA has worked to convince U.S. suppliers to increase their market presence in Myanmar. As a result, in July-

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June 2016/2017, U.S. potato exports to Myanmar reached 290 tons worth nearly \$384,000, a ten-fold increase since 2013 when Potatoes USA began its marketing efforts.

**MAP Helps Market Record Amount of California Cherries to Korea.** The California Cherry Marketing and Research Board (CCMRB) started conducting promotions in South Korea in 2000, with exports to the market at only 56 metric tons (MT). In 2017, exports have reached 7,210 MT, valued at over \$69 million. Korea is now the CCMRB's largest export market by value and second largest by volume. MAP funding has been instrumental in developing this market for the California cherry industry. In 2017, CCMRB worked with five Korean importers to promote California cherries in over 450 retail locations across 1,054 in-store sampling days, highlighting the presence of California cherries in the market during the short, concentrated California cherry season. During CCMRB's in-store promotions, sales more than doubled, resulting in an increase of over \$1.2 million compared with the week prior to promotions. CCMRB also partnered with one importer to promote California cherries on a Korean home shopping network, featuring attractive images and displays of California cherries, including cherries in orchards and packing facilities. The segment informed consumers about the product origins and air freight shipment to Korea. Sales of California cherries as a result of the promotion were over \$155,000. MAP support for CCMRB promotional activities was critical to exporting a record amount of California cherries to this important market.

**MAP Helps Louisiana Company Make Sales in Indonesia.** In April 2017, representatives from Crown Products traveled to Jakarta to exhibit at Food and Hotel Indonesia. The pavilion was sponsored by SUSTA using MAP funds. During the event, Metairie, a Louisiana-based company met with 10 new buyers. The company reported \$31,000 in sales of processed grocery products and they expect another \$75,000 in sales in the coming months.

**Cotton Council International's (CCI) Live Webcast with T-Mall Boosts Sales.** CCI increased sales of U.S. cotton-rich children's products from five brand licensees at Huijin Department Store in Shanghai, China, via a live web broadcast with T-Mall, the leading e-commerce giant in China. This interactive family shopping event, funded in part by MAP, was the first time that CCI has combined online and offline channels for content marketing in the hope of providing consumers with new shopping experiences. The T-Mall platform gathered 4.3 million views and sold 250,000 COTTON USA products, with an estimated value of \$4.5 million, during the two hour sales period. Additional COTTON USA promotions by T-Mall led to sales of about 800,000 items with estimated value of \$9.3 million. The event also generated a Public Relations value of \$2.8 million for COTTON USA.

**EMP Funds India Softwood Lumber Assessment.** India holds great potential for U.S. softwood lumber exports. The country is forecasted to become the world's third largest construction market by the year 2025. In 2015, the Softwood Export Council used EMP funds to conduct a needs assessment of the Indian market for U.S. softwoods. Softwood lumber demand is rapidly increasing as the country seeks to find alternative sources after Myanmar, which previously supplied the lion's share of the country's imports, banned log exports. This EMP project was an important step in gaining access to the market and setting the stage for future promotional work. Since the initial grant, the lumber industry has implemented technical assistance activities to follow up on the assessment recommendations and further explore expanding U.S. exports in this market. As a result of instituting this program, U.S. softwood lumber exports January-August 2017 have reached \$13.6 million, 50 percent above CY 2016 exports of \$9.1 million.

**MAP and QSP Help Grow U.S. Wool Sales to China.** The American Sheep Industry Association's 2017 MAP-funded Chinese trade team visited U.S. wool exporters in Texas, South Carolina, and Illinois. During the trip, the Chinese buyers had the opportunity to learn first-hand about a variety of wool that the U.S. industry can produce and learn about the special characteristics of U.S. wool. This visit resulted in \$1 million in immediate sales and generated interest in carrying out product trials with new types of wool using the QSP. This initiative is expected to result in \$3-\$4 million in sales over the next three years.

**MAP and FMD Funded Technical Assistance Grow U.S. Wheat Sales to Southeast Asia.** U.S. Wheat Associates (USW) has focused its MAP and FMD programs in Southeast Asian countries on helping to develop end-product industries, such as expanding and improving the bakery sector. USW offers many MAP-funded courses each year throughout Southeast Asia and USW's FMD-funded technical consultant provides in-plant technical assistance. This strategy has resulted in Southeast Asian markets importing 5.5 MMT of U.S. wheat in

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June-May 2016/2017, valued at over \$1 billion, a result of an annual investment of about \$1.7 million in MAP and FMD funds in the region.

**MAP and FMD Funded Trade Show Presence Results in Wood Product Sales.** American Plywood Association (APA) – The Engineered Wood Association’s MAP and FMD funded trade servicing and participation in Australia’s and New Zealand’s largest building and design tradeshow, provided U.S. industry participants valuable networking opportunities in 2016 and 2017. American engineered wood manufacturers and exporters were able to establish, enhance, and expand important business relationships with key building material distributors and reported \$9.2 million in sales from participating in these activities.

**MAP Grows Washington Apple Sales in China.** The Washington Apple Commission used MAP funding to partner with T-Mall, China's largest online shopping platform. An investment of \$20,000 resulted in \$275,000 in direct sales. A live broadcast streamed a walk through a Washington apple orchard and their apple packing line, highlighting the technology used in the storage and packing processes. The promotion also included a special feature about Washington apple varieties and growing regions. Activities like these have contributed to Washington apple exports to China reaching \$48 million in September-August 2016/2017, 50 percent higher than the previous year.

**EMP and MAP Help to Develop a New Market in Poland.** The California Dried Plum Board (CDPB) launched MAP activities in Poland in 2014/2015, after using the EMP to assess opportunities in the Polish market. The CDPB then instituted a promotional program that highlighted the nutritional and health benefits of prunes, addressing diet-related issues such as cardiovascular disease and diabetes. This messaging has resonated with consumers, and U.S. prune exports to Poland reached \$5.2 million in between August 2015 -July 2016, 12 percent above the previous year.

**QSP and MAP Help Grow California Walnut Exports.** The California Walnut Commission (CWC) reached 56 major food companies in Turkey with walnut samples, provided by the QSP. These walnuts were showcased through MAP-funded technical seminars, trade shows, and one-on-one meetings demonstrating the versatility and health benefits of walnuts in culinary applications from bread and cookies, to snacks and packaged goods. Turkey has been the top export market for U.S. walnuts the past three seasons and exports reached a record \$167 million in September-August 2016/2017.

**New Winery Finds Customers in Hong Kong Thanks to MAP Funding.** In May 2017, the New York Wine and Grape Foundation (NYWGF) utilized MAP funds to participate in the new Prowine Asia trade show in Hong Kong. As a result of the event, a small company, Hermann J. Wiemer in Dundee, received an order from their representative in Hong Kong for 150 cases of wine, valued at \$25,000. Their products are excellent examples of the quality wines which can be produced in New York State and what happens when MAP funded activities successfully introduce them to the world.

**The U.S. Soybean Export Council (USSEC) and the U.S. Grains Council (USGC) Sponsor an Asia Grain Transportation Conference.** With the help of MAP funds, the USSEC and USGC organized the 2017 Conference, held in Ho Chi Minh City, Vietnam. There were over 230 participants from across the region that represented 100 companies from 10 countries. The conference included discussions about key Asian markets, the global outlook for grain and soy, trends in ocean freight, and supply chains for food and agri-products. As a result of the conference, participants reported sales of over 1.1 MMT of U.S. agricultural products, about 600,000 MT, or 25 million bushels of U.S. soybeans and soybean meal and over half a million MT of U.S. corn, DDGs with soluble, and wheat.

**Trade Show Proves Lucrative to U.S. Organic Product Sales in the EU.** In 2017, the Organic Trade Association (OTA) utilized \$175,000 in MAP funding to sponsor 17 USDA certified organic companies at the BIOFACH Trade Show in Germany. Sponsored exhibitors reported \$120,000 in on-site sales and projected another \$8.6 million in post-show revenue. U.S. organic exports to the EU in 2016 reached 40,000 MT, the largest in volume of any export market, and second in value at \$25 million.

**EMP and MAP Help U.S. Peanut Industry Build a Successful Trade Relationship with Chinese Buyers.** The American Peanut Council (APC) using the MAP funds, contracted with an in-country representative and brought a U.S. trade team to attend the Chinese Peanut Conference, hosting a dinner for Chinese buyers. APC participants also visited one of the largest peanut oil mills in China, not yet a buyer of U.S. peanuts. A U.S. tour

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for 48 Chinese buyers followed, using a mix of industry and MAP funds. These two trade teams resulted in 275,584 MT of U.S. peanut sales to China in 2016, valued at \$258 million. More importantly, the sales to China allowed the U.S. to sell one of the largest crops in its history, alleviating an oversupply issue that could have negatively impacted farmers.

**Virginia Brewery Opens United Kingdom (UK) Market at MAP-Supported Event.** Port City Brewing Company, a small brewery in Alexandria, Virginia, opened its first export market in 2017 as a result of its participation in the Brewers Association (BA)'s activities at the 2016 Great British Beer Festival (GBBF). The BA's program, which was funded with the support of the MAP, included a booth at the festival and an invitation-only American craft beer and food pairing dinner for influential trade and media. As the biggest beer festival in the UK, GBBF provided a platform for Port City to raise awareness for its beers and the brewery was able to establish a partnership with an importer. Port City's first shipment to the market was in April 2017, valued at \$1,800, and they are expecting to reach \$30,000 in sales during this first year. This is the brewery's first international success, and Port City is already looking forward to finding other opportunities, thanks to MAP support.

**U.S. Meat Export Federation (USMEF) Barbecue Campaign Grows Demand for U.S. Beef in Taiwan.** U.S. beef exports are forecast to reach \$393 million in 2017, \$29 million above 2016 exports. USMEF used MAP funds to create new ways to pique Taiwan's interest in and appetite for American-style barbecue and increase U.S. beef sales. USMEF launched a barbecue themed campaign, with 28 restaurants and over 1,000 major supermarket outlets, showcasing U.S. beef in a variety of barbecue styles. The campaign communicated the notion that "U.S. beef is BBQ." Taiwan's famous night market food stalls also participated in the promotions. Social media was very important in this massive campaign. A dedicated website and Facebook page were established to share information and to attract attention. Consumers who went to participating restaurants uploaded their photos on the Facebook page to enter a drawing for prizes. Taiwanese food bloggers were invited to interview people at the restaurants and a media luncheon brought together many different barbecue restaurant chains, an unprecedented undertaking in the Taiwanese foodservice market. Participating restaurants saw their U.S. beef sales jump an average of 25 percent and sales of popular U.S. beef barbecue items at participating retail outlets jumped 149 percent. Activities like these have helped grow demand for U.S. beef in Taiwan.

**U.S. Seafood Cooperator Partnership Makes Splash in Southeast Asia.** In September 2017, 17 U.S. seafood suppliers, representing the diversity of U.S. seafood from Alaska, Florida, and Maine, participated in a first-ever USA seafood trade mission to Southeast Asia. Using MAP funds, the mission to Singapore and Bangkok, Thailand, was led by Food Export USA Northeast and included the Alaska Seafood Marketing Institute (ASMI), Food Export Association of the Midwest USA, the Intertribal Agriculture Council, SUSTA, and the Western United States Agricultural Trade Association (WUSATA). Each stop included a series of over 350 scheduled one-on-one meetings with the U.S. supplier participants and Southeast Asian buyers. As a result, U.S. suppliers reported \$1 million in on-site sales of a wide range of USA seafood products including American lobster, black cod, salmon, Alaska Pollock, Pacific hake, oysters, Dungeness crab, and rockfish.

**MAP Helps Small Confectionary Company Find Success in International Sales.** Due to the repeat participation at ISM, Brown & Haley developed their brand's recognition in the international marketplace. In 2014 Brown & Haley met a distributor from Sweden, and made their first sale in 2016. In 2017, this distributor became Brown & Haley's sole representative for all of Scandinavia, with the potential to serve as the primary distribution point for all of their sales to the EU. As a result of this relationship, Brown & Haley conservatively predicts \$400,000 in sales to Scandinavia in 2017.

### **INTERNATIONAL TRADE SHOWS**

In 2017, nearly 1,000 U.S. companies and organizations participated in 20 USDA-endorsed trade shows in 14 countries, drawing buyers from all over the world. On-site sales totaled nearly \$300 million and 12-month projected sales reported by exhibitors were estimated at over \$2.35 billion. The companies made over 16,000 business contacts and displayed more than 5,000 new products in various markets on all continents.

**Dramatic Increase in Projected U.S. Sales at Gulfood 2017.** The annual Gulfood show was held February 26 to March 2, 2017 in Dubai, United Arab Emirates, with over 5,000 exhibitors and 120 national pavilions. This USDA-endorsed show had 169 U.S. exhibitors in the USA Pavilion who reported \$85.5 million in on-site sales

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and \$722 million in 12-month projected sales. The show provided U.S. exhibitors with over 5,000 business contacts, introducing 1,000 new products. U.S. exhibitors represented a broad range of U.S. companies including those new to market, new to export, minority-owned and small to medium sized enterprises. First time exhibitors at Gulfood 2017 represented 27 percent of exhibitors in the USA Pavilion. U.S. exhibitors had the opportunity met with 46 foreign buyers organized by 14 FAS overseas offices representing food and beverage buyers from Africa, South Asia, and the Middle East.

**USA Pavilion Nets Big Profits at Seafood Expo Global 2017.** Seafood Expo Global (SEG), the most important international event for the seafood industry, took place April 25-27, 2017, in Brussels, Belgium. This annual event attracted approximately 28,500 buyers, suppliers, media and other seafood professionals from more than 140 countries, and 1,859 exhibitors from 79 countries. The USA pavilion at SEG was composed of four industry association pavilions: the Southern U.S. Trade Association, Food Export USA Northeast, Intertribal Agriculture Council and the Alaska Seafood Marketing Institute. In total, 34 U.S. exhibitors displayed their products in the USA pavilion. USA Pavilion exhibitors reported record breaking on-site sales of \$136 million and 12-month projected sales of \$895 million.

**VIV Asia Show 2017 Generates Over \$30 million in Projected Sales.** The VIV Asia Show, one of the largest regional feed industry trade shows in Asia, took place March 15 – 17, in Bangkok, Thailand. This USDA-endorsed show featured a U.S. Pavilion with 46 companies, including the Illinois, Texas, Virginia, and Wisconsin Departments of Agriculture, as well as the U.S. Grains Council. Participants reported \$30.21 million in 12-month projected sales. U.S. companies made over 527 business contacts and introduced 90 products.

**Largest USA Pavilion to Date at Food and Hotel Vietnam 2017 Show.** From April 25-27, the Food and Hotel Vietnam Show, Vietnam's premier food and hospitality sourcing and networking trade event, took place in Ho Chi Minh City, Vietnam. Held biennially, this USDA-endorsed show welcomed 613 exhibitors and 20 international group pavilions. The USA Pavilion had the largest U.S. participation to date, with 38 exhibitors. Projected 12-month sales of U.S. agricultural products resulting from the event totaled \$11.8 million.

**SIAL Paris 2016 Final Year-long Sales, the Largest Ever Reported.** The 2016 SIAL Paris food show (Salon International de l'Alimentation), a biennial international food show, was the largest to date with more than 7,000 exhibitors (85 percent international) and 155,000 professional visitors from nearly 200 countries. USDA's Office of Agricultural Affairs in Paris welcomed 156 U.S. exhibitors to the USA Pavilion, including 54 small companies, 27 minority-owned companies, 19 new-to-market companies, and seven new-to-export companies. As a result of attending SIAL Paris 2016, U.S. exhibitors reported on-site sales and 12-month projected sales at \$53 million and \$399 million, respectively. These figures represent the largest projected year-long sales for a general food and beverage USDA endorsed trade show in Europe.

**Foodex Japan 2017 U.S. Pavilion Projected \$10 Million in Sales.** Held in Tokyo from March 7-10, 2017 the annual USDA endorsed FOODEX Japan show is the largest food show in Asia. The U.S. Pavilion had 65 exhibitors, and reported \$366,000 in on-site sales and \$10 million in 12-month projected sales of U.S. agricultural products. U.S. companies made 993 business contacts and introduced 287 products in the market. Of the 65 U.S. companies represented four were small to medium size, six new-to-export, and 12 were minority-owned companies.

**\$31.2 Million in Sales Projected at Seoul Food & Hotel Korea.** This endorsed annual food and retail show took place in Seoul, South Korea, from May 16-19, 2017. Fifty exhibitors in the U.S. Pavilion reported \$6.1 million in on-site, and close to \$31.2 million of 12-month projected sales of U.S. agricultural and food products. The U.S. Ambassador to Seoul, Mark Lippert, attended and assisted with the opening ceremony and visited with the U.S. exhibitors at the show. U.S. companies made over 290 business contacts and introduced 260 products in the market. The most popular U.S. products at the show included organic flavors, fresh pork, sweet potato fries, walnuts, cheese, butter, pasta sauce, apple sauce, sunflower and roasted snacks, cheese cakes, dried /frozen blueberries, and maple syrup. Of the 50 U.S. companies represented, 23 were small to medium size, nine new-to-market, five new-to-export, and 11 were minority companies.

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

**The 2016 Americas Food and Beverage Show.** This USDA-supported show was held on September 27-28, 2016 in Miami, Florida. The show had 427 exhibitors and over 11,000 visitors from 92 countries. U.S.

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exhibitors generated nearly \$13 million in reported on-site export sales and \$38 million in 12-month projected sales of U.S. agricultural and food products. FAS and the National Association of State Departments of Agriculture (NASDA), jointly with the World Trade Center in Miami, supported a U.S. Pavilion with 112 U.S. exhibitors of which 40 exhibitors reported new-to-market sales. FAS cooperator program participants including the USA Poultry & Egg Council, USMEF, and SUSTA were exhibitors in the USA Pavilion and hosted educational seminars and receptions. During the show NASDA organized over 500 product-matched, one-on-one meetings between USA pavilion exhibitors and selected foreign buyers from Latin America and the Caribbean. Each U.S. exhibitor participating in the customized one-on-one meeting program had up to 30 individual meetings with foreign buyers either chosen by NASDA and/or nominated by FAS Posts. NASDA also provided custom business consulting to USA pavilion exhibitors; more than 40 companies took advantage of this opportunity.

### **The American Food Fair at the National Restaurant Association's (NRA) Restaurant Hotel-Motel Show.**

This USDA-supported show was held in Chicago, Illinois on May 20-23, 2017. The show annually attracts upwards of 66,000 industry professionals from all 50 states and over 120 countries to see the products of over 2,300 exhibitors focused on the restaurant, food service, and hospitality industry. At the NRA Show, the American Food Fair Pavilion (AFF) was organized by NASDA and included over 97 U.S. companies. U.S. exhibitors reported nearly \$19 million in 12-month projected sales of U.S. agricultural and food products. FAS actively facilitated foreign buyer team visits, which included over 454 potential buyers from 21 countries. The 2017 AFF Pavilion also included the Hawaii, Illinois, Michigan, Minnesota, and Wisconsin State Departments of Agriculture and FAS cooperator program participants including Food Export-Midwest and Food Export-Northeast, and the Intertribal Agriculture Council (IAC). FAS attended the 2017 show and spoke at the NASDA Board of Directors and visited the AFF Pavilion's exhibitors.

## **AGRIBUSINESS TRADE MISSIONS**

FAS implements Agribusiness Trade Missions (ATMs) in countries and regions around the world that demonstrate strong economic growth, lower barriers to trade, or other relevant market conditions that support U.S. agricultural exports. ATMs provide first-hand education to U.S. businesses and State Department of Agriculture representatives about economic conditions and regulatory environments in host-country markets; allow U.S. businesses to conduct one-on-one business meetings with counterpart companies from targeted countries; and enable senior leadership from USDA to engage government representatives in trade-related policy dialogue that furthers U.S. interests and bolsters bilateral relations. In 2017, FAS conducted two ATMs, which included 41 companies and four trade association representatives and resulted in about \$6.4 million in on-site sales and \$31.2 million in projected 12-month sales.

**U.S.-Egypt ATM.** From April 3-7, 2017, FAS led 21 U.S. businesses on an ATM to Cairo, Egypt. The delegation also included two U.S. agricultural commodity trade associations (U.S. Rice Producers Association and U.S. Soybean Export Council) representing a variety of agricultural products including grains and feeds, soybeans, meat and poultry products, agricultural machinery, and more. The ATM provided education to the U.S. participants about market opportunities for expanded U.S. exports to Egypt; connected U.S. companies with buyers from Algeria and Jordan; and created an opportunity for FAS to engage Egyptian government officials in positive dialogue. Participants reported \$6.3 million in on-site sales and \$24.5 million in projected 12-month sales.

**U.S.-Brazil ATM.** From September 25-30, 2017, FAS led 22 organizations (12 agribusinesses, two cooperators-USA Rice Federation and U.S. Grains Council, and eight ethanol groups), on an ATM to Recife and São Paulo, Brazil. The group received country team briefings and presentations from private sector representatives in both Recife and São Paulo, including in-depth remarks from the Ambassador and the respective Consuls General for Recife and São Paulo. The U.S. companies and cooperators participated in over 280 individual business meetings which resulted in a reported \$6.7 million in 12-month projected sales of U.S. agricultural exports to Brazil.

## **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:

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**ATO Tokyo Partners with WUSATA to Highlight New-to-Market Products in Japan.** On June 29, 2017, ATO Tokyo used CSSF to conduct a new-to-market U.S. food products Trade Showcase, in collaboration with the WUSATA. The New Product Tradeshow was designed in response to a recent surge in the number of inquiries from small- and medium-sized U.S. food suppliers asking for the ATO to help identify buyers for their products in Japan. Since Japan is a competitive market, it can be difficult for smaller companies to attract the attention of buyers. This showcase presented an opportunity for several U.S. food companies to band together to attract the attention of many potential importers and end users. ATO Tokyo targeted Japanese buyers and importers from trading houses, retailers, and the foodservice industries. The ATO and WUSATA recruited 27 U.S. agricultural product suppliers and a total of 170 buyers. Exhibitors reported total expected sales of \$1.125 million within the next 12 months.

**CSSF Helps Organize a Specialty Foods Trade Mission to the Nordics.** The Nordic market has around 27 million affluent consumers with Sweden (9.8 million inhabitants) and Denmark (5.7 million inhabitants) being the largest markets. The mission was therefore organized in Stockholm and Copenhagen, taking place April 2-6, 2017. U.S. exports of food and agricultural products to the Nordics totaled \$815 million in 2016. Two-third of these exports was destined for Denmark and Sweden. The remaining was shipped to Norway (23 percent), Finland (5 percent) and Iceland (5 percent). In the same year, exports of U.S. specialty foods were valued at \$80 million, or roughly 10 percent of total exports to the Nordics. This was the first time Food Export USA organized a trade mission to the Nordics. The seven U.S. companies participating in the mission represented specialty and gourmet food, healthy and convenience food stuffs, and craft beer. The participating companies visited several food distributors and attended 52 pre-scheduled one-on-one meetings with local importers, they reported on-site sales of \$38,000 and 12-month projected sales of \$216,000.

**CSSF Helps Korean Trade Team Find New Products at ITF 2017.** On June 26-28, 2017, ATO Seoul brought a delegation of four South Korean food ingredients buyers to the Institute of Food Technologists Association (IFT) show. The mission members looked for food ingredients for processing and new-to-market food products in U.S. grocery stores. They were interested in dairy ingredients, fruit and vegetable juice concentrate and puree, egg products, egg replacer, egg powder, grains (chia, flax, quinoa), oils, sesame paste, nutraceuticals, almonds, malt extract, dried fruit and seeds. The Korean buyers had face-to-face contacts with a large number of U.S. suppliers on the show floor. The Korean buyers also visited several specialty stores, including Wholefoods market, Trader Joes, and Albertsons in the city of Las Vegas. At the show site, several food research companies presented their recent studies for show participants, which updated the buyers' understanding of market trends. ATO Seoul supported the buyers' round trip air fares and costs of a rented van for Korean buyers' market tour. A follow-up survey estimated that this activity will generate an estimated \$1.5 million in sales over the 12 months following the event.

**CSSF Provides On-Site Support for Central European Trade Team at ProWein.** Thanks to CSSF, FAS Warsaw representatives attended the ProWein show for the first time, providing onsite show support to a group of 25 Polish, Lithuanian, Latvian, and Estonian buyers that visited the U.S. Exposition. ProWein is the largest exposition of U.S. exporters in central Europe, held in Dusseldorf, Germany, March 19-21, 2017. The event offers excellent infrastructure for networking. A follow-up survey conducted by FAS Warsaw shows that the activity generated \$350,000 in prospective 12-month sales to Polish, Lithuanian, Latvian, and Estonian buyers. FAS Warsaw representatives provided key assistance for the activity, including conducting recruitment of buyers to visit the U.S. exposition as well as facilitating meetings at the show floor. The fact that one of the leading U.S. wineries present in all countries under FAS Warsaw coverage celebrated its 50<sup>th</sup> anniversary at the show greatly contributed to the success of the trade outreach.

**CSSF Helps ATO Beijing Conduct "Virtual American Food Festival".** ATO Beijing partnered with the regional e-commerce company Chunbo.com to conduct a two-week online "Virtual American Food Festival" promoting U.S. food products. Chunbo.com is a Beijing-based e-commerce company that specializes in imported food products. Target customers are upper-middle level income consumers, and young mothers living in Beijing, Shanghai, and Jiangsu Province. Chunbo.com has over 500,000 active users. Among its many product lines, it sells fresh fruits, vegetables, seafood, beverages, snacks, and health foods. From July 14-30, 2017, the "Virtual American Food Festival" highlighted 41 U.S. food products which included seafood, dried fruit, nuts, fresh fruit, beverages, and dairy products. The Cranberry Marketing Committee, Northwest Cherry Growers, and the Alaska Seafood Marketing Institute, helped coordinate this event. During the two-week online promotion, ATO Beijing and Chunbo.com jointly conducted an in-person American food fair on July 23, 2017 in Beijing. Fourteen booths were set up at the event to present and promote U.S. food products including seafood,

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meat, ice cream, cheese, wine, craft beer, French fries, fresh fruit, dried fruit, and nuts. ATO Beijing invited a guest chef from Portland, Oregon to do cooking demonstrations featuring U.S. cuisine. Chunbo.com nearly tripled their sales of U.S. products to \$120,000 during the promotion and the in-person American food fair was covered by 13 members of the Chinese media, and attended by over 400 Chinese consumers.

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

The objective of the CCC Export Credit Guarantee Program (GSM-102) is to increase sales of U.S. agricultural commodities to international markets by facilitating the extension of export credit to countries – mainly developing countries – that have sufficient financial strength to have foreign exchange available for scheduled payments. By facilitating financing, the GSM-102 Program directly supports 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 2017, the GSM-102 program supported \$1.6 billion in agricultural commodity exports. The largest markets were Mexico, South America, Central America, and Africa/Middle East. Although the most heavily registered commodities were bulk commodities (corn, soybeans, wheat, meal, and rice), the program also supported sales of higher-value commodities such as fruit, nuts, and wood products. Program exports by dollar value for 2017 were 27 percent below the 2016 program level. Program use is tied to risk perception in international financial markets, with program use increasing as the perception of risk increases. In a number of markets, lower domestic interest rates and ample liquidity are dampening the need for the program to support U.S. exports. Restrictions on program tenor and fees dictated by bilateral and multilateral agreements also make the program less attractive in certain export markets.

Despite lower-than-average annual usage, the GSM-102 program continues to be critical in supporting sales of U.S. commodities to many markets. Accomplishments for 2017 include:

- The GSM-102 program supported \$554 million in U.S. yellow corn sales in 2017. U.S. yellow corn exports to Nicaragua, Peru, and the Dominican Republic through the GSM-102 program accounted for 35 percent, 33 percent, and 17 percent, respectively of all U.S. yellow corn exports to these countries (based on total U.S. export data through August 31, 2017). The GSM program helps U.S. exports to compete with other major yellow corn suppliers in these markets. For example, in 2016 the United States lost market share in the Dominican Republic to Brazil and Argentina. With the help of the GSM-102 program, U.S. exporters recaptured lost market share and became the major yellow corn supplier to this country in 2017.
- Soybeans are the second largest commodity supported by the GSM-102 program, with \$430 million in sales for 2017. U.S. soybean sales under the program to Costa Rica, Mexico, and Egypt, accounted for 33 percent, 16 percent, and 8 percent, respectively of all U.S. soybean exports to these countries (based on total U.S. export data through August 31, 2017). In Egypt, the United States lost market share in 2016 to Ukraine, Argentina, and Brazil. With the help of the GSM-102 program, U.S. exporters regained lost market share to become the second largest supplier to Egypt in 2017.
- The GSM-102 program supported \$253 million in U.S. wheat sales for 2017. U.S. wheat sales under the program to Mozambique and South Korea accounted for 99 percent and 25 percent, respectively, of all U.S. wheat exports to these countries (based on total U.S. export data through August 31, 2017). In 2016, U.S. exporters lost wheat market share to Russia and Canada, but were able to regain it from these competitors in 2017 with the help of the GSM-102 program.
- The GSM-102 program supported \$234 million worth of U.S. soybean meal sales in 2017. U.S. soybean meal sales to Turkey, Guatemala, and Colombia, accounted for 56 percent, 15 percent, and 13 percent, respectively of all U.S. soybean meal exports to these countries (based on total U.S. export data through August 31, 2017). In Turkey, the program has assisted U.S. exporters in maintaining market share versus main supplier Argentina.
- In 2017, the GSM-102 program also supported \$56 million in sales of rice, accounting for 25 percent of total U.S. rice exports to Venezuela. Sales of DDGs under the program, valued at \$25 million, accounted for 31 percent of total U.S. exports of DDGs to El Salvador. The sale of \$1 million in soybean hull pellets represents

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17 percent of total U.S. exports of soybean hull pellets to Costa Rica in 2017 (all figures based on total U.S. export data through August 31, 2017).

- The GSM-102 program also supports sales of non-bulk commodities. For example, U.S. exporters made sales of wood pulp and wood chips to Turkey and walnuts, almonds, and fresh grapes to South Korea in 2017.

### **GSM-102 Program Exports Supported by Region FY 2017**

<b>Country/Region</b>	<b>\$ Millions</b>
Africa & Middle East	136.5
Asia Region	42.0
Caribbean Region	120.6
Central America Region	266.5
Mexico	453.1
South America Region	443.6
South Korea	110.7
Southeast Asia Region	0.5
Turkey	49.7
<b>Total</b>	<b>\$1,623.2</b>

### **FACILITY GUARANTEE PROGRAM**

2017 was the first year of operation for the revised Facility Guarantee Program (FGP). The FGP is designed to boost sales of U.S. agricultural products by providing credit guarantees to improve or establish agriculture-related facilities in emerging markets where demand may be limited due to inadequate storage, processing, handling, or distribution capabilities. The FGP is a subset of the GSM-102 program and draws on the \$5.5 billion yearly authorization for the Export Credit Guarantee Programs. No guarantees were issued under this program in 2017 but FAS increased outreach efforts in 2017 to increase industry's awareness of the program.

FAS made \$500 million available for the program in 2017.

### **PROGRAM MANAGEMENT/OVERSIGHT**

In 2017, 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 was negative at -0.24 percent in 2017, and is currently estimated at -0.19 percent for 2018.

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

FAS strengthens the capacity of foreign countries to engage in international trade, thereby expanding demand for U.S. agricultural products and enhancing global food security. USDA's food assistance programs aim to address food security challenges by building food and market systems that expand trade and economic growth in cooperating countries. The Food for Progress Program aims to increase productivity and expands agricultural trade in developing countries. The McGovern-Dole International Food for Education program works to improve the literacy, nutrition, health, and hygiene practices of school children and their communities in low-income, high food-deficit countries. Through the Local and Regional Food Aid Procurement (LRP) Program, FAS is authorized to partner with private voluntary organizations, cooperatives, and the World Food Program to implement field-based projects that provide development assistance and emergency relief using locally procured commodities. Moreover, USDA foreign cooperators in developing countries, host-government officials, farmers, agricultural scientists, extension agents, educators, and private-sector representatives partner with USDA in promoting food security and

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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.

### **FOREIGN FOOD ASSISTANCE PROGRAMS**

FAS actively administers food assistance programs (Food for Progress (FFPr), the McGovern-Dole International Food for Education and Child Nutrition (McGovern-Dole) Program, and the Local and Regional Food Aid Procurement (LRP) Program) to help developing countries strengthen economic development and facilitate the transition from food aid recipients to commercial importers. No programs were furnished under the P.L. 480, Title I program, which did not receive an appropriation.

In 2017, FAS projects focused on making school feeding programs sustainable and improving developing countries' ability to produce and trade agricultural commodities. The programs featured a mix of monetization and direct distribution to meet the specific needs of recipient countries. In 2017, FAS programmed approximately 355,420 metric tons of food assistance with a value of approximately \$339 million. Of this amount, estimated commodity costs were \$130.6 million with transportation and other non-commodity costs estimated at \$208.4 million. Food assistance was provided through donations, with no concessional sales agreements. A total of 16 countries received food assistance through FAS-administered programs.

### **FAS FOOD ASSISTANCE PROGRAM SUMMARY, 2017**

<b><u>Program</u></b>	<b><u>\$ Millions</u></b>	<b><u>MT (000)</u></b>
CCC Funded/FFPr	\$141.2	294.4
McGovern-Dole	\$192.8	61.0
Local and Regional Procurement	<u>\$5.0</u>	<u>0.0</u>
<b>Total, Food Assistance</b>	<b>\$339.0</b>	<b>355.4</b>

### **CCC FUNDED - FOOD FOR PROGRESS (FFPr)**

The FFPr program assists developing countries and emerging democracies by introducing and expanding private enterprise in the agricultural sector. In 2017, CCC funding provided 294,420 MT of commodities valued at \$96.8 million, and \$44.4 million of transportation and other non-commodity costs. Implementing partners were either private voluntary organizations (PVOs) or foreign governments that monetize (commercially sell) the commodities and use sales proceeds to fund development projects. Countries receiving CCC-funded FFPr assistance and the quantity of the commodities programmed in 2017 are shown in the tables below.

### **2017 CCC -FUNDED FOOD FOR PROGRESS**

(\$ Millions)

<b><u>COUNTRY</u></b>	<b><u>TOTAL VALUE</u></b>
Cote d'Ivoire	\$14.6
Ethiopia	14.7
Honduras	16.5
Jordan	18.7
Laos	16.8
SeGaBe**	38.7
Sri Lanka	<u>21.2</u>
<b>Subtotal</b>	<b>\$141.2</b>

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**COMMODITIES PROGRAMMED IN 2017 UNDER**

**CCC-FUNDED FOOD FOR PROGRESS**

<b><u>COMMODITY</u></b>	<b><u>MT</u></b>
Hard Red Winter Wheat	142,000
Soybean Meal	95,900
Rice	23,000
Crude Degummed Soybean Oil	<u>33,500</u>
<b>Subtotal</b>	<b>294,400</b>

From 2013 – 2017, FAS oversaw \$778.0 million in FFPr programs in 25 countries. Below is a list of active FFPr programs, as well as examples of successes under these programs. FAS expects to see similar outcomes from programs funded in 2017.

**ACTIVE FOOD FOR PROGRESS PROGRAMS**  
**2013–2017 FISCAL OBLIGATIONS**

*(\$ Millions)*

<b><u>FY</u></b>	<b><u>Region</u></b>	<b><u>Country</u></b>	<b><u>Total Value</u></b>
2013	Near East	Bangladesh	14.4
2013	Sub-Saharan Africa	Burkina Faso	19.2
2013	Sub-Saharan Africa	Ethiopia	23.8
2013	Sub-Saharan Africa	Kenya	19.6
2013	Sub-Saharan Africa	Liberia	13.4
2013	Sub-Saharan Africa	Mauritania	5.6
2013	Sub-Saharan Africa	Mozambique	15.1
2013	East Asia & Pacific	Philippines	25.7
2013	East Asia & Pacific	Timor Leste	14.1
2014	Western Hemisphere	El Salvador	17.4
2014	Sub-Saharan Africa	East Africa Regional*	22.9
2014	Sub-Saharan Africa	Kenya***	3.6
2014	Sub-Saharan Africa	Liberia***	.6
2014	Sub-Saharan Africa	Mauritania***	.5
2014	Sub-Saharan Africa	Senegal	11.8
2014	Western Hemisphere	Guatemala	29.0
2014	Western Hemisphere	Nicaragua	13.2
2014	East Asia & Pacific	Philippines	12.8
2014	Sub-Saharan Africa	Tanzania	15.7
2015	Sub-Saharan Africa	Ghana	57.6
2015	Sub-Saharan Africa	Benin	51.6
2015	Western Hemisphere	Dominican Republic	39.9
2015	Western Hemisphere	Honduras	17.4
2015	Near East	Jordan	25.1
2015	Sub-Saharan Africa	Mali	5.4
2016	Near East	Bangladesh	24.0
2016	Sub-Saharan Africa	Burkina Faso	24.2
2016	Western Hemisphere	Guatemala	18.3
2016	Western Hemisphere	Haiti	10.8
2016	Sub-Saharan Africa	Malawi	20.6

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<u>FY</u>	<u>Region</u>	<u>Country</u>	<u>Total Value</u>
2016	Sub-Saharan Africa	Ethiopia	11.5
2016	Sub-Saharan Africa	Mozambique	25.6
2016	Western Hemisphere	Nicaragua	3.5
2016	Near East	Pakistan	22.9
2017	Near East	Jordan	18.7
2017	East Asia & Pacific	Laos	16.8
2017	Sub-Saharan Africa	Ethiopia	14.7
2017	Sub-Saharan Africa	Cote d'Ivoire	14.6
2017	Near East	Sri Lanka	21.2
2017	Western Hemisphere	Honduras	16.5
2017	Sub-Saharan Africa	SeGaBe**	<u>38.7</u>
<b>Subtotal</b>			<b>\$778.0</b>

\* Includes Kenya, Malawi, and Tanzania

\*\* Includes Senegal, Gambia, and Guinea Bissau

\*\*\*Kenya March 31, 2014 amendment adding funds; Liberia September 30, 2014 amendment adding funds; and Mauritania August 8, 2014 amendment adding funds.

Following are success stories in FFPr:

**Timor-Leste - Developing High-Value Horticultural Crop Production and Processing, and Contributing to Exports.** In East Timor, the National Cooperative Business Association (NCBA) implemented a five-year, \$14 million FFPr project targeting the horticulture sector in four districts spanning the eastern, southern, and central parts of the country. In August 2017, farmers participating in this FFPr project sold East Timor's first ever export of modified cassava flour milled from a new variety of tubers grown by project farmers. Efforts have also resulted in the sale of two containers of cloves to the U.S.-based McCormick spice company, with a value of \$184,000. The project worked with competitively selected farmer nurseries to distribute more than three million seedlings to 9,200 participating farmers. The program has enabled farmers to expand commercial production of diversified crops including black pepper, cacao, cloves, coffee, and vanilla, as well as cassava, moringa, and fruit, which offer important nutritional elements to local diets. Activities have targeted the production and distribution of improved seedlings, farmer training, farmer extension, cooperative procurement, processing, and exports, benefitting over 10,000 individuals.

**El Salvador - Co-Investment Fund Backs Salvadoran Coffee Farmers to Recover from Leaf-Rust Disease.** Through FFPr financial support, nearly 70 cooperatives, companies, and producer groups have been provided resources for crop loans, revolving working capital, milling, land purchase, rust control, coffee farm investments, purchasing of machinery and equipment, pre-export financing, and new plantings. Coffee rust, a fungal disease that affects coffee plants, has caused up to 80 percent losses for coffee farmers in El Salvador. Looking to rehabilitate the sector by introducing rust-resistant coffee plants, the National Cooperative Business Association-CLUSA (NCBA CLUSA) is implementing the FFPr "Coffee Rehabilitation and Agricultural Diversification Project." The 2014-2019 project has supported over 5,000 coffee growers, both individually and as members of cooperatives, to overcome the crisis and rebuild the coffee sector. To date, nearly 6,700 in-kind donations were delivered to over 3,700 producers through the incorporation of a \$1.4 million co-investment fund to introduce sustainable, cost-effective practices to the farmers, and make the implementation of these practices financially feasible for small-scale producers and cooperatives. Since 2015, 40 nurseries have received direct intervention for the establishment of 4.2 million seedlings, and 39 processing facilities were established for the production of organic pesticide and fertilizers.

**Ethiopian Feed Manufacturing Enterprises See \$5 Million in Cumulative Sales.** With the assistance of a \$36 million FFPr project, USDA has been supporting the development of the Ethiopian livestock feed sector. Under the 2008 and 2015 Feed Enhancement for Ethiopia's Development (FEED) projects, over 30,000 farmers and 171 extension agents were trained, 45 hectares of grazing land were rehabilitated, and 18 commercial feed manufacturing enterprises were established. Household incomes for small holder beneficiaries have increased by \$228 annually. USDA's sustained investment in the feed sector of Ethiopia continues to bear fruit. Through the establishment of the cooperative union based feed manufacturing enterprises, the FEED project has not only

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expanded opportunities for growth of livestock and poultry production in Ethiopia, but has also created new business opportunities and returns for union members and their communities. In addition the FEED project has introduced a new piece to the country's food production system, a piece that provides added flexibility in responding to shocks to the system, i.e. greater resilience and food security.

**Honduran Ministry of Agriculture Stresses the Importance of FFPr in Rural Communities.** FFPr-supported efforts to promote Honduran production of marketable and exportable products such as avocados, cacao, and honey have meant that people in rural communities are finding jobs in agriculture and benefitting their community instead of looking for opportunities elsewhere. The program set up 30 agricultural training schools throughout the country focused on improving production practices for maximized yield and quality, through which over 1,500 farmers are seeing the prospect of their plot of land helping them earn a fair livelihood. Using FFPr's approach to expanding markets and trade, the elaboration of a nationwide market information system has meant that over 10,000 farmers are closer than ever to their final market. In an impassioned progress report meeting in Washington, D.C., Honduras' Minister of Agriculture stressed the importance of empowerment in the agricultural sector and the positive effect it has on youth who, ever increasingly, are looking towards farming rather than moving abroad or towards gangs.

**USDA's FFPr Transforms One Mauritania Community.** No one predicted that the people of Arghawa II, Mauritania, would one day manage the land they cultivate, own their own herds, and generate their own income. With the help of FFPr, Arghawa II is now a flourishing agricultural community in Northwest Africa providing income and jobs for local men, women and young adults. Through a 2013 FFPr program, the people of Arghawa II were able to secure their fields with two miles of fencing, allowing the entire community to start a regular agricultural program with men planting peanuts and beans and women planting vegetables and harvesting fruit. The security provided by the fencing now creates a protected work area for everyone from animal predators. The benefits of the project in Arghawa II have expanded far beyond the two-mile fence. This project has helped mitigate rural migration by creating jobs to keep youth in the community. Local leaders reported that scores of youth who had planned to migrate to neighboring African countries, Europe and the Middle-East, have remained in the region. The FFPr project in Arghawa II provides current and new generations with a future in agriculture.

**Philippines – Expanding Access into Domestic and International Specialty Markets.** Since 2014, USDA has worked in the Philippines with ACDI/VOCA under the Mindanao Productivity in Agriculture, Commerce and Trade (MinPACT) project to increase the productivity of coffee, cacao, and coconut farmers and has helped them gain access to domestic and international markets. Since the project's inception in 2014, USDA has supported over 8,400 individuals and has assisted over 6,400 producers in the sale of the three commodities worth a combined \$26 million. Project activities have assisted producer organizations to establish nurseries that increase the number and quality of plants for all three commodities, allowing farmers to replace the aging, low-quality, and unproductive trees that currently constrain Philippine farmers from reaching markets. Furthermore, the project has conducted coffee cuppings for beneficiaries and certified the Philippines first cadre of 24 specialty Q-graders so that the country's best coffee can be identified, segregated, and priced accordingly. Furthermore, the project has supported local industry organizations to strengthen their institutional capacity and provide improved services to the coffee, cacao, and coconut sectors including improved industry policy advocacy, extension services, programming and trade shows.

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

The McGovern-Dole International Food for Education and Child Nutrition (McGovern-Dole) program feeds school children with U.S.-sourced commodities and enhances the literacy, nutrition, and hygienic practices of the children and their families. The program supports communities of pre- and primary school-age children and provides nutrition programs for women, infants, and children in foreign countries. Authorized by the Farm Security and Rural Investment Act of 2002, the program became operational in 2003. About \$193 million in assistance is being made available under the program in 2017, with approximately 28 percent of these funds allocated to commodity and freight costs. The remaining funds support complementary activities focused on ensuring sustainability, educational instruction, teacher training, school infrastructure construction, water and sanitation improvements, and administrative expenses. More than 2.3 million children and mothers will benefit from the 2017 program.

FOREIGN AGRICULTURAL SERVICE

**2017 MCGOVERN-DOLE FOOD FOR EDUCATION FUNDING**

**ALLOCATIONS**

*(\$ Millions)*

<b><u>COUNTRY</u></b>	<b>ESTIMATED TOTAL VALUE</b>
Bangladesh	\$17.1
Benin**	21.3
Republic of Congo**	30.0
Krgyz Republic	15.5
Laos	27.4
Liberia**	29.1
Nepal	29.3
Nicaragua**	<u>23.3</u>
<b>Subtotal</b>	<b>\$193.0</b>

*\*\*Five year program*

**2017 COMMODITIES FOR PROGRAMMING UNDER MCGOVERN-DOLE**

<b><u>COMMODITY</u></b>	<b><u>MT</u></b>
Beans, Small Red	240
Cornmeal, Soy-fortified	1,740
Corn-Soy Blend Plus	1,800
Flour, All Purpose	1,650
Lentils	5,360
Peas, Green Split	570
Peas, Yellow Split	4,150
Rice	6,820
Rice, Fortified	27,580
Sunflower Seed Oil	170
Vegetable Oil	5,060
Wheat, Hard Red Winter	960
Wheat, Soft White	<u>4,900</u>
<b>Subtotal</b>	<b>61,000</b>

## FOREIGN AGRICULTURAL SERVICE

USDA FAS implemented \$968.8 million in program funding in 25 countries from 2012 to 2017. These programs were successful in boosting attendance, increasing literacy scores, improving school infrastructure, enhancing administrative skills, and assuring program sustainability.

Below is a list of active McGovern-Dole programs and examples of success stories. USDA expects to see similar outcomes from 2017 funded programs.

### **ACTIVE MCGOVERN-DOLE FOOD FOR EDUCATION PROGRAMS** **FY 2013–2017 FISCAL OBLIGATIONS** *(\$ Millions)*

<b><u>FY</u></b>	<b><u>Region</u></b>	<b><u>Country</u></b>	<b><u>Total Value</u></b>
2013	East Asia & Pacific	Cambodia	20.0
2013	Sub-Saharan Africa	Ethiopia	26.5
2013	Western Hemisphere	Guatemala	28.8
2013	Western Hemisphere	Haiti*	10.0
2013	Sub-Saharan Africa	Kenya	20.0
2013	Sub-Saharan Africa	Liberia	20.0
2013	Sub-Saharan Africa	Malawi	21.0
2013	Western Hemisphere	Nicaragua	13.6
2013	Sub-Saharan Africa	Tanzania	17.5
2014	South & Central Asia	Bangladesh	26.0
2014	Sub-Saharan Africa	Benin	19.0
2014	Sub-Saharan Africa	Burkina Faso	23.0
2014	Western Hemisphere	Guatemala***	22.4
2014	East Asia & Pacific	Laos	27.0
2014	Western Hemisphere	Nicaragua	12.3
2014	South & Central Asia	Nepal	26.9
2014	Sub-Saharan Africa	Senegal	11.5
2015	Sub-Saharan Africa	Cameroon	12.0
2015	Sub-Saharan Africa	Cote d'Ivoire	35.0
2015	Western Hemisphere	Honduras**	33.7
2015	Sub-Saharan Africa	Mali**	29.9
2015	Sub-Saharan Africa	Mozambique**	60.8
2015	Sub-Saharan Africa	Rwanda**	25.0
2015	Sub-Saharan Africa	Sierra Leone	18.2
2016	East Asia & Pacific	Cambodia	15.2
2016	Sub-Saharan Africa	Ethiopia	12.0
2016	Western Hemisphere	Guatemala**	51.4
2016	Sub-Saharan Africa	Guinea Bissau	20.0
2016	Western Hemisphere	Haiti	14.0
2016	East Asia & Pacific	Laos	27.3
2016	Sub-Saharan Africa	Kenya**	28.0
2016	Sub-Saharan Africa	Malawi	15.0
2016	Sub-Saharan Africa	Tanzania**	33.0
2017	Western Hemisphere	Nicaragua**	23.2
2017	South & Central Asia	Nepal	29.3
2017	Sub-Saharan Africa	Liberia**	29.1

FOREIGN AGRICULTURAL SERVICE

<u>FY</u>	<u>Region</u>	<u>Country</u>	<u>Total Value</u>
2017	East Asia & Pacific	Laos	27.4
2017	South & Central Asia	Kyrgyz Republic	15.4
2017	Sub-Saharan Africa	Republic of Congo**	30.0
2017	Sub-Saharan Africa	Benin**	21.3
2017	South & Central Asia	Bangladesh	<u>17.1</u>
<b>Total</b>			<b>\$968.8</b>

*\*One year funded programming allocations; \*\*Five year programs;\*\*\*Agreement amended June 9, 2017.*

Following are recent success stories under McGovern-Dole:

**Guatemala – National School Meals Legislation Passes in Congress and is Officially Enacted.** On September 26, 2017, the Government of Guatemala passed a law for a National School Feeding Program that mandates funding for school meals to increase from the current \$0.15 per child per day to \$0.40 in 2018 and \$0.55 in 2019, and will eventually require 35 percent of the food to be purchased locally. The law will benefit close to 2.2 million children in 33,000 public schools. On October 19, 2017, the new law was officially enacted and will go into effect for the 2018 school year, beginning in January. The McGovern-Dole program provides daily school meals for 121,890 school-age children in 887 schools in the departments of Huehuetenango, Totonicapán, and Quiché in the Western Highlands of Guatemala. USDA’s implementing partners, Catholic Relief Services, Project Concern International, and Save the Children have actively participated in an inter-sectoral committee on school meals since it was first formed in January 2017 and had a direct impact on the new school feeding law. The committee includes representatives from the Guatemalan ministries of Education, Health, and Agriculture as well as the Presidential Secretariat for Food and Nutrition Security, the Institute of Nutrition of Central America and Panama, and the UN Food and Agriculture Organization and World Food Program. Together, these stakeholders have supported advocacy efforts for an improved policy and regulatory framework for school meals in Guatemala.

**Kenya – National Government Prepares for Full Handover of McGovern-Dole Schools in 2018.** At the African Union meeting in June 2017, the Cabinet Secretary of the Ministry of Education announced the country’s intention to prepare for a full handover of the national school meals program in 2018. McGovern-Dole currently serves approximately 358,000 school-age children in 1,070 schools across the arid counties of Baringo, Garissa, Mandera, Turkana, Wajir, and West Pokot. USDA has been providing school feeding assistance to Kenya since 2004 under McGovern-Dole, and in its 2016 award, included activities to focus on food safety and quality in the school meals program to ensure successful handover. Selected trainings target county public health officers, county school meals program officers, school meals procurement committees as well as traders and farmer organizations for specialized instruction on food safety and quality management.

**Kyrgyz Republic – Building Sustainability in School Feeding through a MOU.** USDA provided Mercy Corps \$16,241,097 million in 2012 to implement a 6-year McGovern-Dole project in kindergartens and primary schools across the Kyrgyz Republic. Throughout the life of the project Mercy Corps has worked with the Government of Kyrgyz Republic to build sustainability and financially contribute to school feeding. In 2017, the Government of Kyrgyz Republic increased their financial contribution by 50 percent per day per child in an effort to build sustainability and increase student attendance and attentiveness. Mercy Corps has also built close relationships with Ministry of Health and Ministry of Education and Science. A MOU was signed in June of 2017 outlines roles and responsibility of the three parties involved to build sustainability leading to eventual graduation.

**Sierra Leone – McGovern-Dole Project Affects Significant School Performance While Advocating for Stronger Policy Development.** USDA has one active agreement in Sierra Leone operating in 192 primary schools and affecting 31,000 school-age children in the Koinadugu District of Sierra Leone. Locally, the project has affected significant increases in enrollment at all McGovern-Dole-supported primary schools, along with heightened community awareness of the importance of education and participation in children’s learning. In June 2016, there were 28,000 pupils enrolled in project schools, of which 48 percent were girls. A year later, in June 2017, school enrollment was over 32,000 reflecting a 14 percent increase from the previous year. Enrollment of girls increased by 15 percent and in 2017 they made up 49 percent of enrollment. The results of the 2016 National Primary School Exams highlighted the project’s success, with the top nine pupils in Koinadugu coming from McGovern-Dole-supported schools; overall, McGovern-Dole-supported schools’ exam results were among the highest in the district.

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Additionally, McGovern-Dole helped in establishing educational bylaws focusing particularly on girl's rights, and provided technical guidance to the Sierra Leonean School Feeding Directorate as it developed a plan to create a nationally led program, an important step towards eventual graduation from McGovern-Dole.

### **LOCAL AND REGIONAL PROCUREMENT PROGRAM**

The objectives of the USDA Local and Regional Procurement (LRP) program are to: ensure the cost effectiveness and timely provision of safe, quality foods to populations affected by food crises and disasters; to strengthen the ability of local and regional farmers, community farmer groups, farmer cooperatives, processors, and agribusinesses to provide high quality commodities in support of school feeding programs, and responses to food crises and disasters; and increase the capacity of organizations and governments to procure commodities in support of school feeding programs, development activities, and responses to food crises and disasters. In FY 2017, USDA awarded three LRP agreements for \$4.9 million.

### **2017 LRP FUNDING ALLOCATIONS**

*(\$ Millions)*

<b><u>COUNTRY</u></b>	<b><u>ESTIMATED TOTAL VALUE</u></b>
Benin	\$1.9
Kenya	1.0
Tanzania	<u>2.0</u>
<b>Subtotal</b>	<b>\$4.9</b>

### **ACTIVE LRP PROGRAMS FY 2016-2017 FISCAL OBLIGATIONS**

*(\$ Millions)*

<b><u>FY</u></b>	<b><u>REGION</u></b>	<b><u>COUNTRY</u></b>	<b><u>TOTAL VALUE</u></b>
2016	East Asia & Pacific	Laos	\$1.0
2016	Sub-Saharan Africa	Mozambique	2.0
2016	Sub-Saharan Africa	Rwanda	2.0
2017	Sub-Saharan Africa	Benin	1.9
2017	Sub-Saharan Africa	Kenya	1.0
2017	Sub-Saharan Africa	Tanzania	<u>2.0</u>
		<b>Subtotal</b>	<b>\$9.9</b>

### **BORLAUG INTERNATIONAL AGRICULTURAL SCIENCE AND TECHNOLOGY FELLOWSHIP PROGRAM**

The Borlaug International Agricultural Science and Technology Fellowship Program (Borlaug) trained 49 Fellows in 2017. These fellows, in addition to those trained since the program's inception in 2004, total more than 850 Fellows from 69 countries. Borlaug provides fellowships for scientific training and research in the United States to potential leaders from eligible countries. In so doing, Borlaug assists developing and middle-income countries in strengthening agricultural practices through the transfer of science and new agricultural technology. The program also addresses obstacles to adopt technology, such as ineffective policies and regulations. Borlaug continues to strive for diversity, with females comprising 61 percent of participants in 2017.

Accomplishments in 2017 include the following:

**Malawi – Borlaug Helps to Minimize Aflatoxin Contamination – Prolonging Shelf life.** Borlaug helped a Malawian scientist further food safety studies at the University of Georgia's (UGA) College of Agricultural and Environmental Sciences Office of Global Programs and the Environmental Health Science Department. His fellowship allowed him to focus on aflatoxin testing techniques to minimize aflatoxin in processed peanuts, a problem he sees firsthand in Malawi. After beginning his study and consulting with the Peanut and Mycotoxin

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Innovation Lab headquartered at UGA, the Borlaug fellow decided that his research would have even more impact by including a step earlier in the process, honing a storage system that would keep aflatoxin from developing in the peanuts while awaiting processing. It involves hermetically sealed Purdue Improved Crop Storage (PICS) bags. The simple technology, a triple-layer bag system, has been proven effective in curtailing insect damage, mold growth and aflatoxin contamination in several commodities, but hasn't been fully tested for peanuts. Evaluating the moisture content and quality of the most prominent varieties, rate of oxygen depletion during storage (which controls insect and mold growth and may reduce rancidity), and aflatoxin levels at the end of 4, 8, and 12 months will help define the optimum storage conditions and determine the shelf life for peanuts using the PICS bags. Minimizing aflatoxin contamination, and prolonging shelf life, would encourage adoption of the bags in Malawi and other countries where the bags are becoming widely available.

**Thailand – Borlaug Fellow Plays a Key Role in Thailand Streamlining MRLs Registration Process.** In 2017, a Standards Officer for Thailand's National Bureau of Agricultural Commodity and Food Standards (ACFS), Ministry of Agriculture and Cooperatives, participated in a Borlaug program. During her fellowship, she constructed a dietary risk assessment analytical tool that standardizes and speeds up the dietary risk assessment process. ACFS now uses this analytical tool to establish pesticide MRLs, to estimate pesticide dietary exposure, register new pesticides, and it has reduced the processing time to register new pesticides from three to four months to just one month. This new analytical tool strengthens the capacity of the Thai government as a trading partner by establishing MRLs for pesticides through enhanced adoption of science based standards.

**Turkey – Borlaug Develops Capacity in Biotechnology Risk Assessment, Risk Communication, and Risk Management.** In order to positively impact the eventual resolution of an important trade barrier between Turkey and the USA, Borlaug sponsored three fellows from Turkey in 2015, 2016, and 2017 in order to form alliances in biotechnology. Borlaug alumni played a key role setting up the International Food Biotechnology and Biosafety Research and Extension Center at Hacettepe University in Ankara. Two Borlaug alumni prepared technical guidelines for genetically engineered (GE) crops on behalf of the Turkish Ministry of Food Agriculture and Livestock. One of the fellows prepared four white papers on a number of topics related to GE crops.

**FY 2017 Borlaug Participants by Region**

<b>Region</b>	<b>Number of Participants</b>
Asia	14
Eastern Europe and Eurasia	3
Latin America and the Caribbean	5
Africa and the Middle East	<u>27</u>
<b>Program Total</b>	<b>49</b>

### **COCHRAN FELLOWSHIP PROGRAM**

The Cochran Fellowship Program (Cochran) provided short-term training in the United States for 583 international participants from 53 countries in 2017. Since its inception in 1984, the program has trained more than 18,000 participants from 126 middle income countries and emerging markets. Cochran fellows 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 Cochran accomplishments that strengthen trade linkages between recipient countries and the United States.

#### **Asia**

**China – Cochran Fellowship Program Promotes Dairy Ingredients in China.** A 2015 Cochran Fellowship Program reviewed the variety, quality, and safety of U.S. dairy products, as well as new and innovative ways to use those products. The program showed how products are made and the measures taken to ensure quality and safety from farm to final product. The program included visiting the International Dairy Show. In 2017, it was reported that one participant in this program purchased U.S. whey protein powder, milk powder, and other dairy ingredients valued at \$2 million.

## FOREIGN AGRICULTURAL SERVICE

**China – Purchases of Washington Apples and Cherries by Chinese Importer Following Cochran Training.** In 2016, Cochran provided Fresh Fruit Product Import and Handling training to nine fellows from China. Following this training, a fellow reported that he purchased over twenty 40 foot containers of apple products worth over \$500,000. The fellow and manager of a large internet business, JD.com, set up direct connections with U.S. packers and fresh fruit associations during the Cochran training program. In the previous 2017 cherry season, JD.com sold 185 tons of Northwest cherries during a promotion with sales reaching over \$300,000. Through the training, fellows attended the Produce Marketing Association (PMA) Show in Orlando, FL, met industry contacts and cooperators in California, and visited fruit packinghouses in Washington State. The Cochran training greatly promoted U.S. fresh fruit and advanced U.S. technology in the Chinese market and increased sales of U.S. fruit to China.

**China - Cochran Fellowship Program Extends Grace Period for Fish Meal Exports to China.** In 2017, Cochran provided training on Port Inspection, Legislation, and Regulatory implementation to nine South China inspectors from China's State Administration of Quality Supervision, Inspection and Quarantine (AQSIQ/CIQ). During a visit to a fish meal plant in Virginia, the AQSIQ/CIQ visitors learned from the U.S. fish meal industry that all U.S. fish meal plants' registrations with AQSIQ/CIQ were due to expire imminently. One of the visiting fellows quickly got in touch with his colleagues at AQSIQ/CIQ's headquarters and arranged a grace period that lasted until AQSIQ's audit team finished its compliance visit to the United States, and ensured that trade continued without disruption. The total value of U.S. fish meal exports to China in 2016 was \$184 million.

**India – Cochran Training Contributes to Increase in U.S. Bovine Semen Exports.** In 2016, Cochran and the University of Missouri Extension provided Dairy Genetics and Feed Management training to ten fellows from India. As a result of the program, Indian officials were able to better understand the U.S. dairy genetics market and to better understand the technical issues affecting U.S. genetic exports to India. In 2017, during policy level meetings, Cochran alumni played a significant role in the decision to ease India's import procedures on U.S. bovine semen. As a result, India accepted the U.S. proposed veterinary health certificates for export of in vivo-derived bovine embryos, live bovines, and frozen bovine semen. This training reinforced how Cochran supplements efforts to improve trade. In 2016, Indian imports of U.S.-origin bovine semen were worth \$1.6 million and the U.S. market share for bovine semen increased from 65 percent in 2015 to 93 percent in the year 2016.

**Indonesia - Cochran Affirms Strength of U.S. Grain Inspection System.** In 2016, Cochran provided training on Grain Marketing Intelligence and Logistics that resulted in a \$41 million purchase. In order to demonstrate the strength and reliability of the U.S. grain inspection system, representatives of the Indonesian Bureau of Logistics (BULOG) visited Federal Grain Inspection Service (FGIS) laboratories and met with FGIS officials. Fellows also visited the Iowa State University Seed Science Center, a grain terminal, and a port. They received training on global shipping, supply chain management, cash and futures markets, and international trading laws. Shortly after returning from the program, BULOG purchased 200,000 MT of corn, valued at \$41.5 million.

**Indonesia – Cochran Training on Produce Marketing and Handling Yields Fresh Fruit Results.** In 2017, the general manager of the Produce Marketing and Handling Company reported he ordered 25 containers of table grapes worth an estimated value of \$690,000 and 5 containers of apples valued at \$105,000. Exports are growing in Indonesia. According to the Washington Apple Commission and the California Table Grape Commission hyper-marts in Indonesia purchased U.S. apples valued at \$2.9 million in 2015 and U.S. grapes valued at \$4.3 million in 2016.

**Pakistan – Cochran Fellowship Program Helps U.S Baking Supplies Sell in Pakistan.** In 2015, Cochran provided training on U.S. processed foods and food marketing. The fellows attended the Food Marketing Institute Connect show and received information on food processors' procurement practices, export and shipping regulations, and food safety. In 2017, one fellow reported that he opened his first baking supplies store carrying various U.S. baking brands including Wilton, Americolor, Hershey's, McCormick, and Betty Crocker.

**Pakistan – Cochran Helps Market for U.S. Dairy Animals Resume.** In 2016, the first shipment of Pakistan's U.S. Holstein dairy 285 cows arrived, followed by two more shipments of 185 cows in November 2016 and 215 cows in January 2017. The first ever sea shipment from the U.S. to Pakistan of about 3,500 dairy livestock worth \$10,000,000 is currently being implemented. This is in addition to ongoing exports of U.S. dairy genetics to Pakistan, which have accumulated to over \$1 million. Up until 2015, Australia maintained a virtual monopoly on the live cows sector in Pakistan, but with the persistent efforts of industry, supported by FAS Islamabad and Cochran, U.S. cows and genetics are entering the Pakistani market again.

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**Thailand – Cochran Alumni Appointed as Thai Ambassador to WTO.** In 2005, Cochran provided training on Agricultural Trade Policy to several Thai officials. In FY 2017, we learned that a fellow from this training was appointed Thai Ambassador to WTO. The Cochran training introduced the Thai Ambassador to U.S. agricultural production, the long-term benefits of low tariffs, and an open market system. The training program included meetings with federal, state and local government officials who assist in structuring, formulating, analyzing, and monitoring policies. Since her return from training, the Ambassador has been a reliable interlocutor for FAS. Even before she was made Ambassador to the WTO she was Deputy Director-General (DDG) of the Department of Trade Negotiations (DTN), Ministry of Commerce. While working at the DTN, she helped address USDA's concerns about Thailand's import restrictions on U.S. agricultural products by coordinating with the responsible agencies and increasing their awareness of Thailand's WTO commitments. In addition, she regularly represented the Thai government and chaired meetings of the Thai-U.S. working group to prepare Trade and Investment Framework Agreements negotiations. She also initiated meetings with the U.S. Embassy to review the U.S. government's National Trade Estimate report and coordinated the Thai response to mitigate trade restrictions against U.S. exports to Thailand.

**Vietnam - Cochran on Fresh Fruit Procurement Delivers Results in Vietnam.** In 2014, Cochran provided training to Vietnamese businessmen on U.S. fresh fruit procurement. The program activities included meeting with U.S. suppliers at the Produce Marketing Association Trade Show and training on proper handling, storage, merchandising, and marketing techniques of U.S. fruits and vegetables. One participant, a marketing manager with Fruits and Green Company, purchased U.S. apples, cherries and table grapes valued at \$350,000.

### **Latin America**

**Brazil - Sales of Alaska Seafood and Trade Relationships Built.** In August 2016, Cochran and the Alaska Seafood Marketing Institute (ASMI) organized a training program, partially supported by FAS' MAP, which enabled the seafood importers to learn about U.S. fisheries, harvesting, sustainability, processing, logistics, and the entire seafood supply chain. The training included visits to Alaskan fishing sites, seafood-processing facilities, and fishing vessels located in Cordova, Whittier, and Valdez. More than ten U.S. exporters met with the Cochran fellows which resulted in actual sales of U.S. Alaska Seafood. As of March 2017, the Brazilian fellows had imported 400 tons of Alaska seafood (Alaska Pollock, Pacific cod, and keta, Coho and sockeye salmon) valued at \$1 million. With the participants having established these important long-term business relationships, expectations are that additional purchases could exceed \$1.5 million over the next six months.

**Ecuador - Cochran Contributes to Extending Tariff and Duty Exemptions for U.S. Soybean Meal and Wheat.** A Cochran training program organized in October 2016 played a major role in increasing support of Ecuador's animal feed industry and the Ecuadorian Association of Wheat Millers (ASEMOL). The Price Risk Management program trained six Ecuadorians from the animal feed and wheat milling and processing industries, including the Executive President of ASEMOL. The program was designed to teach the Fellows various tools for reducing their commercial risk due to price fluctuations in the U.S. grains market. The program contributed to the successful negotiation to continue Ecuador's tariff and duty exemptions on imported soybean meal and wheat because members of ASEMOL and the Ecuadorian animal feed industry had been educated through the Cochran Fellowship Program. FAS Quito forecasts \$120 million in U.S. soybean meal and \$65 million U.S. wheat sales to Ecuador in 2017.

**Nicaragua – Cochran Training Eases SPS Barriers on U.S. Exports to Nicaragua.** In 2017, Cochran and FAS trained 22 Central American Customs Union (CACU) officials, including four Nicaraguans, on U.S. sanitary and phytosanitary (SPS) and export certification systems. In September 2017, it was reported that the training increased and facilitated communications between FAS and Nicaraguan officials, which ultimately led to the release of two U.S. shipping containers, valued at \$45,000 each, held of up at Nicaragua's border due to SPS concerns.

**Paraguay - Cochran Opens Doors for U.S. Biotech Products.** In 2013, Cochran and Michigan State University conducted a multi-country training on biotechnology. It was reported in 2017 that an alumni became a Ministry of Agriculture representative in Paraguay's Biosecurity Commission (COMBIO) and President of the Paraguayan Institute of Agricultural Technology. Using knowledge gained during his Cochran training, he successfully promoted acceptance of biotechnology in Paraguay.

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**Africa**

**Ethiopia - Cochran Supports Development of Soy-Fortified Foods.** In 2017, a fellow from Ethiopia reported that he expanded his company’s soy product offerings and that his company partnered with DuPont to import 100 metric tons of U.S. soy milk blend worth \$400,000. This success was a result of a Cochran program held in June 2015, in coordination with the University of Illinois Urbana-Champaign that provided training on soy utilization and demonstrated the application of soy ingredients for nutrition and fortification in food processing. As a result of the knowledge and connections gained during the training, the fellow was able to explore new methods for processing nutritionally-enhanced foods with soy.

**Ethiopia – A Cochran Fellowship Program Facilitates Food Purchases.** In October 2016, Cochran and St. Joseph’s University in Philadelphia hosted a training program for fellows from Ethiopia to learn about multi-store management systems, expansion strategies, and effective supermarket marketing approaches. The training reviewed ways to improve store efficiencies, reduce cost, and increase sales and maximize profitability. The training also fostered relationships with suppliers of processed foods. In early 2017 a Cochran alumni reported that he now imports and sells U.S. brands such as Badi Spices, American Kitchen, Colgate, and Aqua fresh. To date, his supermarket has imported \$500,000 of U.S. goods.

**Europe**

**Serbia - Cochran Fellow Becomes Assistant Minister of Agricultural Inspection.** In 2015, Cochran conducted a training program on Fruits and Vegetable Post-Harvest Management. In 2017, a Cochran alumni who is an official with the Serbian Ministry of Agriculture, reported that as a result of the program, he was promoted to Assistant Minister of Agricultural Inspection Sector and wrote an ordinance on food safety conditions for the production, processing, and transportation of fresh and frozen fruits. The ordinance, adopted in 2016, introduced a traceability system and improved the hygiene and quality of fruits which will further assist Serbia in expanding in the local market and increasing their export possibilities.

**FY 2017 Cochran Participants by Region and Funding Source**

<b>Region</b>	<b>USDA Appropriation</b>	<b>Dept. of State</b>	<b>Total</b>
Asia	148	0	148
Eastern Europe and Eurasia	54	60	114
Latin America and the Caribbean	192	0	192
Africa and the Middle East	<u>129</u>	<u>0</u>	<u>129</u>
<b>Program Total</b>	<b>523</b>	<b>60</b>	<b>583</b>

## FOREIGN AGRICULTURAL SERVICE

### Summary of Budget and Performance

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.*" The Department revised the USDA Strategic Plan and will release it with the FY 2019 President's Budget.

The FAS has three strategic objectives that contribute to one Strategic Goal within the Department's Strategic Plan.

#### Trade Policy

##### Key Performance Measures:

Value of trade preserved through resolution of foreign market access issues such as U.S. export detention, restrictive SPS & TBT issues, and trade regulations						
	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Target	2019 Target
Billions of dollars	\$6.4	\$3.6	\$5.0	\$7.5	\$4.0	\$4.5

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

- Ensure that the potential impacts on U.S. agriculture of the U.S. Government's trade policy options are understood and considered in the U.S. Government's trade policy formulation.
- Prepare for and support new trade agreement negotiations.
- In 2017, U.S. beef arrived in China for the first time since 2013. While it will take some time to build that market to its tremendous potential, FAS and its partners are in it for the long haul. Additionally, Brazil and Thailand expanded the range of U.S. beef products allowed entry to align with international standards.
- In 2017, Guatemala finalized an agreement with the United States to accelerate tariff elimination for fresh, frozen, and chilled U.S. chicken-leg quarters (CLQ). Under CAFTA-DR, Guatemala could have maintained tariff-rate quotas on CLQ through 2022. Guatemala also agreed to maintain a duty-free TRQ of 1,000 metric tons annually of processed CLQ for the remaining years of CAFTA-DR implementation. The accelerated tariff elimination creates new opportunities for a market already worth \$105 million in annual poultry exports.
- Reviewing nearly 1,891 regulatory measures proposed by foreign governments that had the potential to significantly affect U.S. exports, and developing formal written comments to the WTO on 255 of these measures to minimize the negative impact on trade.
- In 2017, FAS and APHIS' coordinated action pressed Vietnam to restore market access for \$230 million in DDGs and to adjust trade restrictive fumigation requirements for \$100 million of corn and \$50 million of wheat. Preserved \$2.0 billion in meat and poultry trade with Japan by expanding the allowable pathogen reduction treatments to include three that are widely-used on U.S. products.
- FAS convinced Korea to retain import tolerances for an additional three years for pesticides for which a Korean risk assessment has not been conducted. This welcomed delay will help to minimize disruptions to \$3.1 billion in U.S. exports as Korea continues to implement its positive list system for pesticide MRLs.
- In 2017, FAS persuaded the European Commission to postpone for two years the lowering of maximum residue limits (MRLs) for a key pesticide used on U.S. agricultural products (including citrus fruits, apples, pears, almonds, cherries, and cranberries) while supporting industry efforts to develop data needed for a permanent reprieve. This postponement has protected \$1.7 billion of 2017 exports of citrus fruits, apples, pears, almonds, cherries, and cranberries to the EU.
- FAS's aggressive efforts in 2017 successfully convinced the GCC (Saudi Arabia, United Arab Emirates, Kuwait, Qatar, Bahrain, and Oman) to indefinitely suspend implementation of their harmonized import requirements that are more onerous and trade-restrictive than necessary. The suspension will continue to allow unrestricted access for U.S. agricultural exports valued at over \$3.3 billion (with \$1.1 billion in processed products) in 2017.
- In 2017, FAS coordinated closely with like-minded countries and engaged extensively with China to seek changes and delay implementation of new rules that would have imposed onerous certification requirements for all foods exported to China. These efforts preserved access for an estimated \$1.5 billion in U.S. exports of

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processed foods. FAS will use this two-year window to press China for more reasonable certification requirements.

### Selected Accomplishments Expected at the FY 2019 Proposed Resource Level:

- Engage with industry and the FDA, among other regulatory agencies, to address the registration requirements affecting exports of processed products to countries such as China, Korea, Colombia, and Egypt.
- Conduct international outreach on science-based regulation of veterinary drugs.
- Work with a coalition of like-minded countries supportive of the use and trade of products derived from innovative agricultural production methods, focusing 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. 2019 proposed
- Enforce U.S. trade agreements and defend U.S. agricultural interests through the WTO's Dispute Settlement Body.
- Encourage countries to create science-based regulations and standards in line with the CODEX guidelines in order to harmonize requirements, facilitate trade, and prevent 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 and science based regulatory approaches to minimize disruption to agricultural trade and adoption of new technologies.
- Continue working with U.S. regulatory agencies to expand electronic export certifications to facilitate exports.

### **Trade Promotion**

#### Key Performance Measures:

Value of agricultural exports resulting from participation in foreign food and agricultural trade shows						
	2014	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Actual	Target	Target
Billions of dollars	\$1.50	\$1.52	\$1.28	\$2.35	\$1.70	\$1.75

<sup>1/</sup> FY 2016 Actual Results fell well below past performance due to considerably lower sales from the Brussels Seafood Show, due to the terrorist event that took place in Brussels about a month prior to the show that reduced show participation

<sup>2/</sup> FY 2017 results were expected to return to prior year levels but far exceeded expectations. The Brussels Seafood Expo rebounded significantly from the previous year's event, increasing sales by over \$500 million, largely due to the limited participation in FY 2016. The Gulf of Dubai Show also exceeded expectations with increases of nearly \$300 million. Neither is expected to continue at this pace. The Dubai Show is maturing and is taking steps to segment product categories to spin off into other shows. The FY 2018 target is \$1.7 billion.

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

- In FY 2017, nearly 1,000 U.S. companies and organizations participated in 20 USDA-endorsed trade shows in 14 countries. On-site sales totaled nearly \$300 million and 12-month projected sales reported by exhibitors were estimated at about \$2.35 billion. The companies made over 16,000 business contacts and displayed more than 5,000 new products in various markets on all continents. On average, about 30 percent of the exhibitors in U.S. Pavilions at USDA-endorsed shows report that they are small- and medium-sized enterprises. The goal is to reach \$1.75 billion in USDA-endorsed trade show related exports by 2019.
- Conducted two Agribusiness Trade Missions in FY 2017, which included representatives from 45 companies and trade associations resulting in \$6.4 million in reported on-site sales and \$31.2 million projected sales.
- Market Access Program (MAP) funds are used by U.S. industry cooperators, in partnership with FAS, to build, maintain and expand overseas markets for U.S. food and agricultural products. MAP is used to conduct a wide range of activities including market research, technical assistance, consumer promotion, trade servicing, capacity building, and market access support. For example, The USA Poultry and Egg Export Council used MAP to participate in the 2017 Food & Hotel Vietnam trade show, resulting in \$1 million in on-site reported

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sales and \$500,000 additional projected sales. In another example, the American Sheep Industry Association’s 2017 MAP-funded Chinese trade team visited U.S. wool exporters in Texas, South Carolina and Illinois, resulting in \$1 million in immediate sales and \$3-4 million in sales over the next three years.

- FAS and Cooperators, in particular the State Regional Trade Groups (Food Export USA Midwest, Food Export USA Northeast, the Western United States Agricultural Trade Association, and the Southern United States Trade Association) work to increase small- to medium-sized company participation in trade shows and trade teams through cost-share MAP funding. In 2016, about 2,500 companies participated in these activities, with reported sales reaching nearly \$2.5 billion.
- A 2016 Informa econometric study concluded that market development funding has a significant positive impact on exports. U.S. agricultural export value increased by \$28 (1977-2014) for every dollar invested and boosted agricultural export revenue, adding \$309.7 billion in the 1977-2014 period, \$8.15 billion annually, representing 15.3 percent of export revenue.
- 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.
- In FY 2017, continued outreach efforts to increase industry awareness of the enhanced Facility Guarantee Program (designed to assist in financing infrastructure projects in emerging markets that will benefit the export of U.S. agricultural commodities and their products) and the GSM—102 Program. FAS increased GSM-102 and FGP-specific outreach events by 50 percent in FY 2017 over FY 2016. As a result of this outreach, FAS approved three new U.S. banks for the programs during FY 2017, expanding options for U.S. exporters wishing to utilize the programs.

### Selected Accomplishments Expected at the FY 2019 Proposed Resource Level:

- In 2019, the USDA will target support of 24 international trade shows, including one event that combines two different food and agriculture sectors into a single exhibition. 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.
- In 2019, USDA will continue to target developing agricultural markets– building on success it has achieved in expanding export opportunities in developing markets in fiscal 2016 and targeted markets for 2017. FAS conducts Agribusiness Trade Missions (ATMs) in countries and regions around the world that demonstrate strong economic growth, lower barriers to trade or have other relevant market conditions that support U.S. agricultural exports. FAS anticipates conducting at least four ATMs annually.
- FAS will continue outreach efforts for the GSM-102 Program and the new and enhanced Facility Guarantee Program (FGP), to ensure relevant stakeholders have the knowledge to use these programs to expand U.S. agricultural exports. Specifically, FAS will maintain the level of program outreach realized in FY 2017.
- FAS will continue to operate the program in a way that balances the benefits of expanding U.S. agricultural exports to developing countries with the risks of doing so, by maintaining robust due diligence and risk assessment procedures, and to the maximum extent practicable, setting program fees at a level sufficient to cover program costs and losses. To this end, FAS will continue to refine the GSM-102 program fee calculator as needed.

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

#### Key Performance Measures:

	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Target	2019 Target
Percentage of Food for Progress projects that increase a project participants’ sales by 9 percent or higher	N/A	N/A	N/A	33%	35%	35%

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

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- The Cochran and Borlaug Fellowship Programs have advanced USG food security and trade programs in priority countries throughout Asia, Europe, Latin America, Africa and the Middle East, where agricultural extension agents, veterinary officials, and agricultural researchers received training to support food production and regional trade.
- Since the inception of the program, over 18,000 fellows have been trained under the Cochran program from 126 middle income countries and emerging markets. Since 2004, over 800 fellows have been trained under the Borlaug program from 69 countries.
- Through USDA's partnership with ACDI/VOCA in the Philippines, Food for Progress has increased the productivity of coffee, cacao, and coconut farmers and helped them gain access to domestic and international markets. Since the project's inception in 2014 through its continued activities during 2017, the project has assisted over 6,400 producers in selling coffee, cacao, and coconut, with a combined value of \$26 million. Project activities have assisted producer organizations establish nurseries for quality seedlings, certified the country's first cadre of 24 coffee cuppers, and strengthened local industry organizations. The U.S. private sector annually generates \$74 billion of final retail value from \$5.2 billion of imported green coffee. Estimates for the U.S. chocolate confectionery industry, fueled by import of cacao, totaled \$22.4 billion in 2015.
- Through USDA's partnership with the National Cooperative Business Association in El Salvador, Food for Progress has introduced rust-resistant coffee plants through nearly 70 cooperatives, companies, and producer groups. Coffee rust, a fungal disease that affects coffee plants, has caused up to 80 percent losses for coffee farmers in El Salvador. The program has supported over 5,000 coffee growers, both individually and as members of cooperatives, to overcome the crisis and rebuild the coffee sector. To date, nearly 6,700 in-kind donations were delivered to over 3,700 producers, 40 nurseries have received direct intervention to produce 4.2 million rust-resistant seedlings, and 39 facilities were established to produce organic pesticide and fertilizers.
- The McGovern-Dole program in Sierra Leone has led to significant increases in the enrollment and attendance of children in school. Implemented in partnership with Catholic Relief Services (CRS), McGovern-Dole has provided school meals and improved the school environment (through construction of classrooms and provision of school supplies among others) for school-age children in 192 primary schools in the remote district of Koinadugu. Between June 2016 and June 2017, school enrollment and participation in McGovern-Dole supported schools jumped from 28,000 to 32,000. Further, the top nine pupils in Koinadugu District, as tested under the Government of Sierra Leone's National Primary School Exams, were all beneficiaries receiving school meals under the McGovern-Dole project.
- Through the McGovern-Dole program, USDA supported the drafting and enactment of the Government of Guatemala's law for a National School Feeding Program, passed on September 26, 2017. The new law mandates an increase in government funding for school meals from the current \$0.15 per child per day, to \$0.40 in 2018, and \$0.55 in 2019, which would allow close to 2.2 million children in 33,000 public schools to benefit from the provision of daily school meals. The draft and passage of the new law was a direct result of the active participation of USDA's implementing partners, Catholic Relief Services (CRS), Project Concern International (PCI), and Save the Children (SC), in an inter-sectoral committee on school meals, first formed in January 2017. The new law will build upon the work of CRS, PCI, and SC under the McGovern-Dole program, providing daily school meals for 121,890 school-age children in 887 schools in the Western Highlands of Guatemala.
- The Local and Regional Food Aid Procurement (LRP) program has led to an improvement in the access to various fresh agricultural produce in Laos, through the partnership with the United Nations World Food Programme (WFP). During the first year of implementation, WFP trained 50 communities on the improved agricultural techniques for growing different types of fresh vegetables all year-round, in partnership with the Government of Laos Ministry of Agriculture and Forestry. The fresh vegetables add diversity and nutritional value to the U.S. donated rice and fortified vegetable oil provided under the McGovern-Dole program.

### Selected Accomplishments Expected at the FY 2019 Proposed Resource Level:

- FAS will continue to provide targeted training to foreign professionals under the Cochran and Borlaug programs. FAS will continue to expand this valuable network of influential agricultural specialists that make valuable contributions to improving the trade policies and regulatory frameworks in their home countries that can and do increase market access for U.S. agricultural products. In FY 2018, the Cochran and Borlaug programs are expected to train an estimated 550 participants from over 65 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, extension agents, food industry professionals, and many others. FAS is making major contributions towards global food security through capacity building efforts, including aligned efforts in support of the strategy of Global Food Security Act of 2016 (GFSA). FAS has conducted training

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programs in past years that have benefitted agricultural specialists in Feed the Future countries, and will continue to train fellows, where appropriate, from the new GFSA countries.

- With remaining funds in FY 2019, the McGovern-Dole program will continue to see the enrollment and attendance rates of school-aged children increasing in project schools, combined with improvements in attainment and literacy as more children receive a quality education as a result of the program. USDA anticipates that the steady progression in the transition of McGovern-Dole supported schools to nationally-owned programs will continue under ongoing programs in Bangladesh, Kenya, and Laos. LRP programs will continue to support the graduation of McGovern-Dole programs, building the capacity of the host governments and communities to procure their own safe, nutritious and quality produce for school meals.

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### 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, CCC may pay, in addition to acquisition costs and ocean transportation, such related commodity and delivery charges as specified for commodities supplied under Title II.

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

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

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2. P.L. 480 Title II- Commodities supplied in connection with dispositions abroad.

P.L. 480 Title II grants fund emergency and development food aid programs authorized under Title II of the Food for Peace Act (P.L. 83-480). Funding for Title II is appropriated to the U.S. Department of Agriculture and is administered by the U.S. Agency for International Development (USAID). There is no request for P.L. 480 Title II, as part of an Administration effort to streamline foreign assistance prioritize funding, and use funding effectively and efficiently as possible. The 2019 request includes funding for emergency food needs within the more efficient International Disaster Assistance account.

Proposed Language Changes  
P.L 480 Title I

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

Food for Peace Title I Direct Credit and Food for Progress Program Account (Including Transfer of Funds):  
For administrative expenses to carry out the credit program of title I, Food for Peace Act (Public Law 83-480) and the Food for Progress Act of 1985, [~~\$148,000~~]\$142,000, shall be transferred to and merged with the appropriation for "Farm Service Agency, Salaries and Expenses".

P.L. 480 TITLE I  
Lead-Off Tabular Statement

Budget Estimate, 2019.....	\$142,000
2018 Annualized Continuing Resolution .....	148,000
Change in Appropriation.....	<u>-6,000</u>

P.L. 480 TITLE II  
Lead-Off Tabular Statement

Budget Estimate, 2019.....	-
2018 Annualized Continuing Resolution .....	\$1,589,100
Change in Appropriation.....	<u>-1,589,100</u>

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

Program	<u>2016 Actual</u> Amount	<u>2017 Actual</u> Amount	<u>2018 Estimate</u> Amount	<u>Inc. or Dec.</u> Amount	<u>2019 President's</u> Budget Amount
Discretionary Appropriations:					
P.L. 480 Title I					
Administrative Expenses.....	\$2,528	\$149	\$148	-\$6	\$142
Total Adjusted Approp.....	2,528	149	148	-6 (1)	142
Total Appropriation.....	2,528	149	148	-6	142
Rescission.....	-	-	-	-	-
Bal. Available, SOY.....	926	-	-	-	-
Recoveries, Other (Net).....	0	-	-	-	-
Total Available.....	3,454	149	148	-6	142
Lapsing Balances.....	-	-	-	-	-
Bal. Available, EOY.....	-926	-	-	-	-
Total Obligations.....	2,528	149	148	-6	142

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

Program	<u>2016 Actual</u> Amount	<u>2017 Actual</u> Amount	<u>2018 Estimate</u> Amount	<u>Inc. or Dec.</u> Amount	<u>2019 President's</u> Budget Amount
Discretionary Obligations:					
P.L. 480 Title I					
Administrative Expenses.....	\$2,528	\$149	\$148	-6	\$142
Upward Adjustment Title I Food for Progress.....	-	-	-	-	-
Total Obligations.....	2,528	149	148	-6	142
Recoveries, Other (Net).....	-	-	-	-	-
Lapsing Balances.....	-	-	-	-	-
Bal. Available, EOY.....	926	-	-	-	-
Other Balances Withdrawn.....	-	-	-	-	-
Total Available.....	3,454	149	148	-6	142
Transfers In-P.L. 480 Title I OFD.....	-	-	-	-	-
Transfers Out.....	-	-	-	-	-
Rescission.....	-	-	-	-	-
Bal. Available, SOY.....	-926	-	-	-	-
Other Adjustments (Net).....	-	-	-	-	-
Total Appropriation.....	2,528	149	148	-6	142

FOREIGN AGRICULTURAL SERVICE

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

Program	<u>2016 Actual</u> Amount	<u>2017 Actual</u> Amount	<u>2018 Estimate</u> Amount	<u>Inc. or Dec.</u> Amount	<u>2019 President's</u> Budget Amount
Discretionary Appropriations:					
P.L. 480 Title II Donation.....	\$1,466,000	\$1,600,000	\$1,589,100	-\$1,589,100	-
Supplemental Appropriation					
State Dept. GWOT/OCO.....	-	300,000	300,000	-300,000	-
Total Appropriation.....	1,466,000	1,900,000	1,889,100	-1,889,100	-
Transfers In:.....					
State Department.....	-	-	-	-	-
Sequestration.....	-	-	-	-	-
Bal. Available, SOY.....	98,014	72,738	208,714	-208,714	-
Recoveries, Other (Net).....	136,465	123,331	-	-	-
Total Available.....	1,700,479	2,096,069	2,097,814	-2,097,814	-
Lapsing Balances.....					
Bal. Available, EOY.....	-72,738	-208,714	-	-	-
Total Obligations.....	1,627,741	1,887,355	2,097,814	-2,097,814	-

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

Program	<u>2016 Actual</u> Amount	<u>2017 Actual</u> Amount	<u>2018 Estimate</u> Amount	<u>Inc. or Dec.</u> Amount	<u>2019 President's</u> Budget Amount
Discretionary Obligations:					
P.L. 480 Title II Donations.....	\$1,627,741	\$1,600,000	\$1,797,814	-\$1,797,814	-
State Dept. GWOT/OCO.....	-	287,355	300,000	-300,000	-
Subtotal.....	-	287,355	300,000	-300,000	-
Total Obligation.....	1,627,741	1,887,355	2,097,814	-2,097,814	-
Bal. Available, EOY.....	72,738	208,714	-	-	-
Total Available.....	1,700,479	2,096,069	2,097,814	-2,097,814	-
Bal. Available, SOY.....	-98,014	-72,738	-208,714	208,714	-
Other Adjustments (Net).....	-136,465	-123,331	-	-	-
Total Appropriation.....	1,466,000	1,900,000	1,889,100	-1,889,100	-

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P.L. 480 TITLE I

Justification of Increases and Decreases

(1) A decrease of \$6,000 (\$148,000 available in 2018)

Farm Service Agency (FSA) supports both the PL 480 Title I and CCC Export Credit Guarantee (GSM) loan programs. FSA analyzed the workload associated with the two loan portfolios and as a result, a realignment of funding between the two programs was necessary. Workload in PL 480 was significantly less than previously estimated, and workload in the GSM program was significantly greater than previously estimated. Funds were realigned between the two programs to more accurately represent the workload associated with each program. Although no new loans are being made under P.L. 480 Title I, the FY 2018 request is commensurate with the workload of the remaining portfolio.

P.L. 480 Title II

Justification of Increases and Decreases

(2) A decrease of \$1,589,100 (\$1,589,100 available in 2018)

P.L. 480 II grants fund emergency and development food aid programs authorized under Title II of the Food for Peace Act (P.L. 83-480). Funding for Title II is appropriated to the U.S. Department of Agriculture and is administered by the U.S. Agency for International Development (USAID). There is no request for P.L. 480 Title II, as part of an Administration effort to streamline foreign assistance prioritize funding, and use funding effectively and efficiently as possible.

P.L. 480 TITLE I

Classification by Objects

(Dollars in thousands)

		2016	2017	2018	2019
		Actual	Actual	Estimate	President's Budget
Other Objects:					
25.3	Other purchases of goods and services from Federal sources.....	\$2,528	\$149	\$148	\$142

P.L. 480 TITLE II

Classification by Objects

(Dollars in thousands)

		2016	2017	2018	2019
		Actual	Actual	Estimate	President's Budget
Other Objects:					
41.0	Grants.....	\$1,627,741	\$1,887,355	\$2,097,814	-

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McGovern-Dole International Food for Education and Child Nutrition Program

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

Program	2016 Actual		2017 Actual		2018 Estimate		Change		2019 President's Budget	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Discretionary Appropriations:										
McGovern-Dole Program.....	\$201,626	-	\$201,626	-	\$200,257	-	-\$200,257	-	-	-
Balance Available, SOY.....	228,461	-	61,128	-	9,083	-	-9,083	-	-	-
Other Adjustments (Net).....	136,838	-	6,300	-	-	-	-	-	-	-
Total Available.....	566,925	-	269,054	-	209,340	-	-209,340	-	-	-
Balance Available, EOY.....	-61,128	-	-9,083	-	-	-	-	-	-	-
Total Obligations.....	505,797	-	259,971	-	209,340	-	-209,340	-	-	-

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

Program	2016 Enacted		2017 Actual		2018 Estimate		Change		2019 President's Budget	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Discretionary Obligations:										
McGovern-Dole Program.....	\$505,797	-	\$259,971	-	\$209,340	-	-\$209,340	-	-	-
Bal. Available, EOY.....	61,128	-	9,083	-	-	-	-	-	-	-
Total Available.....	566,925	-	269,054	-	209,340	-	-209,340	-	-	-
Balance Available, SOY.....	-228,461	-	-61,128	-	-	-	-	-	-	-
Other Adjustments (Net).....	-136,838	-	-6,300	-	-	-	-	-	-	-
Total Appropriations.....	201,626	-	201,626	-	209,340	-	-209,340	-	-	-

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Justification of Increases and Decreases

(1) A decrease of \$200,257,000 (\$200,257,000 available in 2018).

The 2019 Budget proposes to eliminate the program as part of the Administration's effort to reprioritize Federal spending so that it advances the safety and security of the American people.

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

State/Territory	2016 Actual		2017 Actual		2018 Estimate		2019 President's	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY
	District of Columbia.....	\$201,626	-	\$201,626	-	\$200,257	-	-
Balance Available, SOY.....	228,461	-	61,128	-	9,083	-	-	-
Other Adjustments (Net).....	136,838	-	-	-	-	-	-	-
Bal. Available, EOY.....	-61,128	-	-9,083	-	-	-	-	-
Total Available.....	<u>505,797</u>	-	<u>259,971</u>	-	<u>209,340</u>	-	-	-

Classification by Objects  
(Dollars in thousands)

	2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
Other Objects:				
41.0 Grants.....	\$505,797	\$259,971	\$209,340	-

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):

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

For administrative expenses to carry out the Commodity Credit Corporation's Export Guarantee Program, GSM 102 and GSM 103, [~~\$8,479,000~~] \$6,717,000; 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 1 [~~\$6,033,000~~] \$6,382,000 shall be transferred to and merged with the appropriation for "Foreign Agricultural Service, Salaries and Expenses", and of which [~~\$2,446,000~~] \$335,000 shall be [transferred to and merged with] paid to the appropriation for "Farm Service Agency, Salaries and Expenses".

1 The first change clarifies the appropriation language for the Farm Service Agency Salaries and Expenses account for work to administer the GSM program.

Lead-Off Tabular Statement

Budget Estimate, 2019.....	\$6,717,000
2018 Annualized Continuing Resolution .....	<u>8,479,000</u>
Change in Appropriation.....	<u>-1,762,000</u>

FOREIGN AGRICULTURAL SERVICE

Project Statement  
Adjusted Appropriations Detail  
(Dollars in thousands)

Program	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2018 Estimate</u>	<u>Inc. or Dec</u>	2019 President's
	Amount	Amount	Amount	Amount	Budget Amount
Discretionary Appropriations:					
FSA Administrative Expenses.....	\$354	\$2,463	\$2,446	-\$2,111	\$335
FAS Administrative Expenses.....	6,394	6,074	6,033	+349	6,382
Total Appropriation.....	6,748	8,537	8,479	-1,762	6,717
Mandatory Loan Level					
GSM 102.....	\$2,149,807	\$1,581,962	\$5,000,000	-	\$5,000,000
Facilities.....	-	-	500,000	-	500,000
Subtotal.....	2,149,807	1,581,962	5,500,000	-	5,500,000

Project Statement  
Obligations Detail  
(Dollars in thousands)

Program	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2018 Estimate</u>	<u>Inc. or Dec</u>	2019 President's
	Amount	Amount	Amount	Amount	Budget Amount
Discretionary Appropriations:					
FSA Administrative Expenses.....	\$354	\$2,463	\$2,446	-\$2,111	\$335
FAS Administrative Expenses.....	6,394	6,074	6,033	+349	6,382
Total Obligations.....	6,748	8,537	8,479	-1,762	6,717
Mandatory Loan Level					
GSM 102.....	\$2,149,807	\$1,581,962	\$5,000,000	-	\$5,000,000
Facilities.....	-	-	500,000	-	500,000
Subtotal.....	2,149,807	1,581,962	5,500,000	-	5,500,000

FOREIGN AGRICULTURAL SERVICE

Justification of Increases and Decreases

A net decrease of \$1,762,000 (\$8,479,000 available in 2018).

Funding will be used to carry out the administrative functions for the Commodity Credit Corporation Export Loan Guarantee programs (GSM), including program management, financial management and other functions.

The funding change is requested for the following items:

- a. A decrease of \$2,111,000 for Farm Service Agency Administration Expenses as a result of the realignment of funding from FSA PL 480 Administrative Expenses funding (\$2,446,000 available in 2018).

Farm Service Agency (FSA) supports both the PL 480 Title I and CCC Export Credit Guarantee (GSM) loan programs. FSA analyzed the workload associated with the two loan portfolios and as a result, a realignment of funding between the two programs was necessary. The workload review of GSM revealed that FSA personnel costs for financial management and information technology (IT) support, as well as other IT costs associated with supporting this program, were both severely underfunded. The increased funding requested will better align resources with workload between the PL 480 and GSM programs.

- b. An increase of \$349,000 in FAS Administrative Expenses (\$6,033,000 available in 2016).

This increase is due to the realignment of resources between FAS and FSA in efforts to improve efficiencies in servicing its loans.

Classification by Objects

(Dollars in thousands)

	2016	2017	2018	2019
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>President's</u>
				<u>Estimate</u>
Other Objects:				
25.3 Other purchases of goods and services				
from Federal sources.....	\$6,748	\$8,537	\$8,479	\$6,717