

**FY 2006**

**BUDGET SUMMARY  
AND  
ANNUAL PERFORMANCE PLAN**



**U. S. DEPARTMENT OF AGRICULTURE**

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## INTRODUCTION

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The Budget Summary describes the fiscal year (FY) 2006 budget for the U.S. Department of Agriculture (USDA). All references to years refer to fiscal year, except where specifically noted. The funding estimates presented for FY 2005 are based on the Consolidated Appropriations Act, 2005, P.L. 108-447. Throughout the booklet, “2002 Farm Bill” and “The Act” are used to refer to the Farm Security and Rural Investment Act of 2002.

The Summary is organized into five sections: Funding Overview, Highlights by USDA strategic goals, Food and Agriculture Defense Initiative, Mission Area/Agency Details, and Appendix Tables.

Basic budget and performance plan terminology:

- **Budget Authority** is the authority to commit funds of the Federal Treasury. Congress provides this authority through annual appropriations acts and substantive legislation which authorizes direct spending. The President's budget requests the Congress to appropriate or otherwise provide an amount of budget authority sufficient to carry out recommended government programs.
- **Obligations** are commitments of government funds. In order for USDA to make a valid obligation, it must have a sufficient amount of budget authority to cover the obligation.
- **Outlays** are cash disbursements from the Federal Treasury to satisfy a valid obligation.
- **Program Assessment Rating Tool (PART)** is an evaluation process that was developed to assess the effectiveness of Federal programs and to inform management actions, budget requests, and legislative proposals directed at achieving results. The PART examines various factors that contribute to the effectiveness of a program and requires that conclusions be explained and substantiated with evidence. The PART assesses if and how program evaluation is used to inform program planning and to corroborate program results.
- **Performance Goal** is the target level of performance at a specified time or period expressed as a tangible, measurable outcome, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate. A performance goal is comprised of a performance measure with targets and timeframes.
- **Performance Measures** are indicators, statistics, or metrics used to gauge program performance. Program performance measures include outcome, output, and efficiency measures.
- **Program Level** represents the gross value of all financial assistance USDA provides to the public. This assistance may be in the form of grants, guaranteed or direct loans, cost-sharing, professional services such as research or technical assistance activities, or in-kind benefits such as commodities.

## INTRODUCTION

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- **Strategic Goal or Strategic Objective** represents a statement of aim or purpose included in a strategic plan that defines how a Department or an agency will carry out a major segment of its mission over a period of time.

Program level measures are used in most instances. However, there are some cases when other measures are used and the reader should take care to note which measure is being used.

Questions may be directed to the Office of Budget and Program Analysis via e-mail at [bca@obpa.usda.gov](mailto:bca@obpa.usda.gov) or telephone at (202) 720-6176.

## FUNDING OVERVIEW

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### Mission Statement of the United States Department of Agriculture

USDA provides leadership on food, agriculture, natural resources, and related issues based on sound public policy, the best available science, and efficient management.

### Strategic Plan Framework

USDA's strategic plan contains five strategic goals that describe the Department's major programmatic policies and objectives. The five strategic goals are:

- Strategic Goal 1: Enhance Economic Opportunities for Agricultural Producers
- Strategic Goal 2: Support Increased Economic Opportunities and Improved Quality of Life in Rural America
- Strategic Goal 3: Enhance Protection and Safety of the Nation's Agriculture and Food Supply
- Strategic Goal 4: Improve the Nation's Nutrition and Health
- Strategic Goal 5: Protect and Enhance the Nation's Natural Resource Base and Environment

The Department's strategic plan identifies key policy and management objectives that have been integrated into USDA's 2006 budget request. Central to the budget and planning process is effective management of the Department's limited resources in an effort to effectively deliver its multifaceted programs.

### Budget and Performance Integration

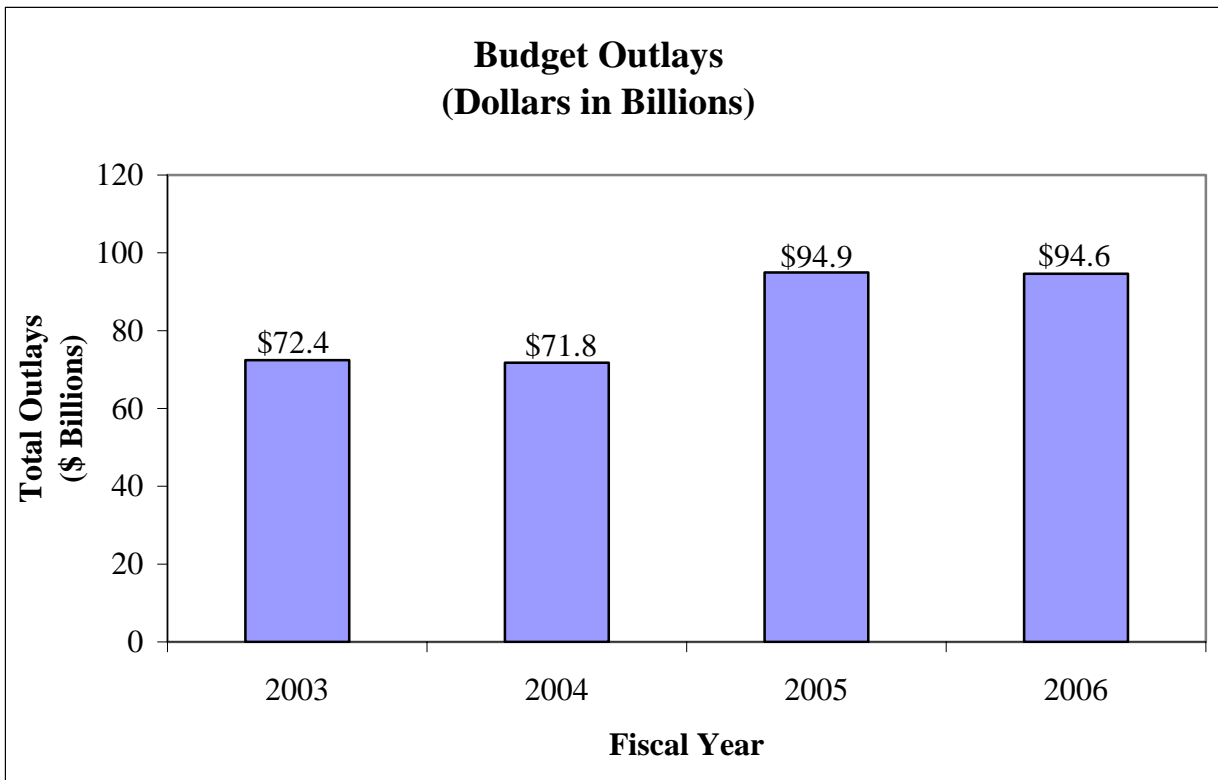
USDA developed and implemented a comprehensive budget and performance integration process for the 2006 budget that aligns funding and performance with the Department's strategic goals. The process involved an in-depth review of agency goals, objectives and performance measures as they relate to the Department's strategic goals and objectives. The results of this review, along with information from reviews conducted using the Performance Assessment Rating Tool and other analyses formed the basis for development of specific budget proposals. The result of this year's budget process is a budget that aligns the Department's strategic goals, program outcomes and performance with budget decisions. A summary of highlights by USDA strategic goal is presented beginning on page 6. Narrative sections of the Budget Summary include information on a number of performance targets.

### 2006 Funding Overview

USDA's total outlays are estimated to be about \$94.6 billion, about \$300 million below the 2005 level. Roughly 78 percent of outlays, about \$73.4 billion in 2006, are associated with mandatory programs that provide services as required by law and include the majority of the nutrition assistance programs, commodity programs, export promotion programs and a number of conservation programs. This is an increase of about \$270 million over 2005. The remaining 22 percent of outlays, estimated to be about \$21.2 billion in 2006, are associated with discretionary programs. This is a \$590 million decrease from the 2005 level. Discretionary program outlays include programs to address pest and disease threats; funds for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC); rural development loans and grants; research and education; soil and water

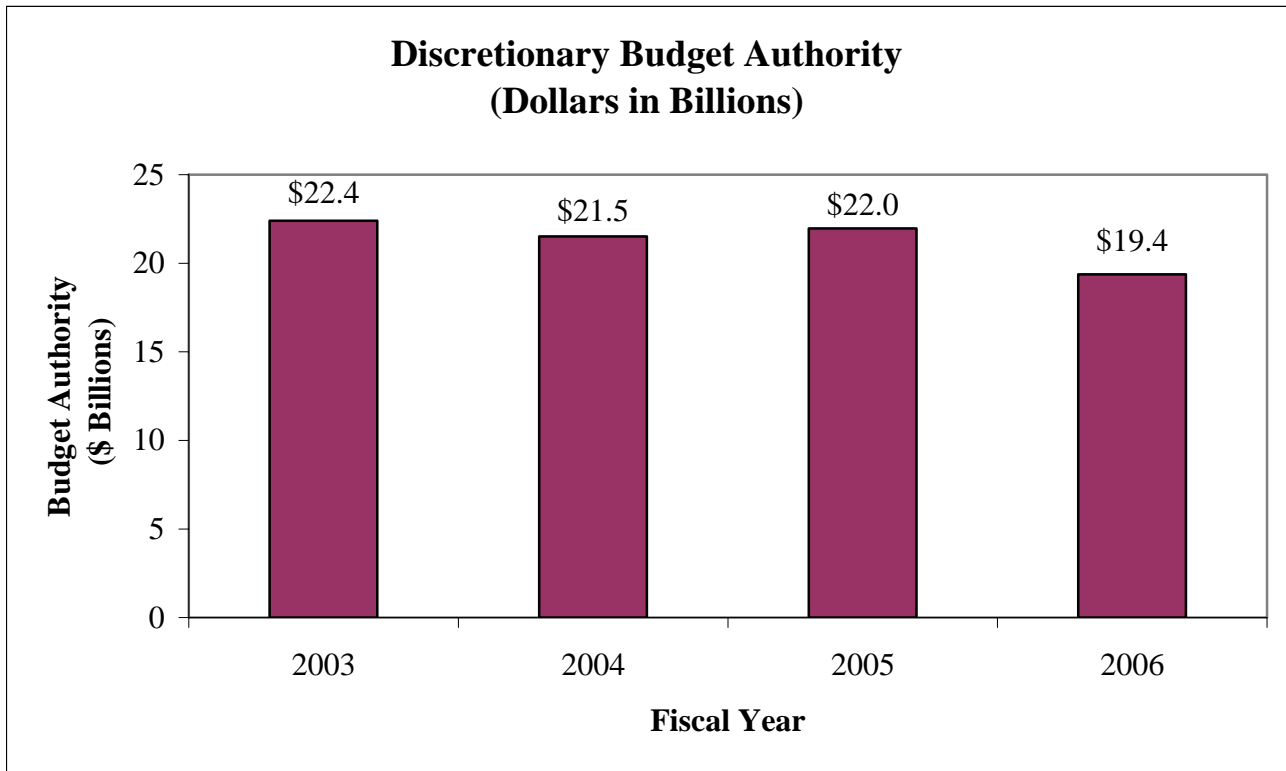
## FUNDING OVERVIEW

conservation technical assistance; management of National Forests and other Forest Service activities; and domestic and international marketing assistance. In budget authority terms, the USDA total increases from \$94.7 billion in 2005 to \$95.4 billion in 2006. Within this total, discretionary funding is estimated to decline from about \$22 billion in 2005 to \$19.4 billion in 2006. The 2005 level includes about \$1 billion in supplemental funding associated with forest fires and natural disasters which was designated as an emergency that is not continued in the 2006 budget. Further, the 2006 total reflects the impact of proposals to restrain funding levels for certain programs and reform programs. Details of funding levels for agencies and major programs are provided in the Mission Area sections of this document.



## FUNDING OVERVIEW

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# FUNDING OVERVIEW

## UNITED STATES DEPARTMENT OF AGRICULTURE (Dollars in Millions)

AGENCY/PROGRAM	Program Level				Outlays			
	2004 Actual	2005 Estimate	2006 Budget	Change 2005 to 2006	2004 Actual	2005 Estimate	2006 Budget	Change 2005 to 2006
<b>FARM AND FOREIGN AGRICULTURAL SERVICES</b>								
<b>Farm Service Agency (p. 20):</b>								
Farm Loan and Grant Programs.....	\$3,218	\$3,976	\$3,807	-\$169	\$214	\$334	\$166	-\$168
Conservation and Other Programs.....	1,868	2,092	2,021	-71	1,886	2,017	2,086	69
Commodity Programs.....	19,142	33,093	28,066	-5,027	8,415	21,773	16,771	-5,002
Commodity Credit Corporation Programs.....	(25,052)	(39,953)	(34,904)	(-5,049)	(10,576)	(24,064)	(19,053)	(-5,011)
Salaries and Expenses.....	1,266	1,295	1,365	70	1,286	1,304	1,355	51
Total, Farm Service Agency.....	25,494	40,456	35,259	-5,197	11,801	25,428	20,378	-5,050
<b>Risk Management Agency (p. 31):</b>								
Administrative and Operating Expenses.....	71	71	88	17	71	69	86	17
Crop Insurance Fund.....	3,541	3,599	4,014	415	3,198	3,297	3,640	343
Total, Risk Management Agency.....	3,612	3,670	4,102	432	3,269	3,366	3,726	360
<b>Foreign Agricultural Service (p. 34):</b>								
Export Credit Guarantees.....	3,716	4,528	4,396	-132	291	392	335	-57
Market Development Programs.....	173	188	173	-15	169	171	119	-52
Export Subsidy Programs.....	3	34	80	46	19	34	80	46
Trade Adjustment Assistance for Farmers.....	16	90	90	0	79	90	90	0
P.L. 480.....	1,809	1,491	1,109	-382	1,726	1,218	1,342	124
Bill Emerson Humanitarian Trust.....	0	225	0	-225	0	0	0	0
Section 416(b) Donations: Ocean Freight and Overseas Distribution Costs.....	19	15	19	4	75	16	17	1
Food for Progress Program.....	138	141	137	-4	113	143	139	-4
McGovern-Dole International Food for Education Program.....	50	91	106	15	150	84	94	10
Salaries and Expenses.....	197	203	214	11	158	153	166	13
Total, Foreign Agricultural Service.....	6,121	7,006	6,324	-682	2,780	2,301	2,382	81
Total, Farm and Foreign Agricultural Services.....	35,227	51,132	45,685	-5,447	17,850	31,095	26,486	-4,609
<b>RURAL DEVELOPMENT</b>								
<b>Rural Utilities Service (p. 48):</b>								
Loans and Grants.....	6,734	7,253	5,028	-2,225	1,002	765	712	-53
<b>Rural Housing Service (p. 52):</b>								
Loans and Grants.....	6,313	6,137	6,488	351	1,786	1,345	1,384	39
<b>Rural Business - Cooperative Service (p. 56):</b>								
Loans and Grants.....	1,135	1,368	1,280	-88	345	266	133	-133
Salaries and Expenses.....	625	639	683	44	133	149	161	12
Subtotal, Rural Development.....	14,808	15,397	13,479	-1,918	3,266	2,525	2,390	-135
Farm Bill Authorities.....	36	65	0	-65	24	51	108	57
Rural Community Advancement Program (p. 47).....	(3,318)	(2,952)	(2,881)	(-71)	(906)	(898)	(842)	(-56)
Total, Rural Development.....	14,844	15,462	13,479	-1,983	3,290	2,576	2,498	-78
<b>FOOD, NUTRITION, AND CONSUMER SERVICES</b>								
<b>Food and Nutrition Service (p. 58)</b>								
Food Stamp Program.....	28,765	34,032	37,512	3,480	28,621	34,211	37,599	3,388
Child Nutrition Programs.....	11,795	12,367	12,913	546	11,606	12,564	12,877	313
Women, Infants and Children (WIC).....	5,010	5,241	5,576	335	4,825	5,088	5,465	377
All Other.....	484	477	474	-3	338	332	335	3
Total, Food, Nutrition, and Consumer Services.....	46,054	52,117	56,475	4,358	45,390	52,195	56,276	4,081
<b>FOOD SAFETY</b>								
Food Safety and Inspection Service (p. 66).....	905	937	973	36	763	822	859	37
<b>NATURAL RESOURCES AND ENVIRONMENT</b>								
<b>Natural Resources Conservation Service (p. 70):</b>								
Conservation Operations.....	848	831	768	-63	791	787	782	-5
Watershed Operations.....	275	359	20	-339	148	337	164	-173
Resource Conservation and Development.....	52	51	26	-25	51	51	31	-20
Farm Security and Rural Investment Programs.....	1,588	1,955	1,909	-46	1,428	1,790	1,788	-2
Total, Natural Resources Conservation Service.....	2,763	3,196	2,723	-473	2,418	2,965	2,765	-200

# FUNDING OVERVIEW

<b>Forest Service (p. 75):</b>								
National Forest System.....	1,600	1,644	1,652	8	1,614	1,355	1,616	261
Forest and Rangeland Research.....	266	276	285	9	298	316	300	-16
State and Private Forestry.....	304	293	253	-40	375	482	486	4
Wildland Fire Management.....	1,390	1,440	1,444	4	1,937	1,739	1,465	-274
Capital Improvement and Maintenance.....	555	515	381	-134	599	696	498	-198
Land Acquisition.....	68	62	41	-21	100	153	48	-105
All Other.....	8	9	9	0	9	9	7	-2
<b>Total, Discretionary Accounts.....</b>	<b>4,191</b>	<b>4,239</b>	<b>4,065</b>	<b>-174</b>	<b>4,932</b>	<b>4,750</b>	<b>4,420</b>	<b>-330</b>
Repayments for Fire Borrowing/Emergency Fire Funding.....	937	394	0	-394	a/	a/	a/	a/
Mandatory.....	1,029	964	1,102	138	703	830	941	111
<b>Total, Forest Service.....</b>	<b>6,157</b>	<b>5,597</b>	<b>5,167</b>	<b>-430</b>	<b>5,635</b>	<b>5,580</b>	<b>5,361</b>	<b>-219</b>
<b>Total, Natural Resources and Environment.....</b>	<b>8,920</b>	<b>8,793</b>	<b>7,890</b>	<b>-903</b>	<b>8,053</b>	<b>8,545</b>	<b>8,126</b>	<b>-419</b>
<b>MARKETING AND REGULATORY PROGRAMS</b>								
<b>Animal and Plant Health Inspection Service (p. 82):</b>								
Salaries and Expenses.....	835	943	1,003	60	856	1,005	1,075	70
Emergency Funding.....	234	50	0	-50	117	142	25	-117
Other APHIS Programs.....	21	19	19	0	28	30	18	-12
<b>Total, Animal and Plant Health Inspection Service.....</b>	<b>1,090</b>	<b>1,012</b>	<b>1,022</b>	<b>10</b>	<b>1,001</b>	<b>1,177</b>	<b>1,118</b>	<b>-59</b>
<b>Agricultural Marketing Service (p. 87).....</b>	<b>259</b>	<b>281</b>	<b>292</b>	<b>11</b>	<b>220</b>	<b>211</b>	<b>229</b>	<b>18</b>
Section 32 Funds.....	474	756	450	-306	470	756	449	-307
<b>Grain Inspection, Packers and Stockyards</b>								
<b>Administration (p. 91).....</b>	<b>72</b>	<b>79</b>	<b>82</b>	<b>3</b>	<b>32</b>	<b>37</b>	<b>43</b>	<b>6</b>
<b>Total, Marketing and Regulatory Programs.....</b>	<b>1,895</b>	<b>2,128</b>	<b>1,846</b>	<b>-282</b>	<b>1,723</b>	<b>2,181</b>	<b>1,839</b>	<b>-342</b>
<b>RESEARCH, EDUCATION, AND ECONOMICS</b>								
<b>Agricultural Research Service (p. 95):</b>								
Ongoing Appropriations for Research and Information.....	1,103	1,120	1,014	-106	1,120	1,130	1,039	-91
Ongoing Appropriations for Buildings and Facilities.....	64	186	65	-121	94	117	123	6
<b>Total, Agricultural Research Service.....</b>	<b>1,167</b>	<b>1,306</b>	<b>1,079</b>	<b>-227</b>	<b>1,214</b>	<b>1,247</b>	<b>1,162</b>	<b>-85</b>
<b>Cooperative State Research, Education, and</b>								
<b>Extension Service (p. 98).....</b>	<b>1,132</b>	<b>1,184</b>	<b>1,041</b>	<b>-143</b>	<b>1,066</b>	<b>1,090</b>	<b>964</b>	<b>-126</b>
<b>Economic Research Service (p. 102).....</b>	<b>71</b>	<b>74</b>	<b>81</b>	<b>7</b>	<b>66</b>	<b>73</b>	<b>80</b>	<b>7</b>
<b>National Agricultural Statistics Service (p. 103).....</b>	<b>128</b>	<b>128</b>	<b>145</b>	<b>17</b>	<b>121</b>	<b>133</b>	<b>145</b>	<b>12</b>
<b>Total, Research, Education, and Economics.....</b>	<b>2,498</b>	<b>2,692</b>	<b>2,346</b>	<b>-346</b>	<b>2,467</b>	<b>2,543</b>	<b>2,351</b>	<b>-192</b>
<b>OTHER ACTIVITIES</b>								
Departmental Activities (p. 105).....	128	135	144	9	139	128	139	11
Centralized Activities.....	177	194	241	47	213	192	247	55
Office of Civil Rights (p. 108).....	17	20	20	0	17	20	20	0
Office of Inspector General (p. 109).....	77	78	81	3	72	78	81	3
Common Computing Environment (p. 110).....	144	125	142	17	136	125	142	17
Receipts and Loan Repayments.....	0	0	0	0	-8,344	-5,588	-4,474	1,114
<b>USDA TOTAL.....</b>	<b>\$110,886</b>	<b>\$133,813</b>	<b>\$129,322</b>	<b>-\$4,491</b>	<b>\$71,769</b>	<b>\$94,912</b>	<b>\$94,590</b>	<b>-\$322</b>

a/ Outlays are reflected in the above Forest Service accounts after the repayments were made.

## HIGHLIGHTS BY GOAL

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The Department's 2006 budget supports achievement of the five USDA strategic goals and the commitment to provide first-class service, state-of-the-art science, and consistent management excellence across the broad responsibilities of USDA. The Department promotes agricultural production and trade; protects animal and plant health; works to assure food safety; protects natural resources; fosters strong rural communities; and fights hunger in America and abroad. To reflect this, these goals contain thirteen objectives that cover all programs and services within USDA's responsibilities.

### STRATEGIC GOAL 1: ENHANCE ECONOMIC OPPORTUNITIES FOR AGRICULTURAL PRODUCERS.

Expanding markets for agricultural products is critical to the long-term economic health and prosperity of the food and agricultural sector. USDA has four key objectives which support the achievement of this strategic goal. The four key objectives are: (1) expand international market opportunities; (2) support international economic development and trade capacity building; (3) expand alternative markets for agricultural products and activities; and (4) provide risk management and financial tools to farmers and ranchers. The following table displays funding within strategic goal 1:

**Enhance Economic Opportunities for Agricultural Producers  
(Dollars in Millions)**

Program	2004 Actual	2005 Estimate	2006 Budget
Farm and Foreign Agricultural Services.....	\$33,201	\$49,016	\$43,482
Natural Resources and Environment.....	14	14	12
Marketing and Regulatory Programs.....	817	1,128	842
Research, Education and Economics.....	948	1,004	907
Total, Strategic Goal 1.....	\$34,980	\$51,162	\$45,243

#### Key Proposals for the 2006 Budget:

- Deliver an estimated \$17 billion in farm program benefits while proposing reforms to better target agricultural assistance, promote more efficient production decisions, and extend expiring programs.** This includes the extension of the Milk Income Loss Contract Program for two years as well as proposals to reduce government costs by reducing payment limits, basing marketing loans on historical production, reducing crop and dairy payments to farmers by 5 percent, minimizing dairy price support expenditures, and establishing a sugar marketing assessment to be paid on sugar producers on all processed sugar. These changes will save an estimated \$5.7 billion over the next ten years. This proposal along with the crop insurance proposal mentioned below is part of a multi-agency reconciliation package. (See page 27.)

## HIGHLIGHTS BY GOAL

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- **Strengthen crop insurance delivery to ensure that farmers have adequate yield and price protection.** The value of crop insurance protection in 2006 will be about \$41 billion, representing more than 80 percent of the Nation's acres planted to principal crops. Despite the high level of participation, demand still exists for ad hoc disaster assistance due in part to reliance on catastrophic coverage which affords the producer only 27.5 percent protection in the event of a total loss. The budget includes proposals to require recipients, who receive direct payments to purchase crop insurance at the 50 percent coverage level, modify the fee for catastrophic coverage, restructure premium rates to better reflect historical losses, and reduce delivery costs. These proposals would save an estimated \$1.3 billion over the next ten years beginning in 2007. (See page 31.)
- **Expand international market opportunities through compliance monitoring and enforcement of trade agreements.** Compliance monitoring and enforcement of existing trade agreements are important components of the Department's efforts to expand international market opportunities as it ensures full and fair access to overseas markets for American agricultural producers and exporters. The budget provides additional funding for Foreign Agricultural Service (FAS) to ensure the agency's representation and advocacy activities on behalf of American agriculture can continue. The value of trade that will be preserved through FAS compliance monitoring and enforcement activities in 2006 is estimated to be \$3 billion. (See page 42.) In addition, the Animal and Plant Health Inspection Service (APHIS) will facilitate \$74 million in agricultural trade through efforts to resolve or avoid sanitary and phytosanitary (SPS) related issues.
- **Assist 2.6 million women and children through preschool and school feeding programs carried out in developing countries through the McGovern-Dole International Food for Education and Child Nutrition Program.** The budget increases funding for the McGovern-Dole program by more than 15 percent over the 2005 enacted level. The number of women and children who will benefit will increase from 2.2 million in 2005 to 2.6 million in 2006. These programs support economic development by contributing to a healthy, literate workforce that can support a more prosperous, sustainable economy and ensure long-term food security. (See page 40.)
- **Advance cutting edge agricultural research by shifting funding from noncompetitive and formula programs to competitive programs.** As a result, the National Research Initiative (NRI) is funded at \$250 million, an increase of \$70 million (40 percent) over 2005 and a new \$75 million competitive grant program would be established to permit State Agricultural Experiment Stations to support research targeted to regional, State, and local needs. (See page 100.)
- **Advance agricultural genomics research.** Harnessing the inherent potential of genetic resources holds the promise for effectively meeting many of the challenges facing agriculture. Mapping and sequencing projects financed by the Agricultural Research Service (ARS) and the Cooperative State Research, Education, and Extension Service (CSREES) will be coordinated with genomics initiatives funded by other Federal agencies – the National Institutes of Health, the National Science Foundation, and the Department of Energy – and facilitated by interagency workgroups. These Federal agencies have assigned high priority to

## HIGHLIGHTS BY GOAL

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sequencing genomes of agriculturally-important species and USDA funds will be highly leveraged as these mapping and sequencing projects move forward. Within ARS, an increase of \$4.7 million is requested for animal genomics research and \$4.5 million for plant genomics research. An additional \$11 million is proposed within the NRI to support the sequencing and annotation of the maize and swine genomes.

### STRATEGIC GOAL 2: SUPPORT INCREASED ECONOMIC OPPORTUNITIES AND IMPROVED QUALITY OF LIFE IN RURAL AMERICA.

Rural America encompasses a diversity of economic and quality of life conditions, including many areas with high levels of poverty, limited employment and business opportunities, and a lack of basic amenities and services. USDA’s rural development programs have been instrumental in improving conditions in rural America by providing technical and financial support for electric, telecommunication, water and waste disposal services, community facilities, homeownership, decent rental housing, and business ventures. These programs fill gaps that are not adequately served by private lenders and make the cost of financing more affordable for program participants. The following table displays funding within strategic goal 2:

**Support Increased Economic Opportunities and Improved  
Quality of Life in Rural America  
(Dollars in Millions)**

Program	2004 Actual	2005 Estimate	2006 Budget
Rural Development.....	\$14,844	\$15,462	\$13,479
Natural Resources and Environment.....	144	135	75
Research, Education and Economics.....	197	195	189
Total, Strategic Goal 2.....	\$15,185	\$15,792	\$13,743

#### Key Proposals for the 2006 Budget:

- **Support home ownership opportunities in rural America.** The budget request includes \$1 billion in direct loans and \$3.5 billion in new guaranteed loans to support 40,400 home ownership opportunities. USDA single family housing programs contribute to the President’s Home Ownership Initiative. (See page 52.)
- **Protect the tenants of USDA financed multi-family housing projects and strengthen the management of those projects.** USDA has a portfolio of about 17,000 multi-family housing projects that provide housing for about 470,000 low-income tenants, many of whom are elderly. The Supreme Court recently ruled in favor of project owners who wish to prepay their loans and remove their property from the subsidized housing market. USDA recently released a contractor’s assessment of the portfolio indicating that about 10 percent of the portfolio is potentially viable for commercial use, which would put about 46,000 tenants at risk of substantial rent increase and possible loss of decent housing. To address this matter, the 2006 budget request includes \$214 million for a rent protection program based on

## HIGHLIGHTS BY GOAL

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existing authority to provide rural housing vouchers. USDA will continue to explore ways to provide for financing for the repair and rehabilitation of projects that remain in the portfolio, including options that would require legislation. (See page 53.)

- **Save or create 56,400 jobs in Rural America.** This will be achieved through Rural Development's business programs, primarily the business and industry guaranteed loan program and the intermediary relending loan program. The budget request includes \$899 million for business and industry guaranteed loans. This is \$304 million above the 2005 level. (See page 56.)
- **Provide about 570,000 rural households with new or improved water and waste disposal facilities.** The proposed \$1.5 billion funding level includes \$1.1 billion in loans which are substantially less costly to the Government than grants, having a subsidy rate of about 9 percent. Funding for grants is reduced by \$77 million excluding one-time supplemental funds. The relatively low interest rates that have prevailed for the last several years and are expected to continue make loans affordable for most rural communities. However, fewer facilities are expected to be financed because building costs are increasing and more funds are needed for an average project. Hence there is a reduction of about 80,000 from the 2005 level in the number of households that can be served. (See page 47.)
- **Reform the Resource Conservation and Development (RC&D) Program.** Through the RC&D Program, the Natural Resources Conservation Service (NRCS) helps State and Local units of government and local nonprofit organizations in rural areas to plan, develop, coordinate, and carry out programs that help improve and manage natural resources. A recent PART review indicates that the RC&D program does not target funds based on performance and that approximately 50 percent of the local councils in the program are more than 20 years old. The budget proposes a new policy which would end Federal support for RC&D councils after 20 years. At this point, local communities should have the experience and capacity to identify, plan for and address their priorities. This new policy permits a savings of \$25.6 million in the 2006 budget. (See page 73.)

### **STRATEGIC GOAL 3: ENHANCE PROTECTION AND SAFETY OF THE NATION'S AGRICULTURE AND FOOD SUPPLY.**

USDA has unique and critical responsibilities to help ensure the safety of the U.S. food and fiber supply chain and the security of the U.S. agricultural production system. USDA has two key objectives which support the achievement of this strategic goal. The two key objectives are: (1) reduce the incidence of foodborne illnesses related to meat, poultry, and egg products in the U.S.; and (2) reduce the number and severity of agricultural pests and disease outbreaks. The following table displays funding within strategic goal 3:

## HIGHLIGHTS BY GOAL

### Enhance Protection and Safety of the Nation's Agriculture and Food Supply (Dollars in Millions)

Program	2004 Actual	2005 Estimate	2006 Budget
Food Safety Programs.....	\$905	\$937	\$973
Marketing and Regulatory Programs.....	1,078	1,000	1,004
Research, Education and Economics.....	674	749	655
Total, Strategic Goal 3.....	\$2,657	\$2,686	\$2,632

#### Key Proposals for the 2006 Budget:

- **Provide for continued protection of the Nation's supply of meat, poultry and egg products.** The 2006 budget includes a program level of \$973 million for the Food Safety and Inspection Service (FSIS). This is an increase of \$36 million over 2005. Of this total, \$850 million would be funded through appropriations, which includes \$139 million to be derived from proposed new user fees, and \$123 million would be funded through existing user fees and trust funds. The proposed program level includes sufficient resources to cover the costs of Federal inspection, maintain Federal support for State inspection programs, and meet FSIS responsibilities under the Food and Agriculture Defense Initiative. (See page 66.)
- **Prevent the introduction or spread of foreign animal diseases and pests that spread and cause severe economic or environmental damage or damage to the health of animals or humans.** USDA plays a critical role in protecting the Nation from deliberate or unintentional introduction of an agricultural health threat, and the budget request includes a \$55 million increase for efforts to rapidly detect and respond to a foreign agricultural health threat. Increased funding would improve plant pest detection, bolster responses to animal health threats, increase the availability of animal vaccines, and enhance the tracking of select biological agents. (See page 82.)
- **Increase inspections of genetically-modified crop field tests.** The budget requests an additional \$4.5 million to enhance regulation of biotechnology. USDA would start to build capacity to deal with transgenic animals, arthropods, and disease agents. In addition, inspections of genetically-modified crop field test sites would rise from 657 to almost 700.
- **Conduct testing and research related to Bovine Spongiform Encephalopathy (BSE).** The budget proposes \$66 million to support efforts related to BSE, including continued funding to test 40,000 animals and develop a National Animal Identification Program. The budget proposes an increase of \$7.5 million in new funding for the BSE research program in 2006. The goals of this research are to develop a scientific understanding of the disease and the technology needed by regulatory agencies to establish science-based policies and control programs. Currently, ARS has a core capacity of 15 scientists involved in BSE-related research. This research focuses on: developing improved diagnostic tests for prions in animal tissue and feed; assessing transmissibility of prions among livestock and wildlife species; differentiating BSE strains; and determining the pathobiology of disease infection.

## HIGHLIGHTS BY GOAL

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- **Protect agriculture from emerging or exotic pests and diseases as part of the President's Food and Agriculture Defense Initiative.** Because of its size, complexity, and integration, U.S. agriculture is uniquely vulnerable to highly infectious disease and pests, particularly foreign diseases. To help combat these threats, funds are proposed to complete the renovation of the U.S. Department of Agriculture's National Centers for Animal Health in Ames, Iowa. The facilities, when completed, will provide state-of-the-art capabilities for research and diagnosis. An increase of \$7 million in ARS will support research to develop more sensitive and rapid on-site diagnostic tests and vaccines for existing and emerging diseases of livestock, and an increase of \$12.5 million is sought for research on controlling exotic and emerging diseases of crops. The ARS budget also provides an increase of \$4.2 million for the National Plant Disease Recovery System which will ensure disease resistant varieties are continuously developed and made available to producers in the event of a natural or intentional catastrophic disease or pest outbreak. The CSREES budget includes an increase of \$21.1 million to support non-Federal laboratories in the new unified Federal-State diagnostic network established in 2002 to reinforce and supplement the Federal diagnostic facilities maintained by APHIS. The budget also includes \$5 million for establishing a Higher Education Agrosecurity Program that will provide capacity building grants to universities for interdisciplinary degree programs to prepare food defense professionals. (See page 16.)
- **Support research to ensure the safety of the Nation's food supply.** ARS' 2006 budget includes a \$15 million increase for food safety research as part of the Food and Agriculture Defense Initiative. This increase supports the development of methodologies that will rapidly and accurately detect, identify, and differentiate the most critically and economically important foodborne pathogenic bacteria, viruses and chemicals of food safety concern.

### **STRATEGIC GOAL 4: IMPROVE THE NATION'S NUTRITION AND HEALTH.**

USDA promotes America's health through food assistance for low-income people and nutrition education, guidance and promotion to the general public and to target groups, as well as through research on human nutrition and healthy diets. USDA programs teach, inform and motivate Americans to use this information to improve their diets and physical activity patterns. USDA has three key objectives which support the achievement of this strategic goal. The three key objectives are: (1) improve access to nutritious food; (2) promote healthier eating habits and lifestyles; and (3) improve food program management and customer service. The following table displays funding within strategic goal 4:



## HIGHLIGHTS BY GOAL

### Improve the Nation's Nutrition and Health (Dollars in Millions)

Program	2004 Actual	2005 Estimate	2006 Budget
Food, Nutrition and Consumer Services.....	\$46,054	\$52,117	\$56,475
Research, Education and Economics.....	233	256	250
Total, Strategic Goal 4.....	\$46,287	\$52,373	\$56,725

#### Key Proposals for the 2006 Budget:

- **Support for an estimated 29.1 million food stamp participants.** The budget anticipates an increase in participation of about 2.7 million recipients, about 10 percent above the 2005 estimates and projects modest food price inflation. The 2006 budget for the Food Stamp Program is \$36 billion, an increase of \$3.5 billion above 2005 and \$8.6 billion above 2004. In addition, the budget proposes a \$3 billion contingency fund to cover unanticipated increases in participation or average benefit. The budget also proposes indefinite funding authority which would make funds available in the last four months of the fiscal year if program needs exceed the anticipated level. Food Stamp Program funding also provides for nutrition education which is critical for achieving the key performance measures of reducing obesity and hunger and increasing the Healthy Eating Index (HEI) scores. Funding is also provided for efforts to improve participation rates among eligible applicants and to improve program accuracy rates. Further, the 2006 budget would continue to exclude special military pay when determining food stamp benefits for deployed members of the armed services. Legislation will be proposed to restrict categorical eligibility for food stamps to Supplemental Security Income (SSI) recipients and Temporary Assistance for Needy Families (TANF) recipients who receive cash benefits from these programs. This change will reduce food stamp costs by \$57 million in 2006, with additional savings in each subsequent year. Additionally, the Administration will seek Congressional support to rename the Food Stamp Program to better represent the program's mission of providing nutritional support to low-income families. (See page 60.)
- **Support for a monthly average of 8.5 million low-income, nutritionally at-risk WIC participants.** The President's budget provides a total WIC program level of \$5.6 billion, an increase of \$335 million above the 2005 program level. A \$125 million contingency fund is also available if program participation or costs exceed estimated levels. WIC has grown to be a vital part of the nutrition safety net, providing better nutrition and a gateway to healthcare for needy participants during the stage in life when such assistance can make the most difference. WIC is central to improving breastfeeding rates in America, as well as vital to the more general efforts to reduce obesity and hunger, and improve HEI scores. (See page 62.)

## HIGHLIGHTS BY GOAL

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- **Support for balanced meals for school children via the School Lunch Program serving an average of 29.8 million children each day, and the School Breakfast Program serving 9.6 million children each day.** The 2006 budget funds the Child Nutrition Programs at a program level of \$12.9 billion, an increase of approximately \$550 million above 2005. This level provides an increase to meet projected participation growth and for food cost inflation. The School Lunch Program projects over 5 billion reimbursable meals in 2006, an increase of 1.3 percent over the 2005 level. The proposed funding is critical for achieving the key performance measures of reducing obesity and hunger, improving HEI scores, improving participation rates, ensuring that all free and reduced price meal eligibles are correctly certified, and improving the appeal and nutritional quality of meals. (See page 61.)
- **Produce new scientific information which will assist in promoting health and preventing obesity.** The ARS budget proposes an increase of \$6.8 million for nutrition survey research. ARS will improve the accuracy and representation of the “What We Eat In America” survey by increasing the sample size and conducting a survey to determine the energy and nutrient content of foods consumed by U.S. minority populations. Additionally, an increase of \$1.5 million is requested to conduct research that will address the obesity epidemic and promote healthier lifestyle choices. (See page 97.)
- **Support competitive research for understanding the factors associated with childhood obesity.** A major \$7.5 million initiative funded by the NRI will support research that will identify the behavioral factors that lead to obesity and our understanding of how to change them to reduce and prevent obesity. Understanding the fundamental environmental causes of obesity will lead to prevention and long-term intervention strategies that promote lifelong healthy eating patterns and physical activity. The long-term goal of this program is that child and adolescent overweight will not exist in greater than 8 percent of the population.

### **STRATEGIC GOAL 5: PROTECT AND ENHANCE THE NATION’S NATURAL RESOURCE BASE AND ENVIRONMENT.**

The management of the Nation’s natural resources, both public and private, is a continual balancing act between competing concerns. In maintaining this balance, the Department employs a portfolio approach that incorporates various conservation management tools including technical assistance, cost-share, incentive, land retirement, easement and regulatory assistance programs. USDA has two key objectives which support the achievement of strategic goal 5. The two key objectives are to: (1) implement the President’s Healthy Forest Initiative and other actions to improve management of public lands; and (2) improve management of private lands. The following table displays funding within strategic goal 5.

## HIGHLIGHTS BY GOAL

### Protect and Enhance the Nation's Natural Resource Base and Environment (Dollars in Millions)

Program	2004 Actual	2005 Estimate	2006 Budget
Farm and Foreign Agricultural Services.....	\$2,026	\$2,116	\$2,203
Natural Resources and Environment.....	8,762	8,644	7,803
Research, Education and Economics.....	446	488	345
Total, Strategic Goal 5.....	\$11,234	\$11,248	\$10,351

#### Key Proposals for the 2006 Budget:

- **Provide record levels of funding for financial and technical assistance to enhance the conservation of natural resources on private lands.** The 2006 budget includes \$3.84 billion for these programs, an increase of \$30 million over the 2005 level and an increase of more than \$1.2 billion since 2002. Total acreage for these programs would increase from 159.1 million acres in 2005 to 184.2 million acres in 2006. In addition, the budget continues the implementation of the Conservation Security Program which is funded in the 2006 budget at \$274 million. The budget also includes \$626 million for conservation technical assistance and \$33 million for grazing lands within the Conservation Operations Programs. With 2006 funds, NRCS will help develop plans on more than 27 million acres of cropland and grazing land; apply conservation on 20 million acres of grazing lands; and reduce erosion on 4.6 million acres of cropland. Also included is an increase of \$37 million to provide more conservation technical assistance to livestock producers to comply with Federal, State and local environmental regulations. With this additional funding plus existing resources, NRCS will work with farmers to develop 4,825 comprehensive nutrient management plans and apply nutrient management on over 470,000 acres of agriculture land. (See page 70.)
- **Reduce the risk from catastrophic fire and implement the President's Healthy Forests Initiative.** The 2006 budget maintains funding for National Fire Plan activities and funds commitments made to increase efforts to fight wildfires, reduce the risk of fire, and assist communities including: a minimum of \$500 million will be used to continue implementation of the Healthy Forests Initiative (\$281 million is for hazardous fuels reduction) which provides for the treatment of approximately 2.8 million acres (1.8 million acres with hazardous fuels funding); \$676 million for fire preparedness; and \$700 million for suppression activities which provides funding at the 10-year average. (See page 75.)
- **Enhance the ability of the National Forest System to meet multiple demands.** A total of \$1.65 billion is provided for management of the National Forest System, including funding for hazardous fuel treatments. Funds are also provided for inventory and monitoring to track the rate of change in forests due to the implementation of the President's Healthy Forests Initiative and other projects on our National Forests. The budget also includes an additional

## HIGHLIGHTS BY GOAL

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\$4 million for vegetation and watershed management in support of the invasive species treatment goals. In addition, the budget includes \$278 million to support a timber sales offer level of approximately 2.0 billion board feet, depending on salvage sales volume. (See page 76.)

- **Provide research to support the President's Climate Change Research Initiative.** The ARS budget includes a \$3.2 million increase to conduct interdisciplinary research leading to production technologies and practices for sustaining and enhancing production and carbon sequestration by agricultural systems, expand the existing ARS network of sites conducting measurements of greenhouse gases, and lead Federal agencies in producing two reports required by the Administration's Climate Change Science Program. These reports focus on 1) the relationship between observed ecosystem changes and climate change; and 2) adaptation options for climate-sensitive ecosystems and resources.

# FOOD AND AGRICULTURE DEFENSE INITIATIVE

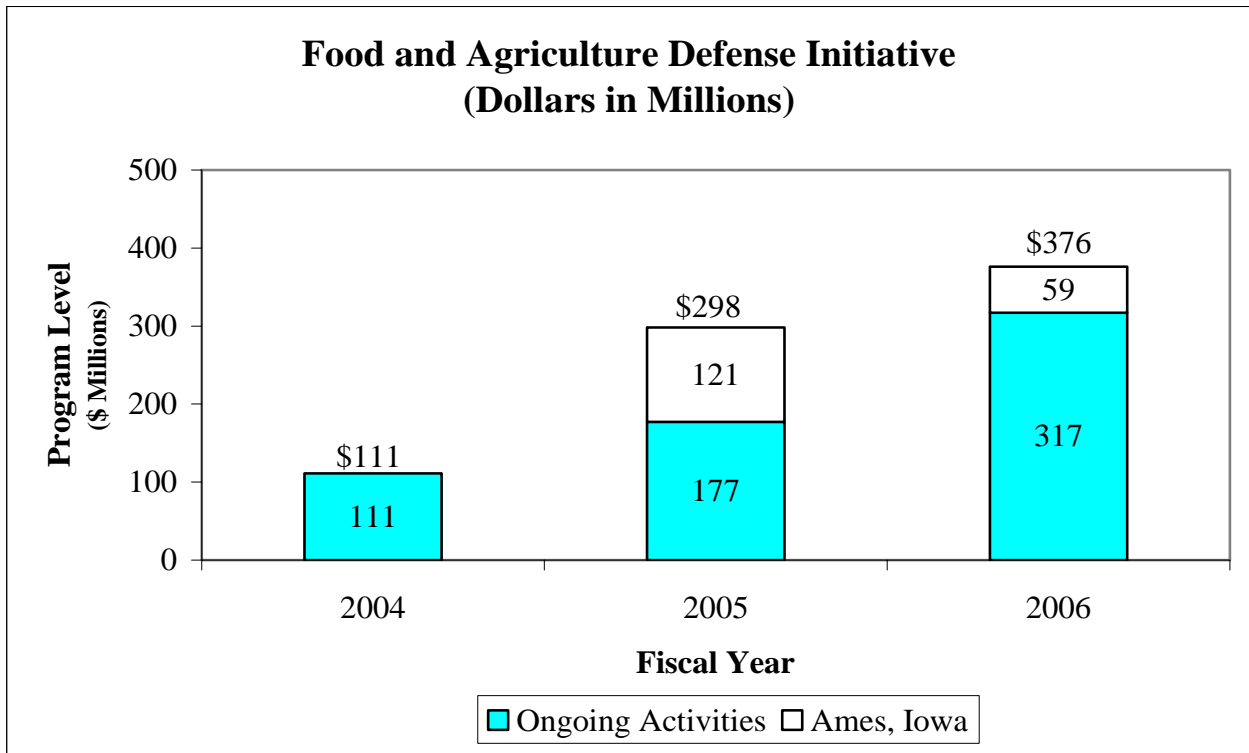
## UNITED STATES DEPARTMENT OF AGRICULTURE 2006 Food and Agriculture Defense Initiative (Dollars in Millions)

		2004	2005	2006
	Agency	Actual	Estimate	Budget
<b>Food Defense:</b>				
Surveillance and Monitoring.....	FSIS	\$1	\$3	\$3
Food Emergency Response Network (FERN).....	FSIS	0	3	19
FSIS Enhanced Inspections.....	FSIS	2	2	2
Laboratory Upgrades and Physical Security.....	FSIS	3	3	6
Education/Training.....	FSIS	2	3	4
All Other.....	FSIS	4	4	4
Research.....	ARS	3	8	23
<b>Total, Food Defense.....</b>		<b>16</b>	<b>27</b>	<b>62</b>
<b>Agriculture Defense:</b>				
Research.....	ARS	17	21	37
National Plant Disease Recovery System.....	ARS	0	2	6
Foreign Disease Weed Science Laboratory, Frederick, MD....	ARS	0	0	3
Regional Diagnostic Network.....	CSREES	8	9	30
Higher Education Agrosecurity Program.....	CSREES	0	0	5
Pest Detection/Animal Health Monitoring:				
Enhanced Surveillance.....	APHIS	38	80	123
Biosurveillance.....	APHIS	0	2	3
Plant Safeguarding Activities.....	APHIS	17	17	22
Select Agents - Plants and Animals.....	APHIS	0	3	5
National Veterinary Stockpile .....	APHIS	1	3	8
All Other.....	APHIS	14	14	14
<b>Total, Agriculture Defense (Excluding Ames).....</b>		<b>95</b>	<b>150</b>	<b>255</b>
<b>Subtotal, Food and Agriculture Defense Initiative (Ongoing Activities).....</b>		<b>111</b>	<b>177</b>	<b>317</b>
Complete Ames, IA BSL-3 Facility.....	ARS	0	121	59
<b>Total, Food and Agriculture Defense Initiative.....</b>		<b>\$111</b>	<b>\$298</b>	<b>\$376</b>

**Background/Purpose:** Shortly after the events of September 11th, USDA formed a Homeland Security Council within the Department to develop a Department-wide plan and coordinate efforts among all USDA agencies and offices. Efforts have focused on three key areas: food supply and agricultural production, USDA facilities, and USDA staff and emergency preparedness. Activities began with the \$328 million provided to USDA through an Emergency Defense Supplemental. These activities:

## FOOD AND AGRICULTURE DEFENSE INITIATIVE

- protected U.S. borders in cooperation with the Department of Homeland Security by preventing the introduction of agricultural health threats and hiring new meat and poultry import surveillance liaison officers at ports of entry;
- protected farm animals and crops from disease outbreaks and pest infestations by working closely with land-grant universities and State veterinary diagnostic laboratories; conducting ongoing Foreign Animal Disease Awareness Training Seminars; and issuing regulations with the U.S. Department of Health and Human Services in accordance with the Agriculture Bioterrorism Protection Act of 2002;
- protected the supply of meat, poultry and egg products by increasing the laboratory capacity to test for additional hazards and biological agents; and implementing a surveillance and sentinel system that monitors and tracks food-related consumer complaints;
- protected agricultural and food safety research and laboratory facilities by developing a tracking system for all foreign scientists and visitors to USDA facilities, beginning with the BSL-3 locations; upgrading the physical security at laboratory facilities; increasing research on rapid detection; and beginning construction of a consolidated state-of-the-art BSL-3 animal research and diagnostic laboratory at Ames, Iowa; and,
- enhanced emergency preparedness and response by establishing a Homeland Security Staff to coordinate the USDA response and tested a single, comprehensive approach to domestic incidents in the Administration-wide Liberty Shield exercise.



## **FOOD AND AGRICULTURE DEFENSE INITIATIVE**

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**2005 Activities:** A Homeland Security Council (HSC) Biodefense Assessment, conducted in cooperation with all relevant U.S. Government agencies, identified early attack warning and surveillance as a top priority to prepare against a potential bioterrorist attack. The 2005 appropriation will improve the Federal Government's capability to rapidly identify and characterize such an attack. The improved national surveillance capabilities in human health, food, agriculture, and environmental monitoring will promote data sharing and joint analysis among these sectors at the Federal, State, and local levels. It will also establish a comprehensive Federal-level multi-agency integration capability led by the Department of Homeland Security (DHS) to rapidly compile these streams of data and preliminary analyses and integrate and analyze them with threat information.

**2006 Priorities:** The highlights of the USDA 2006 request for increased Food and Agriculture Defense activities include:

### **Enhancing food defense by:**

- expanding the Food Emergency Response Network (FERN) with participating laboratories including implementation of the Electronic Laboratory Exchange Network (eLEXNET), an electronic laboratory diagnostic methods repository;
- upgrading laboratory capabilities to quickly identify chemical and radiological threats to the food supply; and
- strengthening research on diagnostic methods for quickly identifying various pathogens and contaminated foods and innovative biosecure foods.

### **Enhancing agriculture defense by:**

- strengthening research on rapid response systems to bioterror agents, improved vaccines, and identifying genes affecting disease resistance;
- expanding the National Plant Disease Recovery System to ensure disease resistant seed varieties are continually developed and made available to producers in the event of a natural or intentional catastrophic disease or pest outbreak;
- substantially expanding the Regional Diagnostic Network with links to the National Agricultural Pest Information System;
- establishing a Higher Education Agrosecurity Program for capacity building grants to universities that provide interdisciplinary degree programs to prepare food defense professionals;
- substantially enhancing the monitoring and surveillance of pests and diseases in plants and animals, including National wildlife monitoring and surveillance;
- establishing connectivity with DHS integration and analysis to improve biosurveillance of pests and diseases in plants and animals;
- increasing activities to safeguard plants from intentional threats to spread pests and diseases;
- strengthening the system to track biological disease agents;
- improving USDA's ability to respond to a disease outbreak, including increasing supplies of vaccines for the National veterinary stockpile;
- providing funds to complete the consolidated state-of-the-art BSL-3 animal research and diagnostic laboratory at Ames, Iowa; and
- improving biocontainment safeguards at the Foreign Disease Weed Science Laboratory in Frederick, MD.

# **FARM AND FOREIGN AGRICULTURAL SERVICES**

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## **MISSION AND RELATIONSHIP TO STRATEGIC GOALS**

The Farm and Foreign Agricultural Services (FFAS) mission area has responsibility for the delivery of most programs and services that support USDA strategic goal 1, which is to enhance economic opportunities for American agricultural producers. The mission area conducts its activities in support of the following four key objectives that comprise this strategic goal: (1) expand international market opportunities; (2) support international economic development and trade capacity building; (3) expand alternative markets for agricultural products and activities; and (4) provide risk management and financial tools to farmers and ranchers.

Farm loan and income support programs are key components of USDA's efforts to provide America's farmers and ranchers with an economic safety net to help them maintain their operations during difficult times. These programs improve producer access to capital and mitigate market losses, including those resulting from disasters. They also contribute to the success of farms and ranches, a market-based agriculture sector, and thriving agricultural communities.

Key performance measures for these objectives include the value of trade preserved through trade agreement compliance monitoring and enforcement; number of women and children assisted overseas through McGovern-Dole preschool and school feeding activities; annual increase in U.S. bioenergy production; increase in the value of risk protection provided to producers through the Federal crop insurance program; and increase in the percent of loans extended to beginning and socially disadvantaged farmers and ranchers. Program performance may be affected by numerous external factors. For example, preserving market access through trade agreement monitoring and enforcement depends heavily on the actions of other governments and their willingness to meet their trade obligations. Also, the expected market price of farm commodities may dramatically affect the value of commodities protected by crop insurance and therefore the value of risk protection provided. Establishing linkages between program outputs, such as loan amounts, and program outcomes, such as improved economic stability for farmers, is difficult.

FFAS also plays an important role in support of USDA strategic goal 5, which is to protect and enhance the Nation's natural resource base and environment. FFAS administers and provides support for programs that contribute to improved management of private lands, which is one of two objectives supporting strategic goal 5.

The work of the FFAS mission area is carried out by its three agencies, the Farm Service Agency (FSA), Risk Management Agency (RMA), and Foreign Agricultural Service (FAS).



## **FARM AND FOREIGN AGRICULTURAL SERVICES**

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### **FARM SERVICE AGENCY (FSA)**

FSA supports USDA strategic goal 1 through the delivery of farm credit, disaster assistance, and commodity and related programs. FSA also administers some of the USDA conservation programs that support strategic goal 5. FSA provides administrative support for the Commodity Credit Corporation (CCC) which funds most of the commodity, export, and some of the conservation programs of USDA. To deliver its programs, FSA operates an extensive network of local Service Center-based offices.

**Program Level  
(Dollars in Millions)**

<b>Program</b>	<b>2004 Actual</b>	<b>2005 Estimate</b>	<b>2006 Budget</b>
Farm Loan and Grant Programs.....	\$3,218	\$3,976	\$3,807
Commodity Programs.....	19,142	33,093	28,066
Conservation and Other Programs.....	1,868	2,092	2,021
Salaries and Expenses.....	1,266	1,295	1,365
Total, FSA.....	<u>\$25,494</u>	<u>\$40,456</u>	<u>\$35,259</u>

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## FARM AND FOREIGN AGRICULTURAL SERVICES

**Farm Service Agency  
Farm Loan and Grants Programs  
Program Level (P.L.) and Budget Authority (B.A.)  
(Dollars in Millions)**

Program	<u>2004</u> <u>Actual</u>		<u>2005</u> <u>Estimate</u>		<u>2006</u> <u>Budget</u>	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Farm Operating Loans:						
Guaranteed Unsubsidized.....	\$951	\$32	\$1,146	\$37	\$1,200	\$36
Guaranteed Subsidized.....	278	35	283	38	266	33
Direct.....	610	88	647	65	650	65
Total, Operating Loans.....	1,839	155	2,076	140	2,116	134
Farm Ownership Loans:						
Guaranteed Unsubsidized.....	1,104	6	1,411	7	1,400	7
Direct.....	142	32	208	11	200	10
Total, Ownership Loans.....	1,246	38	1,619	18	1,600	17
Indian Land Acquisition Loans.....	2	0	2	b/	2	b/
Boll Weevil Eradication.....	97	0	100	0	60	0
Subtotal, Farm Loan Programs.....	3,184	193	3,797	158	3,778	151
State Mediation Grants.....	4	4	4	4	4	4
Emergency Loans a/.....	30	4	175	23	25	3
Total, Farm Loan and Grants Programs..	\$3,218	\$201	\$3,976	\$185	\$3,807	\$158

a/ Amounts for 2004 and 2005 are from funds carried over as prior year unobligated balances.

b/ Less than \$0.5 million.

The farm credit programs provide an important safety net for America's farmers by providing a source of credit when they are temporarily unable to obtain credit from commercial sources. Consistent with the Administration's policies on food and agriculture, the farm credit programs play an important role in enhancing the infrastructure of the food and agricultural system. The 2006 budget supports about \$3.8 billion in direct and guaranteed farm loans. This compares to a total program level of \$4.0 billion estimated for 2005. As a result of improved repayments and changes in economic assumptions, the amount of subsidy necessary to fund the farm credit programs has generally decreased. The program supports USDA Strategic Objective 1.4: provide risk management and financial tools to farmers and ranchers.

## FARM AND FOREIGN AGRICULTURAL SERVICES

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### Objective 1.4: Provide Risk Management and Financial Tools to Farmers and Ranchers.

Key Performance Measure	2001	2002	2003	2004	2005	2006
Increase the percent of beginning farmers, racial and ethnic minority farmers, and women farmers financed by FSA Baseline: 2000 = 27%	30%	33%	34%	40%	35%	36%
Reduce average processing time for direct loans (days) Baseline: 2000 = 43	44	41	43	37	40	39
Reduce average processing time for guaranteed loans (days) Baseline: 2000 = 16	18	15	15	14	14	14

As has been the case for several years, greater levels of assistance will be offered through guaranteed loans rather than direct loans. Guaranteed loans have lower subsidy costs and are serviced by private lenders. Guaranteed farm operating loans are commonly used by private lenders to continue serving borrowers who become higher credit risks due to economic adversity. Guaranteed farm ownership loans are a critical source of credit for some borrowers because they allow real estate equity to be used to restructure short-term debt. Emphasis will continue to be placed on providing assistance to socially disadvantaged farmers. As required by statute, a portion of both direct and guaranteed farm operating and ownership loan funds is targeted to socially disadvantaged borrowers based on county level demographic data. Although targets vary by loan program and county, on average about 14 percent of loan funds are targeted to socially disadvantaged borrowers.

The 2006 budget proposes loan levels that generally reflect actual usage in recent years. The amounts a farmer may borrow under the direct and guaranteed loan programs are limited by statute. For direct loans, the borrowing limit is \$200,000 for any combination of direct farm ownership or operating loans. For guaranteed loans, the borrowing limit adjusts annually for inflation; however, in 2006 the loan limit is expected to be about \$800,000 for any combination of guaranteed farm ownership or operating loans.

For farm operating loans, the 2006 budget provides \$650 million for direct loans and about \$1.5 billion for guaranteed loans. These loan levels will serve an estimated 23,590 farmers, about 14,673 of whom will receive direct loans. The estimates of the number of borrowers served reflect historical average loan amounts of about \$44,000 for direct loans and \$168,000 for guarantees. The availability of farm operating loans provides farmers with short term credit to finance the costs of continuing or improving their farming operations, such as purchasing seed, fertilizer, livestock, feed, equipment, and other supplies.

For farm ownership loans, the 2006 budget provides \$200 million in direct loans and \$1.4 billion for guaranteed loans. The 2006 levels will provide almost 6,750 people with the opportunity to

## FARM AND FOREIGN AGRICULTURAL SERVICES

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either acquire their own farm or keep an existing one. About 1,725 borrowers would receive direct loans and 5,025 would receive guaranteed loans. The estimates of the number of borrowers served reflect historical average loan amounts of about \$44,000 for direct loans and \$168,000 for guarantees.

The 2006 budget includes \$25 million for emergency loans. In 2003-2005, no funding was provided for emergency loans due to the availability of carry-over funding from prior years' supplemental appropriations. The level of funding requested is expected to be sufficient to fund the emergency loan program given "normal" weather conditions. The 2006 budget also provides funding for Indian land acquisition loans and the Boll Weevil Eradication Loan Program. Due to the successful completion of some eradication programs, the 2006 budget requests \$60 million for this program compared to \$100 million estimated for 2005.

Funding for State Mediation Grants would be increased to \$4.5 million. These grants are made to States to help support certified programs that provide alternative dispute resolution on a wide variety of agricultural issues. Mediation benefits family farmers, including many low-income and socially disadvantaged farmers, who, because of mediation, are often able to resolve credit and other issues and remain on the farm.

A Program Assessment Rating Tool (PART) review of the direct loan programs was conducted as part of the 2006 budget process. The PART analysis revealed that the purpose and management of the direct loan programs were focused and clear, but additional planning and performance measurements were needed. This result is similar to the finding of the PART analysis conducted on the guaranteed loan programs in 2005. As a result of the 2005 guaranteed loan analysis, the Administration began a process to develop meaningful outcome-oriented measures and goals for the direct and guaranteed loan programs. That process is expected to result in a new strategic plan and performance measurements for the farm loan programs. In addition, FSA has been participating with other loan programs within USDA to develop a consistent outcome-based efficiency measure. The cumulative effects of these efforts should enable the direct and guaranteed loan programs to improve their PART scores.

## FARM AND FOREIGN AGRICULTURAL SERVICES

### Farm Service Agency Commodity Credit Corporation (Dollars in Millions)

Program	Program Levels			Net Outlays		
	2004	2005	2006	2004	2005	2006
<b>Commodity Programs:</b>						
Price Support and Marketing						
Assistance Loans.....	\$9,150	\$11,944	\$10,108	\$1,246	\$5,023	\$3,505
Loan Deficiency Payments.....	461	4,684	4,074	461	4,684	4,074
Direct Payments.....	5,289	5,347	5,303	5,289	5,347	5,303
Countercyclical Payments.....	809	3,942	5,950	809	3,942	5,950
Milk Income Loss Contract Payments.....	221	500	50	221	500	50
Noninsured Assistance Payments.....	124	347	326	124	347	326
Farm Storage Facility Loans.....	63	83	67	5	15	1
Cotton User Marketing Payments.....	363	638	444	363	638	444
Tobacco Payments.....	5	958	958	5	958	958
Other Direct Payments.....	3	25	4	3	25	4
Purchases and Sales.....	1,257	848	591	-325	-2,545	-3,116
Processing, Storage and Transportation...	143	150	122	143	150	122
Disaster Assistance.....	936	2,873	0	936	2,873	0
Interest Expenditures.....	129	221	413	88	153	278
Tobacco Assessments.....	0	0	0	0	-958	-1,189
Other.....	189	533	333	-953	621	738
Total, Commodity Programs Baseline..	19,142	33,093	28,743	8,415	21,773	17,448
<b>Conservation Programs:</b>						
Conservation Reserve Program.....	1,850	1,942	2,021	1,801	1,937	2,021
Other Conservation Programs.....	0	0	0	98	41	2
Total, Conservation Programs.....	1,850	1,942	2,021	1,899	1,978	2,023
<b>Export Programs:</b>						
Export Credit.....	3,716	4,528	4,396	291	392	335
Market Access Program.....	125	140	200 <sup>a/</sup>	124	117	141
Foreign Market Development						
(Cooperator) Program.....	34	34	34	37	34	34
Emerging Markets Program.....	10	10	10	5	16	15
Technical Assistance for Specialty						
Crops Program.....	2	2	2	2	2	2
Quality Samples Program.....	2	2	2	1	2	2

## FARM AND FOREIGN AGRICULTURAL SERVICES

**Farm Service Agency  
Commodity Credit Corporation  
(Dollars in Millions)**

Program	Program Levels			Net Outlays		
	2004	2005	2006	2004	2005	2006
Export Enhancement Program.....	0	28	28	0	28	28
Dairy Export Incentive Program.....	3	6	52	19	6	52
Food for Progress Program.....	138	141	137	113	143	139
Section 416(b) Donations b/.....	19	15	19	75	16	18
Other.....	11	12	12	12	12	12
Total, Export Programs.....	4,060	4,918	4,892	679	768	778
Subtotal, CCC.....	25,052	39,953	35,656	10,993	24,519	20,249
Pre-credit Reform Loan Repayments.....	0	0	0	-417	-455	-444
CCC Baseline.....	25,052	39,953	35,656	10,576	24,064	19,805
Limit MAP to \$125 million.....	0	0	-75	0	0	-75
Limit Bioenergy Incentives to \$60 million..	0	0	-90	0	0	-90
Subtotal, CCC.....	25,052	39,953	35,491	10,576	24,064	19,640
Less Net Reconciliation Savings.....	0	0	-587	0	0	-587
Total, CCC.....	\$25,052	\$39,953	\$34,904	\$10,576	\$24,064	\$19,053

a/ Reflects authorized level for MAP. The 2006 budget includes a proposal to limit MAP to \$125 million.

b/ Ocean freight and overseas distribution costs.

The Commodity Credit Corporation (CCC) provides funding for commodity programs administered by FSA, selected conservation programs administered by FSA and NRCS, and export programs administered by FAS. CCC borrows funds needed to finance these programs from the U.S. Treasury and repays the borrowings, with interest, from receipts and from appropriations provided by Congress.

Changes over the last decade in commodity, disaster, and conservation programs due to policy, weather, and market conditions have dramatically changed the level, mix, and variability of CCC outlays. CCC net outlays have declined from a record high of \$32.3 billion in 2000 to \$10.6 billion in 2004. Projected outlays are about \$24.1 billion in 2005 and \$19.1 billion in 2006, reflecting the provisions of the 2002 Farm Bill. CCC outlays in 2005 and in some prior years also included substantial levels of emergency disaster and other *ad hoc* supplemental assistance.

## FARM AND FOREIGN AGRICULTURAL SERVICES

### Farm Service Agency Commodity Program Outlays (Dollars in Millions)

Program	2004 Actual	2005 Estimate	2006 Budget
Commodity:			
Feed Grains.....	\$2,841	\$8,389	\$7,573
Wheat.....	1,173	1,495	2,319
Rice.....	1,130	586	632
Upland and ELS Cotton.....	1,420	4,835	2,636
Tobacco.....	18	-87	-653
Dairy.....	295	633	195
Soybeans and Products.....	610	1,576	3,249
Minor Oilseeds.....	29	48	85
Peanuts.....	259	360	290
Sugar.....	61	-88	0
Honey.....	3	1	26
Wool and Mohair.....	12	11	11
Vegetable Oil Products.....	11	13	16
Other Crops.....	160	166	34
Subtotal.....	8,022	17,938	16,413
Disaster Assistance.....	936	2,873	0
Other <u>a/</u> .....	-543	962	1,035
Commodity Programs Baseline.....	8,415	21,773	17,448
Limit Bioenergy Incentives to \$60 million.....	0	0	-90
Subtotal, Commodity Programs.....	8,415	21,773	17,358
Less Reconciliation Savings.....	0	0	-587
Total, Commodity Programs.....	\$8,415	\$21,773	\$16,771

a/ Includes working capital, interest, operating expenses, reimbursable agreements, and an adjustment for Food for Progress commodity purchases.

Commodity loan and income support programs are administered by FSA and financed through CCC. These programs constitute the majority of CCC outlays. The commodity programs are mandated by provisions of the Farm Bill. The programs include direct payments to producers of feed grains, wheat, upland cotton, rice, soybeans, other oilseeds, and peanuts. The direct payments, based on historical program acreage and yields, are set by law and do not vary with market prices or current plantings.

The Farm Bill also provides counter-cyclical payments for producers of the above crops which provide payments when market prices decline below specified target prices. Producers were also

## FARM AND FOREIGN AGRICULTURAL SERVICES

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given an opportunity to update historical acreage bases and yields for use in determining counter-cyclical payments. Nearly 1.9 million farms were enrolled in the program in 2004. The CCC marketing assistance loan programs are provided for the above commodities as well as for wool, mohair, honey, and pulses to provide protection against sharp declines in market prices.

Marketing assistance loan program levels are projected to rise from \$9.1 billion in 2004 to \$11.9 billion in 2005 and then to decline to about \$10.1 billion in 2006. Loan deficiency payments which totaled \$5.3 billion in 2002 declined to less than \$0.5 billion in 2004 as prices for several commodities rose. However, with the reversal in price conditions due to abundant agricultural production, loan deficiency payments are projected to exceed \$4 billion each in 2005 and 2006. A PART evaluation of the marketing loan assistance program conducted as part of the 2005 budget process determined that the program was “moderately effective.”

The Farm Bill dramatically increased dairy program outlays by establishing a direct payment tied to milk prices. The Milk Income Loss Contract (MILC) program provides payments equal to 45 percent of the difference between \$16.94 per hundredweight and the Class I milk price per hundredweight in Boston under the applicable Federal milk marketing order. Due to improved milk prices in 2004, dairy outlays declined to less than \$300 million from nearly \$2.5 billion in 2003. Due to slightly softening of milk prices, the dairy program outlays are expected to rise to about \$600 million in 2005 and then to decline to \$200 million in 2006 under the 2002 Farm Bill provisions which allow the MILC to expire at the end of 2005. However, following up on the Presidential commitment, an extension of the MILC is proposed to maintain support to dairy producers for two more years.

The 2006 budget proposes a broad package of deficit reduction measures including legislative changes to make a net reduction in farm program spending by about \$587 million in 2006 and \$5.7 billion over the ten year period 2006 through 2015. These proposals include: reducing the payment limitation for all CCC commodity payments including marketing loan gains to \$250,000 along with removal of the “three entity” rule; making marketing assistance loans based on historical production; reducing all commodity payments to farmers by 5 percent; applying a 1.2 percent marketing assessment on sugar processors; and keeping the costs of the dairy price support program at a minimum.

The proposed legislative changes are consistent with PART evaluation results. A PART review of the MILC conducted for the 2006 budget indicated the program was moderately effective. An evaluation of the dairy price support program indicates that it may be possible to improve its cost effectiveness.

The 2006 budget proposes to continue to limit the CCC bioenergy incentive program, to \$60 million instead of \$150 million provided by the Farm Bill. Similarly, in 2005 the program was limited to \$100 million. A PART review of this program conducted during the 2005 budget process suggested that additional incentives for ethanol were less critical than other Federal assistance, including tax credits and production mandates, and that greater emphasis should be placed on incentives for biodiesel production rather than ethanol. New tax incentives for biodiesel and ethanol enacted in the American Jobs Creation Act of 2004 further reduce the need for the CCC program.



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The Farm Bill also provides authority for conservation programs. The Conservation Reserve Program (CRP), a CCC program, is administered by FSA in addition to the Emergency Conservation Program. All other cost-share and easement conservation programs such as the Environmental Quality Incentives Program, Wetlands Reserve Program, Farm and Ranch Lands Protection Program, Conservation Security Program, and Wildlife Habitat Incentives Program are administered by the Natural Resources Conservation Service (NRCS).

CRP is USDA's largest conservation/environmental program. The purpose of CRP is to assist farm owners and operators in conserving and improving soil, water, air, and wildlife resources by retiring environmentally sensitive land from agricultural production and keeping it under long-term resource-conserving cover. CRP participants enroll acreage for periods of 10 to 15 years in return for annual rental payments and cost-share and technical assistance for installing approved conservation practices. The Farm Bill extended CRP enrollment authority through 2007 and increased the enrollment cap by 2.8 million acres to a total of 39.2 million acres.

Acreage that counts toward the total enrollment cap includes acres enrolled in the CRP through scheduled general signups and those enrolled through a continuous, noncompetitive signup that has been under way since September 1996 with the purpose of enrolling land in filter strips, riparian buffers, and similar conservation practices. Continuous signup includes an initiative announced in December 2003 to restore up to 500,000 acres of floodplains by planting bottomland hardwood trees. Continuous signup acreage also includes enrollment under the Conservation Reserve Enhancement Program (CREP) that is designed to target program benefits to address specific local and regional conservation problems. At this time, 24 States have approved CREP agreements. The Farm Bill also permits up to 1 million acres of wetland acreage to be enrolled under the Farmable Wetlands Program (FWP) as part of the 39.2 million total acreage for CRP. Up to 100,000 acres per State may be enrolled. The Farm Bill also permits managed harvesting of forage from CRP lands (subject to the requirement that environmental benefits be maintained or enhanced) and requires equal consideration be given to soil erosion, water quality, and wildlife.

As of December 2004, CRP enrollment totaled 34.7 million acres, including 31.8 million acres under general signup, 2.2 million acres under continuous non-CREP signup, 0.6 million acres under CREP, and about 120,000 acres under FWP provisions. Another 1.2 million acres have been accepted in the 29<sup>th</sup> general signup in 2004 which will be enrolled once the contracts are finalized.

## FARM AND FOREIGN AGRICULTURAL SERVICES

### Farm Bill Conservation Programs Program Level (Dollars in Millions)

Program	2004 Actual	2005 Estimate	2006 Budget
Commodity Credit Corporation:			
Conservation Reserve Program.....	\$1,850	\$1,942	\$2,021
Natural Resources Conservation Service:			
Farm Bill Programs (Funded from CCC):			
Total Budget Authority:			
Environmental Quality Incentives Program.....	903	1,017	1,000
Ground and Surface Water Conservation.....	65	51	60
Klamath Basin.....	19	8	8
Wetlands Reserve Program.....	285	275	321
Wildlife Habitat Incentives Program.....	38	47	60
Farm and Ranch Lands Protection Program.....	91	112	84
Grassland Reserve Program.....	57	128	0
Conservation Security Program.....	40	202	274
Agricultural Management Assistance.....	14	14	0
Biomass Research and Development.....	14	14	12
Total, NRCS Farm Bill Programs.....	1,526	1,868	1,819
Total, Farm Bill Conservation Programs.....	\$3,376	\$3,810	\$3,840

**Emergency Conservation Program (ECP).** Under this program, the Department shares the cost of carrying out practices to assist and encourage farmers to rehabilitate farmland damaged by natural disasters. In particular, it addresses those problems which if left untreated would: (1) impair or endanger the land; (2) materially affect the productive capacity of the land; (3) be so costly to rehabilitate that Federal assistance would be required to return the land to productive agricultural use; and (4) represent damage that is unusual and would not recur frequently in the same area. For the past several years, this program has been funded through emergency supplemental appropriations. The Hurricane Disaster Assistance Act of 2005 provided \$150 million for ECP. The budget is proposing no new funding for the ECP in 2006 since needs are difficult to predict in advance.

The focus of USDA conservation programs administered by NRCS and FSA is to use environmentally sound management systems for agricultural production to meet food and fiber needs of the society. Key performance measures for conservation efforts pertinent to agricultural production on private lands are noted below:

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### Objective 5.2: Improve Management of Private Lands.

Key Performance Measure	2001	2002	2003	2004	2005	2006
Increase Conservation Reserve Program (CRP) acres of riparian and grass buffers (million acres) Baseline: 2000 = 1.21	.95	1.24	1.45	1.62	1.62-2.00	1.75-2.00
Increase CRP restored wetland acres (millions acres) Baseline: 2000 = 1.73	1.65	1.74	1.79	1.84	1.80-2.20	2.20-2.25

**Salaries and Expenses.** The 2006 budget proposes a level of nearly \$1.4 billion to support a ceiling of 5,474 Federal staff years and 10,284 non-Federal staff years. Federal staff years will decline by 24 in 2006. Staff levels have been reallocated among FSA's key goals to reflect the decreased workload associated with farm income program support and other areas while accommodating rising workload needs for conservation and other programs. Permanent full time non-Federal county staff years are estimated to remain at the 2005 level.

Funding for IT modernization and related Geospatial Information Systems (GIS) initiatives has been provided in the Common Computing Environment (CCE) account managed by the Office of the Chief Information Officer (OCIO). The development of modern digitized databases with common land unit information integrated with soils and crop data and other farm records and related initiatives is vital to the development of more efficient and effective customer services at our Service Centers and will greatly facilitate realization of the potential benefits from electronic (e) Government. The Administration expects significant long-term savings and improved services to clientele to result from improvements made in the information technology services and GIS systems, as well as in the IT administrative support services of the three county-based agencies (FSA, NRCS, and the Rural Development mission area). FSA will also make administrative improvements in its servicing of farm credit loans.

#### Farm Service Agency Staff Years

Program	2004 Actual	2005 Estimate	2006 Budget
Federal.....	5,883	5,498	5,474
Non-Federal:			
Permanent Full-Time.....	9,316	9,284	9,284
Temporary.....	1,701	1,250	1,000
Total, Non-Federal.....	11,017	10,534	10,284
Total, FSA Staff Years.....	16,900	16,032	15,758

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### RISK MANAGEMENT AGENCY (RMA)

**Crop Insurance Program  
Program Level  
(Dollars in Millions)**

Program	2004 Actual	2005 Estimate	2006 Budget
<b>SUMMARY OF GOVERNMENT COSTS:</b>			
Delivery and Other Administrative Expenses <u>a/</u> .....	\$941	\$845	\$860
Gross Indemnities.....	3,150	3,654	3,937
Underwriting Gains .....	378	424	367
Subtotal, Crop Insurance Program Level.....	4,469	4,923	5,164
Administrative and Operating Expenses.....	71	71	88
Total, Program Level <u>b/</u> .....	4,540	4,994	5,252
Less: Producer Premium and CAT Administration Fees.....	-928	-1,324	-1,150
Total, Government Costs.....	<u>\$3,612</u>	<u>\$3,670</u>	<u>\$4,102</u>

a/ Includes reimbursements to private companies and certain costs for research, development and other activities.

b/ Appropriation provides "such sums as may be necessary" for the costs of the crop insurance program, values reflect current estimates of those costs.

Crop insurance was designed to be the primary risk management tool for farmers and ranchers. Crop insurance helps producers cope with natural disasters, such as flood and drought, so they do not have to leave farming. In addition, the widespread use of crop insurance was meant to eliminate the need for *ad hoc* disaster payment assistance. However, since 2000, four *ad hoc* disaster programs have been authorized, covering six crop years for a total cost of about \$10 billion.

Part of the problem stems from the low coverage level of catastrophic crop insurance (CAT), which was designed primarily to encourage widespread participation by charging producers only a \$100 fee. However, CAT provides a maximum of 27.5 percent of the crop value for a total crop loss. While the cost to aid uninsured or underinsured producers might not be large, Congress does not want producers who bought adequate crop insurance to be put at a disadvantage, or to discourage them from purchasing coverage in the future. Consequently, disaster payments are structured to ignore crop insurance payments in determining eligibility for assistance.

Therefore, in continuing the Administration's efforts to more effectively budget and administer disaster insurance programs, the 2006 budget includes a proposal to compel producers to purchase more adequate coverage by tying the receipt of direct payments or any other Federal payment for crops to the purchase of crop insurance. This change will ensure that the farmer's revenue loss would not be greater than 50 percent. Other changes include modifications to the

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fee for catastrophic coverage which is intended to make the program more equitable in its treatment of both large and small farms, restructuring premium rates to better reflect historical losses, and reductions in delivery costs. The combination of changes is expected to save the government approximately \$140 million per year, beginning in 2007. Accordingly, this proposal does not impact the Government cost numbers presented in the table above. In total, this change should ensure that the majority of producers have crop insurance and that the minimum coverage level is sufficient to sustain the producer in times of loss.

RMA administers the Federal crop insurance program which provides a critical means of support for USDA strategic goal 1. The program provides an important safety net that protects producers from a wide range of risks caused by natural disasters as well as the risk of price fluctuations. In recent years, an increasing proportion of risk protection has been provided by revenue insurance which protects against both a loss of yield and price declines.

### **Objective 1.4: Provide Risk Management and Financial Tools to Farmers and Ranchers.**

Key Performance Measure	2001	2002	2003	2004	2005	2006
Increase value of FCIC risk protection coverage (billions) Baseline: 1999 = \$30.9	\$36.7	\$37.3	\$40.6	\$46.7	\$40.0	\$41.0

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The program is expected to provide about \$41 billion in risk protection on about 220 million acres in 2006, about the same number of acres as 2004. This represents about 84 percent of the Nation’s acres planted to principal crops. In 2004, over 50 percent of the policies sold were revenue products which provide protection against both a loss of yield and a decline in commodity prices. Commodity prices are a key external factor which can significantly affect performance measurements for the crop insurance program. In 2004, high commodity prices increased the value of risk protection provided, particularly with respect to coverage under revenue products, to a record \$46.7 billion. Current estimates of commodity prices indicate that the value of risk protection provided in 2006 will be down from 2004.

Participation in the Crop Insurance Program by producers is voluntary; however, participation is encouraged through premium subsidies. Crop insurance is delivered to producers through private insurance companies that share in the risk of loss and opportunity for gain. The companies are reimbursed for their delivery expenses and receive underwriting gains in years of favorable loss experience. The 2006 budget requests “such sums as necessary” for the mandatory costs associated with the Crop Insurance Program, including premium subsidies, indemnity payments (in excess of premiums), underwriting gains paid to private companies, reimbursements to private companies for delivery expenses and other authorized expenditures. The 2006 indemnities of \$4 billion reflect the statutory loss ratio of 1.075. In addition, producers are expected to pay about \$1.5 billion in premiums.

Discretionary costs for the Federal crop insurance program cover Federal salaries and related expenses. The 2006 budget includes about \$88 million for these costs, compared to about \$71 million for 2005. The increase includes \$5.8 million for emerging information technology architecture (EITA). The EITA will replace a decade old information technology system which

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has reached the end of its useful life, resulting in increased costs to maintain and upgrade to accommodate the expanding role of the crop insurance program. The EITA will provide a web-based entry point for companies participating in the crop insurance program that will, among other advantages, facilitate the detection of fraud, waste and abuse in the crop insurance program by improving data sharing with FSA.

The budget also includes an increase of \$6.4 million to maintain and upgrade the legacy information technology systems until the EITA can be developed and \$1.8 million for 17 additional staff years. The additional staffing would be focused on reducing fraud, waste and abuse in the crop insurance program and research and development of new insurance products.

The budget includes language to provide \$3.6 million for data mining to fill the gap when funding authorized by the Agricultural Risk Protection Act (ARPA) of 2000 expires at the end of 2005. These funds would maintain the data mining/data warehousing system to improve compliance with and the integrity of the Federal Crop Insurance Program.

A PART review of the Crop Insurance Program was conducted as part of the 2004 budget process. The PART analysis revealed that the purpose of the Federal Crop Insurance Program was focused and clear, but additional planning and performance measurements were needed. As a result of the evaluation, the Administration initiated a process to establish adequate long-term and short-term measures and goals, and to identify improvements in the program that will get it closer to becoming a complete risk management tool. This effort has resulted in the development of a new strategic plan, and the program is expected to be reevaluated under the PART during the 2007 budget process.

## FARM AND FOREIGN AGRICULTURAL SERVICES

### FOREIGN AGRICULTURAL SERVICE (FAS)

#### International Programs and Activities

##### Program Level

(Dollars in Millions)

Program	2004 Actual	2005 Estimate	2006 Budget
CCC Export Credit Guarantees:			
Short-term Guarantees (GSM-102).....	\$2,926	\$3,413	\$3,365
Intermediate-term Guarantees (GSM-103).....	0	5	5
Supplier Credit Guarantees.....	790	1,100	1,006
Facilities Financing Guarantees.....	0	10	20
Total, Export Credit Guarantees.....	3,716	4,528	4,396
Market Development Programs:			
Market Access Program.....	125	140	125
Foreign Market Development (Cooperator) Program.....	34	34	34
Emerging Markets Program.....	10	10	10
Technical Assistance for Specialty Crops Program.....	2	2	2
Quality Samples Program.....	2	2	2
Total, Market Development Programs.....	173	188	173
Export Subsidy Programs:			
Export Enhancement Program.....	0	28	28
Dairy Export Incentive Program.....	3	6	52
Total, Export Subsidy Programs.....	3	34	80
Trade Adjustment Assistance for Farmers.....	16	90	90
Foreign Food Assistance:			
P.L. 480 Title I Credit and Food for Progress Grants.....	154	145	145
P.L. 480 Title II Donations a/.....	1,655	1,346	964
Bill Emerson Humanitarian Trust.....	0	225	b/
Food for Progress - CCC Funded .....	138	141	137
McGovern-Dole International Food for Education Program.	50	91	106
Section 416(b) Donations:			
Ocean Freight and Overseas Distribution Costs.....	19	15	19
Value of Commodities.....	(154)	(132)	(132)
Total, Foreign Food Assistance c/.....	2,016	1,963	1,371
FAS Salaries and Expenses.....	197	203	214
Total, International Programs.....	\$6,121	\$7,006	\$6,324

a/ An additional \$300 million for emergency food aid funding is being requested in AID's International Disaster and Famine Assistance account for 2006.

b/ Up to 500,000 tons are available annually for unanticipated emergency food assistance.

c/ Total does not include the value of commodities donated under Section 416(b).

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FAS is the lead agency for the Department's international activities. Operating on a global basis, FAS has five key objectives that provide the means to enhance economic opportunities for American producers: (1) increasing access to overseas markets through trade policy negotiations and compliance monitoring; (2) developing overseas markets for U.S. agricultural products through market development, outreach, and export promotion programs; (3) providing information and analysis on overseas agricultural production and trade developments; (4) administering commercial credit and risk assistance programs to enhance U.S. competitiveness in global markets; and (5) supporting economic development and trade capacity building in developing countries through foreign food aid, technical assistance, training, and related activities.

Expanding markets for agricultural products is critical to the long-term health and prosperity of the U.S. agricultural sector and, with 96 percent of the world's population living outside the United States, future growth in demand for food and agricultural products will occur primarily in overseas markets. FAS' international activities play a critical role in helping to open new markets and in facilitating U.S. competitiveness and, by doing so, help to secure a more prosperous future for American agriculture. Support for economic development and trade capacity building reinforces these efforts by helping developing countries to become economically stable and improve their prospects to participate in and benefit from expanding global trade in agricultural products.

**CCC Export Credit Guarantee Programs.** The CCC export credit guarantee programs, administered by FAS in conjunction with FSA, provide payment guarantees for the commercial financing of U.S. agricultural exports. These programs facilitate exports to buyers in countries where credit is necessary to maintain or increase U.S. sales, but where financing may not be available without CCC guarantees.

The budget includes an overall program level of \$4.4 billion for CCC export credit guarantees in 2006. This estimate reflects the level of sales expected to be registered under the export credit guarantee programs. However, the actual level of programming is likely to vary from this estimate, depending upon program demand, market conditions, and other relevant factors during the course of the year.

Of the total program level for export credit guarantees expected to be issued by CCC in 2006, \$3.4 billion will be made available under the GSM-102 program, which provides guarantees on commercial export credit extended with short-term repayment terms (up to 3 years), and \$5 million will be made available under the GSM-103 program, which provides intermediate-term credit guarantees (3 to 10 year repayment terms).

For supplier credit guarantees, the budget includes an estimated program level of \$1.0 billion for 2006. Under this credit activity, CCC guarantees payments due from importers under short-term financing that exporters extend directly to the importers for the purchase of U.S. agricultural products. Sales registrations under the supplier credit guarantee program have exhibited strong annual growth since inception of the program in 1996, but that growth is now expected to moderate in future years.



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The budget also includes an estimated program level of \$20 million for facility financing guarantees in 2006. Under this activity, CCC provides guarantees to facilitate the financing of goods and services exported from the United States to improve or establish agriculture-related facilities in emerging markets. By supporting such facilities, these guarantees enhance sales of U.S. agricultural products to countries where demand is constricted due to inadequate storage, processing, or handling capabilities.

A PART review of the CCC export credit guarantee programs was carried out as part of the 2006 budget process, which resulted in an overall rating of “moderately effective”. The review found that the programs are generally well managed but have some weaknesses in strategic planning. In response to those findings, FAS has developed a new long-term performance measure designed to gauge the programs’ market development effectiveness and is developing meaningful performance targets for the programs. FAS also will take steps to develop a process to provide for regular independent evaluations to examine program effectiveness. The 2006 budget reflects the PART findings by including funding to improve claims recoveries for the programs and reducing administrative costs based on demonstrated efficiencies in program management and operations.

**Market Development Programs.** FAS administers a number of programs in partnership with private sector cooperator organizations, which support the development, maintenance, and expansion of commercial export markets for U.S. agricultural commodities and products. Under the Market Access Program (MAP), CCC funds are used to reimburse participating organizations for a portion of the costs of carrying out overseas marketing and promotional activities, such as direct consumer promotions. Historically, more than 80 percent of MAP funding has been devoted to building export markets for high value products, the fastest growing component of U.S. agricultural exports. MAP participants include nonprofit agricultural trade organizations, State-regional trade groups, cooperatives, and private companies which qualify as small business concerns. The budget provides funding for MAP of \$125 million in 2006, a reduction of \$15 million from the 2005 level but unchanged from 2004.

Under the Foreign Market Development (Cooperator) Program, cost-share assistance is provided to nonprofit commodity and agricultural trade associations to support overseas market development activities that are designed to remove long-term impediments to increased U.S. trade. These activities include technical assistance, trade servicing, and market research. Unlike MAP, Cooperator Program activities are carried out on a generic commodity basis and do not include brand-name or consumer promotions. For 2006, the budget continues funding for the Cooperator Program at the current level of \$34.5 million.

The budget also includes funding for the Emerging Markets Program at the current annual level of \$10 million. Under the program, CCC funds are made available to carry out technical assistance activities that promote the export of U.S. agricultural products and address technical barriers to trade in emerging markets. Many types of technical assistance activities are eligible for funding, including feasibility studies, market research, industry sector assessments, specialized training and business workshops.

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The 2002 Farm Bill authorized a new Technical Assistance for Specialty Crops Program to address unique barriers that prohibit or threaten the export of U.S. specialty crops. Under the program, grants are provided to assist U.S. organizations in activities designed to overcome phytosanitary and related technical barriers to trade. For 2006, the budget provides \$2 million for the program, which will be carried out with CCC funding.

The budget also includes \$2.5 million of CCC funding for the Quality Samples Program (QSP). Under the program, CCC provides funding to assist private entities to furnish samples of U.S. agricultural products to foreign importers in order to overcome trade and marketing obstacles. The program provides foreign importers with a better understanding and appreciation of the characteristics of U.S. agricultural products.

**Export Subsidy Programs.** The Department currently has two export subsidy programs: the Export Enhancement Program (EEP) and Dairy Export Incentive Program (DEIP). Under these programs, bonus payments are made available to exporters of U.S. agricultural commodities to enable them to be price competitive and thereby make sales in targeted overseas markets where competitor countries are making subsidized sales.

EEP programming has been limited for the past several years due to world supply and demand conditions, and no bonuses were awarded under the program during 2004. In view of this recent performance, the budget assumes an EEP programming level of \$28 million for both 2005 and 2006. However, the 2002 Farm Bill established a maximum annual program level for EEP of \$478 million, the maximum allowable level under the Uruguay Round export subsidy reduction commitments. Should market conditions warrant, the program can be reactivated and the awarding of bonuses resumed up to the authorized level.

For DEIP, the budget assumes a program level of \$52 million for 2006, an increase of \$46 million from the current estimate for 2005, based on more competitive world market conditions expected next year. The program level established for DEIP is an estimate of the level of subsidy funding needed to facilitate export sales consistent with projected U.S. and world market conditions. The program level may increase or decrease from the projected level depending upon the relationship between U.S. and world market prices during the course of the programming year.

**Trade Adjustment Assistance for Farmers.** The Trade Act of 2002 established a new Trade Adjustment Assistance (TAA) Program for Farmers. Under the program, USDA is authorized to make payments to eligible producer groups when the current year's price of an agricultural commodity is less than 80 percent of the national average price for the 5 marketing years proceeding the most recent marketing year, and the Secretary determines that imports have contributed importantly to the decline in price. Procedures for determining rates and amounts of payments to eligible producers are set forth in the statute. The statute also authorizes USDA to use not more than \$90 million annually to carry out the program through 2007.

During 2004, the first full year of implementation, 12 petitions for TAA were approved. Commodities that were certified as eligible for assistance included wild blueberries, Pacific

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salmon, shrimp, catfish, and lychees. Total program costs for 2004 are estimated at just over \$16 million.

**Foreign Food Assistance.** The United States plays a leading role in global efforts to alleviate hunger and malnutrition and enhance world food security through international food aid activities. USDA contributes to these efforts by carrying out a variety of food aid programs, which support economic growth and development in recipient countries. These activities are administered by FAS working in close cooperation with FSA and other agencies.

A PART review of USDA food aid activities that was first conducted as part of the 2004 budget process has been updated for this budget. The overall rating for those activities has now been upgraded to “moderately effective”. The original PART found that the programs had strategic planning deficiencies, including the need to identify annual performance goals that are linked to government-wide measures for U.S. foreign food aid. FAS has taken a number of steps to address deficiencies identified in the original PART, including development of a new food aid effectiveness performance measure and baseline. Financial management improvements also have been made, and FAS has contracted for a review of food aid information and reporting systems that will identify improvements in IT systems that should result in efficiencies in program administration.

**Public Law 480 (P.L. 480).** Assistance provided under the authority of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 83-480) is a primary means by which the United States provides foreign food assistance. In recent years, P.L. 480 assistance has been provided through two program authorities.

- **Title I** provides for sales of U.S. agricultural commodities to developing country governments and private entities through concessional financing agreements and for donations through Food for Progress grant agreements. In allocating assistance under the Title I program, priority is given to agreements that provide for the export of U.S. agricultural commodities to those developing countries which have the greatest need for food, are undertaking measures to improve their food security and agricultural development, and have demonstrated the potential to become commercial markets. The Title I program is administered by FAS.
- **Title II** provides for donations of humanitarian food assistance to needy people in foreign countries in response to malnutrition, famine, and other extraordinary relief requirements and to meet economic development needs that address food security. The assistance is provided primarily through private voluntary organizations, cooperatives, or international organizations, primarily the World Food Program of the United Nations. In the case of donations made in response to emergency needs, Title II assistance can also be provided through government-to-government agreements. The Title II program is administered by the Agency for International Development (AID).

For 2006, the budget supports an overall program level for P.L. 480 food assistance of just over \$1.1 billion. This includes appropriated funding of \$965 million requested in the budget, plus projected unobligated carryover funds and reimbursements to be received from the Maritime

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Administration for prior year cargo preference related expenses. Together, this funding is expected to support total P.L. 480 commodity assistance of approximately 2.3 million metric tons.

For Title I credit sales and grants, the budget requests appropriated funding of \$80 million. Although the request for appropriated funding is reduced from level included in last year's budget, Title I programming should remain unchanged from the 2005 current estimate of \$145 million because of the availability of unobligated carryover funds and projected Maritime Administration reimbursements. Based on current price projections, total Title I commodity assistance during 2006 is expected to be 540,000 metric tons.

For Title II donations, the budget supports an overall program level of \$964 million, which is expected to provide over 1.7 million metric tons of commodity assistance. The Title II program level is based on an appropriations request of \$885 million, plus projected reimbursements for prior year cargo preference costs. The Title II appropriations request has been reduced by \$300 million from the level requested in recent annual budgets, and an equivalent level of funding is being requested in AID's International Disaster and Famine Assistance account to support emergency food assistance activities to be administered separately by AID. This change is intended to expedite the response to emergencies overseas by allowing food aid commodities to be purchased in markets closer to their final destination, while increasing the total amount of commodities that can be procured for emergency response.

**Bill Emerson Humanitarian Trust.** The Bill Emerson Humanitarian Trust is a commodity reserve designed to ensure that the United States can meet its international food assistance commitments. Up to 4 million metric tons of wheat, corn, sorghum, and rice can be held in the Trust. The authorizing statute also allows the Trust's assets to be held as cash in lieu of commodities. The Secretary of Agriculture is authorized to release commodities from the Trust for programming under P.L. 480 under two conditions: (a) when U.S. domestic supplies are insufficient to meet the annual P.L. 480 commodity availability criteria and (b) to provide commodities for Title II donations in response to unanticipated needs for emergency assistance.

During 2005, the Secretary has authorized the release of 200,000 metric tons of wheat from the Trust in order to respond to emergency food needs in Sudan. The commodities are expected to meet the needs over a 5-month period of 2.5 to 3 million Sudanese who are displaced inside Darfur or have fled to neighboring Chad. The total value of the assistance, to be distributed primarily through the World Food Program, is estimated at \$225 million including freight and overseas distribution costs. Following release of these commodities, the Trust will hold approximately 1.4 million metric tons of wheat and \$87 million in cash.

**Food for Progress.** The Food for Progress Act of 1985 authorizes U.S. agricultural commodities to be provided to developing countries and emerging democracies that have made commitments to introduce and expand free enterprise in their agricultural economies. Food for Progress agreements can be entered into with foreign governments, private voluntary agencies, nonprofit agricultural organizations, cooperatives, or intergovernmental organizations. Agreements may provide for the commodities to be supplied on either long-term credit or grant terms. P.L. 480 Title I funds may be used for the procurement and transportation costs of the

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commodities. Alternatively, either CCC-owned commodities may be made available or CCC may purchase commodities if not in its inventory, with transportation and other non-commodity expenses paid with CCC funds subject to a limitation of \$55 million.

The 2006 budget assumes a program level for the CCC-funded portion of Food for Progress programming of \$137 million, which is expected to support approximately 300,000 metric tons of commodity assistance. That tonnage level will be supplemented by additional Food for Progress programming carried out with P.L. 480 Title I funds.

**McGovern-Dole International Food for Education and Child Nutrition Program.** The McGovern-Dole International Food for Education and Child Nutrition Program provides for the donation of U.S. agricultural commodities and associated financial and technical assistance to carry out preschool and school feeding programs in foreign countries. Maternal, infant, and child nutrition programs also are authorized under the program. Its purpose is to reduce the incidence of hunger and malnutrition and improve literacy and primary education. These measures contribute to a healthy, literate workforce that can support a more prosperous, sustainable economy and ensure long-term food security.

During 2004, the program provided for the donation of approximately 66,000 metric tons of food commodities to 13 countries. The value of the commodities, associated transportation costs, and other related expenses totaled just under \$50 million. The assistance was provided through six private voluntary organizations, the World Food Program, and one foreign government, and will benefit an estimated 2 million women and children.

Assistance provided under the McGovern-Dole program is expected to increase in both 2005 and 2006. During 2005, the total level of assistance should reach \$91 million, based on enacted appropriations and anticipated reimbursements from the Maritime Administration. That level should support the programming of nearly 120,000 metric tons of commodities and benefit approximately 2.2 million women and children.

For 2006, the budget requests appropriated funding of \$100 million for the program, an increase of 15 percent above the 2005 enacted level. This will be supplemented by an additional \$6 million of anticipated cargo preference reimbursements. Together, these funds are expected to provide for the donation of about 140,000 metric tons of commodities which will assist an estimated 2.6 million women and children.

**Objective 1.2: Support International Economic Development and Trade Capacity Building.**

Key Performance Measure	2001	2002	2003	2004	2005	2006
A. Number of women and children assisted under McGovern-Dole (millions)	N/A	N/A	2.5	2.0	2.2	2.6
B. Average percentage increase in school enrollment (boys and girls)	N/A	N/A	10.0	10.0	10.0	10.0

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**Section 416(b) Donations.** Section 416(b) of the Agricultural Act of 1949 authorizes the donation of surplus CCC-owned commodities in order to carry out programs of assistance in developing countries and friendly countries. Commodities eligible for donation include those in inventory that have been acquired by CCC through price support operations, or otherwise acquired by CCC in the normal course of its operations and which are excess to domestic program requirements. The commodities are made available for donation through agreements with foreign governments, private voluntary organizations and cooperatives, and the World Food Program.

Current CCC baseline estimates project that surplus nonfat dry milk will be made available for programming under section 416(b) authority during 2006. The budget assumes that 75,000 metric tons of nonfat dry milk will be programmed, should uncommitted stocks be available, which will provide assistance with a total value of \$151 million.

### Foreign Agricultural Service Salaries and Expenses (Dollars in Millions)

Program	2004 Actual	2005 Estimate	2006 Budget
Market Access.....	\$32	\$33	\$36
Market Development, Promotion and Outreach.....	36	37	39
Market Intelligence.....	30	32	35
Financial Marketing Assistance.....	11	11	12
Long-term Market and Infrastructure Development.....	27	28	30
Total, Appropriated Programs.....	136	141	152
CCC Computer Facility and Other IRM Costs Funded by CCC.....	11	12	12
Development Assistance Programs Funded by AID and Other Organizations.....	46	46	46
Other Reimbursable Agreements.....	4	4	4
Total, Reimbursable Program Activity.....	61	62	62
Total, FAS Program Level.....	\$197	\$203	\$214

In support of its efforts to expand overseas market opportunities and support international economic development and trade capacity building, FAS conducts its activities and programs through offices in Washington, D.C. and at 62 overseas posts. Those posts represent and advocate for U.S. agricultural interests, and provide reporting on agricultural policies, production, and trade for about 130 countries. FAS operates an additional 16 Agricultural Trade Offices, located in key foreign trading centers, that assist U.S. exporters, trade groups, and State export marketing officials in their trade promotion efforts. FAS has approximately 1,000 employees, of whom about 25 percent serve in overseas locations.

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An important component of FAS' work to expand international market activities is compliance monitoring and enforcement of existing trade agreements to ensure full and fair access to overseas markets for American producers and exporters. Each year, FAS personnel in Washington and at overseas posts monitor compliance and, when necessary, intervene with foreign governments on behalf of U.S. exporters who face market access difficulties as a result of unfair and illegal trade barriers. These monitoring and intervention activities are documented and incorporated in the following performance measure. For 2006, a performance target of \$3 billion has been established for the value of trade to be preserved through FAS staff intervention and trade agreement monitoring activities.

### **Objective 1.1: Expand International Market Opportunities.**

Key Performance Measure	2001	2002	2003	2004	2005	2006
Dollar value of trade preserved through staff interventions and trade agreement monitoring (billions)	\$1.329	\$1.327	\$2.713	\$3.950	\$2.500	\$3.000
Baseline: 1999 = \$2.567						

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The budget provides a program level of \$152 million for FAS activities in 2006, an increase of \$11 million above the 2005 level. The budget has been developed to ensure the agency's continued ability to conduct its activities and provide services to U.S. agriculture. Particular emphasis has been placed on maintaining FAS' overseas presence so that its representation and advocacy activities on behalf of U.S. agriculture can continue.

Included in the budget is an increase of \$5.4 million to meet higher operating costs at FAS' overseas offices, including increased payments to the Department of State for administrative services State provides at overseas posts. Recent significant declines in the value of the dollar, coupled with overseas inflation and rising wage rates, have led to sharply higher operating costs that must be accommodated if FAS is to maintain its overseas presence.

The budget also requests \$2.7 million to meet FAS' contribution to the Capital Security Cost Sharing Program. Under this program, which is being implemented in 2005, agencies with an overseas presence will contribute a proportionate share of the costs of accelerated construction of new, safe U.S. diplomatic facilities over a 14-year period.

Funding of \$650,000 is requested for establishing an FAS presence at the new U.S. embassy in Baghdad, Iraq. Forecasts indicate that Iraq's imports of agricultural products will grow quickly in the next few years, and therefore it is critical to have a USDA presence in country to supervise market development activities and work with the Iraqi Government to ensure fair access for U.S. products.

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The budget also includes an increase of \$2.4 million to meet projected salary cost increases.

Additional funding in support of FAS trade agreement negotiation, enforcement, and standards-setting activities is expected to be made available from funds requested for the Office of the Secretary to conduct USDA cross-cutting trade negotiation and biotechnology activities. These resources will support FAS' participation in the World Trade Organization's multilateral negotiations to reform global agricultural trade practices, as well as numerous regional and bilateral trade negotiations. The funds also will be available to bolster FAS efforts to address market access constraints related to biotechnology.

In addition, the budget includes an estimated \$62 million in funding to be made available to FAS through reimbursable agreements. The largest component of this is funding for technical assistance, training, and research activities that FAS carries out overseas on behalf of AID, foreign governments, and international organizations. Although funded by other agencies, these activities are an important component of the Department's efforts to support economic development and trade capacity building in developing countries.



# RURAL DEVELOPMENT

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## MISSION AND RELATIONSHIP TO STRATEGIC GOAL

All funds for the Rural Development (RD) mission area support USDA strategic goal 2, which is to support increased economic opportunities and improved quality of life in rural America. USDA has two key objectives which support the achievement of this strategic goal. These objectives are (1) expand economic opportunities through USDA financing of business; and (2) improve the quality of life through USDA financing of quality housing, modern utilities, and needed community facilities. Key performance measures include the number of jobs created or saved, the number of home ownership opportunities provided, and the number of rural residents served by USDA-financed facilities. Efforts are underway to improve these measures, for example, by including information of the quality of the jobs created or saved, and the extent to which those jobs increase income both locally and in surrounding areas. Program performance may be affected by numerous external factors and establishing linkages between program outputs such as loan amounts and program outcomes such as improved health benefits is difficult.

The RD mission area includes: the Rural Utilities Service (RUS), the Rural Housing Service (RHS) and the Rural Business-Cooperative Service (RBS). RD programs provide financial and technical assistance to rural residents, businesses, and private and public entities for a variety of purposes including infrastructure for meeting basic needs such as safe drinking water, electricity and telecommunication, decent housing, and business enterprise. RD programs are delivered through field offices that are consolidated within USDA Service Centers. The mission area also has a lead role in the coordination of rural development efforts among local, State and Federal levels.

RD programs have traditionally served as a source of financing for borrowers who could not obtain credit elsewhere, or could not afford to pay commercial rates of interest. That role has been altered by gradual improvements in the availability of credit and the relatively low interest rates that have prevailed over the past few years. Accordingly, more attention is being paid to addressing specific priorities, such as ensuring that rural areas have access to quality broadband services, that the community facility programs support the President's "first responders" and "faith-based" initiatives, that the business programs "venture" into areas of lending, such as "value-added" and "renewable energy" that have the potential for significant returns in terms of income and social benefits, and that USDA's portfolio of multifamily housing projects be revitalized and tenants of projects that prepay and leave the program be protected.

The following table displays RD funding within strategic goal 2:

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**Program Level (P.L.) and Budget Authority (B.A.)  
(Dollars in Millions)**

Program	2004		2005		2006	
	Actual		Estimate		Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Ongoing Rural Development Programs:						
Rural Utilities Service.....	\$6,734	\$698	\$7,253	\$687	\$5,028	\$490
Rural Housing Service.....	6,313	983	6,137	1,026	6,488	1,190
Rural Business - Cooperative Service.....	1,135	164	1,368	155	1,280	94
Salaries and Expenses.....	625	625	639	639	683	683
Subtotal, Rural Development.....	14,808	2,471	15,397	2,507	13,479	2,457
Farm Bill Authorities.....	36	31	65	10	0	0
Total, Rural Development.....	\$14,844	\$2,502	\$15,462	\$2,517	\$13,479	\$2,457

The 2006 budget includes \$13.5 billion in salaries and expenses, loans, grants, and related assistance in ongoing programs for rural residents and communities. This level is \$2 billion below the estimate for 2005. The reduction is due largely to lower loan levels for the electric and telecommunications programs and because no supplemental funding is anticipated for 2006, but is included in the 2005 data.

The major provisions of this level of assistance are as follows:

- The 2006 budget maintains flexibility to transfer funding among programs, within the funding streams authorized under the Rural Community Advancement Program (RCAP). This flexibility allows funds to be directed toward meeting local priorities. The table on page 47 indicates the programs and the anticipated program levels included in RCAP.
- Business and Industry loan guarantees are increased from \$595 million in 2005 to \$899 million in 2006. This increase would bring the program closer to the level of demand of about \$1 billion in recent years. In addition, RBS will propose a regulation change to establish an annual service fee. This change will reduce the subsidy cost of the program.
- Loans and grants for water and waste disposal projects are supported at a combined level of \$1.5 billion, which reflects a reduction of \$77 million in grants while loans increase \$8 million over the 2005 level. Because of the relatively low interest rate on loans, more rural communities are able to afford to repay loans so that the program can operate at a higher loan to grant ratio than it has over the past few years. The water and waste disposal program is expected to provide an estimated 570,000 rural households with new or improved service facilities.

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- Electric and telecommunication loans are funded at levels of expected demand, \$2.5 billion for electric loans and \$669 million for telecommunication loans. Borrowers will be asked to recertify that they are serving areas that are rural, rather than urban or suburban.
- The distance learning and medical link grant program is maintained at \$25 million, the same level as available for 2005. In addition, the 2006 budget includes support through discretionary funding for \$359 million in loans for broadband facilities and internet service access.
- The Administration proposes to establish the process and terms to implement a dissolution of the Rural Telephone Bank. Dissolution is more appropriate than privatization as the demand for loans has been fulfilled through other sources.
- The 2006 budget includes \$214 million to establish a new program for protecting low income tenants of USDA financed multi-family housing projects. This funding is intended to address a recent Supreme Court ruling that allows project owners to prepay their loans and remove their property from the subsidized housing market. It will be used to provide rural housing vouchers for displaced residents. In addition, USDA will be examining alternatives for revitalizing the multi-family portfolio. A recent assessment of the capital needs of the portfolio indicated additional investments for repairs and rehabilitation will need to be made over the next several years. The 2006 budget includes \$27 million in Section 515 loans for this purpose. No direct loan funding for new projects is provided, although the 2006 budget includes \$200 million in guaranteed loans for new projects, a 100 percent increase over 2005.
- The 2006 budget also includes \$650 million to fully fund all expiring rural rental assistance contracts for existing projects and to provide contracts for new construction of farm labor housing projects. Further, it is consistent with the policy established by Congress in 2004 to limit rental assistance contracts to a 4 year renewal cycle. However, funds may continue to be used for rental assistance beyond 4 years if it has not been fully utilized in that time.
- For Section 502 single family housing, the 2006 budget would support \$1 billion in direct loans and \$3.7 billion in guaranteed loans, including \$207 million for refinancing. The decrease in direct loans was necessary due to increased subsidy costs reflecting higher costs for Government borrowing. The one-time fee on guaranteed loans was increased by Congress in 2005 from 1.75 to 2 percent, which is maintained in the 2006 budget. The 2006 program will provide an estimated 40,400 home ownership opportunities for rural families. Housing cost increases are greater than the usual inflationary increases and have reduced the number of home ownership opportunities that can be provided for the same amount of program level.
- The 2006 budget includes \$683 million for RD's salaries and expenses. This level of funding includes resources to cover higher pay costs and to invest in information technology to improve the overall management of the programs.

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### Rural Community Advancement Program (Dollars in Millions)

Program	2004 Program Level	2005 Program Level	2006 Program Level
Water and Waste Disposal Programs:			
Direct Loans.....	\$895	\$992	\$1,000
Guaranteed Loans.....	41	75	75
Grants.....	567	454	377
Emergency Supplemental.....	0	50	0
Individually Owned Household Water Well Programs.....	0	1	0
Solid Waste Management Grants.....	3	4	3
Community Facility Programs:			
Direct Loans.....	500	300	300
Emergency Supplemental.....	0	133	0
Guaranteed Loans.....	205	210	210
Grants.....	18	24	17
Emergency Supplemental.....	0	13	0
Rural Community Development Grants.....	7	6	0
Tribal College Grants.....	4	4	0
Economic Impact Initiative Grants.....	23	18	0
High Energy Cost Grants.....	31	28	0
Business and Industry Programs:			
Guaranteed Loans.....	971	595	899
Delta Regional Authority.....	2	1	0
Rural Business Opportunity Grants.....	3	3	0
Rural Business Enterprise Grants.....	48	41	0
Total, Loans and Grants.....	\$3,318	\$2,952	\$2,881

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### RURAL UTILITIES SERVICE (RUS)

**Program Level (P.L.) and Budget Authority (B.A.)**  
(Dollars in Millions)

Program	2004		2005		2006	
	Actual		Estimate		Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Loan Programs:						
Direct 5 Percent.....	\$240	0	\$119	\$3	\$100	\$1
Municipal.....	645	0	99	1	100	5
Direct Treasury Rate.....	1,181	0	1,000	0	700	<u>a/</u>
FFB Direct.....	1,765	0	2,000	0	1,620	0
Guaranteed CFC/CoBank.....	0	0	99	<u>a/</u>	0	0
Guaranteed Underwriting.....	0	0	1,000	0	0	0
Total, Electric Loans.....	3,832	0	4,317	4	2,520	6
Telecommunications Loans:						
Direct 5 Percent.....	145	0	145	0	145	0
Direct Treasury Rate.....	48	<u>a/</u>	248	<u>a/</u>	424	<u>a/</u>
FFB Direct.....	320	0	125	0	100	0
Total, Telecommunications Loans.....	513	<u>a/</u>	518	<u>a/</u>	669	<u>a/</u>
Rural Telephone Bank (RTB).....	170	0	175	0	0	0
Total, Electric, Telecomm. and RTB.....	4,515	<u>a/</u>	5,010	4	3,189	6
Distance Learning Program:						
Distance Learning Treasury Rate Loans.....	30	0	50	1	0	0
Discretionary Broadband Loans:						
Direct 4% Loans.....	0	0	0	0	30	2
Direct Treasury Rate Loans.....	598	\$13	545	12	299	7
Guaranteed Loans.....	0	0	0	0	30	1
Mandatory Broadband Loans						
(Sec. 6103, Farm Bill):						
Direct 4% Loans.....	4	<u>a/</u>	<u>c/</u>	<u>c/</u>	0	0
Direct Treasury Rate Loans.....	1	<u>a/</u>	<u>c/</u>	<u>c/</u>	0	0
Guaranteed Loans.....	0	0	<u>c/</u>	<u>c/</u>	0	0
Distance Learning and Telemedicine Grants.....	40	40	25	25	25	25
Public Broadcasting/Analog Conversion Grants...	14	14	10	10	0	0
Broadband Grants.....	0	0	9	9	0	0
Total, Distance Learning Program.....	687	67	639	57	384	35
High Energy Costs Grants <u>b/</u> .....	31	31	28	28	0	0

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### Program Level (P.L.) and Budget Authority (B.A.) (Dollars in Millions)

Program	2004		2005		2006	
	Actual		Estimate		Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Water and Waste Disposal Programs:						
Direct Loans <u>b/</u> .....	895	30	992	89	1,000	69
Guaranteed Loans <u>b/</u> .....	41	0	75	0	75	0
Water and Waste Disposal Grants <u>b/</u> .....	552	552	431	431	377	377
Water and Waste Disposal Grants Emerg. Supp....	0	0	50	50	0	0
Emer. and Imminent Com. Water Assist. Grants...	15	15	23	23	0	0
Individually Owned Household Water Well <u>b/</u> ....	0	0	1	1	0	0
Solid Waste Management Grants <u>b/</u> .....	3	3	4	4	3	3
Total, Water & Waste Disposal .....	1,506	600	1,576	598	1,455	449
Total, RUS Loans and Grants.....	\$6,739	\$698	\$7,253	\$687	\$5,028	\$490
<b>RECAP:</b>						
Ongoing Programs.....	\$6,734	\$698	\$7,253	\$687	\$5,028	\$490
Farm Bill Authorities.....	5	a/	0	0	0	0
Total .....	\$6,739	\$698	\$7,253	\$687	\$5,028	\$490

a/ Less than \$500 thousand.

b/ These are also included in the Rural Community Advancement Program. (See page 47.)

c/ Excludes a total of \$39 million in budget authority carried over from prior years for direct and guaranteed loans. These carry over balances will support total direct and guaranteed loan levels of about \$1.6 billion.

The electric and telecommunications programs administered by RUS provide loans to establish, expand, and modernize vital components of the infrastructure of rural America. These are long-standing programs that brought electrical power to areas that private utility companies refused to serve and, later, connected many of the same areas to the Nation's telecommunications network. The programs continue to serve a useful purpose because gaps still exist in the access that rural areas have to private investment capital.

## RURAL DEVELOPMENT

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### Objective 2.2: Improve the Quality of Life Through USDA Financing of Quality Housing, Modern Utilities, and Needed Community Facilities.

Key Performance Measure	2001	2002	2003	2004	2005	2006
Number of subscribers receiving new and/or improved electric facilities (millions) Baseline	4.501	3.302	3.776	4.325	3.250	1.600
Number of subscribers receiving new or improved telecommunication services (Broadband) (millions) Baseline	0.315	0.307	0.382	0.374	0.360	0.299
Number of subscribers receiving new and/or improved water and/or waste disposal service (millions) Baseline: 2000 = 0.67	N/A	0.79	0.59	0.65	0.65	0.57

Note: Subscribers include rural households, rural businesses and other users of the facilities financed. The numbers for each year reflect only those subscribers that are served by the facilities financed in that year. The measure for broadband reflects only those facilities financed with appropriated funding.

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A Program Assessment Rating Tool (PART) review of the rural electric and telecommunications programs conducted as part of the 2004 budget process identified a need to reassess program goals and performance measures. In response, RUS initiated an analysis of the electric loans made in 2002 and 2003 to determine the characteristics of the communities to which the loans are going, who the loans are supporting, what benefits are derived from the loans by the communities, and how many loans and dollars are going to support poverty areas. In addition, RUS began work on developing program goals and performance measures to better define the purpose of the program and support the future needs of rural communities. As a result of these efforts, the score of the PART review was upgraded to “adequate” for demonstrating program performance. The 2006 budget provides \$2.5 billion in electric loans, which is adequate to meet the expected demand. It does not include \$1 billion in guarantees of underwriting the notes of private sector lenders, which Congress authorized in the 2002 Farm Bill and funded in recent Appropriation Acts. RUS also developed new performance measures for the telecommunications program which resulted in a change from results not demonstrated to “adequate.”

Distance learning and medical link is a more recent program that has a more specific purpose than RUS’ traditional electric and telecommunication programs. It is designed to provide rural communities that would otherwise be without access to learning and medical services, with a total system of telecommunication linkages for obtaining such access. The 2006 budget includes

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\$25 million in grants for this program. This program received a PART review this year which has resulted in RUS beginning work on new performance measures.

Loans for Broadband and internet services were established as a pilot program in 2001 to finance the installation of various modes of broadband transmission capacity, including fiber optic cable for high speed internet access, and to provide local dial-up internet service to under served areas. Recipients included existing RUS telecommunication borrowers or their subsidiaries as well as other entities. The 2002 Farm Bill authorized a permanent program and provided mandatory funding through 2007. Recent appropriation acts have blocked the mandatory funding, but provided discretionary funding for the program. Mandatory funding provided in 2002 and 2003 remains available to support over \$1 billion in loans. The 2006 budget includes discretionary funding to support about \$359 million in loans.

The Administration proposes to establish the process and terms to implement a dissolution of the Rural Telephone Bank (RTB). Dissolution is more appropriate than privatization as the demand for loans has been fulfilled through other sources, such as private banks. Dissolution will result in the government being repaid for all outstanding stock and the borrowers, who are the other stockholders, receiving a cash payout for their outstanding stock. This will prevent the situation of a privatized RTB that needs continual Federal assistance to remain in operation. In addition, the budget provides other RUS telecommunications loan programs an additional \$175 million in loan level to maintain the Federal assistance available to rural telecommunications providers.

The water and waste disposal program provides financing for rural communities to establish, expand or modernize water treatment and waste disposal facilities. Eligibility is limited to communities of 10,000 or less in population that are unable to obtain credit elsewhere. Grants are limited to a maximum of 75 percent of project costs and typically average about 35 to 45 percent of program costs. They are available only to those communities with low median household income levels. Program regulations stipulate that the grant amount should only be as much as necessary to bring the user rates down to a reasonable level for the area. The water and waste disposal grant and loan funds are usually combined based on the income levels of users and user costs.

The 2006 budget includes \$1.0 billion in direct loans, \$75 million in guaranteed loans and \$381 million in grants for water and waste disposal projects. This funding is expected to provide 570,000 rural households with new or improved service facilities.



## RURAL DEVELOPMENT

### RURAL HOUSING SERVICE (RHS)

#### Program Level (P.L.) and Budget Authority (B.A.)

(Dollars in Millions)

Program	2004		2005		2006	
	Actual		Estimate		Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Rural Housing Loans:						
Single Family:						
Direct Loans (Sec. 502).....	\$1,352	\$126	\$1,141	\$132	\$1,000	\$114
Guar. Loans Purchase (Sec. 502).....	3,184	47	3,059	33	3,474	40
Guar. Loans Refinance (Sec. 502).....	49	a/	223	1	207	1
Multi Family Housing:						
Direct Loans (Sec. 515).....	115	49	99	47	27	12
Direct Loans Emergency Supplemental.....	3	1	0	0	0	0
Guaranteed Loans (Sec. 538).....	99	6	99	3	200	11
Very Low-Income Repair (Sec. 504).....	33	9	35	10	36	11
Very Low-Income Repair; Emergency Supplemental..	1	a/	18	5	0	0
Self-Help Housing (Sec. 523).....	2	a/	10	0	5	a/
Housing Site Development (Sec. 524).....	3	0	5	0	5	0
Credit Sales, Single Family Housing.....	1	0	10	0	10	0
Credit Sales, Multi Family Housing.....	a/	a/	2	1	2	1
Total, Housing Loans.....	4,842	238	4,701	232	4,966	190
Grants and Payments:						
Very Low-Income Repair (Sec. 504).....	31	31	31	31	30	30
Very Low-Income Repair; Emergency Supplemental..	2	2	8	8	0	0
Mutual and Self-Help (Sec. 523).....	35	35	34	34	34	34
Multi-Family Housing Revitalization - Vouchers.....	0	0	0	0	214	214
Supervisory & Tech. Assist. (Sec. 525).....	2	2	1	1	1	1
Compensation for Construct. Defects.....	a/	a/	0	0	0	0
Rural Housing Preservation (Sec. 533).....	9	9	8	8	10	10
Multi-Fam. Preserv. Demo Revolving Fund.....	0	0	0	3	0	0
Rental Assistance (Sec. 502 and 521).....	581	581	587	587	650	650
Total, Grants and Payments.....	660	660	669	672	939	939
Farm Labor Housing Program:						
Loans (Sec. 514).....	36	15	38	18	42	19
Grants (Sec. 516).....	18	18	16	16	14	14
Grants (Sec. 516); Emergency Supplemental.....	0	0	5	5	0	0
Total, Farm Labor Program.....	54	33	59	39	56	33

## RURAL DEVELOPMENT

### Program Level (P.L.) and Budget Authority (B.A.) (Dollars in Millions)

Program	2004		2005		2006	
	Actual		Estimate		Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Community Facility Programs:						
Direct Loans <u>b/</u> .....	500	0	300	12	300	10
Direct Loans Emergency Supplemental <u>b/</u> .....	0	0	133	5	0	0
Guaranteed Loans <u>b/</u> .....	205	0	210	1	210	1
Community Facility Grants <u>b/</u> .....	18	18	24	24	17	17
Community Facility Grants; Emergency Supplemental	0	0	13	13	0	0
Rural Community Development Initiative Grants <u>b/</u> ...	7	7	6	6	0	0
Tribal College Grants <u>b/</u> .....	4	4	4	4	0	0
Economic Impact Initiative Grants <u>b/</u> .....	23	23	18	18	0	0
Total, Community Facility Programs.....	757	52	708	83	527	28
Total, RHS Loans and Grants.....	\$6,313	\$983	\$6,137	\$1,026	\$6,488	\$1,190
<b>RECAP:</b>						
Ongoing Programs.....	\$6,311	\$981	\$5,960	\$990	\$6,488	\$1,190
Hurricane Emergency Supplemental.....	2	2	177	36	0	0
Total .....	\$6,313	\$983	\$6,137	\$1,026	\$6,488	\$1,190

a/ Less than \$500 thousand.

b/ These are also included in the Rural Community Advancement Program. (See page 47.)

RHS has a portfolio of about 17,000 existing multi-family projects that provide housing for about 470,000 low-income tenants, many of whom are elderly. Most of these projects were built in the 1980's and many are in need of repairs and rehabilitations. The projects have an outstanding indebtedness of about \$12 billion. The Supreme Court recently ruled in favor of project owners who wished to prepay their loans and remove their property from the subsidized housing market. A recent capital needs assessment indicated that about 10 percent of the projects are potentially viable for non-subsidized use and could leave the program. Such action would put existing tenants at risk of substantial rent increases and potential loss of their housing. In addition, there are concerns about the physical condition of the projects and the extent of assistance that may be needed for repairs and rehabilitations. Most of the projects have inadequate reserves for financing repairs and rehabilitation.

RHS recently published a comprehensive revision of its multi-family housing regulations that incorporated numerous recommendations for streamlining the program and protecting it against potential abuses. The final rule did not, however, include a provision of the proposed rule that would have required projects to maintain substantially higher reserves for repairs and rehabilitation. Implementation of this provision was postponed pending further review of the potential impact on rents and, hence, the cost to the Government for rental assistance payments. This review remains underway and various alternatives for financing repairs and rehabilitation,

## RURAL DEVELOPMENT

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including some that would require legislative changes, are being considered. The capital needs assessment provided a substantial amount of data for conducting a proper analysis of these alternatives. It is anticipated that the proposals for addressing the need for financing repairs and rehabilitation will be reflected in the 2007 budget.

The 2006 budget addresses the immediate need to provide assistance for tenants of projects that prepay and leave the program. It includes \$214 million for a multi-family housing revitalization project which establishes a tenant protection program that would provide vouchers to such tenants to pay for the higher rents they would experience if their projects are converted to commercial ventures, or to find alternative affordable housing. Rural housing vouchers are authorized by current law, although regulations will need to be developed for implementing the program.

The Section 515 multi family housing loan program provides direct loans to construct and maintain multi family rental projects that serve low and very low-income families. Projects receive payment assistance to make rents affordable. The average annual income of a Section 515 tenant is about \$7,900. Direct loans have a rate of 1 percent, and most projects receive rental assistance payments to make them affordable to very low-income tenants. The 2006 budget includes \$27 million for Section 515 direct loans. These loans would be used only for repairs and rehabilitation of existing projects. The Administration does not support the use of direct loans for new projects until the needs of the existing portfolio are properly addressed.

The Section 538 multi family housing loan guarantee program provides guarantees of loans that are made by private lenders. The program is designed to leverage other sources of financing. It serves rural families with incomes up to 115 percent of the area median income who can afford to pay unsubsidized rents. The program has operated for only a few years and is still evolving. Regulations for administering the program are being revised to make it a more attractive component of the complete funding package, including access to secondary market funds and use of tax credits and other subsidies. The 2006 budget includes \$200 million for Section 538 guaranteed loans for new projects, almost double the amount available for 2005.

The rural rental assistance program provides funding for multi-year contracts with project owners for reducing rent payments to make up the difference between the 30 percent of income the low-income tenant pays and the rent required for the project owner to meet debt servicing requirements. Most of the funding for this program is used to renew expiring contracts on projects that are financed for up to 50 years although dependent on rental assistance that is funded in four-year term increments. The 2006 budget includes \$650 million for fully funding the rental assistance contracts that are expected to come up for renewal and for funding a limited number of contacts for new farm labor housing projects.

The Section 502 single family housing program provides direct and guaranteed loans for the purchase of modest housing in rural areas. Direct loans can be made at an interest rate as low as 1 percent and as high as the note rate on the loan – depending on the borrowers' income. Direct loans are limited to families who have income under 80 percent of the area median income. The average annual income of a direct loan borrower is generally about 55 percent of area median income, or about \$17,000 on a National basis. Loan guarantees primarily serve families with

## RURAL DEVELOPMENT

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incomes of up to 115 percent of area median income. Interest rates on guaranteed loans are negotiated between the lender and borrower.

In October of 2002, the one-time fee on guaranteed loans was reduced from 2.0 percent to 1.5 percent for loans to purchase housing and to 0.5 percent for loans to refinance existing RHS loans. This action was taken as part of the President's initiative to increase homeownership, especially among minorities. This reduction resulted in a significant increase in demand. Accordingly, the 2005 budget reflected a partial offset, with the fee on new loans being increased from 1.5 percent to 1.75 percent. This change was intended to reduce subsidy costs and provide for a more manageable growth in the program. In addition, the 2005 budget proposed legislation to allow guaranteed loans to exceed 100 percent of appraised value by the amount of the fee on such loans. This proposal was intended help ensure that rural families are not denied home ownership for lack of funds to pay the cost of the fee. Congress provided for a one-time fee of 2.0 percent in 2005 which is maintained in the 2006 budget.

The 2006 budget provides \$1 billion in direct loans and \$3.7 billion in guarantees, including \$207 million for refinancing, for the Section 502 single family housing program. It is anticipated that this level of funding will provide homeownership opportunities for 40,400 rural families. Recent increases in the cost of housing have resulted in substantial increases in the size of loans and guarantees, making it more difficult to serve the same number of families with limited funding.

### **Objective 2.2: Improve the Quality of Life Through USDA Financing of Quality Housing, Modern Utilities, and Needed Community Facilities.**

Key Performance Measure	2001	2002	2003	2004	2005	2006
Number of rural households receiving financial assistance to buy a home Baseline: 1999 = 55,941	44,732	43,189	44,371	48,892	38,300	40,400
Number of rural residents who are provided access to new and/or improved essential community facilities – e.g. health and safety facilities (millions) Baseline	6.8	7.2	10.3	12.0	12.0	10.5

The community facilities program provides direct loans, guarantees and grants to finance essential community facilities, with priority given to health and safety facilities. The 2006 budget provides \$300 million in direct loans, \$210 million in guarantees, and \$17 million in grants for this program. This level of funding will support over 560 new or improved health care facilities, child care, fire and emergency services and other facilities lacking in rural America.

## RURAL DEVELOPMENT

### RURAL BUSINESS - COOPERATIVE SERVICE (RBS)

#### Program Level (P.L.) and Budget Authority (B.A.)

(Dollars in Millions)

Program	2004		2005		2006	
	Actual		Estimate		Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Loans:						
Business and Industry:						
Guarantees <u>a/</u> .....	\$963	\$47	\$595	\$30	\$899	\$44
NADBank Guaranteed <u>a/</u> .....	8	<u>b/</u>	0	0	0	0
Rural Development Loan Fund.....	40	16	34	15	34	15
Rural Economic Development.....	15	3	25	5	25	5
Renewable Energy - (Discretionary).....	0	0	610	11	286	5
Total, Loans.....	1,026	66	1,264	61	1,244	69
Grants:						
Renewable Energy - (Discretionary).....	23	23	11	11	5	5
Rural Business Investment Prog. (Sec. 6029, Farm Bill).	1	1	65	10	0	0
Value-added Ag. Product Market Devel. (Disc.).....	1	1	15	15	16	16
Value-added Ag. Product Market Development (Sec. 6401, Farm Bill).....	30	30	0	0	0	0
Rural Business Enterprise <u>a/</u> .....	48	48	41	41	0	0
Rural Business Opportunity <u>a/</u> .....	3	3	3	3	0	0
Delta Regional Authority <u>a/</u> .....	2	2	1	1	0	0
Rural Cooperative Development.....	5	5	4	4	5	5
Appropriate Technology Transfer .....	2	2	2	2	0	0
Rural Economic Development .....	11	0	10	0	10	0
Grants to Assist Minority Producers.....	1	1	1	1	0	0
Agricultural Marketing Resource Center.....	0	0	1	1	0	0
EZ/EC, National Sheep Industry Impr. Center.....	13	13	13	13	0	0
Total, Grants.....	140	129	169	104	36	26
Total, RBS Loans and Grants.....	1,166	195	1,433	165	1,280	94
<b>RECAP:</b>						
Ongoing Programs.....	\$1,135	\$164	\$1,368	\$155	\$1,280	\$94
Farm Bill Authorities.....	31	31	65	10	0	0
Total .....	<u>\$1,166</u>	<u>\$195</u>	<u>\$1,433</u>	<u>\$165</u>	<u>\$1,280</u>	<u>\$94</u>

a/ These are also included in the Rural Community Advancement Program. (See page 47.)

b/ Less than or equal to \$500 thousand.

RBS administers the Department's rural business assistance programs, including technical assistance, development, and research on agricultural cooperatives. The agency delivers a wide

## RURAL DEVELOPMENT

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variety of services to its clients. Business and Industry (B&I) loan guarantees, for example, provide protection against loan losses so that private lenders are willing to extend credit to establish, expand, or modernize rural businesses. Special efforts are being made to help rural communities diversify their economies, particularly into value-added processing, by focusing on cooperative ventures. For example, USDA is developing regulations to expand the renewable energy program into making loans as well as grants. This change will allow more projects to be funded at the same cost to the Government. RBS is also developing a regulation that would provide for an annual service fee on B&I loan guarantees.

### **Objective 2.1: Expand Economic Opportunities Through USDA Financing of Business.**

Key Performance Measure	2001	2002	2003	2004	2005	2006
Number of jobs created or saved through USDA financing of businesses	105,222	76,301	88,611	79,594	63,856	56,400
	Baseline					

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Overall, the 2006 budget provides for over \$1 billion in loans and grants for the business programs administered by RBS. This level of assistance is expected to save or create an estimated 56,400 jobs. The B&I program accounts for about \$900 million of the program level.

The Rural Development Loan Fund’s relending program is funded at \$34 million. This program provides 1 percent interest loans to eligible intermediaries that relend the money at a higher rate of interest to other entities for business purposes. The spread in interest rates pays for the costs incurred by the intermediaries.

The renewable energy program is funded at \$10 million for loans and grants; however, the loan program will not begin until regulations are finalized. A higher program level is estimated based on the expectation that the loan program will begin in 2005.

The 2006 budget also continues RBS programs that provide research and technical assistance for cooperatives. These programs are relatively modest in size, yet provide opportunities to encourage farmers and rural residents to organize cooperatives as a way to expand their income base. The 2006 budget also continues support for the value-added grant program.

No funds are included in the 2006 budget for the rural business enterprise and rural business opportunity grant programs or the EZ/EC program. The Administration proposes to establish a new grant program that would combine these programs with several other Federal grant programs where the program purpose is to stimulate economic development. The new program will be administered by the Department of Commerce.

## FOOD, NUTRITION, AND CONSUMER SERVICES

### MISSION AND RELATIONSHIP TO STRATEGIC GOAL

The activities and funding of Food, Nutrition, and Consumer Services, including the Food and Nutrition Service (FNS) and the Center for Nutrition Policy and Promotion (CNPP), support USDA Strategic Goal 4, Improve the Nation's Nutrition and Health. USDA has three objectives which support achievement of this strategic goal. These objectives are to: (1) improve access to nutritious food; (2) promote healthier eating habits and lifestyles; and (3) improve food program management and customer service. Key performance measures that will be a focus for 2006 include increasing the proportion of food stamp eligible persons who actually participate in the program; increasing the proportion of low-income children that receive meals during the summer months through the Child Nutrition Programs; and improving the food stamp payment accuracy rate.

#### Food and Nutrition Service Program Level (Dollars in Millions)

Program	2004 Actual	2005 Estimate	2006 Budget
Food Stamp Program.....	\$27,352	\$32,537	\$35,996 <sup>a/</sup>
Nutrition Assistance for Puerto Rico.....	1,413	1,495	1,516
Total, Food Stamp Program.....	28,765	34,032	37,512
Child Nutrition Programs.....	11,795	12,367	12,913
Special Supplemental Nutrition Program (WIC) .....	5,010	5,241	5,576 <sup>b/</sup>
Commodity Assistance Program:			
Commodity Supplemental Food Program.....	109	110	107
Soup Kitchens, Food Banks and The Emergency Food Assistance Program (TEFAP).....	190	190	190
Seniors Farmers' Market Nutrition Program <sup>c/</sup> .....	15	15	15
Farmers' Market Nutrition Program.....	28	20	20
Pacific Island Assistance and Disaster Assistance.....	1	1	1
Total, Commodity Assistance Program.....	343	336	333
Nutrition Programs Administration.....	141	141	141
Total, FNS.....	\$46,054	\$52,117	\$56,475

<sup>a/</sup> In addition, \$3 billion is available in 2006 for a contingency reserve.

<sup>b/</sup> In addition, \$125 million is available in 2006 for a contingency reserve.

<sup>c/</sup> Funds provided by transfer from CCC.

FNS administers the Department's domestic nutrition assistance programs. The mission of FNS is to increase food security and reduce hunger in partnership with cooperating organizations by providing children and low-income people access to food, a healthful diet, and nutrition education in a manner that supports American agriculture and inspires confidence. FNS fulfills its mission via nutrition promotion and direct nutrition assistance provided through the programs

## FOOD, NUTRITION, AND CONSUMER SERVICES

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identified in the table above. The Food Stamp Program is the cornerstone of the Department's commitment to helping low-income people secure an adequate diet. The other programs target other specific categories of the population. Improving public understanding of proper nutrition, a major Departmental objective, is also fostered by the nutrition assistance programs.

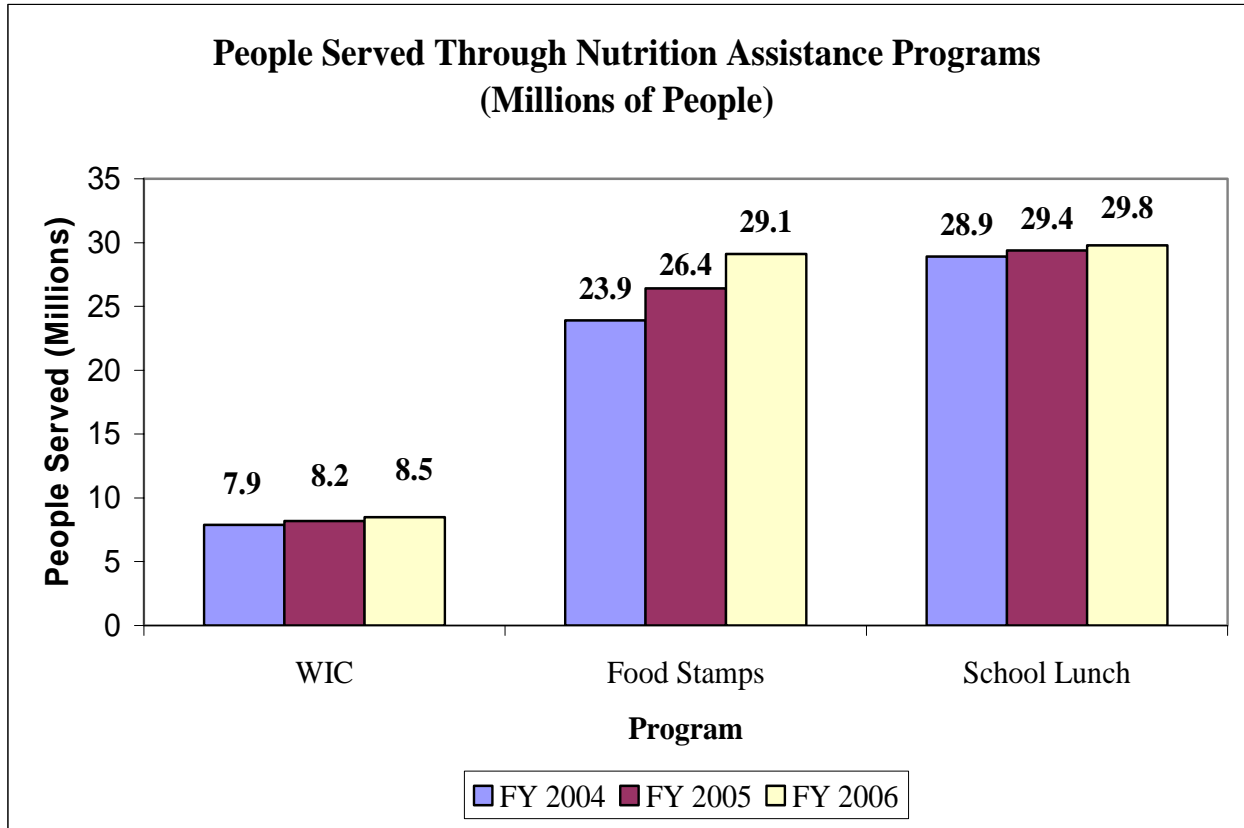
The 2006 budget funds the anticipated needs for each of these programs. Increases are proposed for the Food Stamp Program, Child Nutrition Programs, and the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) sufficient to provide for anticipated changes in participation and food cost inflation. Greater emphasis will be directed towards improving program access and program operations in 2006, steps necessary to improving the nutritional status of recipients. Both FNS and CNPP will continue efforts to promote healthy eating and active lifestyle behaviors, in part by the continued use and promotion of the updated *Dietary Guidelines for Americans* released in 2005.

The nutrition assistance programs work in concert to achieve several key performance measures including:

- Reduce hunger for low-income persons from 11.2 percent in 2002 towards the target of 7.7 percent in 2006.
- Increase the Healthy Eating Index (HEI) scores for low-income children from 63 out of 100 in 1996, towards the target of 68 in 2006.



## FOOD, NUTRITION, AND CONSUMER SERVICES



**Food Stamp Program.** The 2006 budget anticipates an increase in participation of about 2.7 million recipients, about 10 percent above the 2005 estimates, and assumes modest food price inflation. Funding for State administrative expenses will increase, and the program will continue to focus on encouraging all eligible persons to take advantage of food stamps. Food stamps will continue to provide critical assistance to ease the transition from welfare to work and the 2006 budget continues nutrition education and program information activities. Funding for the Nutrition Assistance Program for Puerto Rico is requested at \$1.5 billion.

Implementation of electronic benefit transfer for the delivery of food stamp benefits is now complete. The Department will maintain its efforts to improve payment accuracy, seeking to reach a payment accuracy rate of 93.8 percent in 2006. This will be achieved through working with stakeholders to implement best practices, focusing particularly on error prone areas.

**Objective 4.3: Improve Food Program Management and Customer Service.**

Key Performance Measure	2001	2002	2003	2004	2005	2006
Improve Food Stamp payment accuracy rate	91.3%	91.7%	93.4%	93.4%	93.5%	93.8%
	Baseline					

## FOOD, NUTRITION, AND CONSUMER SERVICES

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The 2006 budget will continue to exclude special military pay when determining food stamp benefits for deployed members of the armed services. Military personnel often receive supplements to their basic pay when they serve in combat. This proposal supports the families of servicemen and servicewomen fighting overseas by ensuring that they do not lose Food Stamp Program benefits as a result of this additional income.

The Administration is committed to ensuring an uninterrupted flow of food stamp benefits to program participants. Yet, Food Stamp Program costs are not fully predictable, particularly in a changing economic environment. In the event that actual program needs exceed current estimates, the 2006 budget includes a \$3 billion contingency reserve, the same as in recent years. The budget also proposes indefinite funding authority which would make funds available in the last four months of the fiscal year if program needs exceed the anticipated level.

In order to assist States in improving program integrity, the Administration is proposing to allow States to access the National Database for new hires to match information with program applications and reports. In addition, the Administration is proposing legislation to restrict categorical eligibility for Temporary Assistance for Needy Families (TANF) recipients to those receiving actual cash assistance. Under current law, households in which all members receive any TANF services, including non-cash assistance such as receipt of an informational pamphlet published with TANF funds, can be deemed categorically eligible for food stamps.

A Program Assessment Rating Tool (PART) review was completed on the Food Stamp Program in 2003. The review found that the program is effective overall, but is better designed to reduce hunger and malnutrition related to inadequate income than to achieve further improvements in the dietary status of low-income people. FNS developed a plan for improving nutrition among food stamp participants in response to the PART, and will be engaged in a significant effort through 2006 to improve outcomes from the Food Stamp Nutrition Education Program, a program component cost-shared by the States.

**Child Nutrition Programs.** Ensuring access to food for children and improving their eating habits continues to be a priority. The National School Lunch, School Breakfast, Summer Food Service, Special Milk, and Child and Adult Care Food Programs (CACFP) play a significant role in achieving this goal by assisting State and local governments in serving healthful, nutritious meals to children in various settings, with greatest emphasis on helping low-income children. These programs assist pre-school and school-aged children by subsidizing quality meals in participating schools and child care settings. While children from all income levels are eligible to receive some assistance from these programs, the preponderance of funding supports meals served to low-income children for free or at a greatly reduced price. Child Nutrition Program subsidies for meals at school and particularly for meals at child care centers and homes, help support child care, a critical tool for working families.

For 2006, the Child Nutrition Programs are funded at a level that will support anticipated participation and food costs including implementation of mandatory changes enacted in the Child Nutrition Reauthorization Act, signed into law June 30, 2004. In response to the PART on the School Breakfast Program, FNS will increase efforts in three continuing areas. FNS will continue to work with the States to improve the appeal and nutritional quality of meals with

## FOOD, NUTRITION, AND CONSUMER SERVICES

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primary emphasis on helping schools serve appealing meals that are consistent with *The Dietary Guidelines for Americans*. Also, FNS will work harder to increase overall participation rates for the School Breakfast Program, with particular emphasis on low-income children. Further, FNS will work with the lunch program and implement changes in procedures fostered by the Child Nutrition Reauthorization Act to improve the accuracy of the certification process for free and reduced price meals. Of interest in this area, \$4 million has been earmarked to help ensure that CACFP payments are correctly made.

**WIC.** The President's budget request will provide \$5.6 billion, a \$335 million increase in program level above the 2005 estimate. The funding for the WIC Program will support a monthly average of 8.5 million participants. The total includes \$3 million to conduct an assessment of cost containment strategies to help ensure that food costs are kept to a minimum.

The WIC Program helps improve the health and nutritional intake of low-income pregnant, breast-feeding and postpartum women, infants and children up to their fifth birthday. WIC works by providing participants with vouchers redeemable for foods dense in nutrients known to be lacking in their diets and providing nutrition education and referrals to other important health and social services. Nearly half of all infants born in the United States each year are WIC beneficiaries.

**Commodity Assistance Program (CAP).** CAP distributes USDA purchased commodities through several programs. The Emergency Food Assistance Program (TEFAP) provides support to a network of food banks and other programs which assist households in need of immediate, short-term food assistance. TEFAP includes components of both discretionary and mandatory funding. For program administration, \$50 million in discretionary funding is requested, part of which, at State discretion may be used for additional commodities. Under the Food Stamp Act, mandatory funding of \$140 million is also available to be used to purchase commodities. In 2006, the Department anticipates delivering approximately the same amount of commodities, including bonus commodities, as delivered in 2005.

The 2006 budget funds administrative cost inflation and food costs for the Commodity Supplemental Food Program (CSFP) supporting a caseload of approximately 491 thousand persons, primarily the elderly. A PART review was completed on the program, and FNS will work to devise annual and long-term program performance measures, revise the elderly food package to emphasize the unique nutritional needs of the elderly, and implement procedures to periodically review State management of CSFP operations.

For the Senior Farmers' Market Nutrition Program, the 2002 Farm Bill authorizes the transfer of \$15 million each year from CCC in fiscal years 2003 through 2007.

In 2006, \$20 million is requested for the Farmers' Market Nutrition Program for women, infants and children.

**Nutrition Programs Administration (NPA).** Funding of \$140.8 million is requested to fund NPA, the Federal-level administrative salaries and expenses that support management and oversight of the Federal investment in nutrition assistance programs; with requested funding of

## **FOOD, NUTRITION, AND CONSUMER SERVICES**

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\$56.5 billion in 2006. The Federal staff must maintain both program operations and work with State and other program stakeholders in a continuous effort to improve and refine program operations, particularly by fostering State development and sharing of best operational strategies, and ensuring that statutory and other changes are implemented. Of particular interest is the coordinated effort at all levels to increase program participation rates for food stamps, summer food, and school breakfast, as well as to ensure increased knowledge of healthy diets and lifestyles. These steps are needed to improve nutritional outcomes for program recipients, as well as for all Americans, and NPA funds the staff central to making this happen.

## FOOD, NUTRITION, AND CONSUMER SERVICES

### Food and Nutrition Service Key Indicators

	2004 Actual	2005 Estimate	2006 Budget
<b>Average Participation, Millions:</b>			
Food Stamps.....	23.9	26.4	29.1
Free School Lunch.....	14.1	14.5	14.6
Total, School Lunch.....	28.9	29.4	29.8
Free Breakfast.....	6.5	6.8	7.1
Total, Breakfast.....	8.9	9.3	9.6
WIC.....	7.9	8.2	8.5
Commodity Supplemental Food Program (CSFP):			
WIC.....	0.06	0.06	0.06
Elderly.....	0.46	0.47	0.42
Food Distribution Program on Indian Reservations (FDPIR).....			
Reservations (FDPIR).....	0.10	0.11	0.11
<b>Unemployment Rate (percent).....</b>	<b>5.6</b>	<b>5.4</b>	<b>5.2</b>
<b>Average/Person/Month Food Benefit in \$:</b>			
Food Stamps.....	\$86.03	\$93.73	\$95.06
WIC.....	37.75	38.71	39.23
CSFP: WIC (FNS Funded) <u>a/</u> .....	16.30	16.39	17.96
CSFP: Elderly (FNS Funded) <u>a/</u> .....	12.49	12.41	14.08
FDPIR (FNS Funded) <u>a/</u> .....	36.29	40.28	41.14
<b>Per Meal Subsidies Including Commodities in \$: <u>b/</u></b>			
<b>School Lunch:</b>			
Free .....	\$2.14	\$2.20	\$2.27
Reduced Price .....	1.74	1.80	1.87
Paid .....	0.37	0.38	0.40
<b>School Breakfast:</b>			
Free .....	1.20	1.23	1.27
Paid .....	0.22	0.23	0.23

a/ Excludes bonus commodities. In 2004, an average \$3.63, \$4.06, and \$0.87 was added for each participant monthly for WIC, elderly and FDPIR respectively.

b/ Excludes bonus commodities. Rates are for school years (2004 = SY 2003/04, 2005 = SY 2004/05, 2006 = SY 2005/06).

## **FOOD SAFETY**

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### **MISSION AND RELATIONSHIP TO STRATEGIC GOAL**

All funds for the Food Safety mission area support USDA strategic goal 3, which is to enhance protection and safety of the Nation's agriculture and food supply. This mission area contributes to the accomplishment of one key objective under this goal. This key objective is to enhance the protection of meat, poultry, and egg products from foodborne hazards in the United States. The Food Safety mission area is the public health mission area of USDA and provides scientific focus, leadership and expertise in addressing the important domestic and international public health and safety issues related to meat, poultry, and egg products. Key performance measures include the reduction in the prevalence of pathogens on meat and poultry products and raising public health awareness.

The Food Safety mission area includes the Food Safety and Inspection Service (FSIS) and the general oversight of the Office of the U.S. Manager of the Codex Alimentarius Commission (Codex). FSIS provides in-plant inspection to all domestic establishments preparing meat, poultry, and processed egg products for sale or distribution into interstate commerce, and also reviews and approves foreign inspection systems and plants exporting these products to the United States. FSIS provides technical and cost-sharing assistance to, and review of, States that maintain inspection programs equal to the Federal inspection program. To accomplish these functions, FSIS employees are stationed in approximately 6,300 establishments, including approximately 130 import stations. Headquarters personnel are responsible for overseeing administration of the program and ensuring that the latest scientific and technological developments are incorporated into inspection procedures. FSIS also coordinates the development of its policies with other USDA agencies, the Food and Drug Administration (FDA), the Environmental Protection Agency (EPA), the Centers for Disease Control and Prevention (CDC), as well as international organizations, to ensure an integrated farm-to-table approach to food safety. For Codex, FSIS coordinates U.S. participation in and informs the public of the sanitary and phytosanitary standard setting activities of the Commission.

The following table displays FSIS funding within strategic goal 3.

## FOOD SAFETY

**Food Safety and Inspection Service  
Program Level  
(Dollars in Millions)**

Program	2004 Actual	2005 Estimate	2006 Budget
Federal Food Safety and Inspection.....	\$815	\$852	\$887
State Food Safety and Inspection.....	50	52	55
International Food Safety and Inspection.....	23	23	24
Field Automation and Information Management.....	14	7	4
Codex Alimentarius.....	3	3	3
Total, FSIS Program Level.....	905	937	973
Existing User Fees and Trust Funds.....	-119	-120	-123
Total, FSIS Appropriations.....	\$786	\$817	\$850 <sup>a/</sup>

<sup>a/</sup> Includes \$139 million to be derived from proposed new user fees.

To ensure that FSIS continues to achieve the goals for improving food safety that are identified in the USDA Strategic Plan, the 2006 budget proposes a program level of \$973 million, a net increase of \$36 million over 2005. Of the total, \$850 million would be funded through appropriated funds, which includes \$139 million to be derived from proposed new user fees. Funds are requested to cover the costs of Federal inspection and to maintain Federal support of State inspection programs. The budget requests resources necessary to support FSIS food safety activities and fund approximately 7,670 meat and poultry inspectors, which are necessary to provide inspection services without disruption to the industry. The 2006 budget includes \$21.7 million for programmatic increases aimed at achieving USDA's strategic goal of enhancing the protection and safety of the Nation's agriculture and food supply.

For 2006, a top budget priority for USDA is to provide for Food and Agriculture Defense. Of the total \$78 million increase for this activity USDA-wide, \$18.0 million is requested to expand the FSIS participation in the Food Emergency Response Network (FERN) and upgrade FSIS laboratory capabilities for evaluating a broader range of threat agents. With the additional funds, FSIS laboratories as well as other Federal and State laboratories would be upgraded to ensure that adequate laboratory capacity will be available in the event of a biohazard emergency that requires large volume testing of food products. These laboratories would be linked to form a nationwide laboratory infrastructure that will have the capacity to quickly identify an agent and the method of delivery, as well as to respond rapidly and limit the loss of life. In addition, the budget requests \$1.4 million to increase biosurveillance activities and bio-security training of FSIS personnel to improve the ability to detect and respond to food security emergencies.

The 2006 budget also requests an increase of \$2.2 million to create a more effective front-line inspection workforce. With the additional funds, FSIS will be able to more effectively utilize highly skilled Veterinary Public Health Officers by redirecting their efforts to more complex activities related to public health, including food safety assessments, food security analysis,

## FOOD SAFETY

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enforcement, and analysis to support recalls. This will be done by hiring 22 additional Consumer Safety Inspectors to assist the more highly skilled veterinarians in completing routine administrative and supervisory duties. The additional relief inspectors will allow veterinarians to focus their efforts on more critical food safety responsibilities.

In 2006, FSIS estimates it will collect \$123 million through existing user fee activities for providing overtime, holiday, and voluntary inspection services. Under the 2006 budget, legislation will be proposed to collect an additional \$139 million in user fees annually by recovering the cost of providing inspection services beyond an approved eight-hour primary shift. The Federal government would continue to fund 100 percent of the costs of meat, poultry, and egg products inspection services for one complete primary work shift in all establishments. Current overtime and holiday policies will not change. Recovering a greater portion of these funds through user fees would result in savings to the taxpayer. The overall impact on producer and consumer prices as a result of these fees would be significantly less than one cent per pound of meat, poultry, and egg products.

Pathogen reduction relates directly to USDA's strategic objective of reducing the level of foodborne illness by targeting for control the three most common and dangerous pathogens. Although the presence of safe and wholesome food products may decrease the likelihood of foodborne illness, it does not guarantee that after purchase food will be stored, handled, and prepared to maintain safety. For this reason, FSIS has been conducting public education campaigns to educate the public about safe food handling methods. The 2006 budget provides the resources necessary for FSIS to maintain its level of performance in ensuring the safety of the meat, poultry, and egg products supply as indicated by the following performance:

**Objective 3.1: Reduce the Incidence of Foodborne Illnesses Related to Meat, Poultry, and Egg Products in the U.S.**

Key Performance Measure	2001	2002	2003	2004	2005	2006
Prevalence of <i>Salmonella</i> on broiler chickens	11.9%	11.5%	11.7%	13.6%	11.7%	11.7%
		Baseline				
Prevalence of <i>Listeria monocytogenes</i> in ready-to-eat meat and poultry products	1.26%	1.03%	0.90%	0.89%	0.80%	0.80%
		Baseline				
Prevalence of <i>E. coli</i> 0157:H7 in ground beef	0.59%	0.77%	0.37%	0.19%	0.37%	0.37%
		Baseline				
Viewings of food safety messages (millions)	N/A	90	90	92	94	94
		Baseline				

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## FOOD SAFETY

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FSIS' program responsibilities include:

**Federal Food Safety and Inspection.** FSIS inspects all carcasses in slaughter plants for disease and other abnormalities, and samples for the presence of chemical residues and microbiological contaminants. Meat and poultry processing operations are inspected by FSIS at a minimum on a daily basis. Typical processing operations include cutting, boning, curing, freezing, and canning. Inspector activities include inspections of plant operations for sanitation and cleanliness, labeling, and packing functions. FSIS provides mandatory, continuous in-plant inspection to egg product processing plants. FSIS inspectors check the sanitation of plant and equipment, and determine if the egg products have been properly processed. FSIS operates three laboratories to perform scientific testing in support of inspection operations. Samples sent to the laboratories are analyzed for food chemistry and to identify the presence of pathogens, residues, additives, disease, and foreign matter. Other responsibilities ensure that establishments develop and implement acceptable HACCP plans, sanitation standard operating procedures, and humane methods of slaughter.

**State Food Safety and Inspection.** FSIS has authority to approve State meat and poultry inspection programs for products traveling in intrastate commerce. FSIS reviews State inspection programs to assure that standards, at least equal to Federal standards, are applied to meat and poultry plants under State jurisdiction. For State inspection programs, USDA contributes, through the Grants to States Program, up to 50 percent of each State's costs. Currently, 28 States participate in the program. FSIS also provides special assistance in the form of training and technical assistance to a variety of State and local agencies that play important roles in reducing risks associated with meat and poultry products.

**International Food Safety and Inspection.** FSIS reviews and approves inspection systems in countries exporting meat, poultry, and egg products to the U.S. and inspects imported products at ports-of-entry.

**Field Automation and Information Management (FAIM).** FAIM provides automated technology, scheduling information, regulatory information, and improved telecommunications capability among the widely dispersed field inspection workforce and State inspection programs.

**Codex Alimentarius Commission.** The Commission is the major international mechanism for encouraging fair international trade in food while promoting the health and economic interests of consumers. FSIS coordinates U.S. participation in and informs the public of the sanitary and phytosanitary standard setting activities of the Codex Alimentarius Commission. FSIS enhances U.S. leadership in international food safety issues by training U.S. delegates in Codex procedures and gathering international support for the science-based factors needed to design international food safety standards.

**User Fees and Trust Funds.** Currently, user fees are collected to recover the cost of inspection provided beyond regularly scheduled operations and on holidays. Establishments requesting voluntary inspection services, which are not mandated by law, are also charged a user fee to recover the full costs of the inspection.

## **NATURAL RESOURCES AND ENVIRONMENT**

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### **MISSION AND RELATIONSHIP TO STRATEGIC GOALS**

The mission of the Natural Resources and Environment area is to promote the conservation and sustainable use of natural resources on the Nation's private lands and to sustain production of all the goods and services that the public demands of the National Forests. This mission supports USDA strategic goal 2, which is to support increased economic opportunities and improved quality of life in rural America, and strategic goal 5, which is to protect and enhance the Nation's natural resource base and environment. The mission area includes two agencies, the Natural Resources Conservation Service (NRCS) and the Forest Service (FS).

NRCS supports strategic goal 2, objective 2.2, to improve the quality of life through USDA financing of quality housing, modern utilities, and needed community facilities, through the Resource Conservation and Development and Watershed Implementation, Planning and Rehabilitation programs.

Strategic goal 5 is achieved through two objectives: implement the President's Healthy Forests Initiative and other actions to improve management of public lands; and improve management of private lands. Both NRCS and FS contribute to this goal through a variety of programs aimed at preserving natural resources on public and private lands.

Key performance measures for NRCS include: conservation plans written for cropland and grazing lands; Comprehensive Nutrient Management Plans planned and applied; reduction in the acreage of cropland soils damaged by erosion; grazing lands with conservation applied to protect the resource base and environment; and agricultural wetlands created, restored or enhanced. FS' key performance measures include treatment of hazardous fuel in and outside of the wildland urban interface. Details for each of these key performance measures are provided in the following sections.

## NATURAL RESOURCES AND ENVIRONMENT

### NATURAL RESOURCES CONSERVATION SERVICE (NRCS)

<b>Program Level</b>			
<b>(Dollars in Millions)</b>			
<b>Program</b>	<b>2004 Actual</b>	<b>2005 Estimate</b>	<b>2006 Budget</b>
<b>Conservation Operations:</b>			
Conservation Technical Assistance.....	\$742	\$720	\$659
All Other Conservation Operations Programs.....	106	111	109
Total, Conservation Operations.....	848	831	768
Watershed and Flood Prevention Operations.....	86	75	0
Watershed Surveys and Planning.....	10	7	5
Watershed Rehabilitation Program.....	30	27	15
Resource Conservation and Development.....	52	51	26
<b>Farm Bill Programs (Funded from CCC):</b>			
<b>Total Budget Authority:</b>			
Environmental Quality Incentives Program.....	903	1,017	1,000
Ground and Surface Water Conservation.....	65	51	60
Klamath Basin.....	19	8	8
Wetlands Reserve Program.....	285	275	321
Wildlife Habitat Incentives Program.....	38	47	60
Farm and Ranch Lands Protection Program.....	91	112	84
Grassland Reserve Program.....	57	128	0
Conservation Security Program.....	40	202	274
Agricultural Management Assistance.....	14	14	0
Biomass Research and Development.....	14	14	12
Conservation Reserve Program Technical Assistance.....	62	87	90
Total, Farm Bill Programs.....	1,588	1,955	1,909
Subtotal, NRCS Ongoing Programs.....	2,614	2,946	2,723
Emergency Watershed Protection.....	149	250	0
Total, NRCS Programs.....	\$2,763	\$3,196	\$2,723
<b>RECAP:</b>			
Ongoing Appropriations.....	\$1,026	\$991	\$814
Emergency Watershed Protection.....	149	250	0
Funded from CCC.....	1,588	1,955	1,909

The President's 2006 budget for NRCS focuses on ensuring that the ongoing conservation programs authorized in the Farm Bill are implemented efficiently. NRCS directs its financial and technical assistance programs to land users through the USDA Service Centers and through local conservation districts, which are units of State or local governments organized for the purpose of developing and carrying out local conservation programs. USDA has entered into a

## NATURAL RESOURCES AND ENVIRONMENT

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Memorandum of Understanding with each conservation district, and these formal agreements provide a basis for the Department's working relationship with each district. The Farm Bill expanded the availability of technical assistance to producers by encouraging the use of third parties, called technical service providers, to assist USDA in delivering conservation technical services helping farmers and ranchers reach their conservation goals. This process is now being carried out under a final rule that was published on November 29, 2004.

In previous years, both financial and technical assistance for the Farm Bill conservation programs were paid out from the program levels, with the exception of the Conservation Reserve Program (CRP) and the Wetlands Reserve Program (WRP) which received technical assistance support through funds transferred from four "donor" programs: the Environmental Quality Incentives Program, the Wildlife Habitat Incentives Program, the Farm and Ranch Lands Protection Program and the Grasslands Reserve Program. On December 23, 2004, the President signed P.L. 108-498 which limits the transfer of certain CCC funds between conservation programs for technical assistance, thereby preventing funds from being transferred from the four "donor" programs to support implementation of CRP and WRP. Instead, technical assistance to support each program will be provided within total funds available for each program.

**Conservation Operations (CO).** The 2006 budget proposes \$768 million for CO which includes \$659 million for conservation technical assistance (CTA). This will continue the agency's activities that support locally led, voluntary conservation through the unique partnership that has been developed over the years with each conservation district. This partnership provides the foundation on which the Department addresses many of the Nation's critical natural resource issues such as maintaining agricultural productivity and water quality and leverages additional investment from non-Federal sources.

The CTA total reflects a decrease of \$61 million from the 2005 estimate. For 2006, the Administration proposes to eliminate 2005 Congressional earmarks. These earmarks have been steadily increasing over the years, and in 2005, they amounted to more than \$122 million within Conservation Operations. The program will continue to focus on providing help to producers through technical assistance on private lands and on protecting the natural resource base. The budget for CTA includes an increase of \$37 million to provide more conservation technical assistance to livestock producers to comply with Federal, State and local environmental regulations. With this additional funding and existing resources, NRCS will work with farmers to develop 4,825 comprehensive nutrient management plans. The total provided for CTA also includes an increase of \$9.7 million for the Grazing Lands Conservation Initiative to enhance prevention, management and restoration activities that address invasive species to support an interagency budget coordinated by the National Invasive Species Council.

Within strategic goal 5 is the objective to improve the conservation and management of private lands. The 2006 key performance measures for meeting this objective that are supported by CTA include writing conservation plans on more than 27 million acres of cropland and grazing lands; applying conservation on nearly 9 million acres of grazing lands; reducing the damage caused by erosion on 2.5 million acres of cropland; and applying 2,700 comprehensive nutrient management plans (see below). The Department's strategies for achieving these measures include providing individual technical assistance to farmers and ranchers in the development of

## NATURAL RESOURCES AND ENVIRONMENT

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resource specific conservation plans; promoting watershed or regional approaches to grazing conservation; and increasing the role of Technical Service Providers (TSP's) which are non-USDA technical specialists who are certified to deliver conservation technical assistance.

### Objective 5.2: Improve Management of Private Lands.

Key Performance Measure	2001	2002	2003	2004	2005	2006
Conservation plans written for cropland and grazing lands (million acres)	N/A	13.1	31.4	32.7	30.0	27.6
			Baseline			
Grazing lands with conservation applied to protect the resource base and environment (million acres)	N/A	9.0	9.9	9.7	8.5	9.0
		Baseline				
Reduction in the acreage of cropland soils damaged by erosion (million acres)	N/A	3.4	3.3	3.3	3.0	2.5
		Baseline				
Comprehensive Nutrient Management Plans applied (number)	N/A	2,292	2,132	2,372	1,500	2,700
		Baseline				

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A review of the CTA program using the Program Assessment Rating Tool (PART) was conducted as part of the 2005 budget process. The review found that CTA helps support the conservation partnership by addressing resource concerns that are identified at the local level. Also, as a result of this evaluation, the Department has begun to develop long-term, outcome-based performance measures for the CTA program, develop efficiency measures and improve the annual measures to better reflect the activities beyond the field-level technical assistance provided to producers.

**Watershed and Flood Prevention Operations.** Watershed Operations programs provide technical and financial assistance to local communities to plan, design, and construct flood protection, water supply, and water quality improvement projects. The 2006 budget proposes to eliminate funding for the P.L. 566 and P.L. 534 watershed programs and redirect these resources to other high priority conservation programs. Funds are also not being requested for the Emergency Watershed Protection Program because these activities vary from year to year, and it is very difficult to predict what actual needs will be. Emergency assistance will be evaluated and addressed as disasters arise.

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**Watershed Surveys and Planning.** NRCS works with local sponsoring organizations to develop plans on watersheds dealing with water quality, flooding, water and land management, and sedimentation problems. These plans then form the basis for installing needed improvements. The agency also works cooperatively with State and local governments to develop river basin surveys and floodplain management studies to help identify water and related land resource problems and evaluate alternative solutions. In 2006, this activity will be funded at a level of \$5.1 million to ensure that this important work is continued.

**Watershed Rehabilitation Program.** One of the agency's strategic goals is to reduce risks from drought and flooding to protect community health and safety. A key tool in meeting this goal is providing financial and technical assistance to communities to implement high priority watershed rehabilitation projects to address the more than 11,000 dams installed with USDA assistance. The budget proposes \$15.1 million to continue the work begun in prior years.

**Resource Conservation and Development (RC&D).** The purpose of the RC&D program is to encourage and improve the capability of State and local units of government and local nonprofit organizations in rural areas to plan, develop, and carry out programs for RC&D. NRCS also helps coordinate available Federal, State, and local programs. A PART assessment was conducted on the RC&D program in 2005 which found that it is duplicative of other USDA and Federal resource conservation and rural development programs. It also indicated that the RC&D Program does not prioritize and target funding based on need or performance. As a result, the 2006 budget proposes to phase out Federal support for local planning councils after 20 years of funding assistance under the assumption that local communities would have obtained the experience and capability to identify, plan, and address their own priorities. A level of \$25.6 million, a 50 percent reduction from the 2005 level, is requested to continue support for 186 of the current 375 RC&D areas.

**Environmental Quality Incentives Program (EQIP).** The purpose of EQIP is to provide assistance to landowners that face serious natural resource challenges that impact soil, water and related natural resources, including grazing lands, wetlands, and wildlife habitat management. EQIP was reauthorized by the Farm Bill through 2007. In 2006, nearly 35,000 producers will be able to participate in the program, covering more than 20 million acres of land.

**Wetlands Reserve Program (WRP).** WRP is a voluntary program in which landowners are paid to retire cropland from agricultural production if those lands are restored to wetlands and protected, in most cases, with a long-term or permanent easement. Landowners receive fair market value for the land and are provided with cost-share assistance to cover the restoration expenses. The Farm Bill increased the program cap to 2,275,000 acres, and the budget estimates that 200,000 acres will be enrolled in 2006. WRP is also the principal supporter of the 2006 key performance measure to create, restore or enhance more than 280,000 total acres of agricultural wetlands.

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### Objective 5.2: Improve Management of Private Lands.

Key Performance Measure	2001	2002	2003	2004	2005	2006
Agricultural wetlands created, restored, or enhanced (thousand acres)	N/A	321.2	288.9	239.7	257.7	280.0
		Baseline				

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**Wildlife Habitat Incentives Program (WHIP).** WHIP is a voluntary program that provides cost-sharing for landowners to apply an array of wildlife practices to develop habitat that will support upland wildlife, wetland wildlife, threatened and endangered species, fisheries, and other types of wildlife. The Farm Bill authorized this program through 2007. In 2006, program practices will be installed on approximately 640,000 additional acres.

**Farm and Ranch Lands Protection Program (FRPP).** Through FRPP, the Federal Government establishes partnerships with State, local or tribal government entities or nonprofit organizations to share the costs of acquiring conservation easements or other interests to limit conversion of agricultural lands to non-agricultural uses. FRPP acquires perpetual conservation easements on a voluntary basis on lands with prime, unique, or other productive soil that presents the most social, economic, and environmental benefits. FRPP provides matching funds of no more than 50 percent of the purchase price for the acquired easements. The Farm Bill authorized this program through 2007. In 2006, NRCS will be able to purchase easements on more than 100,000 acres of important farmland.

**Grassland Reserve Program (GRP).** The Farm Bill authorized the GRP to assist landowners in restoring and protecting grassland by enrolling up to 2 million acres under easement or long-term rental agreements. The program participant also enrolls in a restoration agreement to restore the functions and values of the grassland. The Farm Bill authorized \$254 million for implementation of this program during the period 2003-2007. The program was initiated in 2003 and will reach its total funding cap in 2005. No funds are being requested for 2006.

**Conservation Security Program (CSP).** CSP, as authorized by the Farm Bill, is a voluntary program that provides financial and technical assistance on Tribal and private agricultural working lands to support ongoing conservation stewardship. The program provides payments to producers who maintain and enhance the condition of natural resources. The budget includes \$274 million for CSP in 2006, a 35 percent increase. During the first year of enrollment in 2004, the Department signed long-term CSP contracts with 2,200 farmers and ranchers in 18 priority watersheds around the country (out of 2,119 eligible watersheds). In 2005, the USDA will expand the program by offering enrollment opportunities in about 200 watersheds, and in 2006 the budget anticipates that USDA will continue to expand the program into additional watersheds.

**Conservation Reserve Program (CRP).** CRP is administered by the Farm Service Agency (FSA) and is described on page 28.

## NATURAL RESOURCES AND ENVIRONMENT

### FOREST SERVICE (FS)

<b>Program Level</b>			
<b>(Dollars in Millions)</b>			
<b>Program</b>	<b>2004 Actual</b>	<b>2005 Estimate</b>	<b>2006 Budget</b>
Discretionary Accounts:			
Forest and Rangeland Research.....	\$266	\$276	\$285
State and Private Forestry.....	304	293	253
National Forest System:			
Land Management Planning.....	70	63	59
Inventory and Monitoring.....	170	167	167
Recreation, Heritage and Wilderness.....	255	257	257
Wildlife and Fisheries Habitat Management.....	136	135	125
Grazing Management.....	46	48	45
Forest Products.....	265	273	278
Vegetation and Watershed Management.....	194	190	194
Minerals and Geology Management.....	53	56	74
Land Ownership Management.....	92	92	84
Law Enforcement Operations.....	83	86	87
Valles Caldera National Preserve.....	3	4	1
Centennial Service Challenge.....	0	10	0
Hazardous Fuels Reduction.....	233 <u>a/</u>	263 <u>a/</u>	281
Total, NFS.....	1,600	1,644	1,652
Wildland Fire Management:			
Preparedness.....	672	676	676
Suppression.....	597	649	700
Other Fire Operations.....	121	115	68
Total, Wildland Fire Management.....	1,390	1,440	1,444
Capital Improvement and Maintenance.....	555	515	381
Land Acquisition.....	68	62	41
Other Accounts.....	8	9	9
Subtotal, Discretionary Accounts.....	4,191	4,239	4,065
Emergency Fire Funding and Repayments.....	937	394	0
Total, Discretionary Accounts.....	5,128	4,633	4,065

a/ This activity was funded through the Wildland Fire Management account in 2004 and 2005.



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<b>Program Level</b>			
<b>(Dollars in Millions)</b>			
<b>Program</b>	<b>2004 Actual</b>	<b>2005 Estimate</b>	<b>2006 Budget</b>
Mandatory Programs:			
Permanent Appropriations.....	641	638	726
Working Capital Fund.....	245	187	237
Trust Funds.....	143	139	139
Total, Mandatory Accounts.....	1,029	964	1,102
Total, FS Program Level.....	\$6,157	\$5,597	\$5,167

The Forest Service (FS), with approximately 36,000 staff years in 2006, is the largest employer in USDA. For 2006, the total request for FS discretionary activities is \$4.065 billion. The work of the FS supports objective 5.1: Implement the President's Healthy Forests Initiative and other actions to improve management of public lands; and objective 5.2: Improve management of private lands. Brief discussions of the major FS program areas follow.

**Forest and Rangeland Research.** For 2006, the amount available for Forest and Rangeland Research is proposed at \$285 million. The FS maintains one of the world's largest forest research organizations. While it has a very broad mission to develop the knowledge and technology needed to enhance the economic and environmental values of all of the Nation's forests and related industries, it also must support the specific research needs that arise from the FS's prime responsibility of managing the National Forest System (NFS). The \$9 million increase from 2005 ensures full implementation of the Forest Inventory and Analysis program.

**State and Private Forestry.** For 2006, total funding for State and Private Forestry programs is proposed at \$253 million. FS makes grants and provides technical assistance to State forestry agencies and other cooperators for protecting forest resources and improving sustainable forest management on non-industrial private forest lands. Cooperative Fire programs provide technical and financial support for State wildfire fighting organizations. The Forest Legacy Program helps conserve environmentally important forests threatened by conversion to non-forest uses, through the acquisition of land or interests in land through States. In cooperation with States, the Forest Stewardship Program assists forest landowners with planning and implementation of sustainable forest management. The \$40 million decrease from 2005 primarily reflects savings in the Forest Health Management Cooperative lands and State Fire Assistance programs, and the elimination of Economic Action Program funding.

**National Forest System (NFS).** For 2006, total funding for NFS is proposed at \$1.65 billion. The FS manages approximately 192 million acres of public land in 44 States, Puerto Rico, and the Virgin Islands. These lands, known collectively as the NFS, are managed for multiple uses on a sustained-yield basis to meet the needs of people today while maintaining or improving the productivity, health, resilience and vigor of forest resources for future generations. National forests produce diverse benefits for the American people ranging from outdoor recreation, wildlife, fish and watershed protection, to timber, forage and minerals.

## NATURAL RESOURCES AND ENVIRONMENT

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The 2006 budget for NFS includes funding for hazardous fuel treatment and inventory and monitoring to track the rate of change in forests due to the implementation of the President's Healthy Forests Initiative and other projects on our national forests. The budget also includes an additional \$4 million for vegetation and watershed management in support of the invasive species treatment goals. In addition, the budget includes \$278 million to support a timber sales offer level of approximately 2.0 billion board feet, depending on salvage sales volume.

**Healthy Forests Initiative.** In August 2002, the President announced the Healthy Forests Initiative, a joint effort of the USDA and the Department of Interior designed to reduce the risk of catastrophic fire and improve the health of our Nation's forests by expanding local involvement and reducing unnecessary delays on forest health projects. The 2006 budget continues implementation of the Healthy Forests Initiative and will result in improved forest and rangeland management, healthier landscapes and reduced risk of catastrophic fire.

## NATURAL RESOURCES AND ENVIRONMENT

### Forest Service - National Fire Plan (Dollars in Millions)

Program	2004 Actual	2005 Estimate	2006 Budget
State and Private Forestry:			
State Fire Assistance.....	\$33	\$33	\$21
Volunteer Fire Assistance.....	5	6	6
Total, State and Private Forestry.....	38	39	27
National Forest System:			
Hazardous Fuels Reduction.....	233 <u>a/</u>	263 <u>a/</u>	281
Wildland Fire Management:			
Preparedness.....	672	676	676
Suppression.....	597	649	700
Other Fire Operations:			
Rehabilitation and Restoration.....	7	13	2
Research and Development.....	22	22	17
Joint Fire Sciences.....	8	8	0
Forest Health Management.....	25	24	12
State Fire Assistance.....	51	40	29
Volunteer Fire Assistance.....	8	8	8
Total, Other Fire Operations.....	121	115	68
Total, Wildland Fire Management.....	1,390	1,440	1,444
Subtotal, National Fire Plan.....	1,661	1,742	1,752
Emergency Fire Funding and Repayments.....	937	394	0
Total, National Fire Plan.....	\$2,598	\$2,136	\$1,752

a/ This activity was funded through the Wildland Fire Management account in 2004 and 2005.

**Wildland Fire Management and the National Fire Plan.** The budget includes \$1.75 billion for the National Fire Plan. In order to reduce the risk of catastrophic fire and improve the health of the land, the Department is dedicated to implementing the President's Healthy Forests Initiative, the Healthy Forests Restoration Act, and the National Fire Plan. The American people, their property, and the environment, particularly the forests and rangelands of the West, are threatened by catastrophic fires and environmental degradation. Hundreds of millions of trees and invaluable habitat are destroyed each year by these severe wildfires. These unnaturally extreme fires are caused by a crisis of deteriorating forest and rangeland health, the result of decades long build-up of hazardous fuels coupled with reductions in active forest management. The budget supports renewed efforts to restore our public lands to healthy conditions.

The 2006 budget maintains funding for priority activities to fight wildfires, reduce the risk of fire, and assist communities including: a minimum of \$500 million will be used to continue implementation of the Healthy Forests Initiative (\$281 million in hazardous fuels funding) which

## NATURAL RESOURCES AND ENVIRONMENT

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provides for the treatment of approximately 2.8 million acres (1.8 million with hazardous fuels funding); \$676 million for preparedness; and \$700 million for suppression activities (an increase of \$51 million).

### **Objective 5.1: Implement the President’s Healthy Forests Initiative and Other Actions To Improve Management of Public Lands. (acres in thousands)**

Key Performance Measure	2001	2002	2003	2004	2005	2006
Number of acres of hazardous fuel treated that are in the wildland urban interface	612	764	1,114	1,311	1,281	1,450
	Baseline					
Number of acres of hazardous fuel treated that are outside the wildland urban interface	750	434	339	492	519	350
	Baseline					
Other acres treated	N/A	N/A	N/A	758	700	1,000
	Baseline					
Total acres treated	1,362	1,198	1,453	2,561	2,500	2,800

**Improving Operational Efficiency.** The Forest Service has improved its management and performance in recent years through implementation of the President's Management Agenda. Through competitive sourcing studies and administrative reforms, the Forest Service is consolidating upwards of 1,400 information technology, financial management, and human resources jobs from around the United States and locating them in a single services center located in Albuquerque, New Mexico. These efforts will save taxpayers more than \$115 million over three years.

In addition to these efforts, the budget includes significant reforms for the Forest Service that improves its accountability and focuses on measurable results in the management of our national forests. These reforms will:

- Significantly reduce overhead, business management, and other indirect costs to improve efficiency and program delivery;
- Transform national forest operations by making additional “on-the-ground” resources available for resource management projects that meet the objectives of the President’s Healthy Forests Initiative; and
- Enhance the administration and execution of programs through improvements in management accountability, reporting relationships, and oversight.

## NATURAL RESOURCES AND ENVIRONMENT

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**Capital Improvement and Maintenance (CIM).** The 2006 budget requests \$381 million for CIM, a reduction of \$134 million from 2005. The Forest Service currently owns approximately 20,000 administrative and research buildings. A large number of these facilities do not meet the agency's needs, and more than half of these facilities have exceeded their design life. Furthermore, the agency is experiencing a growth in its deferred maintenance backlog. The budget includes the establishment of a working capital fund for facilities management and enhanced authority for the Forest Service to retain the proceeds of sales of facilities, with proceeds to be used to address the agency's deferred maintenance needs. The funds generated reduce the need for current appropriations levels for the program.

A review using the Program Assessment Rating Tool (PART) was conducted on the Invasive Species program and a reassessment was conducted on the Forest Legacy program during the 2006 budget process. The assessment of the Invasive Species program found that the program purpose is clear and generally collaborates with related programs. Its effectiveness could improve with the adoption of adequate performance measures that link to the program budget and by creating incentives that promote high levels of efficiency or optimize benefits of invasive species projects. The original Forest Legacy program assessment resulted in recommendations to improve performance, transparency and the protection of taxpayer interests. The Forest Service has taken a number of steps to address the deficiencies which resulted in a "moderately effective" rating for the reassessment.

## **MARKETING AND REGULATORY PROGRAMS**

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### **MISSION AND RELATIONSHIP TO STRATEGIC GOALS**

The mission of Marketing and Regulatory Programs (MRP) is to facilitate and expand the domestic and international marketing of U.S. agricultural products, to help protect the agricultural sector from plant and animal health threats, and to ensure humane care and treatment of certain animals. These programs provide the basic infrastructure to improve agricultural market competitiveness for the overall benefit of both consumers and producers of American agriculture. MRP supports two USDA strategic goals, Goal 1: Enhance Economic Opportunities for Agricultural Producers, and Goal 3: Enhance Protection and Safety of the Nation's Agriculture and Food Supply. By enhancing protection of the Nation's agriculture, USDA will also help enhance economic opportunities for agricultural producers. In particular, USDA has a target of allowing zero significant introductions of foreign animal diseases and pests that spread and cause severe economic or environmental damage, or damage to the health of animals or humans.

The Marketing and Regulatory Programs are administered by three agencies: the Animal and Plant Health Inspection Service (APHIS); the Agricultural Marketing Service (AMS); and the Grain Inspection, Packers and Stockyards Administration (GIPSA).

## MARKETING AND REGULATORY PROGRAMS

### ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)

Program Level (Dollars in Millions)			
Program	2004 Actual	2005 Estimate	2006 Budget
Pest and Disease Exclusion:			
Agricultural Quarantine Inspection (AQI):			
Appropriated (discretionary).....	\$25	\$25	\$25
User Fees (mandatory) <sup>a/</sup> .....	119	135	137
Total, Agricultural Quarantine Inspection.....	144	160	162
Fruit Fly Exclusion and Detection.....	57	58	60
Trade Issues Resolution and Management.....	12	12	18
All Other Pest and Disease Exclusion.....	58	56	66
Total, Pest and Disease Exclusion.....	271	286	306
Plant and Animal Health Monitoring:			
Animal Health Monitoring and Surveillance.....	95	144	152
Animal and Plant Health Regulatory			
Enforcement.....	9	9	10
Emergency Management System.....	10	13	23
Pest Detection.....	24	27	44
Select Agents.....	0	0	5
Bio Surveillance.....	0	2	3
Wildlife Disease Monitoring and Surveillance.....	0	0	2
Total, Plant and Animal Health Monitoring.....	138	195	239
Pest and Disease Management:			
Boll Weevil.....	51	47	16
Brucellosis Eradication.....	10	10	9
Chronic Wasting Disease.....	19	19	17
Emerging Plant Pests.....	93	101	127
Low Pathogen Avian Influenza.....	1	23	23
Johne's Disease.....	19	19	3
Scrapie.....	16	18	19
Tuberculosis.....	15	15	17
Wildlife Services Operations.....	71	73	76
All Other Pest and Disease Management.....	36	36	35
Total, Pest and Disease Management.....	331	361	342

## MARKETING AND REGULATORY PROGRAMS

### Program Level (Dollars in Millions)

Program	2004 Actual	2005 Estimate	2006 Budget
Animal Care.....	17	17	18
Biotechnology Regulatory Services.....	5	9	14
Veterinary Biologics and Diagnostics.....	35	35	45
Other Scientific and Technical Services.....	30	31	27
Physical/Operational Security.....	0	0	3
All Other.....	8	9	9
Total, APHIS Salaries and Expenses.....	835	943	1,003
Emergency Funding (CCC).....	234	50	0
Trust Funds.....	16	14	14
Buildings and Facilities.....	5	5	5
Total, APHIS Program Level.....	1,090	1,012	1,022
Existing User Fees.....	-119	-135	-137
Emergency Funding (CCC).....	-234	-50	0
Trust Funds.....	-16	-14	-14
Total, APHIS Appropriations.....	\$721	\$813	\$871 <sup>b/</sup>

<sup>a/</sup> Total collections are \$313 million in 2004, \$335 million in 2005 and \$341 million in 2006. Of the total, \$194 million, \$200 million and \$204 million are transferred to the Department of Homeland Security in 2004, 2005 and 2006 respectively.

<sup>b/</sup> Includes \$11 million to be derived from proposed new user fees.

APHIS helps achieve two USDA strategic goals: Enhance protection and safety of the Nation's agriculture and food supply; and enhance economic opportunities for agricultural producers. The major areas of activity are as follows:

- Providing inspection and quarantine services between the Mainland and Hawaii and Puerto Rico to prevent the introduction of foreign or exotic diseases or pests;
- Surveying for and monitoring the spread of plant pests and animal diseases for Federal, State, local, and private action and to document U.S. agricultural health status for trading partners;
- Administering control and eradication programs to combat outbreaks of plant pests and animal diseases;
- Providing scientific and technical assistance to mitigate damage caused by wildlife to agricultural, industrial, natural resources, or human health;



## MARKETING AND REGULATORY PROGRAMS

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- Inspecting for humane care and handling of animals used in research, exhibition or the wholesale pet trade; and,
- Providing scientific and technical assistance or leadership on issues of biotechnology, disease diagnostics, and pest control methods development.

Much of the agency's work is conducted in cooperation with State and local agencies, private groups, and foreign governments.

The 2006 budget proposes a program level of about \$1 billion for salaries and expenses, an increase of \$60 million above the 2005 level. Notable increases stem from proposals to further enhance the security of the agriculture sector from plant and animal health threats. A brief description of key initiatives follows.

APHIS plays a critical role in protecting the Nation from deliberate or unintentional introduction of agricultural health threats, and the budget request for APHIS includes a \$55 million increase for Food and Agriculture Defense efforts. These include: enhancing plant and animal health threat monitoring and surveillance; improving connectivity with the Department of Homeland Security; increasing plant safeguarding activities; strengthening tracking of select biological agents; and improving USDA's ability to respond to a plant or animal disease outbreak, including boosting animal vaccine availability.

Other increases relate to efforts to deal with emerging plant pests, including emerald ash borer and citrus canker. The budget assumes cost-sharing on the part of cooperators for specific pest and disease efforts. The budget requests an increase of almost \$6 million to better deal with sanitary and phytosanitary trade barriers. An additional \$4.5 million is requested to further enhance the Department's ability to deal with issues arising from emerging technologies employing genetically modified organisms. Physical and operational security efforts would also be bolstered.

With the requested budget, APHIS would, among other accomplishments, help ensure that there are no new outbreaks of foreign animal diseases, and detect 95 percent of significant introduced plant pests before they spread and cause substantial damage.

The major APHIS programs are:

## MARKETING AND REGULATORY PROGRAMS

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**Agricultural Quarantine Inspection (AQI).** USDA ensures that passengers and cargoes traveling from Hawaii and Puerto Rico comply with regulations to protect the health of the agricultural sector on the Mainland. Such services previously provided by APHIS at the Canadian and Mexican borders and at ports of entry are now conducted by the Department of Homeland Security. USDA has the responsibility of promulgating regulations related to the entry of passengers and commodities into the United States. The 2006 budget proposes \$162 million for AQI activities compared with \$160 million in 2005.

Other programs attempt to exclude from the United States fruit flies, screwworm, and other animal pests and diseases. APHIS pest and disease exclusion programs were evaluated under the Program Assessment Rating Tool and found to be “Effective.”

**Plant and Animal Health Monitoring and Surveillance.** The budget requests \$44 million in increases for plant and animal health monitoring and surveillance. This includes an increase of \$17 million for improved plant pest detection and an increase of close to \$10 million is requested to enhance the response to a detection of animal health threats. Funding would further increase the availability of specific animal vaccines and related products. An additional \$8 million would be used to better protect the US livestock sector from emerging domestic and foreign animal diseases by bolstering animal health monitoring and surveillance. In addition, tracking of select biological agents would be enhanced. Since no US-born cattle have been found to have bovine spongiform encephalopathy, the budget does not anticipate a need to extend the current, enhanced surveillance effort. In June 2004, APHIS used Commodity Credit Corporation funds to implement its one-time, 12- to 18-month enhanced surveillance effort to test as many high-risk cattle as possible. As of December 2004, about 167,000 animals were sampled, and all tested negative. In 2006, APHIS seeks \$17 million in appropriations to test about 40,000 animals, the same number as funded in 2005.

### **Objective 3.2: Reduce the Number and Severity of Agricultural Pest and Disease Outbreaks.**

Key Performance Measure	2001	2002	2003	2004	2005	2006
Number of significant introductions of foreign animal diseases and pests that spread beyond the original area of introduction and cause severe economic or environmental damage, or damage to the health of animals or humans	0	0	1	0	0	0
	Baseline					

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**Pest and Disease Management Programs.** APHIS provides technical and financial support to help control or eradicate a variety of agricultural health threats. The 2006 budget requests \$342 million compared to \$361 million in 2005 for these efforts. The budget proposes increased funding for efforts against emerging plant pests (emerald ash borer, citrus canker, karnal bunt, citrus longhorned beetle), as well as an improved National emergency response infrastructure. Successes in boll weevil eradication efforts allow a reduction in that program, and funding is reduced for Johne’s Disease in favor of other, higher priority program needs. Decreased funding

## MARKETING AND REGULATORY PROGRAMS

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is also proposed for Asian longhorned beetle, sudden oak death, olive fruit fly, and hydrilla. The Secretary retains authority to transfer funds from the CCC or other USDA accounts to combat any sudden, urgent and unforeseen pest and disease outbreaks.

**Animal Care.** The 2006 budget proposes \$17.5 million for Animal Welfare Act activities and \$0.5 million for the Horse Protection Act. This would be about \$1 million more than 2005 for activities to enforce the Animal Welfare Act. The budget proposes collection of about \$11 million in new user fees for animal welfare inspections. APHIS would marginally increase the percentage of facilities in complete compliance at the most recent inspection from 69 percent to 70 percent and similarly decrease the number of animals affected by noncompliance documented on inspection reports from 360,000 to 350,000.

**Scientific and Technical Services.** Within USDA, APHIS has chief regulatory oversight of genetically modified organisms. To help meet the needs of this rapidly evolving sector, the budget includes more than a \$4 million increase to enhance regulation of biotechnology, including of transgenic animals, arthropods, and disease agents. APHIS also develops methods and provides diagnostic support to prevent, detect, control, and eradicate agricultural health threats. The budget requests an increase of about \$6 million for veterinary diagnostics to support agricultural defense efforts (e.g., rapid testing for foreign animal diseases and support for the National Animal Health Laboratory Network). APHIS also works to prevent worthless or harmful animal biologics (e.g., vaccines) from being marketed. An increase of about \$3 million is requested for quicker regulatory review of veterinary biologics to facilitate marketing of new products.

**Buildings and Facilities.** Continued funding of \$5 million for general repairs and maintenance of APHIS buildings is requested in 2006.

## MARKETING AND REGULATORY PROGRAMS

### AGRICULTURAL MARKETING SERVICE (AMS)

<b>Program Level</b>			
<b>(Dollars in Millions)</b>			
<b>Program</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Budget</b>
<b>Marketing Services:</b>			
Market News.....	\$30	\$30	\$32
Egg Surveillance and Standardization.....	7	7	8
<b>Market Protection and Promotion:</b>			
Federal Seed Act.....	2	2	2
Country of Origin Labeling.....	0	0	3
Pesticide Data Program.....	15	15	15
Microbiological Data Program.....	6	6	6
Biotechnology.....	4	4	0
Organic Standards.....	2	2	2
Pesticide Recordkeeping.....	3	3	3
Web-based Supply Chain Management System.....	0	0	10
Wholesale Market Development.....	3	3	3
Transportation Services.....	3	3	3
Total, Marketing Services.....	75	75	87
Payments to States.....	3	10	1
<b>Section 32 Funds:</b>			
Funds for Strengthening Markets, Income, and Supply.....	449	729	422
<b>Section 32 Administrative Funds:</b>			
Marketing Agreements and Orders (MA&O).....	15	16	16
Commodity Purchase Services.....	10	11	12
Total, Section 32 Administrative Funds.....	25	27	28
Total, Section 32 Funds.....	474	756	450
<b>User Fees:</b>			
Perishable Agricultural Commodities Act.....	7	8	8
Commodity Grading Services.....	174	188	196
Total, User Fee Funded Programs.....	181	196	204
Total, AMS Program Level.....	733	1,037	742
Existing User Fees.....	-181	-196	-204
Section 32 Funds.....	-474	-756	-450
Total, AMS Appropriations.....	\$78	\$85	\$88 <sup>a/</sup>

<sup>a/</sup> Includes \$3 million to be derived from proposed new user fees.

## MARKETING AND REGULATORY PROGRAMS

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The mission of AMS is to facilitate the strategic marketing of agricultural products in domestic and international markets, while ensuring fair trading practices and promoting a competitive and efficient marketplace, to the benefit of producers, traders, and consumers of U.S. food and fiber products. All AMS activities support the USDA's strategic goal 1, which is to enhance economic opportunities for agricultural producers. AMS programs promote a strategic marketing perspective that adapts product and marketing decisions to consumer demands, changing domestic and international marketing practices, and new technology. This mission is carried out through the following wide range of programs:

- **Marketing Services.** AMS administers a variety of programs that enhance the marketing and distribution of agricultural products. Activities include the dissemination of market information; surveillance of shell egg handling operations; development of commodity grade standards; protection of producers from unfair marketing practices; random testing of commodities for pesticide residues and microbiological contamination; development of organic standards; research and technical assistance aimed at improving efficiency of food marketing and distribution; and pesticide recordkeeping.
- **Payments to States.** Under this program, AMS provides matching funds to State Departments of Agriculture for projects aimed at improving marketing efficiency, reducing marketing costs for producers, and lowering food costs for consumers.
- **Section 32 Funds.** Section 32 of the Act of August 24, 1935, authorizes the appropriation for each fiscal year of an amount equal to 30 percent of the gross receipts from duties collected under customs laws of the United States during the preceding calendar year. These funds are used to: encourage exports of agricultural commodities; encourage domestic consumption of such commodities; and re-establish farmers' purchasing power. Section 32 funds are also used to finance the administrative costs associated with the purchase of commodities that support domestic nutrition assistance programs, such as the National School Lunch Program. In addition, AMS is responsible for developing the specifications used for food procurement throughout the Federal Government.

Marketing agreements and orders help stabilize market prices and the supply of milk, fruit, vegetables, and certain specialty crops. The orders are administered locally by marketing order committees and market administrators. Local activities are funded through assessments on regulated handlers. Section 32 funds are also used to finance the administration of marketing agreements and orders at the national level.

- **Perishable Agricultural Commodities Act (PACA).** This Act prohibits unfair and fraudulent practices in the marketing of perishable agricultural commodities by regulating shippers, distributors, and retailers. Full and prompt payment for fresh fruits and vegetables is a key objective of the program. The program is funded through annual licensing fees paid by those subject to the Act.

A review of PACA using PART was conducted as part of the 2005 budget process. The review found that the program has been demonstrated to be effective and that efforts are being taken in cooperation with the industry to improve its efficiency. The evaluation also

## MARKETING AND REGULATORY PROGRAMS

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determined that additional analysis is needed to determine how best to adjust fees for the program before reserves augmented by appropriated funds are depleted. As a result of this evaluation, AMS will correct strategic planning deficiencies and develop long-term, outcome-based performance measures for PACA.

- **Commodity Grading Services.** AMS provides voluntary commodity grading and classing services for dairy products, fresh and processed fruits and vegetables, meat and meat products, poultry, eggs, tobacco, and cotton. AMS recovers the cost of these services through user fees.

A review of Commodity Grading Services using PART was conducted as part of the 2005 budget process. The review found that the accurate grading, certification, and audit services are beneficial in the marketing of agricultural products. The evaluation found that while most of the program costs are recovered through user fees, the costs associated with the development, review, and modification of grading standards are funded at taxpayer's expense. As a result of this recommendation, the 2006 budget includes a legislative proposal to allow AMS to recover and retain these costs through existing grading user fees. Also, AMS will develop improved annual and long-term performance measures as well as improved baselines and targets that demonstrate progress toward achieving the programs stated performance goals.

AMS programs promote a competitive and efficient marketplace, which benefits consumers and producers. Excluding Section 32, a majority of AMS programs are voluntary and funded by the users of the program. AMS has cooperative agreements with the States to administer in whole or in part several AMS programs. Under these agreements, State employees carry out the program. AMS is organized along commodity lines that reflect major segments of the agricultural industry. Headquarters staff are responsible for the administration of programs. AMS field employees are located in processing plants, at shipping points, produce terminals, auction houses, and warehouses. Field offices, established for supervision and administrative purposes, are located in key production areas.

For 2006, the AMS budget proposes a program level of \$742 million, of which \$204 million (27 percent) will be funded by existing user fees, \$450 million (61 percent) by Section 32 funds and \$88 million (12 percent) by appropriations, including \$3 million to be derived from proposed new user fees. AMS, in cooperation with the Food and Nutrition Service and the Farm Service Agency, purchases commodities to meet the needs of domestic feeding programs and to help stabilize market conditions. The 2006 budget includes the following programmatic changes:

- An increase of \$0.5 million for a legislative proposal to amend the Livestock Mandatory Price Reporting Program to cover pork products. Currently, pork cut information is provided on a voluntary basis by buyers and sellers of pork products and includes only products traded on a negotiated basis, which only cover 5 percent of total pork cuts traded. Including pork cuts under the mandatory program would include negotiated sales as well as formula and contract transactions for domestic and international trade. Under mandatory reporting, approximately 80 percent of pork products traded would be reported.

## MARKETING AND REGULATORY PROGRAMS

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- An increase of \$3.1 million to implement a surveillance and enforcement program for Country of Origin Labeling. Beginning in 2005, AMS will be responsible for enforcing mandatory requirements for fish and shellfish. In 2007, this will be expanded to include all other covered commodities. Beginning in 2006, AMS will conduct random audits of designated retailers to achieve a nationwide compliance rate of 70 percent for covered commodities reviewed. From 2007 to 2010, AMS will increase its target compliance rate to 95 percent to ensure that the public receives credible and accurate information.
- An increase of \$0.9 million to maintain the collection of information under the Pesticide Data Program and the Pesticide Recordkeeping Program. These programs rely on State participation for the collection and reporting of data to AMS. Funding is required to ensure that participating States have the funds needed to ensure their continued participation in these programs. Without State participation, AMS would be unable to achieve its target level of performance.
- A decrease of \$4.0 million for the termination of the Biotechnology Program. The Biotechnology Program was initiated in 2002 to develop the agency's capacity to test bioengineered fruits, vegetables, nuts, and seeds. Due to difficulties in developing new testing methodologies as well as lack of demand for these services, the fee for service program has not yet been established. Should demand for these services become apparent, AMS will work with the affected industries to determine if alternative mechanisms can be utilized to facilitate the movement of agricultural commodities by differentiating bioengineered from conventional commodities.
- Funding of \$10 million within Marketing Services for the Web-based Supply Chain Management System (WBSCM) to improve information technology systems used to manage and control commodity orders, purchases, and delivery.
- A decrease of \$3 million in appropriated funding to reflect the collection of new user fees for the development of commodity grade standards with an associated grading program. Users of grading services are direct beneficiaries of commodity standards and, therefore, should be charged for the development of commodity grades associated with the grading and inspection program. In order to implement this recommendation, legislation will be proposed to authorize the recovery of these costs.
- Funding of \$1.3 million for the Payments to States Program. In 2006, the budget does not include funding for grants to Wisconsin for the development of specialty markets and to the Florida Department of Citrus.

## MARKETING AND REGULATORY PROGRAMS

### GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION (GIPSA)

<b>Program Level (Dollars in Millions)</b>			
<b>Program</b>	<b>2004 Actual</b>	<b>2005 Estimate</b>	<b>2006 Budget</b>
Salaries and Expenses:			
Grain Inspection Activities.....	\$17	\$17	\$20
Packers and Stockyards Programs.....	19	20	20
Total, Salaries and Expenses.....	36	37	40
Inspection and Weighing User Fees.....	36	42	42
Total, GIPSA Program Level.....	72	79	82
Existing User Fees.....	-36	-42	-42
Total, GIPSA Appropriations.....	\$36	\$37	\$40 <sup>a/</sup>

<sup>a/</sup> Includes \$25 million to be derived from proposed new user fees.

GIPSA establishes the official U.S. standards for grain, conducts official weighing and grain inspection activities, and grades rice, dry beans and peas, processed grain products, and hops. The agency regulates and monitors the activities of dealers, market agencies, stockyard owners, live poultry dealers, packer buyers, packers, and swine contractors in order to detect prohibited unfair, unjust discriminatory or deceptive, and anti-competitive practices in the livestock, meat and poultry industries. The agency also reviews the financial records of these entities to promote the financial integrity of the livestock, meat, and poultry industries. As such, its efforts help USDA enhance economic opportunities for agricultural producers, one of the Department's strategic goals.

GIPSA supervises six State and 43 designated private agencies for grain inspection and weighing services at domestic locations; provides supervision and other services from 10 field offices; and handles appeals of grain inspection services in Kansas City, Missouri. GIPSA also has three Packers and Stockyards Programs regional offices that specialize in poultry, hogs, and cattle/sheep, respectively.

For 2006, the budget proposes a program level for salaries and expenses of about \$40 million. Of this amount, about \$20 million is devoted to the grain inspection activities including standardization, compliance, and methods development activities and \$20 million to the Packers and Stockyards Programs. The budget includes a proposal for new user fees for Grain Standardization and the Packers and Stockyards programs.



## **MARKETING AND REGULATORY PROGRAMS**

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The 2006 budget includes the following program increases:

- \$1 million for eGov initiatives that would facilitate the electronic transfer of information to and from stakeholders, and efficient utilization by GIPSA of information such as program reviews and evaluations, agricultural product standards, inspection data, field test equipment reporting, etc. Another \$250,000 is requested for recurring IT costs.
- About \$1 million to develop new grain testing methods for ethanol co-products, wheat quality, and soybeans, thus enhancing domestic and export marketing opportunities.
- \$0.8 million to establish and maintain an off-site back-up system for GIPSA's information systems.

## **RESEARCH, EDUCATION, AND ECONOMICS**

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### **MISSION AND RELATIONSHIP TO STRATEGIC GOALS**

The Research, Education, and Economics (REE) mission area assumes Federal leadership responsibility for the discovery, application, and dissemination of information and technologies spanning the biological, physical, and social sciences through agricultural research, education, and extension activities and economic and statistical analysis. The 2006 REE budget supports all five of the Department's strategic goals.

Two key objectives in which REE plays an important role are: 3.2: Reduce the Number and Severity of Agricultural Pest and Disease Outbreaks and 4.2: Promote Healthier Eating Habits and Lifestyles. In order to address Objective 3.2, REE has expanded science-based technologies which will allow local, State and Federal officials to reduce the number and severity of agricultural and disease outbreaks. This will, in part, be accomplished through connection and data exchange among the Regional Diagnostic Network participants and the National Agricultural Pest Information System. REE also provides scientific information to protect animals from pests, infectious diseases, and other disease-causing entities that impact animal and human health, as well as engages in monitoring and testing through the National Animal Health Laboratory Network. USDA faces many challenges in reducing the number and severity of pest and disease outbreaks. Some challenges stem from external factors that, should they occur, could prevent achievement of the program goals. To address USDA Objective 4.2, REE conducts research that determines food consumption patterns of Americans, including those of different ages, ethnicities, regions, and income levels. REE agencies provide sound scientific analyses of the U.S. food consumption information to enhance the effectiveness and management of the Nation's domestic food and nutrition assistance programs.

REE responsibilities are carried out by four agencies:

- The Agricultural Research Service (ARS) is the principal in-house research agency in USDA in the area of natural and biological sciences. ARS has nine key objectives that support four of the USDA strategic goals. Examples from each of the four strategic goals include: (Goal 1) provide science-based knowledge and technologies to generate new or improved high quality value-added products and processes to expand domestic and foreign markets for agricultural commodities; (Goal 3) provide science-based knowledge on the safe production, storage, processing and handling of plant and animal products; (Goal 4) improve the nutritional value of the U.S. food supply; and (Goal 5) provide science-based knowledge and education to improve the management of forests, rangelands, and pastures.
- The Cooperative State Research, Education, and Extension Service (CSREES) is the Federal partner with land grant and non-land grant colleges and universities in carrying out extramural research, higher education, and extension activities. CSREES has thirteen key objectives which support all five USDA strategic goals. An example from each of the five strategic goals includes: (Goal 1) provide science-based knowledge and technologies to generate new or improved high quality products and processes to expand markets for the agricultural sector; (Goal 2) provide science-based technology, products and information to facilitate informed decision-making affecting the quality of life in rural areas; (Goal 3) reduce the incidence of food borne illnesses and contaminants through science-based

## RESEARCH, EDUCATION, AND ECONOMICS

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knowledge and education; (Goal 4) promote healthier food choices and lifestyles through research and education; and (Goal 5) provide science-based knowledge and education to improve the management of forests and rangelands.

- The Economic Research Service (ERS) is the principal intramural economic and social science research agency in USDA. ERS' key objective is the successful completion of planned research that enhances understanding by policymakers, regulators, program managers, and those shaping the public debate concerning economic and policy issues related to agriculture, food, natural resources and rural America. This key objective supports all five USDA strategic goals.
- The National Agricultural Statistics Service (NASS) conducts the Census of Agriculture and provides the official current statistics on agricultural production and indicators of the economic and environmental welfare of the farm sector. NASS has seven key objectives that support four of the USDA strategic goals. An example from each of the four strategic goals includes: (Goal 1) provide agricultural markets with unbiased data to operate efficiently with fair and equitable price discovery; (Goal 2) provide statistically sound information for economic and business decision-making at the local level in rural communities; (Goal 3) provide chemical usage statistics to enable informed decisions using science-based risk analysis; and (Goal 5) provide statistical data for improved management of soil, air and water.

## RESEARCH, EDUCATION, AND ECONOMICS

### AGRICULTURAL RESEARCH SERVICE (ARS)

<b>Program Level</b>			
<b>(Dollars in Millions)</b>			
<b>Program</b>	<b>2004 Actual</b>	<b>2005 Estimate</b>	<b>2006 Budget</b>
<b>Research and Information:</b>			
Product Quality/Value Added.....	\$101	\$95	\$98
Livestock Production.....	70	59	63
Crop Production.....	144	155	160
Food Safety.....	91	89	85
Livestock Protection.....	57	56	65
Crop Protection.....	147	156	156
Human Nutrition.....	75	77	82
Environmental Stewardship.....	171	173	178
National Agricultural Library.....	22	22	22
Repair and Maintenance of Facilities.....	18	18	18
Collaborative Research Program.....	6	0	0
Homeland Security .....	18	27	69
Subtotal, Ongoing Programs.....	920	927	996
Earmarked Projects.....	169	175	0
Total, Research and Information.....	1,089	1,102	996
Buildings and Facilities.....	64	186	65
Trust Funds.....	14	18	18
Total, ARS.....	<u>\$1,167</u>	<u>\$1,306</u>	<u>\$1,079</u>

ARS provides access to scientific data, conducts research to develop new scientific knowledge, and transfers technology to the private sector to solve technical agricultural problems of broad scope and high national priority. The agency houses the National Agricultural Library (NAL), the Nation's major information resource in the food, agricultural and natural resource sciences. ARS has over 100 locations throughout the U.S. and abroad. Beltsville, Maryland is the site of the world's largest multi-disciplinary agricultural research facility.

The ARS programs represented by Strategic Goal 1: Enhance Economic Opportunities for Agricultural Producers underwent a PART assessment for 2006. The program received a rating of "Moderately Effective" with high scores for program purpose and design, strategic planning, and management. The agency has developed performance measures using the Research and Development Investment Criteria and is working to develop baseline data as recommended by the PART reviews.

The 2006 budget requests \$996 million for ARS Research and Information. Increases totaling \$97 million are proposed to fund critical research priorities. These increases are offset by the

## RESEARCH, EDUCATION, AND ECONOMICS

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elimination of \$175 million in funding for all Congressional earmarks and \$28 million in project terminations. Highlights of the proposals for the main program areas follow:

- **Product Quality/Value Added.** ARS research enhances the economic viability and competitiveness of U.S. agriculture by maintaining the quality of harvested agricultural commodities or enhancing their marketability; by expanding domestic and global market opportunities through the development of value-added food and non-food products and processes; by reducing the Nation's dependence on foreign oil and improving the environment by developing alternate energy sources; and by increasing the use of agricultural crops as feedstocks for biofuels. The 2006 budget includes an increase of \$2.5 million for bioenergy and biobased products research. Selected targets for 2006 include developing a system for more efficient harvesting and processing of biomass crops for energy production.
- **Livestock Production.** ARS conducts research that develops biotechnological methods to use animal germplasm and associated genetic and genomic repositories and databases to ensure an abundant and safe food supply of animal products. Research also provides the knowledge to assess scientifically farm animal well-being, reduce animal stress, increase animal health and improve the international competitiveness and sustainability of U.S. aquaculture. The 2006 budget includes \$5.8 million for animal genomics and the preservation of animal germplasm. Selected 2006 targets include identifying regions of the poultry and cattle genomes that effect efficiency of food utilization.
- **Crop Production.** ARS safeguards and utilizes plant, microbial, and insect germplasm, associated genetic and genomic databases, and bioinformatic tools to ensure an abundant, safe, and inexpensive supply of food, feed, fiber, ornamentals, and industrial products. The agency conducts fundamental research on plants that forms the basis for greater crop productivity and efficiency, better product quality and safety, improved protection against pests and diseases, and sustainable practices that maintain environmental quality. The 2006 budget provides \$7 million for crop genomics and preservation of crop genetic resources. This research will achieve the long-term performance measure of identifying the genes responsible for plant growth, product quality, and resistance to disease, pest, and weather losses.
- **Food Safety.** ARS research provides the means to ensure that the food supply is safe for consumers and that food and feed meet foreign and domestic regulatory requirements. Research also focuses on the reduction of the hazards of both introduced and naturally occurring toxicants in foods and feed, including pathogenic bacteria, viruses, parasites, chemical contaminants, mycotoxins produced by fungi growing on plants, and naturally occurring toxins produced by plants. ARS will continue to work with other USDA and Federal agencies to implement a comprehensive Food and Agriculture Defense Initiative. The 2006 budget includes an increase of \$15 million to develop surveillance, sampling, and detection methods that rapidly and accurately detect and identify the most critical and economically important foodborne pathogenic bacteria, viruses, and chemicals of food safety concern. This funding supports the program's long-term goals of developing and transferring to stakeholders methodologies, as well as intervention strategies, for improving the safety of the food Americans eat.

## RESEARCH, EDUCATION, AND ECONOMICS

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- **Livestock Protection.** ARS produces the knowledge and technology to reduce economic losses from infectious, genetic, and metabolic diseases of livestock and poultry and to eliminate the losses to animal production and products caused by arthropod diseases and arthropod borne trauma. This research also reduces the risk to humans of arthropod borne zoonotic diseases and enhances the safety of animal products. The 2006 budget includes an increase of \$8.6 million for controlling emerging diseases and invasive species, a major portion of which is included in the Food and Agriculture Defense Initiative. Additionally, the budget seeks \$7.5 million to implement an integrated bovine spongiform encephalopathy (BSE) research program. ARS' key performance measure is to provide the scientific information to protect animals from pests, infectious diseases and other disease causing entities that impact animal and human health. Targets for 2006 include developing systems for rapid response to bioterror agents, and implementing a vaccine research program for the control and eradication of biological threat agents. In 2004, ARS achieved its performance target for this measure by identifying eight resistance markers for various diseases, and by transferring three diagnostic tests to public and private institutions and other countries.
- **Crop Protection.** ARS provides the knowledge to reduce losses caused by plant diseases by defining practices that are effective, affordable, and maintain environmental quality. Research also provides the technology to manage pest populations below economic damage thresholds by the integration of environmentally compatible strategies that are based on an increased understanding of the pest's biology and ecology. The 2006 budget includes a proposed increase of \$17.7 million for emerging and exotic diseases and invasive species, and a \$4.2 million increase for the National Plant Disease Recovery System. This increase will support the agency's 2006 target of providing the information and technology necessary to support the exclusion, detection, and early eradication of invasive weeds, insects, and pathogens, as well as developing and releasing new varieties of plant stock with insect and disease resistance to producers.
- **Human Nutrition.** Six ARS centers conduct basic and applied research to identify and understand how nutrients and other bioactive food components affect the health of diverse populations, including children, the elderly, pregnant and lactating women, and healthy adults. The ultimate goal of this food-based agricultural research is to identify foods and diets, coupled with genetics and physical activity, that will sustain and promote health throughout life. The 2006 budget includes an increase of \$6 million to improve the accuracy and ethnic representation of the "What We Eat In America" survey and an additional \$2.3 million for nutrition survey research to determine the energy and nutrient content of foods consumed by U.S. minority populations, as well as research to address the obesity epidemic and promote a healthier lifestyle.
- **Environmental Stewardship.** This broad area of research emphasizes the development of technology and scientific knowledge that will allow producers to manage, conserve, and protect the Nation's soil, water, and air resources while optimizing agricultural productivity. The 2006 budget proposes a \$1.8 million increase in air and water quality research and \$3.2 million for research in support of the President's Climate Change Research Initiative.

## **RESEARCH, EDUCATION, AND ECONOMICS**

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- **National Agricultural Library.** The National Agricultural Library (NAL), one of four national libraries in the United States, provides access to scientific agricultural data. NAL provides agricultural information electronically and is expanding its efforts to catalog, manage, and disseminate agriculture-related data through the Internet. The budget requests an increase of \$1.9 million to support the National Digital Library for Agriculture and improve information services.
  
- **Buildings and Facilities.** The 2006 budget seeks \$58.8 million to complete the modernization of the National Centers for Animal Health in Ames, IA. Upon completion, the consolidated ARS/APHIS facility will consist of new research, diagnostic, and biologic laboratory facilities, along with new large animal housing facilities. Extensive site and infrastructure upgrades, miscellaneous office, animal care, and support facilities are integrated into the design. Additionally, \$3 million is requested for repairs to the National Agricultural Library, and another \$3 million is requested for planning and design at the Foreign Disease Weed Science Laboratory in Frederick, Maryland.

### **COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE (CSREES)**

<b>Program Level (Dollars in Millions)</b>			
<b>Program</b>	<b>2004 Actual</b>	<b>2005 Estimate</b>	<b>2006 Budget</b>
Research and Education.....	\$618	\$655	\$545
Extension Activities.....	439	446	432
Integrated Activities.....	50	55	35
Native American Endowment Fund and Interest.....	11	14	15
Outreach for Socially Disadvantaged Farmers.....	6	6	6
Subtotal, Programs.....	1,124	1,176	1,033
Community Food Projects.....	5	5	5
Organic Agriculture Research and Education Initiative.....	3	3	3
Total, CSREES.....	\$1,132	\$1,184	\$1,041

## RESEARCH, EDUCATION, AND ECONOMICS

### Cooperative State Research, Education, and Extension Service Program Level (Dollars in Millions)

Program	2004 Actual	2005 Estimate	2006 Budget
Formula Grants:			
Smith-Lever 3 (b&c) Formula.....	\$278	\$276	\$276
Hatch Act.....	179	179	89
1890 Research and Extension.....	68	70	72
McIntire-Stennis Cooperative Forestry.....	22	22	11
Animal Health.....	5	5	0
Total, Formula Grants.....	552	552	448
National Research Initiative Competitive Grants (NRI).....	164	180	250
Regional, State and Local Grants Program.....	0	0	75
Selected Integrated Activities:			
Water Quality.....	12	13	0
Food Safety.....	13	15	0
Rural Development Centers.....	1	1	2
International Science and Education Grants.....	1	1	1
Critical Issues.....	0	1	3
Pest Control/Management Activities.....	28	29	26
Sustainable Agriculture Research and Extension.....	16	16	13
Higher Education Programs.....	29	35	35
Native American Endowment Fund and Interest.....	11	14	15
Indian Reservation Extension Agents.....	2	2	2
1890 Facilities.....	15	17	15
Extension Services at 1994 Institutions.....	3	3	3
Expanded Food and Nutrition Education Program (EFNEP).....	52	58	63
Federal Administration.....	13	14	16
Food and Agriculture Defense Initiative:			
Regional Diagnostic Network.....	8	9	30
Higher Education Agrosecurity.....	0	0	5
Other Research, Extension and Integrated Programs.....	31	29	25
Outreach for Socially Disadvantaged Farmers.....	6	6	6
Subtotal, Ongoing Programs.....	957	995	1,033
Earmarked Projects and Grants.....	167	181	0
Subtotal, Programs.....	1,124	1,176	1,033
Community Food Projects.....	5	5	5
Organic Agriculture Research and Education Initiative.....	3	3	3
Total, CSREES.....	\$1,132	\$1,184	\$1,041



## RESEARCH, EDUCATION, AND ECONOMICS

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CSREES has the primary responsibility for providing linkages between the Federal and State components of a broad-based, National agricultural research, extension, and higher education system. CSREES provides funding for projects conducted in partnership with the State Agricultural Experiment Stations, State Cooperative Extension Systems, land grant universities, colleges, and other research and education institutions. Federal funds are distributed to universities and institutions by statutory formula funding, competitive awards, and special grants. CSREES is responsible for administering USDA's primary competitive research grants program, the National Research Initiative (NRI), which supports investigator-initiated research with strong potential to contribute to major breakthroughs in agricultural science.

The CSREES programs represented by Strategic Goal 1: Enhance Economic Opportunities for Agricultural Producers underwent a PART assessment for 2006. The program received a rating of "Moderately Effective" with perfect scores for strategic planning and program management. The PART findings did not identify any significant policy or performance measurement issues.

The 2006 budget requests \$1.041 billion for CSREES. Increases totaling \$38 million are proposed. These increases are offset by the elimination of \$181 million in Congressional earmarks. Highlights of the proposals for the main program areas follow:

- **Formula Grants.** The 2006 budget proposes a reallocation of research formula funds made to eligible institutions under the Hatch Act, McIntire-Stennis and Animal Health programs. No funding is proposed for the Animal Health formula grant program in 2006, and the other selected Federal formula payments will be phased out over a two-year period in order to use the funds to support competitive funding through the National Research Initiative and a newly created \$75 million regional, State, and local competitive grants program. Extension and education formula payments made under several authorities, as well as research formula funding under Evans-Allen, will continue to provide support for current Federal-State collaborative activities.
- **National Research Initiative (NRI).** The NRI is the Nation's premier competitive, peer-reviewed research program for fundamental and applied sciences in agriculture. The 2006 budget proposes \$250 million for the NRI, an increase of \$70 million above the 2005 estimate. The increase will fund initiatives in agricultural genomics, nanotechnology, food safety, water quality, pest related programs, and human nutrition and obesity. The budget also proposes to eliminate USDA specific limitations on indirect costs to put the NRI on an equal footing with other Federal competitive grant programs.

The NRI is broad in scope with programs ranging from fundamental science to farm management and community issues. Funding at the proposed level will support research that will make an immediate impact on such issues as emerging diseases and pests, biosecurity, farm management, air quality, and food and nutritional improvements. The NRI enables USDA to develop new partnerships with other Federal agencies on topics of mutual interest. Moreover, the NRI makes a major contribution to developing the next generation of agricultural scientists.

## RESEARCH, EDUCATION, AND ECONOMICS

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- **Regional, State, and Local Grants Program.** A new \$75 million program to support State Agricultural Experiment Station-conducted research will be targeted to regional, State, and local issues. This competitively-awarded grants program will support system-wide research planning and coordination and research in areas such as new products/uses, social sciences, and the environment. This is the first phase of a two-year plan to shift funding from some formula based research programs.
- **Food and Agriculture Defense Initiative.** USDA, through the cooperative efforts of CSREES and the Animal and Plant Health Inspection Service, has established a unified network of public agricultural institutions to identify and respond to high risk biological pathogens in the food and agriculture system. The core of the network comprises 13 animal diagnostic laboratories and 6 plant diagnostic laboratories. The laboratories are responsible for conducting standardized diagnostic tests for the identification of exotic and domestic pests and pathogens. The entire network will be supported with secure, two-way communications, and a comprehensive database on test procedures, experts, and past pest and disease problems. The network was established with \$20 million in the 2002 Homeland Security Supplemental. In 2006, the budget provides \$30 million for an enhanced network, as well as \$5 million for a Higher Education Agrosecurity Program. The education funds are targeted toward supplying educational and professional development for personnel in securing the Nation's agriculture and food supply by providing competitively awarded grants that focus on educational activities addressing biosecurity issues. CSREES' 2006 key performance measure is to expand the ability to detect plant and animal diseases to protect the Nation from disease outbreaks. In 2006, targets to be achieved include expanding connection and data exchange between diagnostic network participants, and increasing network capacity to minimize or mitigate environmental risk associated with pest management. In 2004, CSREES surpassed its performance targets for this measure by ensuring that personnel at plant and animal diagnostic labs possessed expert training and proficiency testing where personnel had to detect three high priority plant diseases and six specific animal diseases.
- **Higher Education Programs.** CSREES offers a variety of higher education programs designed to ensure that undergraduate and graduate institutions in the food and agricultural sciences meet the challenges of recruiting and training qualified individuals needed to address current and anticipated agricultural workforce issues. Additional funding for fellowships at the Master of Science level is especially important for recruiting minority graduate students.
- **Expanded Food and Nutrition Education Program (EFNEP).** EFNEP is a unique program operating in 800 counties throughout the U.S. and the American territories of Samoa, Guam, Micronesia, Northern Marianas, Puerto Rico and the Virgin Islands. The program assists low-income youth and low-income families with young children in acquiring the skills, attitudes, and changed behavior necessary to formulate nutritionally sound diets, and to contribute to their personal development and improvement of the total family diet and nutritional well-being. An increase of \$5 million in the 2006 budget will allow for the participation of 1890 institutions and the expansion of this successful program to a greater number of people in more counties. This increased funding will also allow EFNEP to

## RESEARCH, EDUCATION, AND ECONOMICS

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encourage States to incorporate new components, which will contribute to the decrease of obesity in the participant population.

- Outreach and Technical Assistance for Socially Disadvantaged Farmers and Ranchers.**  
 The Department encourages greater participation of African American farmers, tribal groups, Hispanic and other minority groups in the full range of commodity, loan, grant, and education programs offered to eligible individuals and community groups. The 2006 budget includes a recommendation to maintain Section 2501 funding at \$6 million, the 2005 level. The funding supports the performance measure of increasing the number of socially disadvantaged minority farmers and ranchers who are knowledgeable and able to participate in USDA farm programs.

### ECONOMIC RESEARCH SERVICE (ERS)

Program Level (Dollars in Millions)			
Program	2004 Actual	2005 Estimate	2006 Budget
Economic Research Service.....	\$71	\$74	\$81

The Economic Research Service (ERS) provides economic and other social science information and analysis on agriculture, food, environment, and rural development. ERS supplies such information and analyses for use by the general public and to help policymakers develop, administer and appraise agricultural and rural policies and programs.

The ERS budget reflects a net increase of \$6.6 million including funds for pay costs and \$5.8 million to support the following priority effort:

**Consumer Data and Information System (\$5.8 million).** This initiative will continue the development of a data and analysis framework of the post-farm gate food system to identify, understand and track changes in food supply and consumption patterns for use in making policy decisions in the food, health and consumer arenas. Funds were provided in 2005 for implementing one element of the system, the Flexible Consumer Behavior Survey Module. The remaining components include:

- \$3.6 million to create a Food Market Surveillance System of surveys and supporting analyses to identify food consumption patterns of customers and how these respond to changes in the food marketplace and in customers' lifestyles over time. This knowledge will help producers better target their products to consumer behavior, while providing policymakers with a better basis for formulating effective nutritional policy.
- \$1.0 million for a Rapid Consumer Response Module to develop nearly instantaneous information on consumer reactions to current market events and government policies,

## RESEARCH, EDUCATION, AND ECONOMICS

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linking consumer reactions to actual food purchases, sales, consumption and price information. This module will be instrumental in helping policymakers to evaluate consumer reactions to crises and to formulate appropriate responses.

- \$0.6 million to support additional staff and activities to insure the successful design and implementation of system surveys, as well as to develop and implement a web-based data dissemination program to make survey data more accessible to data users.
- \$0.6 million for a behavioral economic research program to identify strategies for developing effective nutrition messages that motivate consumers to adopt more helpful diets.

ERS plans to measure the initiative in terms of its relevance, quality and performance through the use of a quantitative assessment tool in conjunction with a review by an outside panel.

### NATIONAL AGRICULTURAL STATISTICS SERVICE (NASS)

<b>Program Level</b>			
<b>(Dollars in Millions)</b>			
<b>Program</b>	<b>2004 Actual</b>	<b>2005 Estimate</b>	<b>2006 Budget</b>
Agricultural Estimates.....	\$103	\$106	\$116
Census of Agriculture.....	25	22	29
Total, NASS.....	\$128	\$128	\$145

The mission of the National Agricultural Statistics Service (NASS) is to provide timely, accurate, and useful statistics in service to U.S. agriculture. NASS statistics provide the information necessary to keep agricultural markets stable and efficient, and to help maintain a “level playing field” for all users of agricultural statistics.

A PART review of NASS programs was conducted during formulation of the 2006 budget. NASS received a rating of “Moderately Effective.” NASS received a perfect score for its program purpose, design and management, and the agency is now working to establish an external, independent evaluation system, as was recommended in the PART findings.

The budget reflects a net increase of \$16.7 million, which includes an increase of \$1.3 million for pay costs and an increase of \$15.4 million and 29 staff years for the following priority activities:

- **Improved Agricultural Estimates (\$7.0 million).** This increase will build on 2004 and 2005 efforts to restore and modernize NASS’ core survey and estimation program, which covers most agricultural commodities produced in the U.S. and encompasses economic, environmental and rural data. Prior to 2004, this program had not received an increase in funding since 1990, leading to a reduction in the quality of survey data on which NASS estimates are based. The program is designed to provide several principal economic

## RESEARCH, EDUCATION, AND ECONOMICS

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indicators and to meet the needs of USDA, the Environmental Protection Agency, the Department of Labor, bankers, brokers, rural sociologists and other data users at an acceptable level of precision for State, regional and national level estimates. The initiative has three components: (1) restore sample sizes for greater statistical defensibility; (2) provide staff needed to manage surveys, review and summarize reported data, and other functions; and (3) meet research, training, travel, supplies and other direct expenses necessary to produce quality statistics. Funding for this initiative will allow NASS to continue to improve the statistical precision of its major surveys. Specifically, target precision levels for 83 percent of NASS' major survey data will be achieved with this funding, a 12 percent increase over the fiscal year 2004 precision levels. NASS' long-term target precision target is 90 percent.

- **Locality Based Agricultural County Estimation Program (\$1.9 million).** This funding supports the NASS goal to improve statistically defensible survey precision for small area statistics. With this support, NASS can conduct proper follow-up data collection activities and redesign its survey systems to statistically improve its valuable county-level data, which is used by private industry, Federal, State, and local governments, and universities. The Risk Management Agency uses these statistics in indemnity calculations for Group Risk Plans and the Group Risk Revenue Plans as part of the risk rating process, which affects premium levels paid by producers. The Farm Service Agency uses the county acreage to weight posted county prices to National loan deficiency payments. In addition, agriculture input suppliers, agricultural marketing firms, and transportation companies who provide billions of dollars of goods and services to farmers and ranchers track county level data on livestock inventories and crop acreage yields and production. Furthermore, under the 2002 Farm Bill, producers updated their base acreage and yields by using the county-wide averages established by this program. The 2006 funding level will produce statistically defensible survey precision for one-third of the U.S. counties surveyed under this program.
- **Census of Agriculture (\$6.5 million).** The Census of Agriculture provides comprehensive data on the agricultural economy with national, State, and county level details. This increase supports the normal increase in activity levels due to the cyclical nature of the 5-year Census program. Funding will be used to prepare for the 2007 Census of Agriculture and to conclude analysis and publication of the Census of Aquaculture in December 2006.

## DEPARTMENTAL ACTIVITIES

### DEPARTMENTAL OFFICES AND CENTRALIZED MANAGEMENT ACTIVITIES

<b>Program Level</b>			
<b>(Dollars in Millions)</b>			
<b>Program</b>	<b>2004 Actual</b>	<b>2005 Estimate</b>	<b>2006 Budget</b>
<b>Departmental Offices:</b>			
Office of the Secretary.....	\$9	\$13	\$13
Departmental Administration Staff Offices.....	23	22	23
Office of the Chief Financial Officer.....	6	6	6
Office of the Chief Information Officer.....	15	16	17
Office of the General Counsel.....	35	36	40
Office of Communications.....	9	9	10
<b>Executive Operations:</b>			
Office of the Chief Economist.....	9	10	11
National Appeals Division.....	14	14	15
Office of Budget and Program Analysis.....	8	8	8
Homeland Security Staff.....	0	1	1
Total, Department Offices.....	128	135	144
<b>Centrally Financed Activities:</b>			
Homeland Security Funding.....	3	0	0
Funding to Address Trade Barrier Issues.....	2	2	2
Agriculture Buildings and Facilities.....	155	163	222
Hazardous Materials Management.....	16	15	16
WCF Corporate Information Systems.....	0	13	0
Trust Funds/Other.....	1	1	1
Total, Centralized Activities.....	177	194	241
Total, Departmental Offices and Centralized Activities....	\$305	\$329	\$385

The Departmental Offices and Centralized Management Activities provide leadership, coordination and support for all administrative and policy functions of the Department. These offices and activities are vital to USDA's success in providing effective customer service and efficient program delivery. The 2006 budget proposes funding to ensure that these offices maintain the staffing levels needed to provide management leadership, oversight and coordination.

The budget provides funding to support the President's Management Agenda as well as Department-wide and agency-specific reforms. All of these efforts are crucial to making the Department an efficient, effective and discrimination-free organization that delivers the best return on taxpayers' investments. Activities included in this request follow.

## DEPARTMENTAL ACTIVITIES

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The **Office of the Secretary (OSEC)**, assisted by the Deputy Secretary, Under Secretaries and Assistant Secretaries, and members of their immediate staffs, directs and coordinates the work of the Department. This involves providing policy direction for all areas of the Department and maintaining liaisons with the Executive Office of the President, members of Congress and the public on all matters pertaining to Departmental policy. Liaison with members of Congress, the White House and Tribal organizations is coordinated through the Office of the Assistant Secretary for Congressional Relations, which also provides overall direction and coordination in the development and implementation of policies and procedures applicable to the Department's intra- and inter-governmental relations. The Department also faces a growing array of challenges related to biotechnology, including a rapidly expanding number of regulatory, market access, and trade barrier issues. USDA resources are needed to anticipate and address these issues, to avoid disruptions to trade and the loss of marketing opportunities overseas. The 2006 budget requests \$15 million for OSEC, including an increase of \$157,000 for pay costs.

**Departmental Administration (DA) Staff Offices** provide overall direction, leadership and coordination for the Department's management of human resources, ethics, property, procurement, emergency preparedness and physical security, hazardous materials management, facilities management, small and disadvantaged business utilization programs and the regulatory hearing and administrative proceedings conducted by the Administrative Law Judges, the Judicial Officer, and the Board of Contract Appeals. The 2006 budget requests \$23 million for DA offices, including increases of \$396,000 for pay costs and \$262,000 to enhance the security of information technology network for staff offices and to strengthen employee medical services.

The request for **Agriculture Buildings and Facilities** appropriation for 2006 is \$222 million, including an additional \$20 million for increases in rent and security costs associated with rental space. Also included is an additional \$39 million above 2005 to provide for the increased costs of operating, maintaining, securing and repairing the headquarters complex, including the Beltsville office facility, and architectural and engineering planning and services. The budget also includes an increase of \$132,000 for pay costs.

The **Hazardous Materials Management (HMM) Program** provides for the efficient management and cleanup of hazardous materials on facilities and lands under the jurisdiction, custody, and control of the Department and prevention of releases of hazardous substances from USDA facilities. The program is funded through a central appropriation and agency funds. The 2006 budget requests \$16 million for HMM, an increase of \$236,000 above 2005, including pay costs for current staff.

The **Office of the Chief Financial Officer (OCFO)** provides overall direction and leadership in the development of financial management policies and systems and produces the Department's consolidated financial statements and strategic and annual plans. It also oversees the provision of administrative accounting, payroll and related systems for USDA and other agencies through operation of the National Finance Center (NFC). The 2006 budget requests \$6 million for OCFO, including an increase of \$178,000 for pay costs, to continue these critical responsibilities and achieve key results, such as maintaining the clean audit opinion that USDA obtained on its 2003 and 2004 financial statements.

## DEPARTMENTAL ACTIVITIES

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The **Office of the Chief Information Officer (OCIO)** provides policy guidance, leadership and coordination for the Department's information management, technology investment and cyber security activities in support of USDA program delivery. The 2006 budget requests \$16.7 million for OCIO, including an increase of \$264,000 for pay costs. In addition, OCIO is responsible for the management of the Common Computing Environment (CCE) for the Service Center agencies. Starting in 2005, OCIO is managing a new organization named Information Technology Services which consolidates the information technology support functions of the Service Center agencies under one office to insure the support and coordination of the infrastructure operations. Nearly 800 information technology staff from the three Service Center agencies have been transferred to OCIO for this work. (see page 110).

Legal oversight, counsel, and support for the Department's programs are provided by the **Office of the General Counsel (OGC)**. The 2006 budget requests \$40 million for OGC, including an increase of \$1.1 million for 11 staff years to meet increasing responsibilities. An increase of \$1.2 million is also included for improvements in OGC's office automation and communication systems. A further increase of \$2.5 million is included to fund pay costs and adequately support current staff.

The Department's **Office of Communications (OC)** provides leadership and coordination for the development of communications strategies for the Department and plays a critical role in disseminating information about USDA's programs to the general public. The 2006 budget requests \$9.5 million for OC, including an increase of \$219,000 for pay costs.

The **Office of the Chief Economist (OCE)** advises the Secretary and Department officials on the economic implications of Department policies, programs and proposed legislation, serves as the focal point for the Nation's agricultural economic intelligence, analysis and review related to domestic and international food and agriculture markets and provides policy direction for biofuels and new uses of agricultural products. The 2006 budget requests \$10.5 million for OCE, including an increase of \$305,000 for pay costs.

The **National Appeals Division (NAD)** conducts evidentiary administrative appeal hearings and reviews arising from program operations of the Rural Development mission area, Farm Service Agency, Risk Management Agency, and the Natural Resources Conservation Service. The 2006 budget requests \$14.5 million for NAD, including an increase of \$308,000 for pay costs.

The **Office of Budget and Program Analysis (OBPA)** provides analyses and information to the Secretary and other senior level policy officials to support informed decision-making regarding the Department's programs and policies, and budget, legislative, and regulatory actions. The 2006 budget requests \$8 million for OBPA, including an increase of \$136,000 for pay costs.

The **Homeland Security Staff (HSS)** was created with emergency supplemental funding in 2002 for the purpose of establishing a central oversight and assistance capability within USDA for its many homeland security activities. The 2006 budget requests \$1.5 million for HSS, including an increase of \$20,000 for pay costs and \$677,000 to oversee agency implementation of several Homeland Security Presidential Directives and other security initiatives.



## OFFICE OF CIVIL RIGHTS

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### OFFICE OF CIVIL RIGHTS

Program Level (Dollars in Millions)			
<b>Program</b>	<b>2004 Actual</b>	<b>2005 Estimate</b>	<b>2006 Budget</b>
Office of Civil Rights.....	\$17	\$20	\$20

The **Office of Civil Rights (OCR)** provides policy guidance, leadership and outreach, coordination, training and complaint prevention and processing for the Department and mission area agencies. OCR's mission is to facilitate the fair and equitable treatment of USDA customers and employees while ensuring the delivery and enforcement of civil rights programs and activities. Through its efforts, OCR strives to 1) reduce and prevent EEO and program complaints; 2) process EEO and program complaints timely; 3) process all complaints efficiently and cost effectively; 4) foster a positive civil rights climate at USDA; and 5) provide effective outreach programs to ensure equal and timely access to USDA programs and services to all customers. The 2006 budget requests \$20 million for OCR, including an increase of \$379,000 for pay costs.

**OFFICE OF INSPECTOR GENERAL**

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**OFFICE OF INSPECTOR GENERAL**

<b>Program Level (Dollars in Millions)</b>			
<b>Program</b>	<b>2004 Actual</b>	<b>2005 Estimate</b>	<b>2006 Budget</b>
Office of Inspector General.....	\$77	\$78	\$81

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The **Office of Inspector General (OIG)** conducts and supervises audits to prevent and detect fraud and to improve the effectiveness of USDA programs, and as the law enforcement arm of USDA, investigates significant criminal activity involving the Department's programs and personnel. The 2006 budget requests \$81 million for OIG, including an additional \$3.4 million to cover increases for the Emergency Response Program, the Computer Forensic Unit, OIG's Information Technology, and pay costs.

## DEPARTMENTAL ACTIVITIES

### SERVICE CENTER MODERNIZATION INITIATIVE AND COMMON COMPUTING ENVIRONMENT (CCE)

Program Level (Dollars in Millions)			
Program	2004 Actual	2005 Estimate	2006 Budget
Common Computing Environment.....	\$144	\$125	\$142

In recent years, the Department has co-located field offices of the Farm Service Agency, Natural Resources Conservation Service and Rural Development into one-stop USDA Service Centers to provide seamless, quality customer service to farmers and rural residents. A key element for the success of the Service Center Modernization Initiative is the replacement of aging business and technology systems with a Common Computing Environment (CCE) that will allow the Service Center agencies to share data among themselves and customers and to streamline business processes. The CCE also provides the infrastructure needed to ensure that customers can conduct business electronically with the Service Center agencies. Implementation of the CCE began in 1998 and most of its major hardware and software components are in place. This infrastructure has already been instrumental in helping the Department implement Farm Bill and other programs accurately and in a timely manner.

The information technology support functions of the Service Center Agencies have been consolidated into a new organization named Information Technology Services (ITS) that is part of the Office of the Chief Information Officer. The ITS was created in November 2004 by transferring nearly 800 information technology staff from the three agencies. The reason for converging the IT infrastructure support personnel from the Service Center Agencies was to insure the support and coordination of the infrastructure operations. Not all information technology functions were transferred to the new organization. Agency-specific application development, data content management, application support and application security functions remain within the three individual agencies.

The 2006 budget requests \$142 million for CCE, including an increase of \$17 million for the continued replacement of outdated CCE technology and the provision of adequate telecommunications capability, to maintain the Service Center agencies' level of performance. This funding also allows for the continued incorporation of Geographic Information Systems (GIS) data into the Department's agricultural digital mapping project. GIS is transforming the way USDA does business, by making possible the electronic analysis of soils and land-use data. This analysis, which previously took days or weeks of mapping by hand, will now take only minutes, and customers will be able to access this USDA information about their land over the Internet, rather than visiting an agency office. Furthermore, the expense of map printing, distribution, storage and updating will decrease greatly.

# APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE  
Budget Authority  
(Dollars in Millions)

AGENCY	2004 Actual	2005 Estimate	2006 Budget
<b>FARM AND FOREIGN AGRICULTURAL SERVICES</b>			
Farm Service Agency.....	\$799	\$1,143	\$977
Commodity Credit Corporation Programs.....	27,259	23,983	18,825
Risk Management Agency.....	3,437	2,313	3,251
Foreign Agricultural Service.....	286	318	343
P.L. 480.....	765	624	514
<b>RURAL DEVELOPMENT</b>			
Rural Community Advancement Program.....	814	755	522
Salaries and Expenses.....	143	148	168
Rural Utilities Service.....	-448	-1,002	-954
Rural Housing Service.....	400	148	350
Rural Business - Cooperative Service.....	66	249	-215
Rural Empowerment Zones/Enterprise Communities.....	13	12	0
<b>FOOD, NUTRITION, AND CONSUMER SERVICES</b>			
Food and Nutrition Service.....	47,283	52,527	58,952
<b>NATURAL RESOURCES AND ENVIRONMENT</b>			
Natural Resources Conservation Service.....	2,792	3,250	2,483
Forest Service.....	5,855	5,587	4,928
<b>FOOD SAFETY</b>			
Food Safety and Inspection Service.....	777	820	853
<b>RESEARCH, EDUCATION, AND ECONOMICS</b>			
Agricultural Research Service.....	1,167	1,306	1,079
Cooperative State Research, Education, and Extension Service.....	1,131	1,322	898
Economic Research Service.....	71	74	81
National Agricultural Statistics Service.....	129	129	146
<b>MARKETING AND REGULATORY PROGRAMS</b>			
Animal and Plant Health Inspection Service.....	1,067	962	1,022
Agricultural Marketing Service.....	212	214	220
Section 32 Funds.....	1,147	748	1,149
Grain Inspection, Packers and Stockyards Administration.....	36	37	40
<b>DEPARTMENTAL ACTIVITIES</b>			
Office of the Secretary.....	15	15	15
Common Computing Environment.....	118	125	142
Office of Civil Rights.....	17	20	20
Departmental Administration.....	23	22	23
Agriculture Buildings and Facilities.....	155	163	222
Hazardous Waste Management.....	16	15	16
Office of the Chief Financial Officer.....	6	6	6
Office of the Chief Information Officer.....	15	16	17
Office of the General Counsel.....	35	36	40
Office of Inspector General.....	77	78	81
Office of Communications.....	9	9	10
Executive Operations:			
Office of the Chief Economist.....	11	12	13
National Appeals Division.....	14	14	15
Office of Budget and Program Analysis.....	8	8	8
Homeland Security Support Staff.....	0	1	1
Working Capital Fund.....	8	13	0
Gifts and Bequests.....	1	1	1
Subtotal.....	95,729	96,221	96,262
Offsetting Receipts.....	-2,637	-1,481	-892
<b>TOTAL, U.S. DEPARTMENT OF AGRICULTURE.....</b>	<b>\$93,092</b>	<b>\$94,740</b>	<b>\$95,370</b>

# APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE  
Discretionary Budget Authority  
(Dollars in Millions)

AGENCY	2004 Actual	2005 Estimate	2006 Budget
<b>FARM AND FOREIGN AGRICULTURAL SERVICES</b>			
Farm Service Agency.....	\$1,490	\$1,560	\$1,526
Commodity Credit Corporation Programs.....	4	4	-160
Risk Management Agency.....	71	71	92
Foreign Agricultural Service.....	196	224	249
P.L. 480.....	1,299	1,103	965
<b>RURAL DEVELOPMENT</b>			
Rural Community Advancement Program.....	725	755	522
Salaries and Expenses.....	143	148	168
Rural Utilities Service.....	130	122	29
Rural Housing Service.....	1,368	1,384	1,587
Rural Business - Cooperative Service.....	70	72	-274
Rural Empowerment Zones/Enterprise Communities.....	13	12	0
<b>FOOD, NUTRITION, AND CONSUMER SERVICES</b>			
Food and Nutrition Service.....	4,930	5,578	5,858
<b>NATURAL RESOURCES AND ENVIRONMENT</b>			
Natural Resources Conservation Service.....	1,177	1,232	307
Forest Service.....	5,123	4,785	4,063
<b>FOOD SAFETY</b>			
Food Safety and Inspection Service.....	774	817	850
<b>RESEARCH, EDUCATION, AND ECONOMICS</b>			
Agricultural Research Service.....	1,153	1,288	1,061
Cooperative State Research, Education, and Extension Service.....	1,126	1,177	1,033
Initiative for Future Agriculture and Food Systems.....	0	0	-300
Economic Research Service.....	71	74	81
National Agricultural Statistics Service.....	128	128	145
<b>MARKETING AND REGULATORY PROGRAMS</b>			
Animal and Plant Health Inspection Service.....	932	813	871
Agricultural Marketing Service.....	78	85	88
Grain Inspection, Packers and Stockyards Administration.....	36	37	40
<b>DEPARTMENTAL ACTIVITIES</b>			
Office of the Secretary.....	15	15	15
Common Computing Environment.....	118	125	142
Office of Civil Rights.....	17	20	20
Departmental Administration.....	23	22	23
Agriculture Buildings and Facilities.....	155	163	222
Hazardous Waste Management.....	16	15	16
Office of the Chief Financial Officer.....	6	6	6
Office of the Chief Information Officer.....	15	16	17
Office of the General Counsel.....	35	36	40
Office of Inspector General.....	77	78	81
Office of Communications.....	9	9	10
Executive Operations:			
Office of the Chief Economist.....	9	10	11
National Appeals Division.....	14	14	15
Office of Budget and Program Analysis.....	8	8	8
Homeland Security Staff.....	0	1	1
Working Capital Fund.....	8	13	0
Subtotal.....	21,562	22,020	19,428
Offsetting Receipts.....	-49	-55	-62
<b>TOTAL, U.S. DEPARTMENT OF AGRICULTURE.....</b>	<b>\$21,513</b>	<b>\$21,965</b>	<b>\$19,366</b>

# APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE  
Outlays  
(Dollars in Millions)

AGENCY	2004 Actual	2005 Estimate	2006 Budget
<b>FARM AND FOREIGN AGRICULTURAL SERVICES</b>			
Farm Service Agency.....	\$773	\$1,084	\$1,034
Commodity Credit Corporation Programs.....	10,576	24,064	19,053
Risk Management Agency.....	3,269	3,366	3,726
Foreign Agricultural Service.....	375	315	337
P.L. 480.....	1,066	731	891
<b>RURAL DEVELOPMENT</b>			
Rural Community Advancement Program.....	907	899	842
Salaries and Expenses.....	132	148	161
Rural Utilities Service.....	-2,174	-1,052	-808
Rural Housing Service.....	507	-84	149
Rural Business - Cooperative Service.....	24	119	3
Rural Empowerment Zones/Enterprise Communities.....	14	15	16
<b>FOOD, NUTRITION, AND CONSUMER SERVICES</b>			
Food and Nutrition Service.....	44,990	51,795	55,876
<b>NATURAL RESOURCES AND ENVIRONMENT</b>			
Natural Resources Conservation Service.....	2,382	2,924	2,763
Forest Service.....	5,635	5,580	5,361
<b>FOOD SAFETY</b>			
Food Safety and Inspection Service.....	763	822	859
<b>RESEARCH, EDUCATION, AND ECONOMICS</b>			
Agricultural Research Service.....	1,214	1,247	1,162
Cooperative State Research, Education, and Extension Service.....	1,066	1,090	964
Economic Research Service.....	66	73	80
National Agricultural Statistics Service.....	121	133	145
<b>MARKETING AND REGULATORY PROGRAMS</b>			
Animal and Plant Health Inspection Service.....	1,001	1,177	1,118
Agricultural Marketing Service.....	220	211	229
Section 32 Funds.....	870	1,156	849
Grain Inspection, Packers and Stockyards Administration.....	32	37	43
<b>DEPARTMENTAL ACTIVITIES</b>			
Office of the Secretary.....	35	15	15
Fund for Rural America.....	7	7	0
Common Computing Environment.....	136	125	142
Office of Civil Rights.....	17	20	20
Departmental Administration.....	31	20	23
Agriculture Buildings and Facilities.....	179	163	224
Hazardous Waste Management.....	15	16	18
Office of the Chief Financial Officer.....	4	6	6
Office of the Chief Information Officer.....	22	16	17
Office of the General Counsel.....	33	36	41
Office of Inspector General.....	72	78	81
Office of Communications.....	9	9	10
Executive Operations:			
Office of the Chief Economist.....	9	12	13
National Appeals Division.....	14	14	15
Office of Budget and Program Analysis.....	8	8	8
Homeland Security Staff.....	1	1	1
Working Capital Fund.....	-15	-4	-6
Gifts and Bequests.....	0	1	1
Subtotal.....	74,406	96,393	95,482
Offsetting Receipts.....	-2,637	-1,481	-892
<b>TOTAL, U.S. DEPARTMENT OF AGRICULTURE.....</b>	<b>\$71,769</b>	<b>\$94,912</b>	<b>\$94,590</b>

# APPENDIX

## UNITED STATES DEPARTMENT OF AGRICULTURE Discretionary Outlays (Dollars in Millions)

AGENCY	2004 Actual	2005 Estimate	2006 Budget
<b>FARM AND FOREIGN AGRICULTURAL SERVICES</b>			
Farm Service Agency.....	\$1,514	\$1,542	\$1,564
Commodity Credit Corporation Programs.....	4	4	-160
Risk Management Agency.....	71	69	86
Foreign Agricultural Service.....	196	224	249
P.L. 480.....	1,936	1,303	1,324
<b>RURAL DEVELOPMENT</b>			
Rural Community Advancement Program.....	716	827	799
Salaries and Expenses.....	132	148	161
Rural Utilities Service.....	110	136	123
Rural Housing Service.....	1,564	1,255	1,300
Rural Business - Cooperative Service.....	34	63	-62
Rural Empowerment Zones/Enterprise Communities.....	14	15	16
<b>FOOD, NUTRITION, AND CONSUMER SERVICES</b>			
Food and Nutrition Service.....	5,176	5,431	5,812
<b>NATURAL RESOURCES AND ENVIRONMENT</b>			
Natural Resources Conservation Service.....	986	1,170	814
Forest Service.....	4,971	4,732	4,414
<b>FOOD SAFETY</b>			
Food Safety and Inspection Service.....	759	819	856
<b>RESEARCH, EDUCATION, AND ECONOMICS</b>			
Agricultural Research Service.....	1,194	1,227	1,140
Cooperative State Research, Education, and Extension Service.....	1,011	1,056	957
Initiative for Future Agriculture and Food Systems.....	0	0	-15
Economic Research Service.....	66	73	80
National Agricultural Statistics Service.....	120	132	144
<b>MARKETING AND REGULATORY PROGRAMS</b>			
Animal and Plant Health Inspection Service.....	872	1,005	936
Agricultural Marketing Service.....	77	82	93
Grain Inspection, Packers and Stockyards Administration.....	35	37	43
<b>DEPARTMENTAL ACTIVITIES</b>			
Office of the Secretary.....	35	15	15
Common Computing Environment.....	136	125	142
Office of Civil Rights.....	17	20	20
Departmental Administration.....	31	20	23
Agriculture Buildings and Facilities.....	179	163	224
Hazardous Waste Management.....	15	16	18
Office of the Chief Financial Officer.....	4	6	6
Office of the Chief Information Officer.....	22	16	17
Office of the General Counsel.....	33	36	41
Office of Inspector General.....	72	78	81
Office of Communications.....	9	9	10
Executive Operations:			
Office of the Chief Economist.....	9	10	11
National Appeals Division.....	14	14	15
Office of Budget and Program Analysis.....	8	8	8
Homeland Security Staff.....	1	1	1
Working Capital Fund.....	-15	-4	-6
Subtotal.....	22,128	21,883	21,300
Offsetting Receipts.....	-49	-55	-62
<b>TOTAL, U.S. DEPARTMENT OF AGRICULTURE.....</b>	<b>\$22,079</b>	<b>\$21,828</b>	<b>\$21,238</b>

# APPENDIX

## UNITED STATES DEPARTMENT OF AGRICULTURE Staff Years

Agency	2004 Actual	2005 Estimate	2006 Budget
<b>FARM AND FOREIGN AGRICULTURAL SERVICES</b>			
Farm Service Agency .....	5,883	5,498	5,474
Risk Management Agency .....	520	568	585
Foreign Agricultural Service .....	1,025	1,002	982
Total, FFAS .....	7,428	7,068	7,041
<b>RURAL DEVELOPMENT</b>			
Rural Development .....	6,666	6,872	6,872
<b>FOOD, NUTRITION, AND CONSUMER SERVICES</b>			
Food and Nutrition Service .....	1,496	1,488	1,488
<b>NATURAL RESOURCES AND ENVIRONMENT</b>			
Natural Resources Conservation Service .....	12,346	13,627	11,688
Forest Service .....	37,648	37,298	35,962
Total, NRE .....	49,994	50,925	47,650
<b>FOOD SAFETY</b>			
Food Safety and Inspection Service .....	9,503	9,761	9,783
<b>RESEARCH, EDUCATION, AND ECONOMICS</b>			
Agricultural Research Service .....	8,756	8,794	8,794
Cooperative State Research, Education & Extension Service .....	416	451	451
Economic Research Service .....	439	455	459
National Agricultural Statistics Service .....	1,110	1,366	1,395
Total, REE .....	10,721	11,066	11,099
<b>MARKETING AND REGULATORY PROGRAMS</b>			
Animal and Plant Health Inspection Service .....	6,761	6,761	7,145
Agricultural Marketing Service .....	3,323	3,455	3,462
Grain Inspection, Packers & Stockyards Administration .....	690	725	725
Total, MRP .....	10,774	10,941	11,332
<b>DEPARTMENTAL ACTIVITIES</b>			
Office of the Secretary .....	76	87	87
Office of the Chief Economist .....	55	71	71
National Appeals Division .....	116	130	130
Homeland Security Staff .....	3	6	7
Office of Budget and Program Analysis .....	61	67	67
Office of the General Counsel .....	321	330	341
Office of Inspector General .....	597	721	725
Office of the Chief Information Officer .....	307	1,113	1,137
Office of the Chief Financial Officer .....	1,196	1,392	1,393
Departmental Administration .....	521	599	599
Office of Civil Rights .....	148	191	191
Office of Communications .....	98	119	118
Total, Staff Offices .....	3,499	4,826	4,866
Subtotal, USDA .....	100,081	102,947	100,131
Thrift Savings Plan .....	403	363	363
<b>Total, USDA Federal Staffing .....</b>	<b>100,484</b>	<b>103,310</b>	<b>100,494</b>
FSA, Non-Federal Staffing .....	11,017	10,534	10,284
<b>Total, USDA Staffing .....</b>	<b>111,501</b>	<b>113,844</b>	<b>110,778</b>



## APPENDIX

### Strategic Goal 1 Enhance Economic Opportunities for Agricultural Producers (Dollars in Millions)

Program	2004 Actual	2005 Estimate	2006 Budget
<b>Objective 1.1: Expand International Market Opportunities:</b>			
Foreign Agricultural Service.....	\$4,029	\$4,966	\$4,874
Animal and Plant Health Inspection Service.....	12	12	18
Agricultural Marketing Service.....	733	1,037	742
Grain Inspection, Packers and Stockyards Administration.....	72	79	82
Cooperative State Research, Education and Extension Service.	24	24	21
Economic Research Service.....	22	22	22
National Agricultural Statistics Service.....	90	92	101
Total, Objective 1.1.....	4,982	6,232	5,860
<b>Objective 1.2: Support International Economic Development and Trade Capacity Building:</b>			
Farm Service Agency.....	1,499	1,495	1,142
Foreign Agricultural Service.....	2,092	2,040	1,450
Cooperative State Research, Education and Extension Service.	5	6	4
Economic Research Service.....	2	2	2
Total, Objective 1.2.....	3,598	3,543	2,598
<b>Objective 1.3: Expand Alternative Markets for Agricultural Products and Activities:</b>			
Farm Service Agency.....	150	100	60
Natural Resources Conservation Service.....	14	14	12
Agricultural Research Service.....	432	473	340
Cooperative State Research, Education and Extension Service.	74	76	60
Economic Research Service.....	2	2	2
Total, Objective 1.3.....	672	665	474
<b>Objective 1.4: Provide Risk Management and Financial Tools to Farmers and Ranchers:</b>			
Farm Service Agency.....	21,819	36,745	31,854
Risk Management Agency.....	3,612	3,670	4,102
Cooperative State Research, Education and Extension Service.	280	290	337
Economic Research Service.....	10	10	10
National Agricultural Statistics Service.....	7	7	8
Total, Objective 1.4.....	25,728	40,722	36,311
Total, Strategic Goal 1.....	\$34,980	\$51,162	\$45,243

## APPENDIX

**Strategic Goal 2**  
**Support Increased Economic Opportunities and Improved**  
**Quality of Life in Rural America**  
**(Dollars in Millions)**

Program	2004 Actual	2005 Estimate	2006 Budget
<b>Objective 2.1: Expand Economic Opportunities Through USDA Financing of Businesses:</b>			
Rural Community Advancement Program.....	\$1,024	\$639	\$898
Rural Business - Cooperative Service.....	147	797	388
Cooperative State Research, Education and Extension Service..	58	59	55
Economic Research Service.....	4	4	4
National Agricultural Statistics Service.....	25	22	29
Total, Objective 2.1.....	1,258	1,521	1,374
<b>Objective 2.2: Improve the Quality of Life Through USDA Financing of Quality Housing, Modern Utilities, and Needed Community Facilities:</b>			
Rural Community Advancement Program.....	2,434	2,460	2,151
Rural Utilities Service.....	5,243	5,691	3,615
Rural Housing Service.....	5,996	5,875	6,427
Natural Resources Conservation Service.....	144	135	75
Cooperative State Research, Education and Extension Service..	105	106	96
Economic Research Service.....	5	4	5
Total, Objective 2.2.....	13,927	14,271	12,369
Total, Strategic Goal 2.....	\$15,185	\$15,792	\$13,743

# APPENDIX

**Strategic Goal 3**  
**Enhance Protection and Safety of the Nation's Agriculture and Food Supply**  
**(Dollars in Millions)**

Program	2004 Actual	2005 Estimate	2006 Budget
<b>Objective 3.1: Reduce the Incidence of Foodborne Illnesses Related to Meat, Poultry, and Egg Products in the U.S.:</b>			
Food Safety and Inspection Service.....	\$905	\$937	\$973
Agricultural Research Service.....	111	127	115
Cooperative State Research, Education and Extension Service.....	58	62	51
Economic Research Service.....	1	2	2
Total, Objective 3.1.....	1,075	1,128	1,141
<b>Objective 3.2: Reduce the Number and Severity of Agricultural Pest and Disease Outbreaks:</b>			
Animal and Plant Health Inspection Service.....	1,078	1,000	1,004
Agricultural Research Service.....	294	333	348
Cooperative State Research, Education and Extension Service.....	205	220	134
Economic Research Service.....	2	2	2
National Agricultural Statistics Service.....	3	3	3
Total, Objective 3.2.....	1,582	1,558	1,491
Total, Strategic Goal 3.....	\$2,657	\$2,686	\$2,632

# APPENDIX

**Strategic Goal 4  
Improve the Nation's Nutrition and Health  
(Dollars in Millions)**

<b>Program</b>	<b>2004 Actual</b>	<b>2005 Estimate</b>	<b>2006 Budget</b>
<b>Objective 4.1: Improve Access to Nutritious Food:</b>			
Food and Nutrition Service.....	\$45,649	\$51,681	\$56,009
Agricultural Research Service.....	65	73	53
Cooperative State Research, Education and Extension Service..	31	31	36
Economic Research Service.....	3	3	3
<b>Total, Objective 4.1.....</b>	<b>45,748</b>	<b>51,788</b>	<b>56,101</b>
<b>Objective 4.2: Promote Healthier Eating Habits and Lifestyles:</b>			
Food and Nutrition Service.....	207	234	257
Agricultural Research Service.....	11	14	13
Cooperative State Research, Education and Extension Service..	99	106	106
Economic Research Service.....	4	7	13
<b>Total, Objective 4.2.....</b>	<b>321</b>	<b>361</b>	<b>389</b>
<b>Objective 4.3: Improve Food Program Management and Customer Service:</b>			
Food and Nutrition Service.....	198	202	209
Agricultural Research Service.....	15	17	21
Economic Research Service.....	5	5	5
<b>Total, Objective 4.3.....</b>	<b>218</b>	<b>224</b>	<b>235</b>
<b>Total, Strategic Goal 4.....</b>	<b>\$46,287</b>	<b>\$52,373</b>	<b>\$56,725</b>

## APPENDIX

**Strategic Goal 5**  
**Protect and Enhance the Nation's Natural Resource Base and Environment**  
(Dollars in Millions)

Program	2004 Actual	2005 Estimate	2006 Budget
<b>Objective 5.1: Implement the President's Healthy Forest Initiative and Other Actions to Improve Management of Public Lands:</b>			
Forest Service.....	\$5,469	\$4,895	\$4,482
Agricultural Research Service.....	120	135	95
Cooperative State Research, Education and Extension Service.....	12	13	11
Total, Objective 5.1.....	5,601	5,043	4,588
<b>Objective 5.2: Improve Management of Private Lands:</b>			
Farm Service Agency.....	2,026	2,116	2,203
Natural Resources Conservation Service.....	2,605	3,047	2,636
Forest Service.....	688	702	685
Agricultural Research Service.....	119	134	94
Cooperative State Research, Education and Extension Service.....	181	191	130
Economic Research Service.....	11	11	11
National Agricultural Statistics Service.....	3	4	4
Total, Objective 5.2.....	5,633	6,205	5,763
Total, Strategic Goal 5.....	\$11,234	\$11,248	\$10,351

## APPENDIX

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### Management Activities (Dollars in Millions)

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<b>Program</b>	<b>2004 Actual</b>	<b>2005 Estimate</b>	<b>2006 Budget</b>
Departmental Activities.....	\$543	\$552	\$628

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**APPENDIX**

User Fee Proposals  
(Dollars in Millions)

Agency and Program	2006 Budget Authority
<b>Food Safety</b>	
Food Safety and Inspection Service:	
Salaries and Expenses .....	\$139
<ul style="list-style-type: none"> <li>● This proposal would provide the authority to recover through user fees the cost of providing inspection services beyond a single primary approved shift. This proposal would not affect current user fees for overtime and holiday inspection services.</li> </ul>	
<b>Marketing and Regulatory Programs</b>	
Animal and Plant Health Inspection Service:	
Salaries and Expenses .....	11
<ul style="list-style-type: none"> <li>● This proposal would provide the authority to collect and retain fees for animal welfare activities.</li> </ul>	
Agricultural Marketing Service:	
Marketing Services .....	3
<ul style="list-style-type: none"> <li>● This proposal would provide the authority to recover costs associated with the development of commodity grade standards.</li> </ul>	
Grain Inspection, Packers and Stockyards Administration:	
Salaries and Expenses .....	25
<ul style="list-style-type: none"> <li>● This proposal would establish a fee for grain standardization and a Packers and Stockyards license fee.</li> </ul>	
Total, Fee Related Proposed Legislation .....	\$177

**APPENDIX**

**Proposed Legislation**  
(Dollars in Millions)

Agency and Program	2006 Budget Authority
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**Farm and Foreign Agricultural Services**

Farm Service Agency:

CCC Farm Programs.....	-\$587
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- Proposed legislation would reduce farm program spending by \$5.7 billion over ten years. The Milk Income Loss Contract Program would also be extended for two years.

Risk Management Agency:

Crop Insurance Program.....	0
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- Proposed legislation would compel producers participating in farm commodity programs to purchase crop insurance and would offer a mix of cost savings initiatives. The proposal would save \$140 million annually, beginning in 2007.

**Food, Nutrition, and Consumer Services**

Food and Nutrition Service:

Food Stamp Program.....	-56
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- Proposed legislation would eliminate automatic eligibility for certain Temporary Assistance for Needy Families (TANF) participants. (-\$57)
- Proposed legislation would eliminate special military pay when determining food stamp benefits for deployed members of the armed services. (\$1)
- Proposed legislation would authorize State agencies to access the National Database for New Hires to match information with program applications and reports.



**APPENDIX**

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**Proposed Legislation**  
(Dollars in Millions)

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Agency and Program	2006 Budget Authority
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**Natural Resources and Environment**

Forest Service:

Facility Enhancement Fund. .... 42

- Proposed legislation would authorize the Forest Service to retain and use proceeds from the sale of unused administrative sites for the maintenance and construction of facilities.

Administration of Rights-of-Way and Other Land Uses ..... 5

- Proposed legislation would extend to September 2009 the authority to implement a pilot program authorizing the assessment, collection, and expenditure of administrative fees collected from applicants for, and holders of, special use authorizations; to cover costs to process those applications and/or monitor the compliance with those authorizations.

**Marketing and Regulatory Programs**

Agricultural Marketing Service:

Livestock Mandatory Price Reporting Program..... 0.5

- Proposed legislation would amend the Livestock Mandatory Price Reporting Program to cover pork products. Included pork products under the program would be from negotiated sales as well as formula and contract transactions for domestic and international trade.