

Agric.marketing Service
CONSOLIDATED BALANCE SHEET
 Period Ending September 30, 2014 and 2013
 (in millions)

	<u>2014</u>	<u>2013</u>	Variance	
			<u>Amount</u>	<u>Percentage</u>
Assets:				
Intragovernmental:				
Fund Balance with Treasury Investments	\$ 20,005	\$ 18,584	\$ 1,421	8 %
Accounts Receivable, Net	1	1	0	0 %
Loans Receivable				
Other	<u>22</u>	<u>213</u>	<u>(191)</u>	<u>(90) %</u>
Total Intragovernmental	20,028	18,798	1,230	7 %
Cash and Other Monetary Assets		---	---	
Investments		---	---	
Accounts Receivable, Net	21	22	(1)	(5) %
Taxes Receivable, Net				
Direct Loan and Loan Guarantees, Net				
Inventory and Related Property, Net				
General Property, Plant, and Equipment, Net	13	10	3	30 %
Other	<u>---</u>	<u>(6)</u>	<u>6</u>	<u>(100) %</u>
Total Assets	<u><u>20,062</u></u>	<u><u>18,824</u></u>	<u><u>1,238</u></u>	<u><u>7 %</u></u>
Stewardship PP&E				
Liabilities:				
Intragovernmental:				
Accounts Payable	---	---	---	
Debt				

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	<u>2014</u>	<u>2013</u>	Variance	
			<u>Amount</u>	<u>Percentage</u>
Other	16	15	1	7 %
Total Intragovernmental	16	15	1	7 %
Accounts Payable	1	2	(1)	(50) %
Loan Guarantee Liability				
Debt Held by the Public				
Federal Employee and Veterans Benefits	35	38	(3)	(8) %
Environmental and Disposal Liabilities				
Benefits Due and Payable				
Other	94	31	63	203 %
Total Liabilities	<u>146</u>	<u>86</u>	<u>60</u>	<u>70 %</u>
Commitments and Contingencies				
Net Position:				
Unexpended Appropriations - Earmarked Funds	---	---	---	
Unexpended Appropriations - Other Funds	93	89	4	4 %
Cumulative Results of Operations - Earmarked Fu	512	601	(89)	(15) %
Cumulative Results of Operations - Other Funds	<u>19,312</u>	<u>18,047</u>	<u>1,265</u>	<u>7 %</u>
Total Net Position	<u>19,916</u>	<u>18,737</u>	<u>1,179</u>	<u>6 %</u>
Total Liabilities and Net Position	<u>\$ 20,062</u>	<u>\$ 18,824</u>	<u>\$ 1,238</u>	<u>7 %</u>

The accompanying notes are an integral part of these statements.

AMS BALANCE SHEET

9/30/14

9/30/13

Line 9 BS - 2014 - Q4**21,113,436.02****22,101,241.48****Accounts Receivable Due From The Public**

GL Account

Net Change

ACCOUNTS RECEIVABLE	1310, 1312	21,447,943.61	22,454,559.39	(1,006,615.78)
CANCLD CHECKS PEND CONF-FEDRL	1314			0.00
ALLOWANCE FOR LOSS - WRITEOFF	1318			0.00
ALLOW FOR LOSS ON ACCNTS RCVBL	1319	(335,360.43)	(354,498.02)	19,137.59
INTEREST RECEIVABLE	1340	597.76	630.87	(33.11)
PEN, FINES AND ADMIN FEES	1360	255.08	549.24	(294.16)
		21,113,436.02	22,101,241.48	(987,805.46)

Line 18 BS - 2014 - Q4**16,165,755.34****15,303,009.96****Other Liabilities - Intragovernmental**

GL Account

Net Change

Unfunded FECA	2225	5,224,650.00	5,909,076.00	(684,426.00)
Liability for Deposit Account	2400/ 2410	714,471.33	1,197,132.38	(482,661.05)
Employer Cont./Payroll Taxes	2213	1,081,317.06	921,672.72	159,644.34
Other Unfunded Employment Related Liability*	2290	332,185.00	380,052.00	(47,867.00)
Custodial Liability	2980	637,364.34	634,754.49	2,609.85
Elimination Entries - Intra-agency	2190	(43,909.81)	(516,262.92)	472,353.11

Other Liability	2190	8,219,677.42	6,776,585.29	1,443,092.13
		16,165,755.34	15,303,009.96	862,745.38

Line 26 BS - 2014 - Q4**94,330,266.11****31,209,212.68****Other Liabilities - With the Public**

Net Change

Unfunded Leave	2220	12,356,736.84	12,449,920.74	(93,183.90)
Employer Cont./Payroll Taxes	2213	1,472.88	0.00	1,472.88
Accrued Funded Payroll and Benefits*	2210	4,715,261.79	3,663,479.84	1,051,781.95
Other Accrued Liabilities	2190	68,890,716.84	5,846,350.73	63,044,366.11
Liability for Deposit Funds/Clearing Account	2400	9,782,444.15	10,665,305.53	(882,861.38)
Custodial Liability	2980	(1,416,304.39)	(1,415,782.16)	(522.23)
Liability for Advances & Prepayment	2310	(62.00)	(62.00)	0.00
		94,330,266.11	31,209,212.68	63,121,053.43

AMS STATEMENT OF CHANGES IN NET POSITION

9/30/14

9/30/13

Line 12 NP - 2014 - Q4

GL Account

34,383,336.49**36,394,809.66****Other Liabilities - Intragovernmental**

12X8015V1

Net Change

Judgment Fund - Q4				
HQ Allocation - Q4		16,406,409.81	14,880,000.00	1,526,409.81
OPM Imputed Costs - Q4		17,976,926.68	21,514,809.66	(3,537,882.98)
Imputed Financing Sources*	5780	34,383,336.49	36,394,809.66	(2,011,473.17)

Agric.marketing Service
CONSOLIDATED STATEMENT OF NET COST
 Period Ending September 30, 2014 and 2013
 (in millions)

	<u>2014</u>	<u>2013</u>	<u>Amount</u>	<u>Variance</u> <u>Percentage</u>
Strategic Goals:				
FY14: 45.47% Goal 1 & 54.53% Goal 4 (FY13: 42.36% Goal 1 & 57.64% contributed to Goal 4).				
Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:				
Gross Costs	\$ 505	\$ 578	\$ (73)	(13) %
Less: Earned Revenue	<u>92</u>	<u>90</u>	<u>2</u>	<u>2 %</u>
Net Costs	413	488	(75)	(15) %
Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:				
Gross Costs				
Less: Earned Revenue	_____	_____	_____	_____
Net Costs				
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:				
Gross Costs				
Less: Earned Revenue	_____	_____	_____	_____
Net Costs				
Ensure That All of America's Children Have Access to Safe, Nutritious, and Balanced Meals:				
Gross Costs	606	787	(181)	(23) %
Less: Earned Revenue	<u>110</u>	<u>122</u>	<u>(12)</u>	<u>(10) %</u>
Net Costs	496	665	(169)	(25) %
Total Gross Costs	\$ 1,111	\$ 1,365	\$ (254)	(19) %
Less: Total Earned Revenue	<u>202</u>	<u>212</u>	<u>(10)</u>	<u>(5) %</u>
Net Cost of Operations	<u>\$ 909</u>	<u>\$ 1,153</u>	<u>\$ (244)</u>	<u>(21) %</u>

The accompanying notes are an integral part of these statements.

Agric.marketing Service
COMBINED STATEMENT OF BUDGETARY RESOURCES
 Period Ending September 30, 2014 and 2013
 (in millions)

	2014		2013		Variance	
	FFIS/FMMI Data	Non-Budgetary Credit Reform Financing Accounts	FFIS/FMMI Data	Non-Budgetary Credit Reform Financing Accounts	FFIS/FMMI Data	
	Budgetary		Budgetary		Budgetary Amount	Percentage
Budgetary Resources:						
1000. Unobligated balance, brought forward, October 1:	\$ 140	\$	\$ 127	\$	\$ 13	10 %
1020. Adjustment to unobligated balance brought forward, October 1 (+ or -) (Note)	140	0	127	0	13	10 %
102A. Unobligated balance brought forward, October 1, as adjusted	15		16		(1)	(6) %
1021. Recoveries of prior year unpaid obligations						
1043. Other changes in unobligated balance (+ or -)	(7)		(2)		(5)	250 %
1051. Unobligated balance from prior year budget authority, net	148	0	141	0	7	5 %
1290. Appropriations (discretionary and mandatory)	1,145		1,035		110	11 %
1490. Borrowing authority (discretionary and mandatory)						
1690. Contract authority (discretionary and mandatory)						
1890. Spending authority from offsetting collections (discretionary and mandatory)	107		121		(14)	(12) %
1910. Total budgetary resources	<u>1,400</u>	<u>0</u>	<u>1,297</u>	<u>0</u>	<u>103</u>	<u>8 %</u>
Status of Budgetary Resources:						
2190. Obligations Incurred (Note)	1,247		1,157		90	8 %
Unobligated balance, end of year:						
2204. Apportioned	143		126		17	13 %
2304. Exempt from apportionment	---		---		---	
2404. Unapportioned	10		14		(4)	(29) %
2490. Total unobligated balance, end of year	<u>153</u>	<u>0</u>	<u>140</u>	<u>0</u>	<u>13</u>	<u>9 %</u>
2500. Total budgetary resources	<u>1,400</u>	<u>0</u>	<u>1,297</u>	<u>0</u>	<u>103</u>	<u>8 %</u>
Change in Obligated Balance:						
Unpaid obligations:						
3000. Unpaid obligations, brought forward, October 1	213		241		(28)	(12) %
3006. Adjustment to obligated balance, start of year (net)(+ or -) (Note)						
3012. Obligations incurred	1,247		1,157		90	8 %
3020. Outlays (gross) (-)	(905)		(1,169)		264	(23) %
3032. Actual transfers, unpaid obligations (net)(+ or -)						
3042. Recoveries of prior year unpaid obligations (-)	(15)		(16)		1	(6) %
3050. Unpaid obligations, end of year XXX	541	0	213	0	328	154 %
Uncollected payments:						
3060. Uncollected customer payments from Federal sources, brought forward, October 1 (-)	(18)		(15)		(3)	20 %
3066. Adjustment to uncollected payments, Federal sources, start of year (net)(+ or -) (Note)						
3072. Change in uncollected customer payments from Federal sources (+ or -)	(4)		(3)		(1)	33 %

3082. Actual transfers, uncollected customer payments from Federal sources (net)(+ or -)						
3090. Uncollected payments, Federal sources, end of year (-)	(22)	0	(18)	0	(4)	22 %
Memorandum (non-add) entries:						
3100. Obligated balance, start of year (+ or -)	195	0	226	0	(31)	(14) %
3200. Obligated balance, end of year (+ or -)	<u>519</u>	<u>0</u>	<u>195</u>	<u>0</u>	<u>324</u>	<u>166 %</u>
Budget Authority and Outlays, Net:						
4175. Budget authority, gross (discretionary and mandatory)	1,252		1,156		96	8 %
4177. Actual offsetting collections (discretionary and mandatory) (-)	(103)		(118)		15	(13) %
4178. Change in uncollected customer payments from Federal sources (discretionary and mandatory)(+ or -)	(4)		(3)		(1)	33 %
4179. Anticipated offsetting collections (discretionary and mandatory) (+ or -)						
4180. Budget authority, net (discretionary and mandatory)	<u>1,145</u>	<u>0</u>	<u>1,035</u>	<u>0</u>	<u>110</u>	<u>11 %</u>
4185. Outlays, gross (discretionary and mandatory)	905		1,169		(264)	(23) %
4187. Actual offsetting collections (discretionary and mandatory) (-)	(103)		(118)		15	(13) %
4190. Outlays, net (discretionary and mandatory)	<u>802</u>		<u>1,051</u>		<u>(249)</u>	<u>(24) %</u>
4200. Distributed offsetting receipts (-)	(161)		(163)		2	(1) %
4210. Agency outlays, net (discretionary and mandatory)	<u>641</u>	<u>0</u>	<u>888</u>	<u>0</u>	<u>(247)</u>	<u>(28) %</u>

The accompanying notes are an integral part of these statements.

Prepared By Kimberly Allen

Agric.marketing Service
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
 Period Ending September 30, 2014 and 2013
 (in millions)

	2014				2013			
	Consolidated	Consolidated		Consolidated	Consolidated	Consolidated		Consolidated
	Earmarked	All Other	Eliminations		Earmarked	All Other	Eliminations	
	Funds	Funds		Total	Funds	Funds		Total
Cumulative Results of Operations:								
Beginning Balances	\$ 601	\$ 18,047	\$	\$ 18,649	\$ 738	\$ 17,444	\$	\$ 18,182
Adjustments:								
(a) Changes in accounting principles								
(b) Corrections of errors								
Beginning balance, as adjusted	601	18,047	0	18,649	738	17,444	0	18,182
Budgetary Financing Sources:								
Other Adjustments (recissions, etc.)		(4)		(4)		--		--
Appropriations Used		71		71		14		14
Non-exchange Revenue	---	---		---	---	---		---
Donations and Forfeitures of Cash and Cash Equivalents								
Transfers in/out without Reimbursement	659	1,323		1,983	841	728		1,569
Other								
Other Financing Sources (Non-Exchange):								
Donations and Forfeitures of Property								
Transfers in/out Reimbursement								
Imputed financing	34			34	36			36
Other	1	1		(2)	1	(1)		---
Total Financing Sources	694	1,390	0	2,083	878	742	0	1,619
Net Cost of Operations	(783)	(126)		(908)	(1,015)	(138)		(1,152)
Net Change	(89)	1,264	0	1,175	(137)	604	0	467
Cumulative Results of Operations	511	19,312	0	19,823	601	18,048	0	18,648
Unexpended Appropriations:								
Beginning Balances	---	89		89	---	29		29
Adjustments:								
(a) Changes in accounting principles								
(b) Corrections of errors								
Beginning balance, as adjusted	---	89	0	89	---	29	0	29
Budgetary Financing Sources:								
Appropriations Received		82		82		80		80
Appropriations transferred in/out		---		---		---		---
Other Adjustments		(7)		(7)		(6)		(6)
Appropriations Used		(71)		(71)		(14)		(14)
Total Budgetary Financing Sources	0	4	0	4	0	60	0	60
Total Unexpended Appropriations	---	93	0	93	---	89	0	89
Net Position	\$ 511	\$ 19,405	\$ 0	\$ 19,916	\$ 601	\$ 18,137	\$ 0	\$ 18,737

The accompanying notes are an integral part of these statements.

2014 Explanatory Notes
Agricultural Marketing Service

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AGRICULTURAL MARKETING SERVICE

Purpose Statement

The mission of the Agricultural Marketing Service (AMS) is to facilitate the competitive and efficient marketing of agricultural products. AMS programs support a strategic marketing perspective that adapts product and marketing decisions to consumer demands, changing domestic and international marketing practices, and new technology.

AMS carries out a wide range of programs under the authorization of the Agricultural Marketing Act of 1946 as well as over 50 other statutes. AMS conducts many appropriated program activities through cooperative arrangements with State Departments of Agriculture and other agencies. More than half of the funds needed to finance AMS activities (excluding commodity purchase program funds) are derived from voluntary user fees. AMS provides services for private industry and State/Federal agencies on a reimbursable basis, in connection with commodity and other grading programs.

1. Market News Service:

The Market News program is authorized by the following statutes:

Agricultural Marketing Act of 1946
Agricultural and Food Act of 1981 (as amended by the Food Security Act of 1985)
The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill)
Cotton Statistics and Estimates Act of 1927
The Mandatory Price Reporting Act of 2010
Peanut Statistics Act
Naval Stores Act
Tobacco Inspection Act of 1935
U.S. Cotton Futures Act

The AMS Market News service collects, analyzes, and disseminates market information to the public for numerous agricultural commodities, including cotton, cottonseed, and tobacco; dairy products; fruits, vegetables and ornamentals; livestock, meat, grains and wool; poultry and eggs. Market information covers local, regional, national, and international markets and includes current data on supply, movement, contractual agreements, inventories, and prices for agricultural commodities. Market News data provides producers and marketers of farm products and those in related industries with timely, accurate, and unbiased market information that assists them in making the critical daily decisions of where and when to sell, and at what price; thereby enhancing competitiveness and helping to increase the efficiency of agricultural marketing systems.

Federal and State reporters obtain market information, which AMS experts analyze, compile, and immediately disseminate to the agricultural community, academia, and other interested parties. National information is integrated with local information and released in a form easily understood by the industry and locality served. Electronic access through internet-released market news reports and e-mail subscriptions makes Market News information quickly and widely available. The Market News Portal, developed over the past few years, further increased the value of the collected market information to the user by offering data in the format requested by the user such as customized reports, graphs, and dashboards.

Market News also addresses changes in user interests. For example, since 2008, the program has greatly expanded reporting on organic production to provide market information needed by producers in that expanding sector.

- a. Mandatory Reporting: AMS' Livestock Mandatory Reporting (LMR) program (as authorized by P.L. 106-78, Title 9), initiated on April 2, 2001 and reauthorized in 2010 (P.L. 111-239), requires the reporting of market information by livestock processing plants that annually slaughter (on average) a minimum of 125,000 cattle, 100,000 swine, or process an average of 75,000 lambs. Packers that annually slaughter an

average of at least 200,000 sows and boars and importers who annually import an average of at least 2,500 metric tons of lamb meat products are also required to report. LMR Market News reports provide information regarding price, contracts for purchase, and supply and demand conditions for livestock, livestock production, and livestock products; improve the price and supply reporting services of USDA; and encourage competition in the marketplace. In addition to providing information regarding daily and weekly prices paid by packers to producers for cattle, hogs, and sheep, and daily and weekly prices received by packers for their sales of boxed beef and boxed lamb to retailers, wholesalers, and further processors, LMR reports also provide information on prices received by importers of boxed lamb and lamb products. The information in these reports is used by the livestock and meat industry to impact current, as well as future, marketing and production decisions. Prices reported through the program often are used as reference prices for the calculation of formula and contract prices. Analysts and policy makers depend on this information to assess market conditions and the performance of the livestock and meat sectors. The Mandatory Price Reporting Act of 2010 added mandatory reporting of price and volume for wholesale pork cuts and electronic reporting for dairy products.

- b. Organic Market Reporting: AMS' Market News program is also responsible for the collection and distribution of organic market data and has improved reports for organic products expanded the number of organic commodities reported and developed additional organic market information tools within the Market News Portal.

2. Shell Egg Surveillance and Standardization:

These programs are authorized by the following statutes:

Egg Products Inspection Act
Agricultural Marketing Act of 1946

To ensure that cracked, leaking, or other types of "loss" (restricted) eggs are diverted from table egg consumption, the Shell Egg Surveillance Program verifies that marketed eggs have a quality level of at least U.S. Consumer Grade B. The development of U.S. grade standards and grading activities facilitate the domestic and international marketing of agricultural commodities.

- a. Shell Egg Surveillance: AMS conducts this program, in cooperation with the State departments of agriculture, to ensure that shell egg handling operations are inspected at least four times annually and hatcheries are inspected at least once each year to control the disposition of certain types of under grade and restricted eggs. This program diverts eggs that are not at least U.S. Consumer Grade B--and which cannot be sold in shell form--to egg breaking plants, which reassures buyers and supports efficient markets.
- b. Standards Development: AMS develops, reviews, and maintains agricultural commodity standards that describe product quality attributes such as taste, color, texture, yield, weight, and physical condition for use in the trading of agricultural commodities. These standards provide a common language for buyers and sellers of commodities and are widely used by the agricultural industry in domestic and international trading, futures market contracts, and as a benchmark for purchase specifications in most private contracts. AMS grade standards are also the basis for AMS Market News reports, grading services for cotton, milk and dairy products, eggs, fresh and processed fruits and vegetables, catfish, livestock, meat, olive oil, peanuts, poultry, rabbits, tobacco, Federal commodity procurement, and are used to foster marketing opportunities in global commerce. AMS provides technical guidance to the following international standards organizations by providing expertise to protect the interests of U.S. agricultural producers: United Nations Economic Commission for Europe, Codex Alimentarius, and International Organization for Standardization, and Organization for Economic Cooperation and Development.

3. Market Protection and Promotion Programs:

AMS administers programs under several laws that stimulate innovative and improved commodity marketing, authorize the collection of pesticide application and residue information to ensure proper marketing practices, and provide assistance to industry-sponsored activities.

In the administration of market protection and promotion activities, the Agricultural Marketing Service operates under the following authorities:

Agricultural Marketing Act of 1946
Beef Promotion and Research Act of 1985
Capper-Volstead Act
Cotton Research and Promotion Act
Commodity Promotion, Research, and Information Act of 1996
Dairy Production Stabilization Act of 1983
Egg Research and Consumer Information Act
Export Apple Act
Export Grape and Plum Act
Farm Security and Rural Investment Act of 2002
Federal Seed Act
Fluid Milk Promotion Act of 1990
Food, Conservation, and Energy Act of 2008
Food Quality Protection Act of 1996
Hass Avocado Promotion, Research, and Information Act of 2000
Honey Research, Promotion and Consumer Information Act
Mushroom Promotion, Research and Consumer Information Act of 1990
Organic Foods Production Act of 1990
Peanut Promotion, Research and Information Order
Popcorn Promotion, Research, and Consumer Information Act
Potato Research and Promotion Act
Pork Promotion, Research and Consumer Information Act of 1985
Soybean Promotion, Research and Consumer Information Act
Specialty Crops Competitiveness Act of 2004
Watermelon Research and Promotion Act

- a. Pesticide Data Program (PDP): Established under authority of the Agricultural Marketing Act of 1946 and the 1996 Food Quality Protection Act, PDP develops and communicates comprehensive, statistically-reliable information on pesticide residues in food to improve Government dietary risk assessments. This program provides data on a continual basis to the Environmental Protection Agency (EPA) for use in the pesticide registration process and to other Federal and State agencies for use in determining policies intended to safeguard public health. In addition to pesticide residue data for population-wide dietary risk assessments, the program particularly focuses on the foods most likely consumed by children. The pesticide residue data collected by the program enhances the competitiveness of farm economies by supporting the use of safer crop protection methods and supports marketing by providing information that can be used to re-assure consumers concerned about pesticides. To ensure integrity and the high degree of quality required for dietary risk assessment procedures, PDP's standard operating procedures parallel EPA's Good Laboratory Practice guidelines. Information on significant findings is reported to the Food and Drug Administration (FDA) for further action. This program is a cooperative effort between Federal agencies and is conducted by AMS through agreements with State agencies that provide sampling and testing services.
- b. Microbiological Data Program (MDP): Implemented in 2001 and terminated in 2013, MDP was established to support agricultural marketing and address consumer concerns on microbiological contamination by collecting information regarding the prevalence of food-borne pathogens and indicator organisms on domestic and imported fresh fruits and vegetables. The Federal program established uniform procedures, determined testing methodologies for cooperating laboratories, analyzed the data, and

published findings on an annual basis. Sampling and testing of fruits and vegetables in U.S. markets were conducted under agreement by personnel from cooperating States. MDP data was provided to USDA's Food Safety and Inspection Service and Agricultural Research Service, as well as the Centers for Disease Control and Prevention (CDC) and FDA.

- c. National Organic Program (NOP): This program is authorized by the Organic Foods Production Act of 1990, which requires USDA to develop and maintain national standards governing the production and handling of agricultural products labeled as organic. AMS provides support to the National Organic Standards Board, reviews materials for the national list of allowed synthetic materials, and coordinates the enforcement and appeals process. The legislation also requires the program to examine and accredit State and private certifying agents who in turn ensure producers and handlers are in compliance with the national organic standards. AMS accredits foreign agents who certify products labeled organic for export to the U.S., and foreign governments that operate an organic accreditation program for organic exports to the U.S. which must be approved under a recognition agreement granted by USDA. The nationwide program increases the efficiency and enhances the competitiveness of domestic agricultural marketing for organic products.
- d. Federal Seed Program: The Federal Seed program is authorized by the Federal Seed Act, which regulates agricultural and vegetable seed moving in interstate commerce. The program prohibits false labeling and advertising of seed, as well as the shipment of prohibited noxious-weed seed into a State. State seed inspectors are authorized to inspect seed subject to the Act and samples are routinely drawn by State seed inspectors to monitor seed sold commercially. Intrastate infractions are subject to State laws. Should an inspection reveal infractions of the Federal Act, the violation is referred to AMS by the cooperating State agency. Based on the results of its tests and investigations, AMS attempts to resolve each case administratively. For cases that cannot be resolved, AMS can initiate appropriate legal action.
- e. Pesticide Recordkeeping Program: The Pesticide Recordkeeping program is authorized by the Food, Agriculture, Conservation and Trade Act of 1990. This program established Federal regulations requiring certified applicators to maintain records on applications of Federally-restricted use pesticides as required by the Act. The Act also requires that records be surveyed to provide a database on the use of restricted pesticides, and AMS, NASS, and EPA established a Memorandum of Understanding to identify the responsibilities and roles of each agency pertaining to record surveys and reporting on restricted pesticide usage.
- f. Country of Origin Labeling (COOL): The COOL Act requires retailers to notify their customers of the country of origin of covered commodities. Labeling requirements for fish and shellfish became mandatory during FY 2005, and AMS established an audit-based compliance program the following year to ensure that the public receives credible and accurate information on the country of origin of the fish and shellfish they purchase. In January 2009, USDA issued a final rule on mandatory COOL for all covered commodities that became effective on March 16, 2009, which incorporated the 2008 Farm Bill changes to the COOL Act. The COOL Act requires country of origin labeling for muscle cuts of beef (including veal), lamb, and pork; ground beef, ground lamb, and ground pork; farm-raised fish and shellfish; wild fish and shellfish; perishable agricultural commodities; peanuts, goat, chicken, ginseng, macadamia and pecan nuts. The law also requires method of production information (farm-raised or wild caught) for fish and shellfish to be noted at the final point of sale to consumers. The regulation outlines the labeling requirements for covered commodities and the recordkeeping requirements for retailers and suppliers. The program established cooperative agreements with state agencies to conduct the retail surveillance reviews. AMS is responsible for training Federal and State employees on enforcement responsibilities; analyzing and responding to formal complaints; conducting supply chain audits; and developing educational and outreach activities for interested parties.
- g. Commodity Research and Promotion Programs: AMS provides oversight and direction to industry-funded and managed commodity research and promotion programs. The various research and promotion acts authorize the collection of an assessment from identified segments of the marketing chain which is used to broaden and enhance national and international markets for various commodities. Assessments to

producers are most common; however, some programs assess processors, feeders, packers, handlers, importers, exporters, or other entities. These assessments are used to carry out research and promotional activities for cotton, dairy, fluid milk, beef, lamb, pork, soybeans, sorghum, eggs, blueberries, Hass avocado, honey, mango, mushrooms, peanuts, popcorn, potatoes, softwood lumber, and watermelons. AMS reviews and approves the budgets and projects proposed by the research and promotion boards to ensure that proposals comply with the regulation and statute. Each research and promotion board reimburses AMS for the cost of implementing and overseeing its program.

4. Transportation and Marketing:

Transportation and Market Development activities are authorized under the following statutes:

Agricultural Marketing Act of 1946
Agricultural Adjustment Act of 1938
Agricultural Trade and Assistance Act of 1954
Rural Development Act of 1972
International Carriage of Perishable Foodstuffs Act of 1982
The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill)
Farmer to Consumer Direct Marketing Act of 1976
American Taxpayer Relief Act of 2012

AMS monitors the agricultural transportation system (inland waterways, rail, truck, ocean bulk, and ocean containerized) and conducts market analyses that support decisions regarding the transportation of agricultural products domestically and internationally. This program determines whether the Nation's transportation system will adequately serve the agricultural and rural areas of the United States by providing necessary rail, barge, truck, and shipping services. AMS provides technical assistance to shippers and carriers and participates in transportation regulatory actions before various Federal agencies. In addition, AMS provides economic analyses and recommends improvements to domestic and international agricultural transportation for policy decisions.

AMS supports the development of agricultural markets through technical advice and assistance to States and municipalities that are interested in creating or upgrading wholesale market facilities, auction and collection markets, and retail farmers markets. AMS also conducts feasibility studies in cooperation with the private sector, non-profit organizations, and other government agencies to evaluate and suggest efficient ways to handle and market agricultural commodities. AMS studies changes in the marketplace to assist States, localities, market managers/operators, and growers in making strategic decisions for future business development.

Farmers Market Promotion Program (FMPP): FMPP was created through an amendment of the Farmer-to-Consumer Direct Marketing Act of 1976 to provide grants targeted to help improve and expand domestic farmers markets, roadside stands, community-supported agriculture programs, agritourism activities, and other direct producer-to-consumer market opportunities. Entities eligible to apply include agricultural cooperatives, producer networks, producer associations, local governments, nonprofit corporations, public benefit corporations, economic development corporations, regional farmers' market authorities, and Tribal governments. The 2008 Farm Bill (Sec. 10106), which made resources available for this program through 2012, allowed for a broad industry impact.

5. Payments to States and Possessions:

- a. Federal-State Marketing Improvement Program (FSMIP): FSMIP is authorized by the Agricultural Marketing Act of 1946, which gives USDA the authority to establish cooperative agreements with State departments of agriculture or similar State agencies to improve the efficiency of the agricultural marketing chain. AMS provides matching funds on a competitive basis to State departments of agriculture, State agricultural experiment stations, and other State agencies, to assist in exploring new market opportunities for U.S. food and agricultural products, and to encourage research and innovation aimed at improving the efficiency and performance of the agriculture commodities marketing system. The State agencies may

perform the work or contract with others, but must contribute at least one-half of the cost of the projects. This program has made possible many types of projects, such as electronic marketing and agricultural product diversification. For 2012, USDA requested proposals that involve collaboration among states, academia, producers and other stakeholders, and have state, multi-state or national significance.

- b. Specialty Crop Block Grant Program (SCBGP): Section 101 of the Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621) authorized USDA to provide State assistance for specialty crops. The 2008 Farm Bill (Sec. 10109) amended the Specialty Crops Competitiveness Act to continue the program through 2012, expand the definition of specialty crops and eligible states, revise the minimum base grant, and provide mandatory funding. The program was extended through 2013 by the American Taxpayer Relief Act of 2012. AMS administers this program by awarding grants to State departments of agriculture to enhance the competitiveness of fruits and vegetables, tree nuts, nursery crops (including floriculture), and horticulture. AMS provides guidance and assistance to States in developing plans; submitting applications; and meeting the administrative, reporting, and audit requirements involved in managing a funded project. AMS also establishes internal review and evaluation procedures for applications and State plans, and participates in workshops, conferences, and other forums to facilitate interaction among States, USDA representatives, and industry organizations. After a grant is awarded, AMS reviews annual performance reports, final reports, audit results, and final financial statements; posts final performance reports on the SCBGP website; and disseminates project findings at appropriate meetings and conferences.

6. Commodity Grading, Verification, and Plant Variety Protection:

These programs are authorized by the following statutes:

Agricultural Marketing Act of 1946
Farm Security and Rural Investment Act of 2002
Wool Standards Act
Cotton Statistics and Estimates Act of 1927
U.S. Cotton Futures Act
United States Cotton Standards Act
Naval Stores Act
Produce Agency Act of 1927
Specialty Crops Competitive Act of 1994
Tobacco Inspection Act of 1935
Tobacco Statistics Act
Plant Variety Protection Act

- a. Grading, Certification, and Audit Verification: The grading process involves the application or verification of quality standards for agricultural commodities. AMS provides grading and certification services on agricultural commodities for which developed standards are available. AMS certification services provide assurance to buyers that the products they receive are the quantity and quality specified in their contract with the seller. AMS provides acceptance and condition inspection services for all agricultural commodities upon request. These services facilitate efficient marketing by permitting purchasers to buy commodities without having to personally inspect them and by providing an impartial evaluation of the quality of products prior to their sale. AMS certificates are also used as evidence of quality and condition in a court of law to settle commercial disputes. AMS offers production and quality control system audits (audit verification services) that reduce costs and assist the industry in making various marketing claims about their products, and export certification services on a number of commodities, including seed. Grading, certification, and audit verification activities are performed by Federal employees or Federally-supervised State employees on a fee-for-service basis.
- b. Plant Variety Protection Program: This program is authorized by the Plant Variety Protection Act, which encourages the development of novel varieties of sexually reproduced or tuber propagated plants by providing intellectual property rights protection to the developer. The program, funded by user fees, verifies the uniqueness of variety and issues certificates that assure developers exclusive rights to sell,

reproduce, import, or export such varieties, or to use them in the production of hybrids or different varieties, for a period of 20 years for most species and 25 years for woody plants.

7. Perishable Agricultural Commodities Act Program:

This program is carried out under the Perishable Agricultural Commodities Act (PACA) and the Produce Agency Act (PAA) and is funded by license fees. These Acts are designed to: (1) protect producers, shippers, distributors, and retailers from loss due to unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products handled for others. Commission merchants, dealers, and brokers handling fresh and frozen fruits and vegetables in interstate and foreign commerce must obtain a PACA license and abide by the fair trading practices established by the PACA. Traders who have been found to have committed unfair trade practices face license suspension or revocation and may be required to post surety bonds before resuming operations. To increase protection and avert financial losses to growers and licensed firms, the PACA was amended in 1984 to create a statutory trust. Sellers of fruits and vegetables who have not been paid are secured under this legislation until full payment is made. Complaints of violations are investigated and resolved through: (1) informal agreement between the two parties; (2) formal decisions involving payments to injured parties; (3) suspension or revocation of license; and (4) publication of the facts. Any interested party or group may request AMS assistance in settling disputes under the PACA.

8. Strengthening Agricultural Markets and Producer Income (Section 32):

Section 32 of the Act of August 24, 1935, (7 U.S.C. 612c) made available an appropriation equal to 30 percent of gross customs receipts collected during each preceding calendar year to encourage the domestic consumption or exportation of agricultural commodities. An amount equal to 30 percent of receipts collected on fishery products is transferred to the Department of Commerce's National Marine Fisheries Service. Section 14222 of the 2008 Farm Bill established an annual amount that can be retained from these funds for Section 32 activities, with the remaining funds transferred to the Food and Nutrition Service (FNS) for Child Nutrition Programs.

- a. Commodity Purchases and Diversions: AMS purchases non-price supported commodities such as meats, fish, fruits, vegetables, poultry, and egg products in order to stabilize market conditions pursuant to Section 32, and in support of entitlement program needs within USDA. The 2002 and 2008 Farm Bills established minimum levels of specialty crop purchases. All purchased commodities are distributed by FNS to schools, as part of the entitlement for the National School Lunch Program, or to other domestic nutrition assistance programs. AMS also provides purchasing services to FNS to supply food to recipients in nutrition assistance programs and is reimbursed for the administrative costs associated with these purchases (Economy Act, 31 U.S.C. 1535).

Section 32 of the Act of August 24, 1935, authorizes the Secretary of Agriculture, through payments or indemnities, to encourage the domestic consumption of agricultural commodities or products by persons in low income groups, and to re-establish farmers' purchasing power in connection with the normal production of agricultural commodities. In addition to commodities purchased for distribution, support to growers and producers may also be accomplished through commodity diversion. The diversion program under Section 32 provides an alternative means of support to markets that are experiencing adverse economic conditions. Section 32 authority also allows USDA to finance the removal of defective commodities and to purchase foods for disaster relief (in Presidentially-declared domestic disasters under the Stafford Act).

- b. Marketing Agreements and Orders: The Marketing Agreements and Orders Program are authorized by the Agricultural Marketing Agreement Act of 1937. The program was established to assist farmers, milk producers, and handlers by allowing them to collectively work to solve marketing challenges. These instruments are designed to stabilize market conditions and improve the returns for fluid milk and fruit and vegetable producers. AMS oversees these various activities to ensure that they operate in the public interest and within legal parameters.

Marketing agreements and orders: (1) establish minimum prices that handlers pay to dairy producers; (2) regulate the quality and quantity of fruits and vegetables sold in commercial channels; and (3) provide for market development and promotion (including paid advertising). A majority of the currently active Federal marketing order programs for fruits and vegetables include minimum grade requirements. The standards used by our programs include characteristic qualities as well as criteria related to food safety (e.g., lack of mold, insects, foreign material, etc.). Presently, there are 32 active specialty crop marketing agreement and order programs covering 27 commodities, and 10 milk marketing orders. Proposed orders are subject to approval by producers of the regulated commodity. Section 32 funds authorized annually through the Appropriations Bill, are used by AMS for administering the Marketing Agreements and Orders Program at the national level, and to conduct public hearings and referenda to determine producer sentiment concerning new programs and proposed revisions of marketing orders already in effect. Program activities and administration at the local level are financed through handler assessments.

Geographic Dispersion of Offices and Employees:

Most of AMS’ field offices are located to facilitate Market News data collection (near markets) or where needed to provide fee-funded grading, verification, and certification services to the agricultural industry (near customers). AMS regularly assesses, and when indicated, opens, relocates, or closes field offices to improve service delivery and reduce operational costs.

As of September 30, 2012, AMS had 2,674 employees, of whom 1,931 were permanent full-time and 743 were other than permanent full-time employees. Approximately 79% of AMS’ employees are assigned to field offices. Of the 2,117 employees assigned to field office locations, 1,392 were permanent full-time and 725 were other-than permanent full-time employees.

Schedule (Milk Market Administrator) employees as of September 30, 2012, totaled 371, of which 360 were permanent full-time and 11 were other than permanent full-time employees.

OIG Audits:

OIG Reports – Completed

#50501-2-12	11/15/2011	Federal Information Security Management Act Audit
#01601-04-Hy	5/5/2011	Implementation of Country of Origin Labeling
#01601-01-32	2/27/2012	National Organic Program- Organic Milk Phase I
#01601-01-23	7/20/2012	National Organic Program’s National List of Allowed and Prohibited Substances
#01099-32-Hy	3/12/2012	Oversight of Federally Authorized Research & Promotion Boards

OIG Reports – In Progress

#01601-02-32	National Organic Program- Organic Milk Phase II
#01099-001-21	Oversight of the Beef Research and Promotion Board
#50601-1-ER	USDA Controls Over Shell Egg Inspections

GAO Reports – Completed

#311245	7/11/2012	Government-Wide Cost Estimating Practices for IT Investments (WBSCM selected for USDA)
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GAO Reports – In Progress

#361302	Pesticides and Food Safety
#450962	Regulations and Global Competitiveness
#361446	Pesticide Residue on Food
#320945	Food Assistance Procurement Review

AGRICULTURAL MARKETING SERVICE

Available Funds and Staff Years (SY)

(Dollars in thousands)

Item	2011 Actual		2012 Actual		2013 Estimate		2014 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Agricultural Marketing Service								
Marketing Services, Discretionary	\$86,711	441	\$82,211	416	\$82,715	424	\$82,792	432
Payments to States and Possessions, Discretionary	1,334	-	1,198	-	1,205	-	1,363	-
Recission.....	-176	-	-	-	-	-	-	-
Total, Appropriations, Discretionary	87,869	441	83,409	416	83,920	424	84,155	432
Congressional Relations Transfer In.....	131	-	111	-	-	-	-	-
Working Capital Fund Transfer Out.....	-	-	-150	-	-	-	-	-
Total, Available, Discretionary	88,000	441	83,370	416	83,920	424	84,155	432
2008 Farm Bill Initiatives, Mandatory:								
Farmers Market Promotion Program.....	10,000	4	10,000	5	-	4	-	-
Specialty Crop Block Grants-Farm Bill.....	55,000	4	55,000	4	55,000	4	-	-
AMA Organic Cost Share, Mandatory.....	1,500	-	1,500	-	1,500	-	1,500	-
Total, 2008 Farm Bill Initiatives, Mandatory.....	66,500	8	66,500	9	56,500	8	1,500	-
Permanent Appropriations, Mandatory:								
Funds for Strengthening Markets, Income, and Supply (Sec. 32)	6,605,946	160	7,947,046	171	8,990,117	171	9,211,183	173
Recission	-	-	-150,000	-	-150,000	-	-166,000	-
Recoveries of Prior Year Obligations	112	-	563	-	-	-	-	-
Offsetting Collections	13,257	-	-	-	-	-	-	-
Available Authority from Previously Precluded								
Balances, Start of Year	122,127	-	259,953	-	219,286	-	150,000	-
Transfers Out ^{a/}	-5,476,814	-	-6,995,999	-	-8,117,403	-	-8,135,183	-
Unavailable Resources, End of Year	-259,953	-	-219,286	-	-150,000	-	-119,000	-
Subtotal, Permanent Appropriations, Mandatory.....	1,004,675	160	842,277	171	792,000	171	941,000	173
Total, AMS Appropriations.....	1,159,175	609	992,147	596	932,420	603	1,026,655	605
Obligations under other USDA Appropriations:								
Food & Nutrition Service for Commodity								
Procurement services (Sec. 32).....	1,122	4	1,107	9	1,250	9	1,275	9
Miscellaneous Reimbursements.....	-	-	74	-	-	-	-	-
Total, Other USDA.....	1,122	4	1,181	9	1,250	9	1,275	9
Total, Agricultural Marketing Service Appropriations	1,160,297	613	993,328	605	933,670	612	1,027,930	614
Non-Federal Funds:								
Perishable Agricultural Commodities Act Fund, Mandatory.								
Reimbursable work:								
Research and Promotion Boards	4,235	27	3,579	25	4,315	27	4,401	27
Fees for Grading of Cotton and Tobacco	43,938	421	44,328	341	62,592	421	60,435	421
Grading of Farm Products for Producers, Processors, and Municipal, State and Federal Agencies	151,497	1,332	153,251	1,328	153,217	1,338	152,936	1,342
Wool Research, Development, and Promotion	2,250	-	2,250	-	2,250	-	2,250	-
States for Collection & Dissemination of Market News Information.....	7	-	-	-	-	-	-	-
Total, Non-Federal Funds	212,281	1,855	213,651	1,766	233,152	1,863	230,919	1,867
Total, Agricultural Marketing Service	1,372,578	2,468	1,206,979	2,371	1,166,822	2,475	1,258,849	2,481
Schedule A Staff Years		370		370		370		370

^{a/} Includes the transfers to the Food and Nutrition Service (FNS), the Commerce Department, and the Fresh Fruit and Vegetable Program administered by FNS.

AGRICULTURAL MARKETING SERVICE

Permanent Positions by Grade and Staff Year Summary

Item	2011 Actual			2012 Actual			2013 Estimate			2014 Estimate		
	Wash.		Total	Wash.		Total	Wash.		Total	Wash.		Total
	D.C.	Field		D.C.	Field		D.C.	Field		D.C.	Field	
ES.....	11	1	12	11	1	12	11	1	12	11	1	12
GS-15.....	42	6	48	43	8	51	47	6	53	47	6	53
GS-14.....	86	30	116	85	23	108	82	33	115	82	33	115
GS-13.....	150	112	262	151	122	273	185	110	295	185	110	295
GS-12.....	119	141	260	119	150	269	109	172	282	109	172	282
GS-11.....	36	180	216	38	178	216	41	174	215	41	176	217
GS-10.....	2	16	18	2	15	17	2	12	14	2	12	14
GS-9.....	42	505	547	42	491	533	40	479	518	40	483	522
GS-8.....	15	232	247	14	252	266	6	258	264	6	258	264
GS-7.....	30	201	231	20	186	206	28	196	224	28	196	224
GS-6.....	8	64	72	6	64	70	6	63	69	6	63	69
GS-5.....	5	66	71	7	57	64	11	57	68	11	57	68
GS-4.....	4	16	20	4	7	11	4	11	15	4	11	15
GS-3.....	1	3	4	1	3	4	1	4	5	1	4	5
GS-2.....	2	-	2	1	-	1	-	-	-	-	-	-
GS-1.....	-	-	-	-	-	-	-	1	1	-	1	1
Ungraded Positions.....	-	7	7	-	8	8	-	7	7	-	7	7
Total Perm. Positions without Schedule A.....	553	1,580	2,133	544	1,565	2,109	572	1,584	2,155	572	1,590	2,161
Unfilled, EOY.....	-	131	131	-	178	178	-	-	-	-	-	-
Total, Perm. Full-Time Employment, EOY ^{a/}	553	1,449	2,002	544	1,387	1,931	572	1,584	2,155	572	1,590	2,161
Staff Year Est.....	651	1,817	2,468	563	1,808	2,371	588	1,887	2,475	589	1,892	2,481
Schedule A Staff Years.....	16	354	370	16	354	370	16	354	370	16	354	370

^{a/} AMS total end-of-year employment for FY 2012 was 2,674, of which 1,931 were permanent full-time and 743 were other than permanent full-time employees. Due to the seasonality of grading, AMS peak employment occurred during the months of October through December and the average employment during that period was 3,916 employees.

AGRICULTURAL MARKETING SERVICE
 SIZE, COMPOSITION AND COST OF MOTOR VEHICLE FLEET

The estimated number of passenger motor vehicles available for 2014 is the minimum necessary to maintain essential services of AMS programs. These vehicles are used to provide services such as: 1) traveling to farms, market terminals, offices of product dealers and truckers, processing plants, canneries, stockyards, cotton gins, and compress operators; 2) transporting special equipment used for inspecting and grading commodities and for performing other work required under the Agricultural Marketing Act of 1946; U.S. Cotton Standards Act; Cotton Statistics and Estimates Act; Tobacco Inspection Act; and Dairy and Tobacco Adjustment Act; and 3) carrying boxes of cotton standards types to use in classing work and demonstration at farmers' meetings. AMS only replaces passenger vehicles that have mileage of at least 60,000 or are six or more years of age, in accordance with standards prescribed by the General Services Administration (GSA). Additional passenger vehicles are requested only when the forecasted workload clearly shows existing passenger vehicles will not be adequate for program needs.

Changes to the motor vehicle fleet. AMS does not anticipate increasing the fleet of passenger motor vehicles for 2014.

Replacement of passenger motor vehicles. AMS plans to replace two of the 178 passenger motor vehicles in operation in 2014.

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

Size, composition and cost of agency motor vehicle fleet as of September 30, 2012, are as follows:

Number of Vehicles by Type *									
Fiscal Year	Sedans & Station Wagons	Light Trucks, SUVs and Vans		Medium Duty Vehicles	Ambulances	Buses	Medium size Vehicles	Total Number of Vehicles	Annual Operating Costs **
		4X2	4X4						
2011 Actual	166	74	28	0	0	0	3	271	\$621
Change	+12	(2)	(26)	0	0	0	+3	(13)	(16)
2012 Actual	178	72	2	0	0	0	6	258	605
Change	0	0	0	0	0	0	0	0	0
2013 Est.	178	72	2	0	0	0	6	258	605
Change	0	0	0	0	0	0	0	0	0
2014 Est.	178	72	2	0	0	0	6	258	605

* Numbers include vehicles that are owned by the Agency and leased from commercial sources or GSA.

** Excludes acquisition costs and gains from the sale of vehicles as shown in OMB Motor Vehicle FAST Database.

AGRICULTURAL MARKETING SERVICE

The estimates include proposed changes in the language for this item as follows:

Marketing Services

For necessary expenses of the Agricultural Marketing Service \$82,792,000: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building.

Fees may be collected for the cost of standardization activities, as established by regulation pursuant to law (31 U.S.C. 9701).

Lead-Off Tabular Statement

2013 Estimate	\$82,715,000
Budget Estimate, 2014	<u>82,792,000</u>
Change in Appropriation	<u>77,000</u>

Summary of Increases and Decreases

(Dollars in thousands)

	2011 <u>Actual</u>	2012 <u>Change</u>	2013 <u>Change</u>	2014 <u>Change</u>	2014 <u>Estimate</u>
Discretionary Appropriations:					
Market News	\$33,149	-\$200	+\$202	+\$19	\$33,170
Surveillance and Standards	7,661	-	+47	-	7,708
Market Protection and Promotion	39,994	-4,127	+220	-4,244	31,843
Transportation and Market Development	5,734	-	+35	+4,302	10,071
Total, Appropriation or Change	<u>86,538</u>	<u>-4,327</u>	<u>+504</u>	<u>+77</u>	<u>82,792</u>

AGRICULTURAL MARKETING SERVICE

Marketing Services

Project Statement

Appropriations Detail and Staff Years (SY)

(Dollars in thousands)

Program	2011 Actual		2012 Actual		2013 Estimate		Inc. or Dec.		2014 Estimate		
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY	
Discretionary Appropriations:											
Market News Service.....	\$33,149	256	\$32,949	237	\$33,151	243	+\$19	(1)	-	\$33,170	243
Shell Egg Surveillance and Standardization:											
Shell Egg Surveillance.....	2,717	16	2,717	17	2,734	17	-2	(2)	-	2,732	17
Standardization.....	4,944	33	4,944	35	4,974	35	+2	(2)	-	4,976	35
Total, Surveillance and Standardization.....	7,661	49	7,661	52	7,708	52	-	-	-	7,708	52
Market Protection and Promotion:											
Federal Seed Act.....	2,439	18	2,439	17	2,454	18	+1	(3)	-	2,455	18
Country of Origin Labeling.....	7,942	16	5,000	17	5,031	16	-16	(4)	-	5,015	16
Pesticide Data.....	15,330	19	15,330	16	15,424	19	-77	(5)	-	15,347	19
Microbiological Data.....	4,592	6	4,348	5	4,375	1	-4,375	(6)	-1	-	-
National Organic Standards....	6,919	35	6,919	33	6,961	34	+2,065	(7)	+9	9,026	43
Pesticide Recordkeeping.....	2,772	7	1,831	6	1,842	6	-1,842	(8)	-6	-	-
Total, Market Protection and Promotion.....	39,994	101	35,867	94	36,087	94	-4,244		+2	31,843	96
Transportation and Market Development.....											
	5,734	35	5,734	33	5,769	35	+4,302	(9)	+6	10,071	41
Total Adjusted Appropriation....	86,538	441	82,211	416	82,715	424	+77		+8	82,792	432
Rescissions and Transfers (Net)....	173	-	-	-	-	-	-		-	-	-
Total Appropriation.....	86,711	441	82,211	416	82,715	424	+77		+8	82,792	432
Transfers In:											
Congressional Relations.....	131	-	111	-	-	-	-		-	-	-
Transfers Out:											
Working Capital Funds.....	-	-	-150	-	-	-	-		-	-	-
Rescission.....	-173	-	-	-	-	-	-		-	-	-
Total Available.....	86,669	441	82,172	416	82,715	424	+77		+8	82,792	432
Lapsing Balances.....	-350	-	-988	-	-	-	-		-	-	-
Total Obligations.....	86,319	441	81,184	416	82,715	424	+77		+8	82,792	432

AGRICULTURAL MARKETING SERVICE

Marketing Services

Project Statement

Obligations Detail and Staff Years (SY)

(Dollars in thousands)

Program	<u>2011 Actual</u>		<u>2012 Actual</u>		<u>2013 Estimate</u>		<u>Inc. or Dec.</u>		<u>2014 Estimate</u>		
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY	
Discretionary Obligations:											
Market News Service.....	\$33,698	256	\$31,959	237	\$33,151	243	+\$19	(1)	-	\$33,170	243
Shell Egg Surveillance and Standardization:											
Shell Egg Surveillance.....	2,594	16	2,633	17	2,734	17	-2	(2)	-	2,732	17
Standardization.....	4,880	33	4,779	35	4,974	35	+2	(2)	-	4,976	35
Total, Surveillance and Standardization.....	7,474	49	7,412	52	7,708	52	-	-	-	7,708	52
Market Protection and Promotion:											
Federal Seed Act.....	2,394	18	2,209	17	2,454	18	+1	(3)	-	2,455	18
Country of Origin Labeling.....	7,678	16	5,132	17	5,031	16	-16	(4)	-	5,015	16
Pesticide Data.....	15,367	19	15,937	16	15,424	19	-77	(5)	-	15,347	19
Microbiological Data.....	4,585	6	4,509	5	4,375	1	-4,375	(6)	-1	-	-
National Organic Standards.....	6,630	35	6,266	33	6,961	34	+2,065	(7)	+9	9,026	43
Pesticide Recordkeeping.....	2,756	7	1,699	6	1,842	6	-1,842	(8)	-6	-	-
Total, Market Protection and Promotion.....	39,410	101	35,752	94	36,087	94	-4,244		+2	31,843	96
Transportation and Market Development.....											
Development.....	5,737	35	5,749	33	5,769	35	+4,302	(9)	+6	10,071	41
Total Obligations.....	86,319	441	81,184	416	82,715	424	+77		+8	82,792	432
Lapsing Balances.....	350	-	988	-	-	-	-		-	-	-
Total Available.....	86,669	441	82,172	416	82,715	424	+77		+8	82,792	432
Transfers In:											
Congressional Relations.....	-131	-	-111	-	-	-	-		-	-	-
Transfers Out:											
Working Capital Funds.....	-	-	150	-	-	-	-		-	-	-
Rescission.....	173	-	-	-	-	-	-		-	-	-
Total Appropriation.....	86,711	441	82,211	416	82,715	424	77		+8	82,792	432

Marketing Services

Justification of Increases & Decreases

- 1) A net increase of \$19,000 for Market News (\$33,151,000 and 243 staff years available in FY 2013) consisting of:
 - a) An increase of \$221,000 for salaries and benefits pay costs.
 - b) A decrease of \$202,000 which represents the 0.612% in additional funding authorized by Section 101(c) of P.L. 112-175, the Continuing Appropriations Act, 2013.
- 2) No net change for Shell Egg Surveillance and Standardization (\$7,708,000 and 52 staff years available in 2013) consisting of:
 - a) An increase of \$47,000 for salaries and benefits pay costs.
 - b) A decrease of \$47,000 which represents the 0.612% in additional funding authorized by Section 101(c) of P.L. 112-175, the Continuing Appropriations Act, 2013.
- 3) A net increase of \$1,000 for Federal Seed (\$2,454,000 and 18 staff years available in FY 2013) consisting of:
 - a) An increase of \$16,000 for salaries and benefits pay costs.
 - b) A decrease of \$15,000 which represents the 0.612% in additional funding authorized by Section 101(c) of P.L. 112-175, the Continuing Appropriations Act, 2013.
- 4) A net decrease of \$16,000 for Country of Origin Labeling (\$5,301,000 and 16 staff years available in FY 2013) consisting of:
 - a) An increase of \$15,000 for salaries and benefits pay costs.
 - b) A decrease of \$31,000 which represents the 0.612% in additional funding authorized by Section 101(c) of P.L. 112-175, the Continuing Appropriations Act, 2013.
- 5) A net decrease of \$77,000 for Pesticide Data Program (\$15,424,000 and 19 staff years available in FY 2013) consisting of:
 - a) An increase of \$17,000 for salaries and benefits pay costs.
 - b) A decrease of \$94,000 which represents the 0.612% in additional funding authorized by Section 101(c) of P.L. 112-175, the Continuing Appropriations Act, 2013.
- 6) A net decrease of \$4,375,000 and 1 staff year for the Microbiological Data Program (4,375,000 and 1 staff year available in 2013) consisting of:
 - a) A decrease of \$4,348,000 and 1 staff year to terminate the Microbiological Data Program.

The Microbiological Data Program (MDP) was proposed for termination in the FY 2013 Budget and ceased operations as of January 2013 based on FY 2013 House and Senate concurrent actions. Continuation through the first quarter of FY 2013 under the Continuing Resolution allowed cooperating State agencies to complete FY 2012 activities.

- b) A decrease of \$27,000 which represents the 0.612% in additional funding authorized by Section 101(c) of P.L. 112-175, the Continuing Appropriations Act, 2013.
- 7) A net increase of \$2,065,000 and 9 staff years for the National Organic Program (\$6,961,000 and 34 staff years available in 2013) consisting of:
- a) An increase of \$39,000 for salaries and benefits pay costs.
 - b) An increase of \$2,068,000 and 9 staff years to strengthen organic labeling compliance and enforcement activities and to provide the resources needed to improve development of international agreements.

The National Organic Program (NOP) is responsible for developing national standards for organically-produced agricultural products and ensuring the integrity of the USDA organic seal in the U.S. and throughout the world. This increase supports USDA's goal to create prosperity in rural communities by supporting the development of new domestic markets. Success in this objective is indicated by the growing number of agricultural operations certified as organic.

To support continued growth in organic sales, USDA must ensure consistent and uniform application of organic standards across the marketplace, coupled with timely and effective enforcement to maintain buyer confidence in organic labeling. As the number of certified operations rises, the NOP must have sufficient resources to accredit, audit, and oversee the work of certifying agents. The requested resource level will allow the NOP to keep pace with the increasing number of complaints submitted to the program for investigation and enforcement, maintain existing equivalency agreements, and pursue new equivalency agreements with selected foreign countries to expand trade opportunities. This request includes the following increases:

- \$1,547,000 and 7 staff years to expand organic compliance and enforcement. The program has maximized its resource capacity and must expand to keep up with organic industry growth. Complaints alleging violations of NOP regulations have been trending upward since FY 2009; the number of reported fraudulent organic certificates is also rising. NOP has steadily increased its number of complaints investigated and closed each year, and decreased the average number of days required to investigate complaints through process improvements. Since the beginning of FY 2011, the NOP has levied \$120,000 in civil penalties as a result of complaint investigations, an increase over previous years. Additional resources will allow the NOP to maintain or increase its annual rate of case investigations and closures to keep up with the quickening pace of incoming complaints, and ensure timely enforcement action where violations are found.
- \$521,000 and 2 staff years to pursue international agreements with additional countries and continue to support existing agreements. Working closely with the Foreign Agricultural Service and the United States Trade Representative, the NOP plays a key role in coordinating international organic equivalency agreements. For example, the NOP played a critical role in establishing landmark international organic trade agreements with Canada and the European Union (EU); both are vital to the trade of U.S. organic products in international markets. These agreements require ongoing compliance monitoring and standards coordination. Maintaining these agreements and ensuring the continued integrity of organic products requires regularly assessing Canadian and EU oversight systems, reviewing trade partner activities in individual European countries, hosting Canadian and EU reviews of U.S. organic oversight systems, participating in technical working group meetings and teleconferences, and participating in Steering Committees. The NOP also currently holds recognition agreements with four countries, which require ongoing oversight as well. In addition to maintaining existing agreements, the growth of organic markets internationally opens market opportunities,

especially in emerging organic markets such as Brazil, Korea, Japan and India. The establishment of new agreements requires careful assessment and evaluation of other governments' organic standards and oversight systems. With additional funding, NOP will be able to maintain existing agreements, and pursue equivalency arrangements with India, Japan, Korea, and Costa Rica.

NOP will continue to use base funds to develop regulations and guidance on organic standards; manage the National List of Allowed and Prohibited Substances; accredit certifying agents to certify organic producers and handlers; establish international organic import and export policies; investigate and act on regulatory violation complaints; facilitate the work of the National Organic Standards Board; provide training to certifying agents and other stakeholders; and generally serve the organic community.

- c) A decrease of \$42,000 which represents the 0.612% in additional funding authorized by Section 101(c) of P.L. 112-175, the Continuing Appropriations Act, 2013.

8) A net decrease of \$1,842,000 and 6 staff years for the Pesticide Recordkeeping Program (\$1,842,000 and 6 staff years available in 2013) consisting of:

- a) A decrease of \$1,831,000 and 6 staff years to terminate the Pesticide Recordkeeping Program.

The FY 2013 Budget proposed termination of the Pesticide Recordkeeping Program (PRP), but since Congressional intent was divided in the Appropriations Committees, Federal program employees continued to conduct baseline activities in FY 2013. PRP administers Federal pesticide recordkeeping regulations based on Section 1491 of the Food, Agriculture, Conservation, and Trade Act of 1990, commonly referred to as the 1990 Farm Bill, which requires all private applicators to maintain record(s) of their federally restricted use pesticide (RUP) applications for a period of 2 years.

- b) A decrease of \$11,000 which represents the 0.612% in additional funding authorized by Section 101(c) of P.L. 112-175, the Continuing Appropriations Act, 2013.

9) A net increase of \$4,302,000 and 6 staff years for Transportation and Marketing Development (\$5,769,000 and 35 staff years available in 2013) consisting of:

- a) An increase of \$37,000 for salaries and benefits pay costs.
- b) An increase of \$4,300,000 and 6 staff years for Transportation and Marketing Programs in 2013 to: (1) determine the feasibility and economic value of incorporating food hub and other food value chain activities into existing underutilized infrastructure; (2) support economic assessments, infrastructure assessment, and site design planning assistance for food value chains such as food hubs and wholesale markets; (3) enhance marketing opportunities for producers and food value-chain businesses while expanding consumer access to locally-and-regionally-produced food.

AMS has observed a surge in consumer demand for food produced in their local community or region. The number of farmers markets has grown by 175 percent since 2000; a 2011 survey by the National Grocers Association found that 85 percent of consumers choose a grocery store based in part on whether it stocks products from local farms. The number of food hubs – facilities that aggregate and distribute the locally-and-regionally-produced food – has grown from 72 to 223 in the two years since AMS began studying these business models. Through these and other innovative marketing channels, producers are experiencing a substantial improvement in farm income as a result of facilitated sales to consumers, restaurants, schools and other institutional outlets.

AMS will assist the agricultural community in meeting consumer demand by: (1) identifying innovative and cost-efficient options that help producers, regional food system aggregators, distributors, planners, managers and vendors compete effectively in this growing consumer-driven market segment; (2) providing feasibility, economic impact, and infrastructure assessments and architectural design services to emerging and expanding enterprises in food value chains (i.e., strategic alliances between agricultural producers and other

supply chain partners that deal in significant volumes of high-quality, differentiated local and regional food products); and (3) reinvigorating our Nation's existing network of wholesale markets and other well-located distribution nodes – which for a variety of reasons are often underutilized – by providing funds to refurbish and better equip this existing infrastructure.

These initiatives will capitalize on AMS marketing systems and other USDA expertise to stimulate the development of food value chains, including regional food hubs. It will identify and encourage utilization of existing infrastructure that has fallen into disrepair. It will also allow AMS to conduct a number of activities that support USDA's mission to create new economic opportunities by better connecting consumers with local and regional producers. AMS will use 6 additional staff years to manage these initiatives.

Examples of the activities that AMS plans to engage in include:

- Exploring the potential to use existing farmers markets, public markets, and wholesale market infrastructure as product aggregation/distribution points for local food deliveries to restaurants, retail, and institutional clients;
- Identifying the most promising organizational and distribution models to facilitate strong local and regional food value chains; including those that connect producers with consumers in underserved communities;
- Investigating the role of commercial kitchens and light processing facilities in enhancing small business access to markets and permitting greater producer returns;
- Conducting feasibility and economic impact assessments of proposed and existing food value chains to help them obtain additional resources for market growth and expansion;
- Providing infrastructure and site design planning assistance to help local and regional food enterprises establish or expand their marketing facilities;
- Providing financial assistance to refurbish and better equip existing infrastructure appropriately situated to connect producers and consumers.

To accomplish much of the work proposed in this budget justification (e.g., feasibility and economic impact assessments, infrastructure and site design planning and retrofitting), AMS will establish, through the Federal Register, a program that outlines how eligible entities can request assistance. The majority of the services provided will be facilitated through cooperative agreements with other Federal agencies, state and local governments, universities, non-profits organizations, and other entities.

- c) A decrease of \$35,000 which represents the 0.612% in additional funding authorized by Section 101(c) of P.L. 112-175, the Continuing Appropriations Act, 2013.

AGRICULTURAL MARKETING SERVICE

Marketing Services

Geographic Breakdown of Obligations and Staff Years (SY)

(Dollars in thousands)

State/Territory	2011 Actual		2012 Actual		2013 Estimate		2014 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Alabama	\$112	1	\$119	1	\$121	1	\$121	1
Arizona	556	3	410	2	418	2	418	2
Arkansas	434	1	557	3	568	3	568	3
California	1,625	8	3,761	19	3,832	20	3,835	20
Colorado	461	2	743	4	757	4	758	4
District of Columbia	67,185	345	39,794	204	40,543	208	40,583	211
Florida	704	4	1,792	9	1,826	9	1,827	9
Georgia	1,165	5	1,247	6	1,271	6	1,272	7
Idaho	629	3	631	3	643	3	643	3
Illinois	699	3	631	3	643	3	643	3
Iowa	1,875	9	1,706	9	1,738	9	1,740	9
Kansas	247	1	248	1	253	1	253	1
Kentucky	172	1	141	1	144	1	144	1
Louisiana	173	1	182	1	185	1	186	1
Maryland.....	-	-	294	1	300	1	300	2
Massachusetts	358	2	467	2	476	2	476	2
Michigan	11	-	2,585	13	2,634	13	2,636	14
Minnesota	588	3	915	5	932	5	933	5
Mississippi	131	1	111	1	113	1	113	1
Missouri	579	3	588	3	599	3	600	3
Montana	173	1	455	2	464	2	464	2
Nebraska	185	1	139	1	142	1	142	1
New Mexico	-	-	178	1	181	1	182	1
New York	632	3	3,248	16	3,309	17	3,312	17
North Carolina	184	1	2,075	10	2,114	11	2,116	11
Ohio	127	1	2,297	12	2,340	12	2,342	12
Oklahoma	352	2	306	2	312	2	312	2
Oregon	371	2	329	2	335	2	336	2
Pennsylvania	512	3	525	3	535	3	535	3
South Carolina	74	-	194	1	198	1	198	1
South Dakota	302	2	185	1	188	1	189	1
Tennessee	2,696	14	2,672	14	2,722	14	2,725	14
Texas	1,134	6	2,508	13	2,555	13	2,558	13
Virginia	164	1	5,015	26	5,110	26	5,114	27
Washington	658	3	2,248	11	2,290	12	2,293	12
Wisconsin	880	4	1,792	9	1,826	9	1,827	10
Wyoming	171	1	96	1	98	1	98	1
Obligations	86,319	441	81,184	416	82,715	424	82,792	432
Lapsing Balances	350	-	988	-	-	-	-	-
Total, Available or Estimate	86,669	441	82,172	416	82,715	424	82,792	432

AGRICULTURAL MARKETING SERVICE

Marketing Services and Payments to States and Possessions

Classification by Objects

(Dollars in thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Personnel Compensation:				
Washington, D.C.....	\$30,217	\$24,541	\$25,004	\$24,953
Field.....	16,079	19,877	20,252	20,210
11.0 Total personnel compensation.....	35,324	33,609	34,243	34,178
12.0 Personnel benefits.....	10,925	10,475	10,673	10,644
13.0 Benefits for former personnel.....	47	334	340	341
Total, personnel comp. and benefits.....	46,296	44,418	45,256	45,163
Other Objects:				
21.0 Travel and transportation of persons.....	1,377	1,460	1,488	1,817
22.0 Transportation of things.....	24	45	46	51
23.1 Rental payments to GSA.....	3	28	29	29
23.2 Rental payments to others.....	1,450	1,351	1,376	1,251
23.3 Communications, utilities, and misc. charges.....	2,086	1,445	1,472	1,466
24.0 Printing and reproduction.....	322	199	203	212
25.1 Advisory and assistance services.....	8	-	-	-
25.2 Other services from non-Federal sources.....	20,836	20,344	20,728	20,090
25.3 Other purchases of goods and services from Federal sources.....	11,130	9,846	10,032	10,032
25.4 Operation and maintenance of facilities.....	10	7	7	7
25.5 Research and development contracts.....	-	-	-	480
25.6 Medical care.....	5	4	4	4
25.7 Operation and maintenance of equipment.....	137	132	134	134
26.0 Supplies and materials.....	910	608	619	613
31.0 Equipment.....	1,666	1,001	1,020	1,142
32.0 Land and structures.....	4	17	17	17
42.0 Insurance Claims and Indemnities.....	55	279	284	284
Total, Other Objects.....	40,023	36,766	37,459	37,629
Total, Marketing Services.....	86,319	81,184	82,715	82,792
Payments to States and Possessions:				
41.0 Grants, subsidies and contributions.....	1,331	1,198	1,205	1,363
Total, Payments to States and Possessions.....	1,331	1,198	1,205	1,363
Total, new obligations.....	87,650	82,382	83,920	84,155
Position Data:				
Average Salary, ES positions.....	\$163,731	\$158,715	\$158,715	\$158,715
Average Salary, GS positions.....	\$61,235	\$74,385	\$74,358	\$72,623
Average Grade, GS positions.....	9	11	11	11

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAM

MARKETING SERVICES

MARKET NEWS

Current Activities: The Market News Service provides current, unbiased information on supply, demand, prices, movement, location, quality, condition, and other market data on agricultural products in specific markets and marketing areas – both domestic and international. This information is supplied to buyers and sellers, producers and handlers, transportation and logistics companies, insurance and lending institutions, and others in the marketing chain, including consumers. The information reported by Market News provides a high level of market transparency that contributes to the orderly marketing of agricultural commodities and helps to promote fair trade for all market participants. The market information also supports government policy makers and is widely used for value determinations, such as in courts and mediation.

All market information is reported to the Agricultural Marketing Service (AMS) on a voluntary basis with the exception of Mandatory Price Reporting for specified livestock, meat, and dairy product information. The agricultural sector constantly changes and so do the form and content of the market news reports, as well as the ways in which that information is made available to the public. AMS Market News issues hundreds of reports daily for some 700 products and commodities with millions of e-views by the public on an annual basis.

Selected Examples of Recent Progress:

Livestock Mandatory Reporting (LMR) – AMS' LMR program (as authorized by P.L. 106-78, Title 9), initiated on April 2, 2001 and reauthorized in 2010 (P.L. 111-239), requires the reporting of market information by livestock processing plants that annually slaughter (on average) a minimum of 125,000 cattle, 100,000 swine, or process an average of 75,000 lambs. Packers that annually slaughter an average of at least 200,000 sows and boars and importers who annually import an average of at least 2,500 metric tons of lamb meat products are also required to report. Mandatory reporting provides information on:

- 79 percent of slaughter cattle
- 93 percent of boxed beef
- 95 percent of slaughter hogs
- 55 percent of slaughter sheep
- 38 percent of boxed lamb meat

The reports generated from this activity include specifics on negotiated, forward contract, and formula marketing arrangement purchases. LMR reports daily and weekly prices paid by packers to producers for cattle, hogs, and sheep; daily and weekly prices received by packers for their sales of boxed beef and boxed lamb to retailers, wholesalers, and further processors; and information on prices received by importers of boxed lamb.

The purpose of LMR is to make available information on pricing, contracting, and supply and demand conditions to encourage competition in the marketplace. Much of the information reported under the LMR program – such as formula transactions, forward contracts, and packer-owned transactions – was unavailable prior to the LMR Act, when USDA market reporting relied on voluntary reporting of negotiated transactions. The information in these reports is used by the livestock and meat industry to impact current and future marketing and production decisions. Prices reported through the program often are used as reference prices for the calculation of formula and contract prices. Analysts and policy makers also depend on this information to assess market conditions and the performance of the livestock and meat sectors.

New LMR Data Tools – The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) directed USDA to implement an enhanced system of electronic publishing to improve the presentation of market information collected pursuant of the Livestock Mandatory Reporting Act. In response to this mandate, AMS Market News launched a

Cattle Dashboard in 2010, the Swine and Lamb Dashboards in 2011, and the Boxed Beef Dashboard in 2012. The Dashboards, which are available on the Market News Portal website, are data visualization tools designed to allow users to view weekly volume and price information presented in the form of interactive graphs and tables that can be customized for viewing and downloaded for use in reports and presentations.

On September 28, 2010, Congress enacted the Mandatory Price Reporting Act of 2010 (2010 Reauthorization Act) (Pub. L. 111-239) which reauthorized LMR for an additional 5 years and added a provision for mandatory reporting of wholesale pork cuts. The 2010 Reauthorization Act directed USDA to engage in negotiated rulemaking on the regulatory changes needed. After the negotiated rulemaking process was completed, the Final Rule was published in the *Federal Register* on August 22, 2012, with an effective date of January 7, 2013. Implementing a mandatory wholesale pork reporting program will provide market participants with considerably more market information than they have had in the past and will address concerns in the producer segment relative to the asymmetric availability of market information.

Dairy Product Mandatory Reporting (DPMR) – In November 2000, Public Law 106-532 required the mandatory reporting (price, volume, and moisture content, if applicable) of certain dairy products to USDA. AMS uses this information as the price discovery mechanism to establish minimum raw milk prices. Dairy statistics were, and continue to be, collected under Title 7 Part 1170 of the Code of Federal Regulation (7 CFR 1170) on a weekly basis.

After passage of the Mandatory Reporting Act of 2010, AMS began rulemaking, including one public comment period, to incorporate changes from the law into the Final Rule. AMS published the Final Rule on February 15, 2012, creating the DPMR Program. The Final Rule, effective April 4, 2012, established an electronic reporting system, moved the publication date to Wednesday's at 3:00 p.m. Eastern Time, and effectively transferred all NASS responsibilities of collection, aggregation, and publication of data to AMS. AMS publishes sales information for cheddar cheese, butter, dry whey, and nonfat dry milk on a weekly basis. Any manufacturer that processes and markets less than one million pounds of these products per calendar year is exempt from the reporting requirements. AMS implemented a web-based system which leveraged the existing LMR system to ensure a consistent platform for all mandatory reporting and decrease the development time needed to launch dairy reporting. After completing the software development, AMS began collecting data on April 4, 2012. The purpose of the program is to provide accurate and timely market information for dairy industry participants. Widely available market information is needed to ensure markets operate competitively and fairly. Data collected through the program is used as the price discovery mechanism to establish minimum prices for the Federal milk order system accounting for 63 percent of the U.S. milk supply.

Market News Organizational Assessment – During fiscal years (FY) 2011 and 2012, AMS commissioned a comprehensive organizational assessment of its Market News program to look at organizational efficiency and effectiveness and identify areas where further improvements could be achieved. The final report, issued in April 2012, highlighted the importance of Market News to American agriculture, and identified a number of potential improvements to the Program. The report findings will serve as a roadmap for the future as AMS continues to improve customer service and program performance. From the recommendations in the assessment report, AMS identified the following as the highest priority items to be addressed:

- Increase customer use of the Market News Portal as the preferred method of information dissemination.
- Standardize retail data collection and promote greater collaboration for retail reporting across commodities.
- Co-locate and consolidate offices whenever possible and convert small offices to a Resident Agent approach whenever possible.
- Increase supervisor/subordinate ratio.
- Conduct a complete assessment to determine the Return on Investment for upgrading the IT system to support Market News into the future.

Market News Customer Satisfaction Survey – Four years after the first *Market News Customer Satisfaction Survey*, AMS conducted a second survey in the spring of 2012. This survey was administered through the use of a pop-up on the AMS web site through the Cornell email subscription service, and emailed to known data users and contacts. There were nearly 2,200 respondents to the survey from a variety of agricultural sectors.

The key findings from the survey include:

- Customer Satisfaction with USDA Market News is essentially the same as it was in the baseline study of 2008. The one point increase to 74 is not statistically significant. The score is 7 points above the latest federal government average (67) and remains on par with the scores of other agencies providing information in the federal government.
- Market News has become more influential in impacting users' businesses with a 5-point increase in the ratings of influence it has on respondents' businesses. Market News remains most influential among those using it on a daily basis or for those whose primary area of interest is livestock, meat, and grains.
- Analyzing markets and general market awareness remain the two top activities for which USDA Market News is being used. Three-quarters (75 percent) use it to analyze markets and 68 percent for general market awareness. Product pricing (49 percent), value determination (42 percent) and developing market strategy (40 percent) were other commonly cited uses. Of note, many more users found USDA Market News useful in value determination in 2012 (42 percent as shown above), as compared to only 16 percent who mentioned it as a use in 2008.
- Information about inventory, wholesale markets, and movement were rated as the most important types of information. In terms of meeting users' needs, scores tended to be higher for meeting needs among the most important types of information. Nearly 80 percent or more of those using inventory, auction markets, movement, shipping point market information, direct trade and wholesale markets information found it met their needs.
- Information Quality and Customer Service were two areas that have the most impact on customer satisfaction. Customer service in particular continues to be an area of excellence for USDA Market News with a score of 90 out of a possible 100 in the 2012 survey. This is a significant 5-point improvement from 2008. Thirty-eight percent of respondents contacted Customer Service, and found employees to be highly courteous, and timely in their responses. AMS staff was effective in resolving customers' issues and highly knowledgeable.
- To the point that Customer Service positively influences customers, those who had interacted with Customer Service had a customer satisfaction index 6 points higher than those who did not contact them.
- There was no change in the Information Quality rating from 2008, with the rating holding at 79. Information received highest marks for being relevant, impartial, and free from bias.
- Market News Reports also had a high impact on customer satisfaction. There was not a significant change in the ratings on clarity of tables and graphics, or layout of reports being easy to read and use. Some newly added questions, about ease of finding reports and information, and ability to perform custom queries found that both of these areas were problematic for users.
- Confidence in the information provided by USDA Market News (80 out of 100) and likelihood to recommend USDA Market News (82 out of 100), two outcomes that are driven by satisfaction, remained unchanged from 2008.

Market News Portal (MNP) – AMS Market News went through an Organizational Assessment in 2012, in which the consultant identified the MNP as the most effective and efficient method of disseminating information to the Market News customers. With this in mind, AMS worked to increase the availability and accessibility of the system by replacing and upgrading hardware, and worked to migrate the operating system to provide a failover option at the Agency's backup site. This work will be completed in 2013. AMS is also working to migrate the MNP operating system to an updated version that will be easier and less expensive to maintain. Additionally, AMS has worked to identify partners, such as NASS, to assist in the final testing and development of the Customer Averaging Tool (CAT), which was released to the public in March 2013. The CAT is being developed in cooperation with the USDA Risk Management Agency. The tool will display information in both a dashboard and data visualization format, as well as a tabular form or chart form, allowing the user to see the trend, the averages, and the specific data points that make up the average.

Data Availability on the Data.gov Website – AMS Market News has added data links to Data.gov for historical reports and custom report generations. Additionally, LGMN has added a number of annual summaries and other documents, while the Fruit and Vegetable Program has added the link to Custom Reports from the Market News Portal.

Futures Trading for Apple Juice Concentrates – Fruit and Vegetable Market News began reporting apple juice concentrate (AJC) in fiscal year (FY) 2012 at the request of the industry. The Minneapolis Grain Exchange (MGEX) needed a benchmark in order to have futures trading for AJC. Once AMS began reporting the AJC, the MGEX was able to offer the futures contracts in 2012.

Market Reporting Improvements – AMS adds, modifies, or eliminates reports to support both consumers need and market environment changes on an on-going basis. Specific examples of new and enhanced agricultural market reports from 2012 are listed below.

Cotton and Tobacco:

- **Seam Data File:** Cotton and Tobacco Market News created and implemented a semi-automated process that utilizes electronic cotton price files provided by The Seam to create recap summaries without the reporter having to manually enter information. The Seam is the largest source of cotton price data for Market News. At times, well over 2,000 individual recaps may be offered for sale, and during active trading periods, there have been as many as 180 transactions occurring in a single day. The Seam makes available a comma-separated values (CSV) file that contains bale by bale data for all sales for the previous day. Cotton and Tobacco Market News developed a process that allows reporters to load this data into an excel spreadsheet and generate price summaries that they analyze to determine various cotton prices for the day. This semi-automated process allows reporters to consider all of The Seam's data while leaving time to collect price information from other sources, as well as investigating possible new sources of information.
- **New Reports:** Cotton Market News introduced 10 new reports during 2012. Seven of the new reports are designed to be viewed as text messages on cell phones and are based on the Daily Spot Cotton Quotations; one report is a CSV data file that provides easier access to historical daily cotton prices for the base quality (color grade 41, leaf grade 4, staple 34); and the final two reports provide more detailed information on extraneous matter than in previous reports. The new reports were developed based on customer feedback and request for specific data.

Dairy:

- Dairy Market News finished development of the National Dairy Retail Report including retail prices for 18 conventional and organic products with additional breakout of regional and product information.
- Completed conversion of the DPMR Program, the resulting aggregated data is published (weekly) in the National Dairy Product Sales Report.
- Redesigned the Advanced Prices and Pricing Factors and the Class and Component Prices to include additional information in response to industry feedback.

Fruits, Vegetables and Specialty Crops:

- New or enhanced Fee-on-Board (FOB) Shipping Point Price Reports;
- Domestic: Beets, including Mexico Crossings and South and Central California; blackberries from Santa Maria, California; broccoli from the Central Joaquin Valley, California; potatoes from Nebraska; and eggplant, plum tomatoes, and grape tomatoes from Western North Carolina.
- International: Avocados from Peru; imports through Southern California, Philadelphia and South Florida;

cucumbers from Mexico through Texas; Onions from Chile through various East Coast ports of entry; and tangelos from Chile and Peru for imports through Southern California.

- **Movement Data:** The Mexico crossings data for entering through Texas was broken down in 2012 into nine specific ports of entry, allowing for greater clarity of the data. Also, movement data for U.S. greenhouse cucumbers, plum tomatoes, and grape tomatoes were reported for the first time.

Livestock & Grain:

- **Audit Based Livestock Auction Market Reporting Pilot Project:** Developed the USDA Quality System Assessment Livestock Auction Market Reporting Program, which is an audit-based auction market reporting service. The purpose of this pilot program is to provide additional market reporting transparency in locations with limited or no USDA or state Market News presence. AMS authorizes accredited private firms and/or livestock auction markets that are trained and certified to grade livestock according to USDA grading standards to self-report market data. This data is then disseminated through AMS Market News channels. Currently, this program is being piloted in auction markets in Pennsylvania.
- **New national, regional, and local livestock and grain reports include the following:**
 - Colorado Weekly Summary
 - Florida Weekly Livestock Review
 - Montana Weekly Summary
 - Nebraska Weekly Summary
 - Oklahoma Weekly Summary
 - 5-Area Weekly Direct Slaughter Cattle Formula, Grid, & Contracts
 - Colorado Weekly Direct Slaughter Cattle Formula, Grid, & Contracts
 - Iowa-Minnesota Weekly Direct Slaughter Cattle Formula, Grid, & Contracts

Poultry and Eggs:

- **Turkey:** In January 2012, retail turkey reporting was expanded from a three-region to a six-region basis to align with other retail reports and to reflect the change in wholesale turkey reporting from three regions to a national basis. The Poultry Portal was updated to provide this information to the public.
- **Whole Broiler:** In June 2012, AMS released a new single, comprehensive whole broiler report, the Weekly National Whole Broiler/Fryer Report (Fri), that consolidates and replaces information previously provided on fifteen separate market reports (including the 12-City Composite) with no loss of market information to the public. The new report broadens market coverage to the entire nation while providing information on a national, regional, and major metropolitan market basis, significantly improving the quality of information provided and user access. The new report officially replaced all other AMS whole broiler reports on January 4, 2013.
- **Organic Poultry and Eggs:** AMS continued to expand information on organically-grown poultry and egg commodities by adding organic whole body turkey wholesale market price data to the Weekly USDA Certified Poultry and Egg report on a seasonal basis and including five new industry cooperators. Completed two bi-annual surveys of the U.S. organic table egg layer flock size to ensure current information for users.

International Cooperation and Market Reporting – The Market News Program provides technical expertise to other countries through a variety of programs conducted by AMS and other U.S. agencies. These activities improve the information available to U.S. agriculture by supporting the development of foreign agricultural market information systems.

AMS hosted and worked with Foreign Agricultural Service (FAS) sponsored groups from a number of countries who were looking at the way AMS Market News conducts data collection, analysis, and public dissemination of market information. AMS Market News, in conjunction with FAS, is working in support of the President's Feed the

Future Initiative which is a consolidated effort by the Federal government to achieve global food security and aid developing nations dealing with chronic hunger. AMS is also providing technical assistance to develop or improve market information systems in a number of countries, including Haiti, Guatemala, and Honduras in support of regional efforts to consolidate and share market intelligence for the nations of Central America through USAID funded programs. AMS will work in early 2013 on a new multi-year assistance program in Bangladesh along with Economic Research Service (ERS), NASS and FAS, again funded by USAID. The agencies will also meet with officials in India in early 2013 to determine whether an assistance program can be defined and initiated in that country.

Market Information Organization of the Americas (MIOA) – AMS continues in its leadership role in the MIOA, a network of market information organizations from 33 countries in North, Central, South America, and the Caribbean. AMS was chosen again in 2012 by the countries of the Northern Region (Canada, Mexico, and the U.S.) to serve a two year term as the Regional Representative on the Executive Committee of MIOA. The Northern Region was elected by the Executive Committee to serve as Chair for the next two years as well. Specialists from AMS participated in several Executive Committee meetings throughout the year and directly assisted in the training efforts coordinated by MIOA – both on a regional and a hemispheric basis. AMS worked closely with its partners in MIOA and with the Technical Secretariat, the Inter-American Institute for Cooperation on Agriculture (IICA), to support other initiatives, such as those funded in the Central Region by the Inter-American Bank for Development (IDB). AMS and partners from other countries of MIOA have also supported and participated in technical meetings leading to the formation of a “MIOA-like” organization on the African continent. The organization, the African Agricultural Market Information System (AAMIS), had drawn heavily on the experiences of MIOA and used many of the documents directly, such as the Rules of Procedures. The various regional partners of MIOA are working to create market reports for products of interest to all and to support interregional trade. MIOA has also offered support to the new G20 market information initiative called the Agricultural Market Information System (AMIS), which USDA will chair for the coming year.

Customer Outreach and Training – AMS Market News routinely responds to requests for information from individuals, industry groups, and associations. Most of the new reports generated or products added are at the specific request of data users or customers of Market News. In 2012, AMS held a series of webinars on how to use the Market News Portal (MNP) to meet the users’ market information needs, as well as general sessions on Market News and the information products that it creates. Additional webinars are planned for 2013 to further expose the tools and uses of the Portal to additional customers. Fruit and Vegetable Market News worked with industry groups and associations to hold a series of hands-on training sessions on MNP system navigation and usage.

The Cotton and Tobacco Market News Division also continued to educate buyers, sellers, producers, and ginners on the importance of participation in the Market News data collection process through personal visits, presentations, participation in local/regional meetings, and informational booths at two trade shows and two regional meetings. As part of this outreach campaign, Cotton and Tobacco Market News Division employees contacted 47 gins, attended 28 local/regional meetings and 1 national meeting where employees discussed what Cotton and Tobacco Market News had to offer and how to participate in the data collection process. As a result of these outreach efforts, there are now eight producers and 30 gin contacts that routinely supply market information for various reports.

SHELL EGG SURVEILLANCE

Current Activities: The Shell Egg Surveillance (SES) program monitors the disposition of "restricted eggs" (eggs that are cracked, dirty, incubator rejects, inedible, leaking, or otherwise unfit for human consumption) to ensure that only eggs fit for human consumption are available to consumers. Inedible eggs constitute a small proportion of all shell eggs and are most often used in animal feed; the remaining eggs are destroyed. For 2012, the percentage of total egg operations in compliance with SES requirements was 94 percent.

Selected Examples of Recent Progress: Scheduled visits to shell egg handlers are made four times each year, and visits to hatcheries are conducted annually. Additional follow-up visits are made when violations are found. The percentage in compliance during these visits increased 20 percent in 2012, thereby requiring fewer follow-up visits.

<u>Inspections Conducted</u>				
<i>Quarterly visits are made to shell egg handlers with 3,000 or more chickens or who pack product for the ultimate consumer. If a violation of the Act is found a follow-up visit is made during the quarter.</i>				
	Shell Egg Handlers		Hatcheries	
	<u>Number of Handlers</u>	<u>Total Inspections</u>	<u>Number of Hatcheries</u>	<u>Total Inspections</u>
FY 2009	484	2,069	328	333
FY 2010	492	2,404	316	329
FY 2011	493	2,485	323	333
FY 2012	472	2,406	322	331

Note: Inspections above include both routine, make-up, follow-up and other visits.

STANDARDIZATION

Current Activities: AMS food and fiber standards are widely used by the agricultural industry in domestic and international trading, futures market contracts, and as a benchmark for purchase specifications in most private contracts. Grade standards are also the basis for AMS Market News reports, grading services, and Federal commodity procurement.

Pursuant to the Agricultural Marketing Act of 1946 which directs USDA to provide such quality grade standards "to encourage uniformity and consistency in commercial practices," AMS develops quality grade standards for commodities as needed by the agriculture and food industry and modifies those standards when industry practices or consumer preferences change. Before standards are implemented, AMS conducts studies and announces proposed standards. Public comments are solicited to verify that quality grade standards will facilitate commerce. There are currently more than 500 quality grade standards in place for cotton, dairy products, eggs, fresh and processed fruits and vegetables, livestock, meat, olive oil, peanuts, poultry, rabbits, and tobacco.

In addition to their use by private industry in domestic and international contracting, USDA food and fiber standards have become the basis for international harmonization of agricultural product quality grades recognized by the Codex Alimentarius and the United Nations Economic Commission for Europe (UNECE).

Selected Examples of Recent Progress:

Standards Reviews – In 2012, AMS specialists reviewed 81 commodity standards to ensure they continue to accurately describe current products, including 21 for cotton products; 6 for dairy products; 27 for fruit and vegetable products; 14 for livestock, meat, and poultry products; and 13 for tobacco. These reviews resulted in the following standard revisions:

- Cotton Grade Standards – Over 2,000 Upland and Pima cotton grade standards boxes were produced that represent the 21 physical cotton grade standards. All freshly produced standards boxes were reviewed and approved by cotton industry representatives in June of 2012 at meetings in Memphis, TN and Visalia, CA.
- Grapefruit Juice Standards – AMS began seeking comments on a proposed revision to the U.S. standards for grades of grapefruit juice. The Florida Citrus Processors Association, noting advances in industry processing technology, petitioned USDA to revise the standards. The proposed standards are designed to give the grapefruit juice industry greater flexibility to meet market demands. Notice of the proposed new U.S. standards for grapefruit juice grades was published in the August 18, 2011, *Federal Register* with comments due by October 17, 2011. The U.S. Standards for Grades of Grapefruit Juice were published in the August 27, 2012 *Federal Register*, and the revised standards took effect September 26, 2012.
- Ginseng Standards – AMS revised standards and created new grades for cultivated ginseng. Changes to the standards included the addition of tolerance levels, reclassifying sizes, the removal of table values and amending definitions. The revisions will make the marketing of U.S. ginseng easier in a changing and

competitive world market. The new standards are based on quality and percentage of defects. On April 5, 2012, AMS published a Final Notice in the *Federal Register* (77 FR 20610) and the revised standards became effective on May 7, 2012. During the process of revising the standards, AMS worked closely with the Ginseng Board of Wisconsin (GBW), which represents approximately 95 percent of American ginseng growers. The GBW unanimously endorsed the revisions.

- Maple Syrup Standards – In June 2012, AMS received a petition from the International Maple Syrup Institute requesting a revision to the grade standards for maple syrup. The grade of a sample unit of maple syrup would be ascertained considering the factors of color, flavor and odor, defects, and cloudiness. The proposed grade standards would provide a common language for trade, and a means of measuring value in the marketing of maple syrup, and provide guidance in the effective utilization of maple syrup. The proposed Notice has been drafted and is currently in the internal review process.
- Frozen Okra Standards – AMS sought comments on a proposed revision to the U.S. Standards for Grades of Frozen Okra. The American Frozen Food Institute petitioned USDA to revise the standards to convert them from a variable score point system to a statistically based individual attribute grading system, similar to the U.S. Standards for Grades of Canned Green and Wax Beans. The new standards are intended to provide the okra industry with greater flexibility to meet industry and consumer demand. The notice was published in the October 17, 2011 *Federal Register* and the revised standards took effect November 16, 2011.
- Okra Standards – AMS published an Advanced Notice in the *Federal Register* on February 9, 2012, seeking comments to revise the U.S. Standards for Grades of Okra. The standards were last revised in 1928. The Advanced Notice proposed to remove the “Unclassified” section from the standards and encouraged additional revisions that the industry believed necessary. The “Unclassified” category is not a grade and only served to show that no grade had been applied. This term has created confusion in the industry and is no longer considered necessary. AMS is removing it from all standards as they are revised. The industry did not request any new revisions; therefore, AMS will publish an Intermediate Notice in the *Federal Register* to remove the “Unclassified” section from the standard. The proposed Notice is currently moving through the review process.
- Cauliflower Standards – While engaged in field research, AMS received verbal requests from the industry to revise the color requirements for cauliflower curds. To address the industry’s needs, AMS published an Advanced Notice in the *Federal Register* in February 2012. The industry has requested revisions to also allow grade certification of curds smaller than 4 inches in diameter. AMS has worked closely with the Western Growers Association to develop the proposed size and marking requirements. These proposed revisions will allow for greater flexibility and align the standard with current marketing practices. Therefore, AMS is proposing revisions to reflect this request as well as remove the “Unclassified” section. The proposed Notice is being drafted by AMS pending additional input from the industry.
- Eggplant Standards – AMS sought comments on a proposed revision to the U.S. Standards for Grades of Eggplant. Noticing changes in the marketing of eggplant, AMS proposed revisions to amend the “similar varietal characteristics” requirement to allow mixed types or colors when designated. The Notice was published in the February 9, 2012 *Federal Register* with a 60 day comment period. There were no negative comments regarding the proposed revision. The Final Notice for the eggplant standards is pending publication in the *Federal Register*. When effective, the revised eggplant standards will permit mixed colors and/or type packs when designated. In addition, the “Unclassified” section will be removed. Final Notice for the eggplant is under internal review.
- Almonds in the Shell Standards – On March 11, 2011 AMS received a petition from The Almond Board of California (ABC), to amend the standards by changing the determination of internal defects from count to weight. The ABC represents 90 percent of the growers, processors, and handlers in the domestic industry. A proposed rule regarding these revisions to the U.S. Standards for Grades of Almonds in the Shell was published in the *Federal Register* on July 16, 2012. The public comment period closed on August 15, 2012, with no responses. AMS believes the revisions will bring the standards for almonds in the shell in line with the marketing order and thereby improve their usefulness. When effective, the revised standards will change the determination of internal defects from count to weight. This change will align the inspection procedures for

incoming inspections (based on the marketing order) and outgoing inspections (based on the standards.) The Final Rule is under internal review.

- Multiple Frozen Vegetables Standards – AMS published a notice in the *Federal Register* on July 23, 2010 soliciting comments on the possible changes to 18 frozen vegetable standards. The proposal was for moving to a one-term system of grading (e.g., referring to “Grade A” solely, instead of allowing the use of “Grade A” and/or “Extra Fancy” to describe the same degree of quality). This change to the standards will help to improve consistency between new and old standards and minimize any confusion that might arise in the marketplace in interpreting or understanding the grading terminology used on packaging. Comments were in support of the proposal. A second request for comments has completed the review process and is under internal review.

New Standards Development – AMS sought comment on a proposal to establish new U.S. Standards for Grades of Frozen Onions. The American Frozen Food Institute, a national trade association promoting and representing the interest of the frozen fruit and vegetable industry, requested that AMS develop grade standards for frozen onions. NASS reported that U.S. production of onions was 7.2 billion pounds. The notice was published in the June 1, 2011, *Federal Register*. Comments to revise onion defect definitions were received which have been incorporated into the document for re-proposal. The new proposal will be posted for a 60-day comment period. The proposed Notice is being drafted by AMS.

International Activities – AMS remains active in global marketing standards initiatives and represents the U.S. in meetings of the Codex Alimentarius, the International Dairy Federation, the United Nations Economic Commission for Europe (UNECE), the Organization for Economic Cooperation and Development, the International Organization for Standardization, the International Seed Testing Association, the International Meat Secretariat, the American Society for Testing and Materials International, the U.S. Canadian Regulatory Cooperation Council, the International Cotton Advisory Committee, international cotton outreach, and several bilateral consultative committees on Agriculture. Examples include:

- AMS participated in the 66th Session of the UNECE Specialized Section on Standardization of Fresh Fruits and Vegetables, at which development work commenced on three new standards, ten existing standards were revised, and two interpretative brochures were completed.
- One AMS staff chaired while another was the US delegate to the UNECE 59th Session of the Specialized Section on Standardization of Dry and Dried Produce at which six standards were completed and nine standards and an interpretative brochure is ongoing development. AMS also lead four working groups within this Specialized Section.
- AMS representatives hosted a meeting of rapporteurs in Atlanta, GA, April 24-26, 2012, to revise UNECE’s chicken and turkey standards and begin discussions concerning the further processed poultry products standard. Delegates representing nine countries, the European Union (EU), and the Caribbean attended the meeting. Revisions were drafted for the chicken and turkey standards, and AMS prepared the drafts for presentation to delegates of UNECE’s Specialized Section on Standardization of Meat.
 - AMS representatives attended UNECE’s rapporteurs meeting in May 2012, in Argentina to revise and update international bovine and porcine standards. Representatives of nine countries reviewed the existing beef and pork cuts contained in the standards, added new cuts being traded internationally, and updated technical cut descriptions. With the world now seeing more beef and pork retail cuts traded worldwide, the United States is leading the development of the associated UNECE retail cut standards.
- AMS representatives attended the UNECE Working Party on Agricultural Quality Standards meeting on September 10-12, 2012, in Geneva, Switzerland. AMS served as Vice-Chair of UNECE’s Specialized Section on the Standardization of Meat where the focus of the meeting was on the development of draft standards for retail cuts of pork and further processed poultry products. The U.S. is leading the way with the drafts for the beef and pork retail cuts and the further processed poultry products. AMS led discussions of revisions to UNECE’s standards for chicken and turkey products and gained concurrence by all

delegates to recommend these standards for adoption.

- An AMS representative participated in the preparation and review of new standards and guidelines for the 33rd meeting of the Codex Committee on Methods of Analysis and Sampling.
- AMS representatives participated in Codex committees and working groups established to advance standards for fruit and vegetables, and participated in three international Codex outreach programs to build international support for U.S. positions at Codex committee plenary sessions.
 - AMS worked with U.S. Codex Office in the USDA/Food Safety and Inspection Service and the Codex Food Standards Program under the U.N. Food and Agriculture Organization in preparation for chairing the 26th session of Codex Committee on Processed Fruits and Vegetables (CCPFV) held October 15-19, 2012. This effort led to approval of a revised Codex standard for Table Olives and rejection of a proposed Codex Standard for Flavored Water-Based Drinks.
 - AMS led the U.S. delegation at the 17th Session of the Codex Committee on Fresh Fruits and Vegetables (CCFFV), which completed the revision of the standard for avocados and a new standard for pomegranates.
- An AMS official participates in the U.S. Delegation to the Codex Committee on Fats and Oils (CCFO) in the ongoing discussion of proposed changes to the Codex Standard for Olive Oil. The 23rd Session of the CCFO will be held in Langkawi, Malaysia, February 25 – March 1, 2013. The meeting agenda will include three topics related to olive oil. There will be a Discussion Paper on the Revision of the Limit for Campesterol in the Codex Standard for Olive Oils and Olive Pomace Oils; a Discussion Paper on the Amendment of the Standard for Olive Oils and Olive Pomace Oils of Content of delta-7-stigmastenol; and a Discussion Paper on Defining Cold Pressed Oils.
- AMS participated in the Organization for Economic and Cooperation Development (OECD) Fruit & Vegetable Scheme technical working groups on the development of brochures for Asparagus, Mangoes, Hazelnuts (in shell and kernel) and Onions. AMS' participation in OECD's brochure development is geared at protecting the interests of Florida citrus exports to Europe. AMS also uses such opportunities to undertake outreach activities in support of USDA international standardization activities.
- Two AMS officials participated in the International Union for the Protection of New Varieties of Plants (UPOV) meetings in Geneva, Switzerland. The UPOV convention creates an international system of plant breeder (intellectual property) rights based on a set of uniform and clearly defined principles. Issues that were discussed included international cooperation for testing new plant varieties (i.e., Distinct, Uniform and Stable), molecular techniques, electronic PVP applications, and the structure/organization of UPOV database. Both the AMS Plant Variety Protection Office and the U.S. Patent and Trademark Office regularly participate in UPOV meetings.
- An AMS program representative attended the International Olive Oil Council (IOC) Chemist meeting in Madrid, Spain as a U.S. observer. The IOC is an international inter-governmental organization of member countries that sets standards and facilitates authoritative discussions on issues of interest to the olive oil industry.
- AMS officials met in Ottawa with representatives of the American Meat Institute, Canadian Food Inspection Agency, North American Meat Association, and industry officials to harmonize each country's nomenclature for meat and poultry cuts. AMS outlined the meat nomenclature differences for beef and pork between the two countries and offered solutions for resolving the differences, including both the Institutional Meat Purchasing Specifications (IMPS) and the Uniform Retail Meat Identity Standard (URMIS). AMS promoted an action plan to harmonize the U.S. and Canadian documents based on the IMPS system. Canadian representatives supported this approach. AMS has engaged discussions with Mexican meat industry to adopt IMPS. If so, the result would create a standardized North American meat nomenclature system.

- An AMS representative is serving a five year term that began in 2009 as the Chairperson of the ISO Food and Food Products Technical Committee (TC-34), Subcommittee (SC-16) – Horizontal Methods for Molecular Biomarker Analysis which was established to advance fair and transparent commerce of food and agricultural biotechnology products through the development of harmonized technical standard methods. The subcommittee is hosted in the U.S., sponsored in part by AMS and composed of delegates from twenty-seven national standardization bodies. ISO SC 16 is the only international standards development organization providing standards and specifications for verifying the identity of high valued agricultural commodities and testing genetically engineered organisms in commerce. The AMS Chairperson attended the 3rd ISO TC 34 Plenary and the 6th ISO TC 34 Chairman’s Advisory Group Meeting held April, 2012 in Nairobi, Kenya.

FEDERAL SEED ACT

Current Activities: AMS administers Federal Seed Act (Act) regulations on the interstate shipment of agricultural and vegetable seeds. The Act requires that seed shipped in interstate commerce be labeled with information that allows seed buyers to make informed choices, and that seed labeling information and advertisements pertaining to the seed must be truthful. Therefore, the Federal Seed Program helps promote uniformity among State laws and fair competition within the seed trade.

AMS depends on cooperative agreements with State agencies to monitor interstate commerce of agricultural and vegetable seeds with regard to seed labeling. State inspectors routinely inspect and sample seed shipments being marketed in their States. They refer apparent violations of the Act to AMS’ Federal Seed Program for investigation and appropriate action. While most complaints involving mislabeled seed are submitted by State seed control officials, they may be submitted by anyone. AMS takes regulatory action against the interstate shipper when a violation is confirmed. Actions on violations include a letter of warning for minor violations and technical violations; a monetary penalty is imposed for serious violations.

Selected Examples of Recent Progress:

In cooperation with State agencies, AMS conducted field tests on 491 samples at three different locations to determine trueness-to-variety of seed shipped in interstate commerce. During FY 2012, AMS received 218 new Federal Seed Act complaints from 16 States and 5 individuals, resulting in 242 cases. AMS tested 213 regulatory seed samples from 15 States and 109 mail order seed samples from six seed companies for trueness-to-variety. The Program administratively settled 153 Federal Seed Act cases during the fiscal year, with 95 warnings, 42 no-actions, and 16 with penalty assessments totaling \$74,625 and individual assessments ranging from \$1,225 to \$16,900. To ensure uniform application of the regulations, AMS conducted one training workshop for seed analysts from five states and one training session for inspectors from seven states.

The changes made to the Federal Seed Act regulations include updated:

- nomenclature of some agricultural and vegetable seeds listed per current usages on the International Code of Botanical Nomenclature;
- list of prohibited noxious-weed seeds;
- seed testing regulations to reflect improvements in seed testing technology and methods;
- noxious-weed seed tolerances;
- seed certification regulations; and
- labeling requirements for seed treated with the most toxic class of chemical compounds.

COUNTRY OF ORIGIN LABELING

Current Activities: The Country of Origin Labeling (COOL) amendments to the Agricultural Marketing Act of 1946 require retailers to notify their customers of the country of origin of covered commodities. Covered commodities are identified as muscle cuts of beef (including veal), lamb, and pork; ground beef, ground lamb, and

ground pork; farm-raised fish and shellfish; wild fish and shellfish; perishable agricultural commodities; peanuts, goat, chicken, ginseng, macadamia and pecan nuts. The law also requires method of production information (farm-raised or wild caught) for fish and shellfish to be noted at the final point of sale to consumers. The Act states that “normal course of business” records and producer affidavits may be used for verification, the same requirements and penalties apply to both suppliers and retailers, and the maximum penalty per violation is \$1,000. The COOL requirement became mandatory for retailers in March 2009 upon implementation of the final rule. AMS works in collaboration with all 50 States to conduct retail surveillance activities for the COOL program.

Selected Examples of Recent Progress:

Enforcement Activities: In 2012, the COOL Program conducted 3,836 retail reviews and 521 follow-up retail reviews of the roughly 37,000 regulated retailers. Based on the average number of COOL covered commodities sold in a store location, overall retailer compliance to COOL is approximately 96 percent, but considering the number of stores with at least one non-compliance finding, approximately 19 percent of retailers are in full compliance. In addition, 225 products were audited through the supply chain. Overall compliance for suppliers to retail stores is approximately 97 percent.

Database: The COOL program designed and developed an automated database system called COOL FACTS. This system is used to capture compliance information from retailers and suppliers to retailers generated by reviews and audits. The database enables increased accuracy and efficiency by eliminating second-hand data entry and will provide several reporting mechanisms that can identify specific trends and target problems relating to compliance and performance. The system went live in June 2012.

Program Audit: AMS improved program operations by incorporating key Office of Inspector General (OIG) recommendations into program activities. Based on the 14 recommendations from the OIG audit, 11 have been resolved/closed and the remaining 3 are anticipated to be closed in March 2013 following additional survey activities.

Training: In June 2012, AMS held four training sessions on the COOL regulatory requirements, retail surveillance procedures, and the COOL FACTS Portal with State cooperators. Through a train-the-trainer program, approximately 400 State reviewers are certified to conduct COOL reviews in retail stores across the country.

PESTICIDE DATA PROGRAM

Current Activities: The Pesticide Data Program (PDP) is a critical component in meeting the requirements of the 1996 Food Quality Protection Act (FQPA), which directs the Secretary of Agriculture to provide improved data collection of pesticide residues, standardized analytical and data reporting methods, and increased sampling of foods most likely to be consumed by infants and children. The program has the largest database on pesticide residues in children’s foods in the U.S. In a collaborative effort, AMS, the Environmental Protection Agency (EPA), and the Food and Drug Administration (FDA) coordinate and prioritize residue-testing and program activities. In addition, AMS conducts annual planning meetings with all program participants, including the cooperating State agencies and agricultural industry stakeholders, to select commodities and water sampling sites for inclusion in the program.

Selected Examples of Recent Progress:

During 2012, PDP tested more than 12,000 food and water samples, resulting in over 2 million individual tests.

Commodities – Commodities surveyed by PDP include fresh and processed fruit and vegetables, milk and dairy products, beef, pork, poultry, catfish, corn grain and corn syrup, soybeans, wheat and wheat flour, barley, oats, rice, almonds, peanut butter, honey, pear juice concentrate, bottled water, groundwater, and treated and untreated drinking water. In 2012, PDP added five new commodities – avocados, baby food applesauce, baby food carrots, baby food peaches, and baby food peas – and reintroduced previously tested commodities bringing the number of commodities surveyed to date to 108. Data on ready-to-eat baby foods was needed to more accurately evaluate pesticide exposure for this vulnerable segment of the population; avocados are an important addition to the program in order to address dietary exposure for growing ethnic segments of the U.S. population. Data on previously tested

commodities is needed to determine if there were measurable changes in the residue profile. All commodities selected for testing are based on EPA's requests for data to monitor registration-driven changes mandated by the FQPA and to respond to public food safety concerns.

Water Survey – The PDP water survey began in 2001 and to date has surveyed 92 municipal sites drawing from surface water in 29 States and the District of Columbia, 1,192 potable groundwater wells in 42 States, 586 school/childcare facility wells, 90 groundwater samples from 8 Native American Tribes, and 93 brands of bottled water. PDP continued to monitor surface water, sampling 9 sites in 7 States throughout the year, and tested schools and childcare facilities with onsite wells for pesticide residues. Although testing of the water from these facilities is required under the Safe Drinking Water Act, few pesticides are tested and the testing is focused on parent compounds rather than metabolites; metabolites most commonly occur in groundwater. For the schools/childcare facility survey, PDP partners with various State and county/local agencies responsible for sample collection. These partners coordinate sampling efforts and samples are shipped to the designated PDP laboratory for analysis. Data are shared with the local agency and with the school/childcare facility. The majority of pesticides included in the PDP testing profiles were not detected; those compounds that were detected were primarily commonly used herbicides and their metabolites. None of the detections exceeded the recently established Human Health Benchmarks for Pesticides (HHBPs) or Maximum Contaminant Levels (MCLs).

Sampling – During 2012, PDP achieved a 99.7 percent success rate in collecting samples, an increase from 2011, during which PDP achieved a sampling success rate of 98.5 percent. PDP uses statistical tools and marketing data to enhance sample collection rates, and recent improvements in the sample tracking database and the use of electronic sample information forms that allow for instant availability of data at food distribution points, make the data more valuable for the trace-back of questionable products. PDP monitors product availability at the various collection points through frequent communication with sampling inspectors and makes necessary adjustments to sampling protocols to meet collection targets.

Testing Methods – Methods were enhanced to bring the total number of pesticides and metabolites tested to over 440, including pharmaceutical compounds tested in water. PDP laboratories consolidated analytical screening methods and expanded the use of automation to reduce costs for equipment maintenance, human resources, and the management of hazardous waste. PDP implemented inclusion of pesticides that may not have U.S. registrations, but are used overseas on crops imported to the U.S. in response to audits by the EU, the Government Accountability Office (GAO), and EPA's OIG. PDP laboratories participated in national and international proficiency testing rounds, and performed as well as, or better than, other participating laboratories in the U.S. and around the world.

Outreach – PDP staff presented program sampling and testing details to the Korean and Chinese delegations in conjunction with the FAS to facilitate trade with Korea and China. PDP staff met with minor crop and chemical industry representatives and Pest Control Officials to improve communications. At the request of EPA's Environmental Fate and Effects Division (EFED), a PDP staff member reviewed EFED's White Paper on methodology for "Development of Community Water Systems Drinking Water Intakes Percent Cropped Area Adjustment Factors for Drinking Water Exposure Assessments". PDP staff also participated in the Association of Analytical Chemists Proficiency Test Advisory Committee and Pesticides Subcommittee and in interagency meetings with the Food Safety and Inspection Service to discuss program planning issues for both programs and to share technical information. PDP staff attended the European Pesticide Residue Workshop to develop contacts and gain knowledge in order to implement testing of pesticides that may not have U.S. registrations, but are used overseas on crops imported to the U.S.

Reporting – AMS publishes an annual data summary, with reports currently available for 1991-2010. Public-domain databases containing sample identity and analytical results data for each sample tested are posted on the Program's website at <http://www.ams.usda.gov/AMSV1.0/pdp>.

MICROBIOLOGICAL DATA PROGRAM

Since 2001, the Microbiological Data Program (MDP) has administered a multi-state laboratory network that uses the latest validated methods and technology to test select domestic and imported fresh produce for the presence of disease-causing bacteria such as *Salmonella*, pathogenic *Escherichia coli*, and *Listeria monocytogenes*. MDP works closely with the U.S. Food and Drug Administration (FDA), the Centers for Disease Control and Prevention (CDC), and state health and regulatory officials by providing produce pathogen data that augments their management of food safety issues and allows implementation of sound measures to prevent contamination throughout the produce chain (production, processing, and distribution). MDP operations ceased effective December 31, 2012.

For FY 2012, MDP performed over 30,000 tests on more than 15,000 samples. The decline in output from the previous year (35,041 tests on 17,431 samples) was due to resource constraints and extreme winter weather in the western States that affected sample delivery and laboratory operations (multiple days of power outage).

Commodities – In FY 2012, MDP tested 7 commodities: cantaloupe, cilantro, hot peppers, bagged/bunched lettuce (leaf and romaine), bagged spinach, sprouts (alfalfa/clover), and tomatoes (Roma/plum and grape/cherry). In the past MDP has tested celery, green onions, onions, parsley, peanut butter, and round tomatoes. All commodities were included in sampling and testing schemes following consultation with CDC and FDA and because they had previously been associated with food-borne outbreaks.

Testing Methods – MDP's implementation of real-time polymerase chain reaction (rt-PCR) assays for the detection of *E. coli* O157:H7 and non-O157 pathogenic *E. coli* (STEC) increased target detection sensitivity and saved time in pathogen identification. In early FY 2012, MDP implemented testing for *Listeria monocytogenes* in cantaloupe, sprouts, bagged lettuce, and bagged spinach, due to the deadly 2011 cantaloupe listeriosis outbreak.

Reporting – MDP actively exchanged program information and pathogen detection data with several offices of the FDA including the Center for Food Safety and Applied Nutrition's Office of Produce Safety, the Office of Food Defense, Communication, and Emergency Response; FERN; the Office of Regulatory Affairs' regional laboratories and State Department of Health Agencies. MDP information is also shared with CDC epidemiologists, the National Antimicrobial Resistance Monitoring System (NARMS), and the PulseNet laboratory. On request, MDP provides data to USDA's Agricultural Research Service and the National Advisory Committee on Microbiology Criteria for Food.

During FY 2012, MDP reported to FDA, two *E. coli* O157:H7, 32 *Salmonella*, and 13 *Listeria monocytogenes* positives. These 47 positive reports, which included sample information and test results, were used by FDA in conjunction with additional information collected by FDA inspectors to recommend 19 limited voluntary recalls of the affected lots of fresh produce (cantaloupe, sprouts, cilantro, cherry tomato, and bagged lettuce or spinach). All data, including non-O157 *E. coli* has been reported to FDA.

MDP continuously shared its data on pathogen characteristics such as serotypes and genomic fingerprints by pulsed-field gel electrophoresis (PFGE) with FDA and CDC. The close relationship between MDP-participating State laboratories and their respective health agencies allowed for rapid serotyping and identification of pathogen species and reporting of this information into the CDC PulseNet database within days of isolating a pathogen. MDP data enabled outbreak investigators nationwide to match pathogens isolated in food commodities with those isolated from humans. As a result, CDC epidemiologists were able to identify a total of 15 MDP *Salmonella* and *Listeria monocytogenes* matches to human illness. MDP also provided all its isolate data to the new VolNet database, a database similar to PulseNet, but strictly for pathogens isolated from produce. MDP has also provided data to an Interagency Risk Assessment Consortium and a CDC/FSIS risk assessment group for facilitating development of attribution models in linking a commodity to a food-borne pathogen.

The Program's most recent Annual Report for 2011 was published in November 2012 and can be found at <http://www.ams.usda.gov/AMSV1.0/mdp>.

Interagency Coordination and Cooperation – In order to cross-utilize federal resources, MDP and FDA Food Emergency Response Network (FERN) held monthly conference calls and numerous meetings to discuss

interagency agreements for sharing resources for sampling, testing, equipment purchases, and to harmonize collection of sample information and reporting of analytical results. In FY 2012, MDP worked closely with FDA to assist in research and method development and to provide produce samples for the FERN Cooperative Agreement Program (CAP) laboratories. MDP also assisted FDA by continuing to collect cilantro samples for use by the FDA Module-1 Laboratory in evaluation of the robustness of a newly developed testing method. MDP consulted FDA CFSAN Produce Safety Staff to discuss commodity selection, and with the CDC PulseNet Database Unit and the CDC Outbreak Response and Prevention Branch (Division of Foodborne, Waterborne, and Environmental Diseases) to discuss sharing of MDP isolates data in PulseNet for match-up with food or human illness in a timely manner.

NATIONAL ORGANIC PROGRAM

Current Activities: The National Organic Program (NOP) (authorized by the Organic Foods Production Act of 1990, 7 U.S.C. 6501 et seq.) develops, implements, and enforces national standards governing the production, handling, and labeling of organic agricultural products. The NOP facilitates trade and ensures integrity of organic agricultural products by consistently implementing organic standards and enforcing compliance with the regulations. The NOP accredits certifying agents worldwide so that they may certify that organic producers and processors are in compliance with national organic regulations. The NOP evaluates and establishes recognition and equivalency agreements with foreign governments. The NOP provides support to the National Organic Standards Board (NOSB). The NOSB consists of 15 private-sector appointees who recommend materials to be allowed or prohibited in organic operations and provide other recommendations to the Secretary related to the NOP.

Selected Examples of Recent Progress:

Rulemaking:

- Published Amendments to the National List of Allowed and Prohibited Substances (Crops and Processing) Rule: (Microcrystalline cheesewax; Acidified sodium chlorite; Non-organic dried orange pulp; Non-organic Pacific kombu seaweed; Bleached, non-organic lecithin)
- Published National List Rule: Adding Fenbendazole and Moxidectin
- Published National List Rule: Sunset 2012
- Published National List Rule: Tetracycline Use in Organic Apple and Pear Production
- Published National List Rule: Synthetic Methionine Use in Organic Poultry Production
- Published Sunset 2012: Vitamins and Minerals Interim Rule

Resources and Guidance:

- Issued Draft Guidance: Handling Bulk, Unpackaged Organic Products.
- Released new instruction documents for USDA-accredited certifiers, including: Responsibilities of Certified Operations Changing Certifying Agents; Reinstating Suspended Organic Operations; Recommended Penalties for Violations of Specific Regulatory Requirements; Unannounced Inspections; Information Submission Requirements for Certifying Agents; Annual Report Reviews; and Responding to Non-compliances.
- Updated existing instruction documents for certifiers, including Disclosure of Information Concerning Operations Certified under the National Organic Program, and the NOP's online accreditation audit checklists.
- Published other documents to assist and guide certifiers and organic producers, such as a policy memo outlining the appropriate use of the "Certified Organic" seal; a notice related to the use of sodium nitrate in organic production, memoranda related to international trade agreements, and a reference table presenting National List Sunset Dates.
- Led the development and launch of the Organic Literacy Initiative, a collection of resource materials that trains USDA personnel and farmers about certification and market opportunities in the organic food industry.

Investigation and Enforcement:

- The NOP completed the investigation of 279 complaints in FY 2012, more than twice the number of closures as the previous year. As a result of investigations, NOP issued nine civil penalties through settlement agreements for willful violations of the NOP regulations. These penalties totaled more than \$120,000.
- As a result of process improvements, significant progress was made in reducing the backlog of complaint cases. By the end of FY 2012, 97 percent of complaints received in FY 2010 and 87 percent of complaints received in FY 2011 had been closed.
- The NOP supported criminal investigations and sentencing efforts led by other offices, including the Office of Inspector General Criminal Division and the Department of Justice.

Accreditation Activities:

- The NOP conducted audits of USDA-accredited certifying agents, including 45 accreditation renewal audits, three midterm audits, two initial audits, three surveillance audits, and a recognition assessment audit.
- As a result of accreditation activities and reviews, the NOP processed and issued: 51 reinstatement approvals and 18 reinstatement denials; 1 Notice of Accreditation; 12 Renewals of Accreditation; 8 Notices of Continued Accreditation; 3 Surrender of Accreditation; 51 Notices of Noncompliance; a Notice of Denial of Reduction of Certification Ineligibility; 13 temporary variances; and 4 Application of Export Authorization.
- Analysis of audit findings indicates that certifying agents have fully implemented 92 percent of USDA accreditation criteria.

International Activities:

- Continued to engage with other countries to advance organic community trade through recognition and equivalency agreements. NOP was a key force in establishing the United States – European Union Equivalency Arrangement that has opened up a \$24 billion dollar market to U.S. organic producers and handlers.
- Ensured smooth implementation of both the United States - Canadian equivalency arrangement and the European organic equivalency arrangement.
- Conducted certifier audits and participated in meetings with government officials in Australia, China, Germany, Costa Rica, Brazil, Guatemala, and Argentina. Participated in technical discussions with Japanese government officials to assess future possibilities for organic equivalency.

Training and Outreach:

- Conducted training for accredited certifying agents in San Antonio, Texas in January 2012, and attended multiple conferences and outreach events, resulting in a better understanding of the NOP and the impact of the rules and regulations for both producers and organic consumers.
- Continued to improve program communication and transparency by publishing the NOP Organic Integrity Newsletter, and by communicating through the NOP Organic Insider. The Insider electronic email service had 14,108 subscribers as of early September 2012, more than triple the number of subscribers at the beginning of FY 2012. During FY 2012, NOP sent 73 content-rich update e-mails through the service.
- Held public meetings of the National Organic Standards Board in Savannah, Georgia in November-December 2011 and in Albuquerque, New Mexico in May 2012.
- Launched an “Organic 101” blog series within the USDA Blog site and posted eight articles during FY 2012, all providing an introductory overview of the USDA organic regulations and certification.

External Audits – The OIG completed two audits related to the NOP in FY 2012. The first was entitled “Organic Milk Audit – Phase 1,” and included four findings with recommendations related to the oversight of certified organic milk operations. The second audit resulted in a “No findings” Report on NOP’s management of the National List of Allowed and Prohibited Substances. This “No Findings” Report was particularly significant given close external scrutiny of the National List over the last few years.

Organic Certification Cost-Share Grant Programs – In FY 2012, NOP continued to administer both the National and Agricultural Marketing Assistance Organic Certification Cost Share Grant Programs. This included overseeing the allocation of approximately \$7.2 million to States so that they were able to partially reimburse producers and handlers for the cost of organic certification. NOP outreach efforts for these programs included conference presentations, one-on-one outreach with State points of contact, and email outreach.

PESTICIDE RECORDKEEPING PROGRAM

Current Activities: The Federal Pesticide Recordkeeping Program (PRP) is a National program that enforces the Federal Pesticide Recordkeeping regulations, which requires certified private pesticide applicators (over 600,000 agricultural producers) to maintain records of their restricted use pesticide (RUP) applications. This is accomplished by conducting compliance inspections of these certified private pesticide applicators utilizing State and Federal personnel. PRP also provides information to the regulated community to assist them with compliance and provides outreach materials to licensed health care professionals to inform them of the availability of RUP record information when needed for medical treatment.

Records Inspection and Educational Outreach: Approximately 2,265 inspections of certified private applicators have been conducted by States that follow the Federal regulations. Due to the reduction of program funding for FY 2012, the number of inspections was reduced in many of the 27 States operating under the Federal requirements. The program continued to provide guidance and educational support to the 27 States as needed and on request. PRP continues to support farmers by providing resources to assist them in completing timely and accurate restricted use pesticide application records. PRP distributed 6,925 program brochures, 5,225 fact sheets, 11,300 greenhouse/nursery recordkeeping manuals, 4,435 pocket-sized recordkeeping manuals, 26,882 full-sized recordkeeping manuals, 7,220 wallet reference cards, and other educational materials to total almost 80,000 outreach materials provided to private certified pesticide applicators, including small and minority farmers.

Outreach to Private Applicators: The PRP continues to support AMS outreach efforts by participating in monthly conference calls and face-to-face meetings. Informational materials were made available to attendees on AMS programs including the Farmers Market Promotion Program, AMS Poultry Programs, AMS Fruit & Vegetable Programs and the Pesticide Recordkeeping Program. PRP exhibited and provided outreach materials at the Virginia State Fair in Richmond, Virginia; Sunbelt Agricultural Exposition in Moultrie, Georgia; Beltwide Cotton Conference in Orlando, Florida; and the Southern Sustainable Agriculture Working Group Conference in Chattanooga, Tennessee. More than 150,000 private applicators from the southeastern states were in attendance at these meetings. More than 25,000 outreach materials were provided to private certified pesticide applicators.

Inspection Training: Regional State inspector training was conducted in Alabama, Idaho and Minnesota to provide guidance to new inspectors on the provisions and enforcement of the Federal Pesticide Recordkeeping Regulations. An additional 10 webinar meetings were conducted with new and experienced inspectors that participate remotely. In total, more than 100 inspectors participated in the regional and webinar training meetings.

Annual Summary: The PRP FY 2011 Annual Summary was published in December 2012, and provides information on the number of compliance inspections conducted, the list of State cooperators that assisted with conducting applicator inspections, outreach materials provided, tradeshow attended to reach private applicators, and other program information. The FY 2011 Annual Summary will be posted to the AMS website at the following address: <http://www.ams.usda.gov/AMSV1.0/pesticiderecords>.

RESEARCH AND PROMOTION PROGRAMS

Current Activities: AMS provides administrative oversight to 20 industry-funded commodity research and promotion programs with over \$677 million in revenue. Industry research and promotion boards collect assessments from producers, feeders, seed stock producers, exporters, packers, importers, processors, manufacturers, and handlers, to carry out programs aimed at strengthening the demand for their products. It is the responsibility of AMS to review and approve the budgets and projects proposed by the boards such as paid advertising, consumer education, industry relations, industry information, retail, food service and export promotion, market production and

nutrition research, public relations, and project evaluation. The industries reimburse AMS for the cost of administrative oversight activities.

Selected Examples of Recent Progress:

AMS strengthened its oversight of research and promotion programs by implementing standard operating procedures. During 2012, AMS worked with the boards to ensure the procedures were followed (for example, requiring specific language in board contracts).

Cotton – The completion of the landmark cotton Life Cycle Analysis (LCA) is clearly a highlight of the past year, and, as a metric, it presents where cotton is today as far as environmental impact that will serve as a yardstick to measure future environmental gains. Prior to the LCA, data on the environmental impact of cotton production and processing was obsolete. The environmental impact and the perception of environmental impact continue to be obstacles to increasing demand for cotton. From cotton fiber sourcing to end product, stakeholders and consumers alike are demanding methods of measuring and reducing the environmental impact of textile products. Tools such as Life Cycle Inventories and Life Cycle Assessments can aid in environmental decision-making by identifying key impact areas and benchmarking environmental success, such as impact on water usage or air emissions, over time. The present metrics also identify where the greatest improvements can most quickly be made, which are already helping to guide cotton research strategies moving forward.

The Cotton Research and Promotion Program also continued collaboration to perfect an environmentally-friendly foam application for wrinkle-free finishes, and continued partnering with Under Armour® in incorporating more moisture-wicking cotton apparel into its line of products. The Cotton's 24-Hour Runway Show made history in November 2011 by presenting a cotton look a minute—1,440 different looks—over a 24-hour period. The event was streamed live over the Internet, conveying to a large international audience that cotton is a versatile and fashionable option for any hour of the day. In 2012, cotton research and promotion developed Cotton University (<http://cottonuniversity.org/>) to provide cotton production and manufacturing educational programs on-line, such as workshops and continuing education, to retailers and sourcing specialists

Dairy Products – The Dairy Research and Promotion Program continued to focus on child health and nutrition through the check-off created school program - Fuel Up to Play 60 (FUTP60). FUTP60 combines the 2010 Dietary Guidelines with the star power of the National Football League (NFL) to encourage youth to consume nutrient-rich foods, including low-fat and fat-free dairy, and to have 60 minutes of physical activity every day. AMS continued to participate in the implementation of the Memorandum of Understanding (MOU) between USDA, the Department of Education, the Department of Health and Human Services, National Dairy Council, Gen YOUth Foundation, and the NFL. This MOU set a new precedent for public-private partnerships and cross-department collaboration to further the goals of FUTP60 through healthier eating and increased physical activity. The FUTP60 program is now in more than 73,000 schools serving 38 million students, an 18 percent increase from 2011. Since 2010, \$6.5 million has been awarded to FUTP60 schools, of which 60 percent are serving high-needs student populations (over 40 percent of students are eligible for free/reduced price meals). AMS collaborated quarterly with the Food and Nutrition Service, Center for Nutrition Policy and Promotion, and the National Dairy Council to strengthen joint efforts to address child nutrition and exercise. FUTP60 also shares the goals of the First Lady's childhood obesity platform "*Let's Move!*"

Eggs – The Egg Research and Promotion Program pursued strategies to fortify hen feed with additional vitamin D, a nutrient in which many people are deficient. This followed research showing that eggs are naturally a good source of vitamin D. Once researchers demonstrated that feed fortified with various levels of vitamin D had no detrimental effect on hens, the egg program initiated efforts in tandem with egg farmers to incorporate more of this important nutrient into feed formulations.

The Program also continued its Good Egg Project which educates consumers about egg production and promotes nutrition and philanthropy. A key goal of the project is to invite the public to join egg farmers in the fight against

hunger through the donation of eggs to local food banks and Feeding America. Since the Good Egg Project began in 2009, egg farmers have donated more than 38.6 million eggs to the Nation's hungry population.

Processed Raspberries – AMS' fruit and vegetable program implemented a new Processed Raspberry Research and Promotion Program. The Program will assess domestic manufacturers of raspberries for processing and imported processed raspberries. The purpose of the program is to strengthen the position of the processed raspberry industry in the marketplace, maintain and expand markets for processed raspberries, and develop new uses for processed raspberries within the U.S.

Research and Promotion Program Industry Revenue
 FY 2012 Estimate
 (Dollars in Millions)

<u>Commodity</u>	<u>Estimated Revenue</u>
Cotton	\$118.6
Dairy	106.4
Fluid Milk	104.0
Beef	39.2
Lamb	1.9
Pork	83.3
Soybeans	90.8
Sorghum	7.2
Eggs	21.1
Blueberries	8.1
Hass Avocado Board	37.3
Honey Board	4.3
Mango Board	5.9
Mushroom Council	4.5
Peanut Board	6.9
Popcorn Board	1.1
Potato Board	20.0
Processed Raspberries	0.0
Softwood Lumber	12.0
Watermelon Board	4.6
Total	\$677.2

Note: The board's fiscal year coincides with the calendar year for the blueberry, cotton, dairy, egg, fluid milk, Hass avocados, honey, mangos, mushroom, pork, popcorn, and Softwood lumber boards. The other boards operate under different 12-month fiscal periods.

TRANSPORTATION AND MARKET DEVELOPMENT

Current Activities: AMS serves as the expert source for economic analysis on agricultural transportation from farm to markets. The Agency informs, represents, and helps agricultural shippers and government policymakers through

market reports, regulatory representation, economic analysis, transportation disruption reports, and technical assistance.

AMS supports and enhances the distribution of U.S. agricultural products and marketing opportunities for small and mid-sized producers through grant programs, applied research, and technical services. These activities focus on direct marketing and locally grown initiatives.

Selected Examples of Recent Progress:

Transportation Reports and Studies – AMS provides a variety of reports and information for diverse audiences, including government entities and agricultural stakeholders, on regulatory, policy, and legislative matters related to agricultural and rural transportation. These products inform decision-makers and promote the development of an efficient agricultural transportation system that improves farm income, expands exports, and meets the transportation needs of rural America.

- The weekly *Grain Transportation Report* recounts developments affecting the transport of grain, both in the domestic and international marketplaces. This report includes up-to-date volume and price data for barges, railroads, trucks, and ocean vessels involved in the transport of grain. As a complementary resource, the Agency publishes Grain Transportation Report Datasets on Data.gov, which allow users to structure and analyze a wide breadth of grain transportation information to meet their specific needs.
- The *Ocean Shipping Container Availability Report*, published in support of the President's National Export Initiative, provides a weekly snapshot of the current and projected short-term availability of various types of marine shipping containers at 18 intermodal locations for westbound transpacific trade lanes. The report helps agricultural exporters realize an estimated 25 percent increase in agricultural cargo by allowing them to identify available containers.
- The *Agricultural Refrigerated Truck Quarterly* provides a view of U.S. regional refrigerated truckload movements in terms of volume and rates to gauge truck transportation in the fresh fruit and vegetable markets.
- The annual *Transportation of U.S. Grains: A Modal Share Analysis* examines trends in the types of transportation used to move grains grown for food and feed to help U.S. agriculture maintain a well-developed, efficient transportation system.
- The quarterly *Mexico Transport Cost Indicator Report* provides a snapshot of the agricultural transportation traffic of grain, soybeans, livestock, fruit, vegetables, and container shipments between the United States and Mexico. The report also looks in depth at the specific cost components of transporting grain between the two countries, and provides data on cross-border livestock movements and the effect of protected agriculture on fruit and vegetable shipments.
- The quarterly *Brazil Soybean Transportation Report* shows the total cost of shipping soybeans from Brazil to major export markets.
- Other AMS information products include: *Soybean Transportation Guide: Brazil 2010*, *Impacts of Transportation Infrastructure on the U.S. Cotton Industry*; *U.S. Grain and Soybean Exports to Mexico—A Modal Share Transportation Analysis, 2007-2010*; *Infrastructure Moves Agriculture*; *Rail Rate and Revenue Changes since the Staggers Act*; *the Mississippi River Gage Report*, *the Biofuel Transportation Database*; *Comprehensive Rail Rate Index*, a report on the three components of rail rates: rail tariff rates, fuel surcharges, and secondary rail market bids/offers; and the report, *Reliable Waterway System is Important to Agriculture*, which describes the importance of marine transportation to agricultural exports.

Regulatory Representation – Because of the Agency's expertise, AMS is often asked to provide input to various regulatory agencies on issues related to agricultural shipping under the authority of the Agricultural Adjustment Act of 1938, Agricultural Marketing Act of 1946, and International Carriage of Perishable Foodstuffs Act of 1982. During FY 2012, AMS provided input or comments on more than 10 major transportation issues, including: Western Coal Traffic League, Petition for Declaratory Order, BNSF Railway Company Acquisition Premium, Surface Transportation Board (STB) FD-35506; Competitive Switching Rules, STB EP-711; Rate Regulation Reforms, EP-715; Assessment of Mediation and Arbitration Procedures, STB EP-699; Agricultural Hours of Service Exemption for Drivers Transporting Farm Supplies; Exemptions for Certain Farm Vehicles and Drivers; Global Supply Chain Security; and Working Party on the Transport of Perishable Foodstuffs.

Direct Marketing/Locally Grown:

Farmers Market Promotion Program (FMPP) – AMS administers the FMPP, a program funded by the 2008 Farm Bill, which provides grants to establish, improve, and expand domestic farmers markets, roadside stands, community-supported agriculture programs, agritourism, and other direct producer-to-consumer market strategies. Grants of up to \$100,000 are awarded through a competitive process to eligible entities, which include agricultural cooperatives, economic development corporations, local governments, nonprofit corporations, producer associations, producer networks, regional farmer’s market authorities, and Tribal governments. In 2012, AMS provided over \$9 million in FMPP grants to organizations in 39 states, the District of Columbia, and Puerto Rico for initiatives that bolster the connection between agricultural producers and their consumers, improve access to healthy food, and strengthen local economies. The 2012 grants funded more than 40 projects that connect farmers and ranchers to new customers by establishing new markets and other retail outlets, community supported agriculture programs, or extend the market season; 17 that use new delivery approaches such as online and mobile markets; 13 that foster the economic growth of new and beginning farmers and ranchers; 12 that support American Indian and Alaskan Native communities, and provide new opportunities for Latino, refugee, and immigrant farmers; 10 that help hospitals and health care organizations improve eating habits in their communities through education and the direct marketing of fresh local produce; and 9 projects that support agritourism. Synopses of the 2012 FMPP grants can be viewed at <http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRDC5100605>.

Farmers Markets – As part of its mission to educate and support farmers markets and the local food sector, AMS maintains a comprehensive directory of U.S. farmers markets at (<http://www.ams.usda.gov/farmersmarkets>). In FY 2012, 7,864 farmers markets were reported operating in the United States; the number of farmers markets with winter operating hours increased 38 percent from 886 in 2011 to 1,225 in 2012.

Food Hubs – AMS is working to support the small and mid-sized producers’ movement toward distribution and processing infrastructures of appropriate scale to broaden their access to retail, institutional, and commercial foodservice markets, where demand for local and regional foods continues to rise. Food hubs provide a combination of production, aggregation, distribution, and marketing services, making it possible for producers to gain entry into new and additional markets that would be difficult or impossible to access on their own. AMS is a partner with local and regional food stakeholders in the National Good Food Hub Collaboration, a public-private effort to collect data and analyze the latest developments, research, and activities related to food hubs. In 2012, AMS led the Collaboration in developing a database of more than 213 operating or emerging regional food hubs (double the number recorded in 2011), and launched the Food Hub Community of Practice, a national peer-learning network intended to accelerate research, best practices, and sharing of resources among food hub stakeholders. AMS also published a new *USDA Regional Food Hub Resource Guide*, a comprehensive compilation of guidance for developing or participating in a regional food hub, and issued *Moving Food Along the Value Chain: Innovations in Regional Food Distribution*, a detailed study of food hub models. During FY 2012, AMS conducted outreach at 26 regional and national conferences, training workshops, webinars, and conference calls to share knowledge about and potential funding sources for food hubs with more than 2,000 food hub stakeholders, and responded to more than 150 direct requests for food hub information.

Direct Marketing Studies and Reports

- In FY 2012, AMS, with the USDA Economic Research Service, authored *Mapping Competition Zones for Vendors and Customers in U.S. Farmers Markets*, a study that used heat maps (a graphical representation of data where the individual values contained in a matrix are represented as colors) to track the relative concentration of farmers’ market vendors and customers across the country with the goal of helping market managers and planners better understand local market conditions.
- As mentioned above, AMS published *Moving Food Along the Value Chain: Innovations in Regional Food Distribution*, a report about the distribution practices of eight producer networks that distribute locally or regionally-grown food to retail and foodservice customers. The report delineates how the networks tap into the growing commercial demand for local and regional food to create economic opportunities and expand healthy food access. AMS also published the *USDA Regional Food Hub Resource Guide*. These two

reports provide clarity on the food hub concept, showcase food hub impacts on regional food systems, and describe Federal and non-Federal resources that can be used to support food hub growth and development.

Facilities Design Projects/Studies – AMS provides direct site assessment and design services for food market planners, managers, and community stakeholders to improve the efficiency of permanent food market facilities. In FY 2012, AMS provided architectural plans and design assistance to 10 farmers markets that will be used to either establish new or enhance existing farmers' market facilities.

Outreach/Training – During FY 2012, AMS participated in 26 regional and national conferences, webinars, training workshops, and conference calls to share information with more than 2,000 small and mid-sized enterprises and individuals on opportunities to enhance their marketing strategies. As a result of the Agency's food hub outreach, it has been estimated that the volume of private foundation contributions to support food projects is over \$15 million.

AUDITING, CERTIFICATION, GRADING, TESTING, AND VERIFICATION SERVICES

Current Activities: AMS provides impartial verification services that ensure agricultural products meet specified requirements. These services include AMS' grading program which verifies that product meets USDA grade standards. These services are voluntary, with users paying for the cost of the requested service.

AMS has also developed voluntary testing and process verification programs in response to the industry's growing need to facilitate the marketing of agricultural products. AMS' Process Verified Program provides producers and marketers of livestock, seed products, and poultry products the opportunity to assure customers of their ability to provide consistent quality products by having their written production and manufacturing processes confirmed through independent, third party audits. The USDA Process Verified Program uses the ISO 9000 series standards for documented quality management systems as a format for evaluation documentation to ensure consistent auditing practices and promote international recognition of audit results.

Selected Examples of Recent Progress:

Cotton Grading – AMS classified 14.8 million bales of cotton under the grower-classing program in FY 2012, with all cotton classed by the high volume instrument method. This represents a 14 percent decrease from the FY 2011 level. This information is provided electronically to growers and agents who request it, at a charge of five cents per record. In FY 2012, the Cotton Program received requests for information on over 48 million bales, a 27 percent increase from FY 2011.

The AMS Cotton and Tobacco Programs provided classification services on 318,337 samples submitted for futures certification during FY 2012. This classification total was 64 percent lower as compared to FY 2011 when classification services were provided on 895,029 samples submitted. The primary cause for the reduction in the number of samples classed was the marketing environment during FY 2012. Many cotton merchants found it more advantageous to sell the cotton on the spot market rather than certificate the cotton on the futures market. The number of bales available for delivery on the futures market is also impacted by the percentage of the total U.S. crop graded as "tenderable". The percentage of bales meeting this requirement was also reduced, resulting in a smaller pool of potential bales available for futures classification.

AMS developed and implemented a new instrument-based leaf grade for cotton to replace the long-standing, labor-intensive determination assigned by human graders. This new grading technique utilizes imaging technology and a comprehensive algorithm developed internally by AMS employees. The algorithm was pilot-tested in FY 2010-2011 alongside the official manual grade for all cotton grown and graded in the U.S. The new algorithm and process was fully vetted by the cotton industry, which supported this progressive step forward. These highly accurate instrument measurements will be used to market cotton worldwide. This new methodology will increase efficiency and reduce labor without sacrificing data accuracy. The program was fully implemented under the Revision of Cotton Classification Procedures for Determining Cotton Leaf Grade (Final Rule- April 5, 2012).

In February 2012, AMS developed and implemented a new system for futures classification. The new system was developed to streamline the futures classification process through advancements in technology. Implementation of the new futures system allowed AMS to maintain the current futures classification fee rate.

Fees and Charges in Effect 2012:

<u>Service Performed</u>	<u>Fees</u>
Form 1 grading services	\$2.20 per sample ^{a/}
Futures grading services	3.50 per sample

^{a/} Base fee rate as of July 2008. A discount of five cents per bale is awarded to producers who are billed through voluntary central agents (e.g., cotton gins and warehouses).

Tobacco Grading – AMS’ Tobacco Grading Service offers voluntary tobacco inspection, grading, and expanded pesticide testing on all types of domestic and imported tobacco.

During FY 2012, 115.5 million kilos of tobacco were graded and pesticide testing was performed on 64 million kilograms of tobacco to ensure that pesticide residue levels were within tolerance. In addition, 199 samples and 308,000 pounds of tobacco were graded under the USDA Risk Management Program.

Fees and Charges in Effect 2012:

<u>Service Performed</u>	<u>Fees</u>
Permissive Inspection	\$47.40 per hour
Domestic Tobacco Grading	0.70 per hundred lbs
Certification of Export Tobacco	0.25 per hundred lbs
Imported Tobacco Grading	1.54 per hundred kg
Imported Tobacco Pesticide Testing and Certification	0.54 per hundred kg
Domestic Tobacco Pesticide Testing and Certification	0.25 per hundred lbs
Retest Tobacco Pesticide Testing and Certification	220.00 per sample

Dairy Products Grading – Dairy products grading, laboratory analysis, and dairy plant inspections assure purity and quality of dairy products. Upon request, AMS grades dairy products sold in commercial channels. An AMS grade is also required on some products sold to the Commodity Credit Corporation (CCC) under the dairy price support program.

Fees and Charges in Effect in 2012:

<u>Services Performed</u>	<u>Fees</u>
Continuous Resident Service	\$63.00 per hour
Nonresident Service	68.00 per hour

International markets are increasing for U.S. dairy and related products. AMS Dairy Programs offer assistance with inspection and certification of dairy and related products for export. Certifications attest that dairy products are: 1) fit for human consumption; 2) produced under sanitary and wholesome conditions; and 3) free from animal diseases. The Dairy Grading Program implemented dairy export certification programs in Chile, Brazil, and Kazakhstan thus eliminating trade barriers resulting in increased exports. In 2012, the Dairy Grading program issued 20,515 export certificates which was a 2.5 percent increase over 2011. AMS Dairy Programs continues to look for ways to improve the certificate issuance program. To facilitate the issuance of these certificates, the Program is developing an online system to request certification. To date exporters can request certificates for the EU, and generic sanitary certificates online.

Specialty Crop Inspections – Processed Commodities: This program offers both grading and audit-based verification services for the food industry. During 2012, AMS graded approximately 16.2 billion pounds of processed fruits and vegetables at 232 processing plants, 14 field offices, and 14 inspection points. This represents a 2.5 percent increase above the 2011 level.

In addition, AMS conducted third-party quality, systems, and sanitation audits for food service organizations, processors, retailers, and state and federal government entities. Below is a listing of 2012 highlights:

- AMS provided verification audits under the Qualified Through Verification (QTV) program to meet the needs of the fresh-cut produce industry. AMS performed 14 QTV audits in 2012.
- The Plant Systems Audit (PSA) program provides an unbiased, third-party audit of a processor’s quality assurance system. In 2012, AMS performed 16 PSA audits for fruit and vegetable processors nationwide.
- AMS provided surveys from the Food Defense Survey System in support of USDA food purchases. In 2012, AMS performed 325 of these surveys. The reviews provide industry with information regarding product conformance to specifications.
- AMS continued to meet the demand for inspection of food components in Department of Defense (DOD) operational rations in support of military activities in Iraq, Afghanistan, and elsewhere. In addition, AMS continued to participate with the U.S. Department of Commerce Food Team in 21 worldwide subsistence audits under DOD’s “Prime Vendor” food procurement program in 2012. These audits are conducted by food quality experts at various vendor/warehouse locations throughout the U.S. and other countries worldwide to ensure the quality of the food products purchased under Prime Vendor contracts. In 2012, AMS auditors participated in 19 DOD Produce Quality Audits. These audits verify that produce suppliers’ facilities meet DOD’s food safety requirements and that produce meets their specifications.
- AMS continued management of the Child Nutrition (CN) Labeling program, including training additional staff to review CN labels as needed based on label volume, performing outreach, and training to CN manufacturers and school food service professionals on program and policy changes. During 2012, AMS reviewed for approval 3,100 label applications.

Fees and Charges in Effect in 2012:

<u>Service Performed</u>	<u>Hourly Fees</u>		
	<u>Base</u>	<u>Overtime</u>	<u>Holiday</u>
Lot inspection	\$62.00	\$93.00	\$124.00
Yearly contract (in-plant)	49.00	73.50	98.00
Additional Graders (in-plant)	65.00	97.50	130.00
Seasonal contract (in-plant)	65.00	97.50	130.00

Specialty Crop Inspections – Fresh Commodities: AMS grading services for fresh fruits and vegetables are available at shipping points and in receiving markets throughout the U.S. and Puerto Rico. These services include voluntary inspections as well as services required for import and export certifications, Federal Marketing Order requirements, and for Commodity Procurement Programs. In 2012, AMS graded or supervised the grading of approximately 57.5 billion pounds of fresh fruits, vegetables, and specialty crops. Grading services were provided by approximately 1,500 Federally-licensed State employees at shipping points and cooperative market locations and by approximately 123 federal employees at 32 federal receiving markets.

AMS Fresh Products Good Agricultural Practices (GAP) & Good Handling Practices (GHP) program is an audit based activity that assesses a participant’s ability to conform to generally recognized “best practices” that minimize the risk of food safety hazards contaminating fruits, vegetables, and other specialty products during the production, harvesting, packing, transportation and storage of the product. In 2012, approximately 3,404 audits were conducted on over 90 different commodities in 49 states, Canada (Quebec, Ontario, and British Columbia) and Chile.

AMS conducted training classes during 2012 to ensure quality service and uniform application of procedures. Specifics include:

- Two five-day Basic GAP training classes were held for new federal and federal-state inspector auditors.
- Nine LiveMeetings for commodity refresher training classed for over 250 federal and state inspectors.
- Seven LiveMeetings on GAP and GHP for over 200 fresh fruit and vegetable federal and state auditors.
- One five-day D.E.P.S. (Developing Effective Presentation Skills) class for 17 Federal and Federal/State employees.
- Three industry training classes were held to cover inspection processes for various commodities and grading standards in conjunction with a formal agreement with United Fresh Produce Association.
- Five classes for the FNS were held for over 150 state public school cafeteria officials.
- Four on-line webinars were held for FNS state public school cafeteria officials.
- One comprehensive eight-week Market Inspector Training course was held for 19 new Federal and

Federal/State inspectors.

- This course included four days of LiveMeeting training, five weeks of on-site training and a two-week on-the-job training assignment in the Hunts Point Market, Bronx, NY.
- One three-day industry training class for 15 company personnel on-site at A-Z Produce, Salt Lake City, Utah.
- One 1-day industry training class for 18 company personnel on-site at Kingdom Fresh Produce, McAllen, Texas.
- One 2-day industry training class for 20 company personnel on-site at Houston Food Bank, Houston, Texas.

Fees and Charges in Effect in 2012:

Quality and condition inspections of products each in quantities of 51 or more packages and unloaded from the same land or air conveyance:

<u>Service Performed</u>	<u>Fees</u>
Over a half car lot equivalent	\$151.00
Half car lot equivalent or less of each product	125.00
For each additional lot of the same product	69.00

Note: Lots in excess of car lot equivalents are charged proportionally by the quarter car lot.

Hourly Rates

Hourly rate for inspections performed for other purposes during the grader's regularly scheduled work week	\$74.00
Hourly rate for inspections performed under 40 hour contracts during the grader's regularly scheduled work week	74.00
Premium rate, in addition to hourly or car lot rates	38.00
Holiday hourly rate, in addition to hourly or car lot rates	74.00
Hourly rate for auditing (travel and expenses, inclusive)	92.00

Meat Grading and Verification – During FY 2012, grading and verification services were provided to approximately 1,080 meat packing and processing plants, livestock producers and livestock service providers, beef export verification programs, organic certifying agencies, seed testing laboratories, state agencies, and other agricultural based establishments and companies worldwide. A total of 30.8 billion pounds of meat and meat products were verified for specification, contractual or marketing program requirements.

AMS graded 259 loads of beef cattle carcasses for the Chicago Mercantile Exchange and performed 30 worldwide food audits for Department of Defense prime vendor contracts. Instrument grading has been successfully implemented at ten major beef harvesting facilities. A total of 20.1 billion pounds of red meat (beef, lamb, veal and calf) were graded which represents approximately 94.4 percent of steers and heifers, 72 percent of lamb, and 33 percent of veal and calf commercially slaughtered in the U.S. Services designed to help producers, packers, processors and others verify specific requirements for overseas customers facilitated the export of 1.4 million metric tons (valued at \$11.4 billion) of beef, lamb, veal and pork in FY 2012.

Domestic and international accreditation audits conducted for the National Organic Program represent an approval to certify and label product with the USDA Organic Seal. The program conducted on-site audits of USDA accredited certification agents to the ISO Guide 65 program, within the scope of USDA Grass-fed Standard. This provides producers the ability to label and sell their products as USDA Certified Grass Fed as well as USDA Certified Organic through the same accredited certification agent. The program also conducted animal welfare audits for the Professional Animal Auditor Certification Organization.

Fees and Charges in Effect in FY 2012:

<u>Service Performed</u>	<u>Hourly Fees</u>
Commitment grading	\$61.00
Non-commitment grading	\$71.00

Premium (overtime) grading	\$78.00
Holiday grading	\$122.00
Audit verification	\$108.00

Poultry and Egg Grading – Approximately 89 percent of poultry grading services were provided on a resident basis, where a full-time grader is usually stationed at the plant that requests service. The remaining 11 percent of poultry grading service is provided on a non-resident (lot grading) basis. During 2012, AMS provided resident service in 107 poultry plants, grading 7.1 billion pounds of poultry and 175 shell egg plants where 2.25 billion dozen shell eggs were graded. There was a 1 billion pound decrease in the volume of chicken products received in official plants, and a 0.47 billion pound increase of turkey handled in official plants for a 0.53 billion pound total decrease in poultry graded. Shell eggs certified in 2012 increased by 0.32 billion pounds. Poultry grading services covered about 29 percent of the turkeys slaughtered, 15 percent of the broilers slaughtered, and 50.1 percent of the shell eggs produced in the U.S., excluding eggs used for breaking and hatching.

Currently, there are 14 qualified Process Verified Program auditors who perform Process Verified Program audits. There are two companies with 13 facilities approved under the Program with claims such as all vegetarian diet, no animal by-products, humanely raised, antibiotic free, raised cage free, tenderness guaranteed, and no antibiotics ever. Due to recent growth of this program and advertising campaigns made by Perdue Farms, Inc. in 2012, it is anticipated that approximately 5 to 10 additional facilities from the shell egg, egg products, and poultry industries will apply and meet the requirements of the program.

Fees and Charges in Effect in 2012:

<u>Service Performed</u>	<u>Hourly Rate</u>
Non-Resident Plant--Regular Time	\$77.28
Resident Plant*	44.27 – 61.29
Auditing Activities	89.20

**Note: Fee rate depends on the volume of product handled in the plant.*

The Poultry Export Verification Program (PEV) was established as a result of a 1997 ban on U.S. poultry exports to the EU member states based on concerns by European Commission (EC) auditors about 1) the use of chlorinated water in the processing of U.S. poultry and 2) deficiencies in the U.S. system regarding verification of on-farm Good Manufacturing Practices. In 2012, the audited company shipped turkey products to EU countries ranging from 6,000–20,000 pound lots. Five loads were shipped between May–September 2012. The development of this verification program led to the re-opening of poultry export markets to the EU.

Voluntary Seed Testing – AMS offers seed inspection and certification services to users for a fee. Most of the users of this service are seed exporters. During 2012, AMS tested 1,249 samples and issued 1,744 Seed Analysis Certificates. This represents a 42 percent decrease in certification requests due to world-wide economic conditions and the privatization of accredited seed testing for U.S. seed being shipped internationally. Most of the samples tested and certificates issued represent seed scheduled for export. Also in 2012, the Seed Regulatory and Testing Division accredited two companies at six plant locations for the new Seed Conditioning USDA Process Verified Program. This program allows for the verification of specified seed conditioning processes, including Refuge in the Bag. Fees collected for these activities in FY 2012 totaled \$32.2 million.

Fees and Charges in Effect 2012:

<u>Service Performed</u>	<u>Hourly Fees</u>
Seed Testing Activities	\$52.00

Administration of Organization for Economic Cooperation and Development (OECD) Seed Schemes – AMS is responsible for the administration of U.S. participation in the OECD Seed Schemes, an international program through which seed companies export seed certified for varietal purity. AMS collects a fee to operate the program that is based on the amount of seed shipped. During 2012, AMS approved the shipment of 151 million pounds of seed and approved 1,539 new varieties.

Fees and Charges in Effect 2012:

<u>Service Performed</u>	<u>Fees</u>
Seed Export Management	\$0.20 per 100 lbs. – Corn 0.11 per 100 lbs. – Other Crops

AMS Laboratory Division – The AMS Laboratory Division provides USDA, other federal agencies, and the agricultural industry with a network of analytical testing laboratories supporting commodity purchases, export certification programs, grading, quality assurance and biosecurity. The laboratory consistently performs tests on commodities such as breads and cakes, butter, coffee, citrus juices and juice products, citrus trees, canned and fresh fruits and vegetables, canola, corn, crop plants, eggs and egg products, honey and honey products, meats, milk and dairy products, military and emergency food rations, oils and spreads, olive oil, peanuts, rice, fish and seafood, organic foods and products, soybeans, tobacco, turf grass and others. The tests are performed to detect, identify, characterize and quantify dietary content, pathogen contamination, Aflatoxin, varietal identity, pesticide residue contamination, organoleptic properties and proximate characteristics.

During 2012, the AMS Laboratory Division conducted over 130,000 chemical, microbiological, bio-molecular, proximate, and organoleptic analyses on over 47,000 samples representing a wide variety of agricultural products. The AMS Laboratory Division produced \$6.8 million in user fee revenue. In 2012, the Division provided analytical testing services to other Federal programs, including the NOP, FDA with the Family Smoking Act of 2009, ARS with honeybee colony collapse disorder testing, and Animal and Plant Health Inspection Service with the redistribution of pest control testing resulting from laboratory closures.

Fees and Charges in Effect 2012:

<u>Service Performed</u>	<u>Fees</u>
Aflatoxin	\$29.00 – \$102.00 per test
Olive Oil testing	83.00 per hour
Dairy	83.00 per hour
Citrus	78.00 per hour
Tobacco	290.50 – 539.50 per test
Voluntary/Other	83.00 per hour

PLANT VARIETY PROTECTION ACT

Current Activities: The Plant Variety Protection (PVP) Act provides legal and intellectual property rights protection to developers of new varieties of plants that are sexually reproduced or tuber-propagated. This voluntary program is funded through application fees for certificates of protection. Each developer of a new variety is assessed a fee of \$5,150 to cover the cost of filing, searching, issuing, informing the public, and maintaining plant variety protection certificates.

Selected Examples of Recent Progress:

We estimate that more than 140 species of plants are currently protected under the PVP. In 2012, AMS received 491 applications for protecting new agricultural, floral, and seed plant varieties, which is a 7 percent decrease from 2011. A total of 1,124 applications, including some from previous years, were pending action at the end of 2012. During the fiscal year, AMS conducted searches on 570 applications to determine whether the plant constituted a new variety. On the basis of those searches, the program issued 323 certificates of protection. At the end of the fiscal year, 5,021 certificates were in force while protection had expired on 208 different varieties.

In February 2012, the Program awarded a contract to a vendor to evaluate converting the current STAR database to a new relational system and to plan for an electronic online PVP application filing system. The Program held a meeting with its 14 Board members in April 2012 to discuss the new system, process improvements, and industry outlook. In December 2012, the PVP Office relocated from Beltsville, Maryland to Washington, DC. This move will result in better communication with the Program and reduce operating costs.

NATIONAL SHEEP INDUSTRY IMPROVEMENT CENTER

The National Sheep Industry Improvement Center (Sheep Center) was initially authorized under the Federal Agricultural Improvement and Reform (FAIR) Act. The Act, as amended, was passed as part of the 1996 Farm Bill. The purpose of the Sheep Center is to allow the industry to engage in coordinated programs focusing on infrastructure development, production research, environmental stewardship efforts, and marketing. The Sheep Center's work has been instrumental in providing assistance to a declining U.S. sheep industry and was re-established under the 2008 Farm Bill, which provided a one-time, no-year appropriation to fund additional Sheep Center projects.

Selected Examples of Recent Progress:

On December 7, 2010, USDA issued a Final Rule and announced the appointment of the Sheep Center's Board of Directors. The first meeting of the Board of Directors was held January 19, 2011. The Sheep Center submitted its Strategic Plan (Plan) as required by the 2008 Farm Bill, and the Plan was approved by AMS on March 14, 2012. On June 1, 2012 the Sheep Center Board of Directors announced it was accepting grant proposals designed to improve the competitiveness of the U.S. sheep and goat industries. Applications for the \$300,000 budget were due August 31, 2012. On November 1, 2012, AMS approved eight of nine grants, with additional information pending on the remaining grant.

AGRICULTURAL MARKETING SERVICE

The estimates include proposed changes in the language for this item as follows:

Limitation on Administrative Expenses

Not to exceed \$60,435,000 (from fees collected) shall be obligated during the current fiscal year for administrative expenses: Provided, That if crop size is understated and/or other uncontrollable events occur, the agency may exceed this limitation by up to 10 percent with notification to the Committees on Appropriations of both Houses of Congress.

2013 Estimate	\$62,592,000
Budget Estimate, 2014.....	<u>60,435,000</u>
Change in Appropriation	<u>-2,157,000</u>

AGRICULTURAL MARKETING SERVICE

The estimates include proposed changes in the language for this item as follows:

Payments to States and Possessions

For payments to departments of agriculture, bureaus and departments of markets, and similar agencies for marketing activities under section 204(b) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623(b)), \$1,363,000.

Lead-Off Tabular Statement

2013 Estimate.....	\$1,205,000
Budget Estimate, 2014.....	<u>1,363,000</u>
Change in Appropriation.....	<u>+158,000</u>

Summary of Increases and Decreases

(Dollars in thousands)

	2011	2012	2013	2014	2014
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Discretionary Appropriations:					
Payments to States and Possessions.....	\$1,331	-\$133	+\$7	+\$158	\$1,363
Total, Appropriation or Change.....	<u>1,331</u>	<u>-133</u>	<u>+7</u>	<u>+158</u>	<u>1,363</u>

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Project Statement

Appropriation Detail and Staff Years (SY)

(Dollars in thousands)

Program	<u>2011 Actual</u>		<u>2012 Actual</u>		<u>2013 Estimate</u>		<u>Inc. or Dec.</u>		<u>2014 Estimate</u>	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Discretionary Appropriations:										
Payments to States and Possessions.....										
	\$1,331	-	\$1,198	-	\$1,205	-	+\$158 (1)	-	\$1,363	-
Total Adjusted Approp..	1,331	-	1,198	-	1,205	-	158	-	1,363	-
Rescissions and Transfers (Net).....										
	3	-	-	-	-	-	-	-	-	-
Total Appropriation.....	1,334	-	1,198	-	1,205	-	+158	-	1,363	-
Recission.....	-3	-	-	-	-	-	-	-	-	-
Total Available.....	1,331	-	1,198	-	1,205	-	+158	-	1,363	-
Total Obligations.....	1,331	-	1,198	-	1,205	-	+158	-	1,363	-

Project Statement

Obligations Detail and Staff Years (SY)

(Dollars in thousands)

Program	<u>2011 Actual</u>		<u>2012 Actual</u>		<u>2013 Estimate</u>		<u>Inc. or Dec.</u>		<u>2014 Estimate</u>	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Discretionary Obligations:										
Payments to States and Possessions.....										
	\$1,331	-	\$1,198	-	\$1,205	-	+\$158 (1)	-	\$1,363	-
Total Obligations.....	1,331	-	1,198	-	1,205	-	+158	-	1,363	-
Total Available.....	1,331	-	1,198	-	1,205	-	+158	-	1,363	-
Recission.....	3	-	-	-	-	-	-	-	-	-
Total Appropriation....	1,334	-	1,198	-	1,205	-	+158	-	1,363	-

Justification of Increases & Decreases
Payments to States and Possessions

1) A net increase of \$158,000 for Payment to States and Possessions (\$1,205,000 available in 2013) consisting of:

- a) An increase of \$165,000 (\$1,205,000 available for FY 2013) for matching grants offered through the Federal-State Marketing Improvement Program (FSMIP).

FSMIP is a competitive matching grant program for State Departments of Agriculture or similar State agencies. FSMIP grants are designed to encourage research and innovation; improve agricultural marketing efficiency; foster new and expanded domestic/foreign markets; collect and disseminate marketing information; and develop more efficient post-harvest and packaging methods, electronic marketing, and product diversification. Federal funding for matching grants leverage state and regional resources to resolve marketing problems. In 2012, the program funded 22 projects in 18 states and the District of Columbia, with a grant average of \$54,000, to help create economic opportunities for American producers and businesses.

The FSMIP program is unique in that it supports projects across a wide spectrum of marketing issues facing the U.S. agriculture sector, and often, these projects serve as catalysts for new initiatives that improve farm income and consumer welfare. The funds are instrumental in assisting private business and act as a stimulus for the nation's food and agricultural sectors. Eligible projects for the program's matching grants include livestock and livestock products, food and feed crops, fish and shellfish, horticulture, viticulture, apiary, forest products, processed or manufactured products derived from such commodities, nutraceuticals, compost, and other products made from agricultural residues. FSMIP grants directly support AMS' marketing mission and USDA's support for rural communities, as the funds allocated to these projects put resources directly into communities nationwide.

The requested resources will allow the program to focus additional resources on grant proposals to meet emerging needs such as changes driven by new FDA Food Safety Modernization Act reforms, without reducing resources for other high-impact projects that benefit multiple producers or other agricultural businesses; projects that reflect a collaborative approach between States, academia, the farm sector and other stakeholders; and projects that build on past project best practices.

- b) A decrease of \$7,000 for the Federal-State Marketing Improvement Program (FSMIP) which represents 0.612% funding authorized by Section 101 (c) of P.L. 112-175, the Continuing Appropriations Act, 2013.

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Distribution of obligations by State is not available until projects have been selected. Projects for 2013 will be selected in the fourth quarter of 2013. Funds in 2013 for the Federal-State Marketing Improvement Program total \$1,205,000. A funding level of \$1,363,000 is proposed for 2014.

Geographic Breakdown of Obligations

(Dollars in thousands)

	<u>2011 Actual</u>	<u>2012 Actual</u>
Arkansas.....	\$61	-
Connecticut.....	89	-
Georgia.....	55	-
Hawaii.....	-	\$28
Idaho.....	67	-
Illinois.....	55	98
Kansas.....	144	-
Kentucky.....	49	69
Louisiana.....	87	-
Maine.....	64	-
Massachusetts.....	26	53
Michigan.....	150	-
Minnesota.....	60	-
Mississippi.....	-	53
Missouri.....	61	60
Montana.....	-	39
Nebraska.....	79	-
Nevada.....	-	46
New Jersey.....	-	63
New Mexico.....	-	43
New York.....	74	-
North Carolina.....	-	30
Pennsylvania.....	-	95
South Dakota.....	-	32
Tennessee.....	-	90
Texas.....	78	-
Vermont.....	-	47
Virginia.....	75	108
Washington.....	-	144
Wisconsin.....	-	66
Wyoming.....	36	-
District of Columbia.....	-	34
Puerto Rico.....	21	-
Total, Available.....	<u>1,331</u>	<u>1,198</u>

AGRICULTURAL MARKETING SERVICE

Specialty Crop Block Grants

Annual funding of \$55,000,000 was provided in 2012 for the Specialty Crop Block Grant Program by the 2008 Farm Bill. Solicitation of grant applications was released on February 8, 2012. Applications were accepted through July 11, 2012 and awarded in September 2012. Obligations not awarded in grants were expended for administrative costs. This is a formula block grant program; 2013 amounts are based on the formula.

Geographic Breakdown of Obligations

(Dollars in thousands)

	<u>2011 Actual</u>	<u>2012 Actual</u>	<u>2013 Estimate</u>
Alabama	\$439	\$401	\$401
Alaska	197	195	195
Arizona	1,172	1,265	1,265
Arkansas	255	255	255
California	18,679	18,708	18,706
Colorado	712	682	682
Connecticut	430	404	404
District of Columbia	181	181	181
Delaware	242	245	245
Florida	4,386	4,484	4,483
Georgia	1,135	1,133	1,133
Hawaii	392	379	379
Idaho	1,016	930	930
Illinois	650	634	634
Indiana	408	398	398
Iowa	277	271	271
Kansas	274	259	259
Kentucky	264	261	261
Louisiana	341	351	351
Maine	399	403	403
Maryland	420	394	394
Massachusetts	451	439	439
Michigan	1,352	1,340	1,340
Minnesota	739	704	704
Mississippi	269	282	282
Missouri	354	351	351
Montana	297	329	329
Nebraska	346	332	332
Nevada	265	260	260
New Hampshire	250	239	239
New Jersey	792	816	816
New Mexico	459	515	515

AGRICULTURAL MARKETING SERVICE

Specialty Crop Block Grants

Geographic Breakdown of Obligations

(Dollars in thousands)

(continued)

	<u>2011 Actual</u>	<u>2012 Actual</u>	<u>2013 Estimate</u>
New York	\$1,060	\$1,116	\$1,116
North Carolina	1,207	1,153	1,153
North Dakota	642	616	616
Ohio	703	643	643
Oklahoma	381	385	385
Oregon	1,724	1,490	1,489
Pennsylvania	1,043	1,029	1,029
Rhode Island	221	217	217
South Carolina	511	553	553
South Dakota	209	208	208
Tennessee	522	528	528
Texas	1,738	1,854	1,853
Utah	312	289	289
Vermont	230	224	224
Virginia	522	496	496
Washington	3,110	3,327	3,326
West Virginia	214	217	217
Wisconsin	977	884	884
Wyoming	205	205	205
American Samoa	218	216	216
Guam	183	183	183
Northern Mariana Islands.....	-	96	96
Puerto Rico	376	382	382
U.S. Virgin Islands	182	182	182
Subtotal, Grant Obligations	54,333	54,333	54,327
Administrative Expenses	642	667	673
Lapsing Balances	25	-	-
Total, Available or Estimate	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>

STATUS OF PROGRAMS

PAYMENTS TO STATES AND POSSESSIONS

Current Activities: The Federal-State Marketing Improvement Program (FSMIP) is a grant program which provides matching funds to State Departments of Agriculture, State agricultural experiment stations, and other appropriate State agencies to help them explore new market opportunities for U.S. food and agricultural products, and to encourage research and innovation aimed at improving the efficiency and performance of the marketing system.

Selected Examples of Recent Progress:

In FY 2012, AMS awarded \$1.2 million to 22 State departments of agriculture and universities in 18 states and the District of Columbia for projects that will explore agricultural marketing opportunities or address agricultural marketing challenges that have statewide or regional impact on farmers and agri-businesses. The projects will enable states to research new opportunities, and spark innovation in the marketing, transportation and distribution of U.S. agricultural products. More than half of the 22 projects focus on increasing sales of value added meat products, aquaculture products, and fresh and processed produce in local and regional food systems. Other research topics include forestry, bioenergy and horticulture.

FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM FISCAL YEAR 2012 GRANTS

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
District of Columbia	Assess consumer and restaurant demand for traditional African crops grown by local farmers/producers.	\$34,500
Hawaii	Develop a strategy for marketing three unique varieties of Hawaiian vegetables to U.S. mainland retailers and to determine the optimum packing methods for preserving quality and nutritional content over long distances.	28,100
Illinois	Survey consumers about the value they place on biomass heating fuels and appliances for residential heating and determine which segments have the highest interest and sales potential and disseminate the results to producers and biomass heating appliance manufacturers and dealers.	97,982
Kentucky	Assist in the development of frozen and value-added Kentucky grown blueberry food products, and evaluate demand for these products in direct, institutional, and retail markets.	69,230
Massachusetts	Create a consumer-oriented website that will support the <i>Plant Something</i> campaign to promote the state's horticulture industry	21,500
Massachusetts	Research the benefits, costs, regulatory requirements and options for meat-cutting and processing businesses that serve local meat producers in Massachusetts in order to expand the sector to meet the growing consumer demand for high-value meat products.	32,060
Mississippi	Provide training to vegetable producers about the food safety and quality standards required for major retailers, strengthen the capacity of producers to respond effectively to the demand for local, sustainability-produced food, and inform producers about the benefits of participating in the <i>Make Mine Mississippi</i> program.	52,920

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
Missouri	Study the economics of producing high-quality cattle, and developing a marketing strategy for premium beef that facilitates producer cooperation and coordination of supply.	59,678
Montana	Expand market opportunities for Montana farmers by determining the best methods for processing and preparing fruits and vegetables to make them available year-round to supply the state's K-12 schools.	39,115
Nevada	Assess demand for locally grown fruits and vegetables in the Hispanic community of northern Nevada, and provide insight to Nevada growers seeking to improve their effectiveness in marketing to diverse consumers.	45,747
New Jersey	Develop and launch New Jersey grown and processed value-added products that meet the nutritional and cost requirements of the National School Lunch Program.	62,713
New Mexico	Document the diversity of the New Mexico cattle sector in terms of size and demographics, assess prices and other relevant factors in the various marketing channels, and conduct workshops and training sessions for New Mexico ranchers that will enable them to optimize their production and marketing strategies.	43,000
North Carolina	Provide direct marketing training to small-scale growers to enable them to access new markets.	30,000
Pennsylvania	Document baseline consumer wine purchasing and consumption patterns, and examine the impact on consumer demand for wine produced in the mid-Atlantic region in response to different promotion and marketing approaches.	94,947
South Dakota	Assess factors that influence consumer preferences for, and purchases of, bison meat to assist bison producers to better target their promotion and devise appropriate pricing strategies.	31,725
Tennessee	Survey consumers about their preferences and buying patterns for locally raised beef, conduct consumer focus groups to determine preferences for product labeling and packaging, complete an economic analysis of farm-based beef production systems, and incorporate findings into producer outreach and educational venues.	90,000
Vermont	Facilitate development of a branded, value-added meat sector in New England through technical assistance, marketing support and encouragement of profitable producer-processor partnerships.	47,250
Virginia	Determine the requirements for selling live shrimp to distributors, develop, and improve handling protocols and packing methods for waterless shipping, and conduct field tests to assess the effectiveness of these handling methods.	87,130

<u>STATE</u>	<u>PURPOSE</u>	<u>AWARD</u>
Virginia	Conduct a pilot project at selected grocery stores to evaluate consumer acceptance of locally-produced freshwater shrimp, and train producers on food safety and handling requirements to sell freshwater shrimp in retail markets.	20,909
Washington	Identify and survey Washington food companies that currently do not export their products to assess barriers to exporting, determine what types of assistance programs are needed to overcome export barriers, and inform food companies about export assistance that is available at the local state department of agriculture.	47,333
Washington	Conduct market research aimed at identifying new and strategic marketing plans, and new and emerging markets for value-added U.S. wood products in China, Vietnam, and Thailand.	96,636
Wisconsin	Develop international markets for value-added hardwood lumber products from Wisconsin and other lake states.	65,525
	Total	<u>\$1,198,000</u>

SPECIALTY CROP BLOCK GRANT PROGRAM

Current Activities: The Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621 note) authorized USDA to provide state assistance for specialty crops. All 50 states, the District of Columbia, and the Commonwealth of Puerto Rico are eligible to participate. Specialty crop block grant funds can be requested to enhance the competitiveness of specialty crops. Specialty crops are defined as fruits and vegetables, tree nuts, dried fruits, and nursery crops (including floriculture).

The 2008 Farm Bill, Section 10109, extended the Specialty Crop Block Grant (SCBG) Program through 2012 and provided Commodity Credit Corporation funding at the following levels: \$10 million in 2008, \$49 million in 2009, and \$55 million for 2010 through 2012. The Farm Bill also amended the definition of specialty crops by adding horticulture; and added Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands to the list of "States" eligible to apply for grants.

State grants for each fiscal year are equal to the higher of \$100,000 or 1/3 of one percent of the total amount of available funding. Program regulations require State departments of agriculture to describe their outreach efforts to specialty crop producers, including socially disadvantaged and beginning farmers; and to describe their efforts to conduct a competitive process to ensure maximum public input and benefit.

Selected Examples of Recent Progress:

The 2012 Notice of Funding Availability was published on February 8, 2012, in the *Federal Register* with a grant application deadline of July 11, 2012. During 2012, grant awards were made to the 50 States, District of Columbia, the Commonwealth of Puerto Rico, Guam, and the U.S. Virgin Islands, American Samoa, and the Commonwealth of the Northern Mariana Islands. Grant awards totaled approximately \$55 million for 748 projects. Project awards were aimed at enhancing the competitiveness of specialty crops through marketing and promotion, food safety, research, production, pest and plant health, and education initiatives. Information on the amounts awarded and the projects funded is available on www.ams.usda.gov/AMSv1.0/scbgp.

In fiscal year 2012, the SCBG Program conducted 20 site visits with State departments of agriculture grantees and reviewed project performance reports as part of their monitoring activities. The site visits enhanced the performance of the SCBG Program, identified effective practices and outstanding program outcomes, facilitated decision making by parties with responsibility of overseeing or initiating corrective action, and improved public accountability. Program staff reviewed over 1,500 project performance reports totaling over \$110 million in grant funds to evaluate the significance and impact of the program in enhancing the competitiveness of specialty crops.

In October 2012, AMS facilitated a best practices discussion with the 56 grantees to help improve future performance of the program. During the discussion, grantees had the opportunity to share their expertise and management processes with other grantees, share their program management challenges, and hear from their counterparts in other states how they handled specific administrative issues.

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Lead-Off Tabular Statement

2013 Estimate.....	\$10,778,000
Budget Estimate, 2014.....	<u>10,897,000</u>
Change in Appropriation.....	<u>+ 119,000</u>

Summary of Increases and Decreases

(Dollars in thousands)

	2011 <u>Actual</u>	2012 <u>Change</u>	2013 <u>Change</u>	2014 <u>Change</u>	2014 <u>Estimate</u>
Perishable Agricultural Commodities Act.....	\$10,411	+\$1,137	-\$770	+\$119	\$10,897
Total, Appropriation or Change.....	<u>10,411</u>	<u>+1,137</u>	<u>-770</u>	<u>+119</u>	<u>10,897</u>

Project Statement

Appropriations Detail and Staff Years (SY)

(Dollars in thousands)

Program	<u>2011 Actual</u>		<u>2012 Actual</u>		<u>2013 Estimate</u>		<u>Inc. or Dec.</u>		<u>2014 Estimate</u>	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Mandatory Appropriations:										
Appropriation (from receipts)..	\$10,411	75	\$11,548	72	\$10,778	77	+\$119	-	\$10,897	77
Recoveries, Other (Net).....	12	-	257	-	-	-	-	-	-	-
Balance Available, SOY.....	4,920	-	4,989	-	6,551	-	-	-	6,551	-
Total Available.....	15,343	75	16,794	72	17,329	77	+119	-	17,448	77
Balance Available, EOY.....	-4,989	-	-6,551	-	-6,551	-	-	-	-6,551	-
Total Obligations.....	<u>10,354</u>	<u>75</u>	<u>10,243</u>	<u>72</u>	<u>10,778</u>	<u>77</u>	<u>+119</u>	<u>-</u>	<u>10,897</u>	<u>77</u>

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Project Statement

Obligations Detail and Staff Years (SY)

(Dollars in thousands)

Program	<u>2011 Actual</u>		<u>2012 Actual</u>		<u>2013 Estimate</u>		<u>Inc. or Dec.</u>		<u>2014 Estimate</u>	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Mandatory Obligations:										
Total Obligations.....	\$10,354	75	\$10,243	72	\$10,778	77	+\$119	-	\$10,897	77
Balance Available, EOY.....	4,989	-	6,551	-	6,551	-	-	-	6,551	-
Total Available.....	15,343	75	16,794	72	17,329	77	+119	-	17,448	77
Recoveries, Other (Net).....	-12	-	-257	-	-	-	-	-	-	-
Bal. Available, SOY.....	-4,920	-	-4,989	-	-6,551	-	-	-	-6,551	-
Total Appropriation (from receipts).....	10,411	75	11,548	72	10,778	77	+119	-	10,897	77

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands)

State/Territory	<u>2011 Actual</u>		<u>2012 Actual</u>		<u>2013 Estimate</u>		<u>2014 Estimate</u>	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Arizona.....	\$930	10	\$1,006	10	\$1,058	11	\$1,070	11
District of Columbia.....	6,937	43	6,968	41	7,333	43	7,413	43
Texas.....	1,298	10	1,093	10	1,150	11	1,163	11
Virginia.....	1,189	12	1,176	11	1,237	12	1,251	12
Obligations.....	10,354	75	10,243	72	10,778	77	10,897	77
Bal. Available, EOY.....	4,989	-	6,551	-	6,551	-	6,551	-
Total, Available.....	15,343	75	16,794	72	17,329	77	17,448	77

STATUS OF PROGRAMS

PERISHABLE AGRICULTURAL COMMODITIES ACT FUND

Current Activities: The Perishable Agricultural Commodities Act (PACA) and the Produce Agency Act (7 U.S.C. 491 et seq.) are designed to protect producers, shippers, distributors, and retailers from loss due to unfair and fraudulent practices in the marketing of perishable agricultural commodities; and prevent the unwarranted destruction or dumping of farm products.

AMS' PACA program enforces these Acts and is funded by license and user fees paid by commission merchants, dealers, and brokers handling fresh and frozen fruits and vegetables in interstate and foreign commerce. The law provides a forum for resolving contract disputes and a mechanism for the collection of damages from anyone who fails to meet contractual obligations. In addition, PACA provides for prompt payment to fruit and vegetable sellers and may place sanctions and/or civil penalties against firms or principals who violate the law's standards for fair business practices.

Violations of PACA are investigated and result in: 1) informal agreements between two parties; 2) formal decisions involving payments to injured parties; 3) suspension or revocation of licenses and/or publication of the facts; or 4) monetary penalty in lieu of license suspension or revocation.

PACA also imposes a statutory trust that attaches to perishable agricultural commodities received by regulated entities, products derived from the commodities, and any receivables or proceeds from the sale of the commodities. The trust benefits produce suppliers, sellers, or agents that have not been paid, to ensure they are paid in full.

Selected Examples of Recent Progress:

In 2012, AMS was contacted by members of the fruit and vegetable industry for assistance in resolving 1,501 commercial disputes. These disputes involved approximately \$17.6 million. AMS resolved approximately 93 percent of these disputes informally within four months. Decisions and orders were issued in 491 formal reparation cases involving award amounts totaling approximately \$12 million. AMS initiated 38 disciplinary cases against firms for alleged violations of the PACA. AMS issued 22 disciplinary orders – either suspending or revoking a firm's PACA license, levying civil penalties, or issuing a finding of repeated and flagrant violations against produce firms for violations of the PACA. In addition, the PACA Division assisted 1,936 telephone callers needing immediate transactional assistance.

Fees and Charges in Effect in 2012:*

<u>Service Performed</u>	<u>Cost</u>
Basic License	\$995.00 per year
Branch License	600.00 per location

*PACA adjusted its annual license fee in 2011 for the first time since 1995, with the support of the Fruit and Vegetable Advisory Committee and other trade associations.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income and Supply

The estimates include proposed changes in the language for this item as follows:

Section 32

Funds available under Section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), shall be used only for commodity program expenses as authorized therein, including up to \$500,000 to pay for eligible small businesses' first pre-award audits, and other related operating expenses, except for: (1) transfers to the Department of Commerce as authorized by the Fish and Wildlife Act of August 8, 1956; (2) transfers otherwise provided in this Act; and (3) not more than \$20,181,000 for formulation and administration of marketing agreements and orders pursuant to the Agricultural Marketing Agreement Act of 1937 and the Agricultural Act of 1961.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income, and Supply (Section 32)

Lead-Off Tabular Statement

Permanent Appropriation, 2013	\$8,990,116,825
Prior Year Appropriation Available, start of year	219,285,611
Less Food and Nutrition Service (FNS) transfer from prior year funds for the Farm Bill	
Fresh Fruit and Vegetable Program <u>a/</u>	-133,000,000
Less annual transfers to:	
Department of Commerce	-131,371,895
FNS, Child Nutrition Programs	<u>-7,697,030,541</u>
Total, Transfers	-7,828,402,436
Farm Bill Spending Authority, 2013	1,248,000,000
Less Rescission	-150,000,000
Less Current Year Unavailable	<u>-150,000,000</u>
Total Budget Authority, 2013	948,000,000
Less FNS transfer for the Farm Bill Fresh Fruit and Vegetable Program <u>b/</u>	<u>-156,000,000</u>
Total Available for Obligation, 2013	792,000,000
Budget Estimate, 2014:	
Annual Permanent Appropriation	9,211,182,713
Prior Year Appropriation Available, start of year	150,000,000
Less annual transfers to:	
Department of Commerce	-131,000,000
FNS, Child Nutrition Programs	<u>-7,964,182,713</u>
Total, Transfers	-8,095,182,713
Farm Bill Spending Authority, 2014	1,266,000,000
Less Rescission	-166,000,000
Less Current Year Unavailable, held for the Farm Bill Fresh Fruit and Vegetable Program <u>c/</u> ..	<u>-119,000,000</u>
Total Budget Authority, 2014	981,000,000
Less FNS transfer for the Farm Bill Fresh Fruit and Vegetable Program	<u>-40,000,000</u>
Agency Request, 2014	<u>941,000,000</u>
Change from Adjusted 2013 Base	<u>149,000,000</u>

a/ USDA appropriations for 2012 Budget, P.L. 112-55, General Provision Section 726, directs the transfer on October 1, 2012, of 2012 funds made available under subsection (c) of Section 14222 of P.L. 110-246 to carry out section 19(i)(1)(c) of the Richard B. Russell National School Lunch Act.

b/ Estimated transfer amount pursuant to the 2008 Farm Bill, P.L. 110-246, Section 4304.

c/ The Budget assumes that \$119 million of the July 1, 2014, transfer will not be made available until October 1, 2014.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income, and Supply (Section 32)

Summary of Increases and Decreases

(Dollars in thousands)

	2011	2012	2013	2014	2014
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Mandatory Appropriations:					
Child Nutrition Program Purchases	\$246,100	+\$218,900	-	-	\$465,000
Farm Bill Specialty Crop Purchases	158,300	+17,300	-\$10,600	+\$41,000	206,000
Emergency Surplus Removal	-	+2,200	+73,800	-76,000	-
Estimated Future Needs <u>a/</u>	50,934	+173,979	-199,200	+176,484	202,197
State Option Contract	5,000	-	-	-	5,000
Removal of Defective Commodities	2,500	-	-	-	2,500
Disaster Relief	5,000	-	-	-	5,000
Direct Payments	550,000	-550,000	-	-	-
Small Business Support	-	-	-	+500	500
Commodity Purchases Services	27,110	+621	-	+6,891	34,622
Marketing Agreements and Orders	20,056	-	-	+125	20,181
AMS Spending Authority	1,065,000	-137,000	-136,000	+149,000	941,000
FNS Transfer for Farm Bill Fresh Fruit and Vegetable Program <u>b/</u>	33,000	-13,000	+136,000	-116,000	40,000
AMS Budget Authority	1,098,000	-150,000	-	+33,000	981,000

a/ These funds are available for appropriate Section 32 uses based on market conditions as determined by the Secretary.

b/ Does not include amounts held for transfer on October 1 of the subsequent fiscal year.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income, and Supply (Section 32)

Project Statement

Appropriations Detail and Staff Years (SY)

(Dollars in thousands)

Program	<u>2011 Actual</u>		<u>2012 Actual</u>		<u>2013 Estimate</u>		<u>Inc. or Dec.</u>		<u>2014 Estimate</u>	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Mandatory Appropriations:										
Permanent Appropriation.....	\$6,605,946	160	\$7,947,046	171	\$8,990,117	171	+\$221,066	+2	\$9,211,183	173
Transfers Out:										
Food and Nutrition Service (FNS),										
Child Nutrition Programs.....	-5,277,574	-	-6,749,901	-	-7,697,031	-	-117,152	-	-7,814,183	-
FNS Transfer from PY funds.....	-76,000	-	-117,000	-	-133,000	-	-17,000	-	-150,000	-
FNS, Fresh Fruit and										
Vegetable Program.....	-33,000	-	-20,000	-	-156,000	-	+116,000	-	-40,000	-
Department of Commerce.....	-90,240	-	-109,098	-	-131,372	-	+372	-	-131,000	-
Subtotal.....	-5,476,814	-	-6,995,999	-	-8,117,403	-	-17,780	-	-8,135,183	-
Rescission.....	-	-	-150,000	-	-150,000	-	-16,000	-	-166,000	-
Prior Year Appropriation										
Available, SOY.....	122,127	-	259,953	-	219,286	-	-69,286	-	150,000	-
Recoveries.....	112	-	563	-	-	-	-	-	-	-
Offsetting Collections.....	13,257	-	-	-	-	-	-	-	-	-
Unavailable Resources, EOY.....	-259,953	-	-219,286	-	-150,000	-	+31,000	-	-119,000	-
Total Obligations.....	1,004,675	160	842,277	171	792,000	171	+149,000	+2	941,000	173

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income, and Supply (Section 32)

Project Statement

Obligations Detail and Staff Years (SY)

(Dollars in thousands)

Program	2011 Actual		2012 Actual		2013 Estimate		Inc. or Dec.		2014 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Commodity Purchases:										
Child Nutrition Program Purchases.	\$466,067	-	\$462,913	-	\$465,000	-	-	-	\$465,000	-
Farm Bill Specialty Crop Purchases.	157,214	-	162,173	-	165,000	-	+\$41,000	-	206,000	-
Emergency Surplus Removal.....	56,115	-	171,726	-	76,000	-	-76,000	-	-	-
Estimated Future Needs.....	-	-	-	-	25,713	-	+176,484	-	202,197	-
Subtotal.....	679,396	-	796,812	-	731,713	-	+141,484	-	873,197	-
State Option Contract.....	-	-	-	-	5,000	-	-	-	5,000	-
Removal of Defective Commodities....	-	-	-	-	2,500	-	-	-	2,500	-
Disaster Relief.....	4,321	-	447	-	5,000	-	-	-	5,000	-
Direct Payments.....	268,000	-	-	-	-	-	-	-	-	-
Small Business Support.....	-	-	-	-	-	-	+500 (3)	-	500	-
Prior Year Adjustment.....	141	-	-1,982	-	-	-	-	-	-	-
Administrative Funds:										
Commodity Purchases Services.....	33,538	54	27,151	60	27,731	60	+6,891 (1,2)	+2	34,622	62
Marketing Agreements and Orders.	19,279	106	19,849	111	20,056	111	+125 (1)	-	20,181	111
Subtotal.....	52,817	160	47,000	171	47,787	171	+7,016	+2	54,803	173
Total Obligations.....	1,004,675	160	842,277	171	792,000	171	+149,000	+2	941,000	173
Recoveries.....	-112	-	-563	-	-	-	-	-	-	-
Offsetting Collections.....	-13,257	-	-	-	-	-	-	-	-	-
Precluded from Obligation										
in Current Year.....	-140,132	-	-133,000	-	-150,000	-	+31,000	-	-119,000	-
Unavailable Resources, EOY.....	259,953	-	219,286	-	150,000	-	-31,000	-	119,000	-
Transfer to FNS.....	76,000	-	259,953	-	219,286	-	-69,286	-	150,000	-
Prior Year Appropriation										
Available, SOY.....	-122,127	-	-259,953	-	-219,286	-	+69,286	-	-150,000	-
Total Appropriation.....	1,065,000	160	928,000	171	792,000	171	+149,000	+2	941,000	173

Justifications of Increases and Decreases

Section 32

- (1) An increase of \$198,000 for pay costs which includes \$28,000 for annualization of the fiscal year 2013 pay raise and \$170,000 for the anticipated fiscal year 2014 pay increase.

This increase is requested to fund salary costs for employees with technical expertise needed to conduct marketing Order regulatory and oversight activities and to purchase agricultural commodities used in USDA food assistance programs. Without this increase, AMS will have to reduce services that benefit farmers, agricultural, producers, processors, handlers, recipient agencies, and other stakeholders.

- (2) An increase of \$6,818,000 and 2 staff years for Commodity Purchase Services administration to support the Web-Based Supply Chain Management (WBSCM) system, with a corresponding offset in program funds resulting in a net \$0 budget increase.

WBSCM is a mission critical system supporting commodity operations for the Agricultural Marketing Service (AMS), the Food and Nutrition Service (FNS), the Farm Service Agency (FSA), the Foreign Agricultural Service (FAS), and the United States Agency for International Development (USAID).

WBSCM is an integrated Internet-based commodity acquisition, distribution, and tracking system, built on System Application and Products in Data Processing (SAP) Commercial-Off-The-Shelf (COTS) software, critically needed by USDA agencies and USAID for the commodity distribution program that provides over 4.5 million tons of food (involving over 200 commodities across eight programs) to targeted populations in the U.S. and abroad. The program serves over 30 million Americans and is administered through 55 State Distributing Agencies (SDA) and 92 Indian Tribal Organizations (ITO). International aid programs serve over 280 million people in 60 countries and support the global UN World Food Program, with aid provided through 70 foreign governments and 30 private voluntary organizations (PVOs).

An upgrade to WBSCM software is necessary because the software provider (SAP) will no longer support the current version of their software after March 2015. Customers and other stakeholders are already experiencing problems because they can only access the system using old versions of Internet Explorer. The upgrade will extend the expected life of the system at least through 2024. Without this upgrade, USDA will have to begin system replacement activities in 2015 because WBSCM will not be functional after 2019. System replacement is estimated at a minimum of \$125 million. In FY 2015, the additional funds will be used for the system upgrade. This request will be offset from Commodity Purchase Program funds for a net \$0 budget impact.

In FY 2014, the additional funds will be used primarily for prerequisite activities toward a technical system upgrade necessary in 2015. The proposed 2014 activities will reduce the cost of system upgrade, while improving customer and financial reporting. These funds will enable USDA to build an interface directly into the accounting system, institute reporting tools to improve reporting for customers and stakeholders, conduct a business process review and analysis to ensure a successful upgrade for domestic and international operations, and implement previously unavailable SAP management tools that will ensure a smooth transition to the newer software version. Costs include COTS-centric labor for software defects and change request activities, additional analysis and development, business process engineering, requirement analysis, developing standard operational procedures, electronic records management, Federal program management, and NITC System Hosting and Support Services.

- (3) AMS requests authority to make up to \$500 thousand available from Section 32 program funds to pay for eligible small businesses' first "pre-award" audit to make them eligible to participate in USDA's Federal food procurement program.

This request, which is identified in proposed Section 32 appropriations language, will have a net \$0 budget impact.

AMS has historically supported USDA's small business goals through commodity purchases, but recently has faced increased challenges in recruiting small businesses into the purchase program and additional limitations on retaining them if the eligible pool of vendors for certain products drops below numbers that the Federal Acquisition Regulation allows for maintaining set-asides.

For example the meat industry faces more requirements and restrictions than others and does not have alternative sources of financial support. Recently, we faced a specific issue related to a ground beef purchase program set aside that had two eligible small businesses but were reduced to only one when the other filed for bankruptcy. Now, the remaining firm, which has already paid to meet all USDA's pre-eligibility requirements, risks losing the set-aside and having us open up the program to full and open competition with large businesses. We called other small businesses asking them if they would have an interest in participating in our program, but one of the hurdles they face is that they have to pay for mandatory pre-award audits without any guarantee that there will be a small business set-aside or that they will win any contracts. In sum, our very formal ground beef pre-approval system requires these small businesses to incur significant costs without any guarantee of return.

USDA would conduct this first audit at no cost to bring them into eligibility and once they are a part of the program, all future audit costs would be paid by the firm while they are eligible to bid or are producing product under award. We estimate that financing the cost of pre-approval audit expenses could bring in as many as six new small businesses per year. This would allow AMS to more aggressively recruit small vendors into the program.

AGRICULTURAL MARKETING SERVICE

Section 32 Administrative Funds

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands)

State/Territory	2011 Actual		2012 Actual		2013 Estimate		2014 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY
California	\$1,105	3	\$1,143	4	\$1,162	4	\$1,167	4
District of Columbia	49,899	151	44,075	160	44,814	160	51,817	162
Florida	571	2	618	2	628	2	631	2
Oregon	1,044	3	900	3	915	3	919	3
Texas	198	1	65	1	66	1	66	1
Virginia	-	-	199	1	202	1	203	1
Total, Available	52,817	160	47,000	171	47,787	171	54,803	173

STATUS OF PROGRAMS

SECTION 32

COMMODITY PURCHASES

Current Activities: AMS purchases meat, poultry, eggs and egg products, and fruits, vegetables and tree nuts to help stabilize market conditions. The commodities acquired are furnished to the Food and Nutrition Service (FNS) to meet the needs of the National School Lunch Program and other domestic nutrition assistance programs. Food purchases are coordinated with FNS to assure that the quantity, quality, and variety of commodities purchased meet the desires of schools and institutions participating in domestic nutrition assistance programs and can be used to assist individuals in meeting the *Dietary Guidelines for Americans*. The Farm Service Agency (FSA) administers the payments to vendors to whom contracts have been awarded, and ensures the proper storage of commodities when necessary. The administrative costs for food buying operations and coordination with FNS and FSA are paid from the Commodity Purchase Services (CPS) activity in the Section 32 program.

AMS also maintains a government-wide food specification program to reduce government food purchase costs by standardizing contract specifications, and conducts various programs and outreach initiatives to make AMS activities and expertise available to schools and other institutional food purchasers.

Section 4404 of the 2008 Farm Bill directs USDA to purchase additional fruits, vegetables, and tree nuts (specialty crops) using Section 32 funds, to assist growers and support domestic nutrition assistance programs. The adjusted totals, which include the \$200 million minimum purchase level established by previous legislation, are: \$390 million for 2008, \$393 million for 2009, \$399 million for 2010, \$403 million for 2011, and \$406 million for 2012 and each fiscal year thereafter. In 2012, AMS purchased over \$407.2 million of specialty crop products which is approximately 0.3% over the minimum purchase level.

Selected Examples of Recent Progress:

Commodity Purchases – In 2012 AMS purchased \$747.1 million worth of non-price supported commodities with Section 32 funds. The Department of Defense purchased an additional \$50 million of fresh fruits and vegetables for the National School Lunch Program (NSLP) from Section 32 funds on behalf of AMS. Purchased commodities were used to fulfill the National School Lunch Program's commodity subsidy entitlement of 22.25 cents per meal and for emergency surplus removal to assist agricultural producers.

Under agreement, AMS also purchased an additional \$687.4 million (including \$172.8 million in specialty crops) of commodities on behalf of FNS with funds appropriated to FNS for entitlement programs. In total, AMS purchased approximately 1.5 billion pounds (0.9 billion pounds in specialty crops) of commodities distributed by FNS through the Department's various nutrition assistance programs.

Surplus Removal – Surplus removal (or bonus) commodities are donated to schools and other institutions in addition to entitlements purchases. The following chart reports the commodities purchased under surplus removal, including significant removal of excess protein supplies in support of the Department's 2012 drought assistance efforts, and reflects the variety of producers that received assistance through bonus purchases:

2012 Contingency Fund Expenditures
for Surplus Removal

<u>Commodity</u>	<u>Amount</u>
Fresh Pears	\$33,516
Catfish Products	9,949,600
Chicken Products	50,000,000
Lamb Products	11,779,836
Pork Products	99,962,702
Total	\$171,725,654

Disaster Assistance – Section 32 funds are available each fiscal year to purchase commodities for disaster assistance, as needed under authority of the Stafford Act. In order to complete the needed disaster assistance in Puerto Rico due to Hurricane Irene, funds were authorized in August 2011 to purchase additional commodity canned pork, valued at \$270,659, to replenish warehouse inventories depleted in the immediate aftermath of the disaster. Also, commodities purchased for Hurricane Irene assistance during FY 2011 were delivered to temporary storage warehouses. Storage and transportation costs totaling \$176,430 were incurred in FY 2012 when these commodities were distributed to their ultimate destinations.

Web-Based Supply Chain Management – Beginning in 2006, AMS was authorized to use Section 32 funds to develop and operate a new computer system to support the shared interests of USDA commodity purchase programs. The Web-Based Supply Chain Management (WBSCM) system has improved the procurement, delivery, and management of more than 200 commodities and 4.5 million tons of food through domestic and foreign feeding programs administered by AMS, FSA, FNS, and the United States Agency for International Development (USAID).

The system went “live” during FY 2011, and supported full operations during FY 2012. Currently, the system is supporting 6,770 registered users. WBSCM deploys key functionality changes periodically throughout the year through system releases. Release notes, issued with each deployment release, communicate key changes and updates all users. During FY 2012, WBSCM experts and support staff identified areas of improvement in the system, to enhance the experience of internal and external users and expand functions and flexibilities. Changes included the streamlining of international processes, the identification of roles and responsibilities for the international community in WBSCM, improvements to the consolidation process in WBSCM, and changes to the bidding functionality in WBSCM. These changes largely enhanced the experience of external users of WBSCM, and were well-received.

Procurement Program Redesigns – In response to industry requests to improve the timing and methods for procuring canned and frozen fruit and vegetable products, as well as FNS’ need to supply these products year-round for domestic food assistance programs, AMS launched completely redesigned procurement programs for these products. Solicitations were issued in the spring of 2012, and AMS secured contracts for the entire 2012-2013 school year (July 2012 through June 2013).

In past years, AMS issued sealed-bid “invitations” and awarded fixed price contracts, which required funded orders before the procurement process could begin. This limitation often resulted in untimely purchases versus actual market cycles and commodity product availability which fundamentally hindered AMS’ ability to secure the volume and variety of products desired by recipient agencies.

The redesigned programs hinged on the use of the request for proposals (RFPs) procurement method, which enabled AMS to award indefinite delivery contracts, with either definite quantities (exact volumes) or indefinite quantities (guaranteed minimums and estimated maximums), before specific orders and destinations were known. Securing these contracts--in advance of seasonal planting and harvest schedules--allowed AMS to lock in the needed volume of over 50 commodity items from producers who otherwise would have committed much of the acreage and harvest elsewhere in the commercial market. AMS received praise from both industry groups and FNS recipient agencies for the success of these procurements.

Implementation of RFPs and “other than fixed-price contracts” for several protein items similarly improved AMS’ ability to secure quality product and significant volumes during 2012. Among them was the program for frozen turkey roasts which, due to limited commercial availability, suffered for several years from minimal offers and recipient demands not being met. Through an RFP and indefinite delivery/indefinite quantity contracts, AMS successfully secured the entire demand for all domestic food assistance programs for school year 2012, and set in place the option to extend these contracts for an additional four years.

Product Development – During FY 2012, CPS worked within AMS and with FNS to make improvements to current USDA foods as well as to develop and introduce a variety of new products, improving the quality and variety available to domestic food assistance programs and creating additional outlets for domestic agricultural products and suppliers. CPS added eight canned fruit products to the list of available foods identified as packed specifically in a sucrose-sweetened medium, known commercially as extra light syrup. Counterpart commodities for these eight products can be packed with other approved sweeteners, so the addition of these “sucrose” materials offered recipient agencies (schools and institutions) the ability to choose more specifically the type of end product they desire for their program.

Similarly, when FNS requested their customers be allowed to choose whether to order beef products produced with or without the use of lean finely textured-beef (LFTB), CPS responded by creating new materials designated as LFTB-free to parallel commodity products in which LFTB was an optional ingredient. This satisfied the request of recipient agencies who wished to avoid LFTB products, while maintaining the option for recipients who desired to continue ordering the regular products.

A handful of new items were also added to CPS’ commodity procurement activities, including a fully-cooked oven roasted turkey for the Food Distribution Programs on Indian Reservations, frozen bagged broccoli and frozen ready-to-cook diced beef for the NSLP, and bulk fresh apples for processing under the FNS Commodity Processing program.

MARKETING AGREEMENTS AND ORDERS

Current Activities: Section 32 funds support the administration of Federal marketing agreements and marketing orders, which help to establish orderly marketing conditions for fruits, vegetables, nuts and specialty crops. Marketing agreements and orders enable growers to work together to solve marketing problems that they cannot solve individually, by balancing the availability of quality product with the need for adequate returns to producers and the demands of consumers. Twenty-eight marketing orders are currently active for fruits, vegetables, nuts and specialty crops, and they are customized to meet the needs of a particular industry and may have provisions that: (1) impose mandatory grading and inspection services to meet minimum grade levels; (2) standardize the packaging and labeling of containers; (3) sponsor production research projects; (4) create market research and product promotion activities; and (5) increase or decrease the amount of product allowed into commercial channels during periods of exceedingly high or low volume.

Selected Examples of Recent Progress:

Dairy Program:

Mideast Milk Marketing Area – AMS held a hearing to consider changes to the distributing plant definition. A recommended decision and final decision were issued that met all required timeframes established by the 2008 Farm Bill. Changes were implemented that resulted in restoring handler competitive equity and returned an estimated \$4.2 million annually to producers in the Mideast order.

Fruits and Vegetable Program:

Federal Marketing Order for Pistachios – In August 2012, AMS established a minimum quality regulation for pistachios imported into the United States. The regulation, authorized by section 8e of the Agricultural Marketing Agreement Act of 1937, specifies maximum aflatoxin tolerance levels as well as mandatory aflatoxin testing and certification requirements. These import quality requirements are the same as, or comparable to, those in effect for the domestically produced commodity. This action assures all pistachios offered for sale in the United States meet

the same aflatoxin standards, thus promoting high quality product in the market place, and benefiting the industry and consumers.

AMS also conducted a referendum in which 98 percent of producers favored adoption of an amendment that grants the Administrative Committee for Pistachios new authority to recommend aflatoxin and quality regulations for exported pistachios. In 2012, working closely with the industry, AMS submitted a follow-up report to the European Commission's Food and Veterinary Office regarding a 2010 audit of U.S. aflatoxin control systems for pistachios. The Food and Veterinary Office responded, confirming its satisfaction with the United States' aflatoxin control measures and closing the audit. AMS' efforts included revising USDA's laboratory approval protocols to meet EU specifications. As a consequence, U.S. pistachio handlers are able to continue exporting pistachio shipments to European Union member states with no additional restrictions.

Evolving Industry Needs – AMS programs help U.S. producers and handlers remain competitive in domestic and global markets. In an effort to respond to industry needs, AMS personnel met with representatives from numerous industries to discuss matters of industry concern and to consider broad scale regulatory changes responsive to recent trends in production volume and handling practices. In particular, AMS partnered with the Cherry Industry Administrative Board to: (1) amend the marketing order revising the definition of "Handle" and regulations concerning "Marketing Policy" and "Grower Diversion Privilege"; (2) establish the proportion of tart cherries from the 2011 crop to be handled in commercial outlets at 88 percent free and 12 percent restricted; and (3) increase the volume of tart cherries to be placed in the primary inventory reserve from 50 million pounds to 100 million pounds, and revise exemption provisions by limiting diversion credits for new market development and market expansion activities to one year. Each action is intended to help the domestic tart cherry industry address challenges it had with handling fluctuating production levels.

Presentations and Webinars:

- Presentation to the staff of Seald Sweet, Inc., in New Jersey, on section 8e import violations, April 2012.
- Presentation to Customhouse Brokers in Miami, Florida, on Section 8e import violations, specifically to those showing higher than normal violations, May 2012.
- Webinar on "An Introduction to USDA's Fruit and Vegetable Marketing Orders and Agreements," hosted by the Director of the Marketing Order and Agreement Division, July 2012.

Enforcement – AMS is responsible for marketing order and section 8e (imports regulated under a Marketing Order enforcement). Industry administrative committees are responsible for conducting initial investigations and report complaints of possible violations to AMS.

- AMS processed 48 section 8e violation cases (including official warnings). Section 8e of the Agricultural Marketing Agreement Act of 1937 requires us to ensure imports of certain products covered by Federal marketing orders in the United States meet the same standards as those imposed on the domestically grown commodities.
- AMS successfully received favorable judgments in walnut and raisin marketing order compliance cases, as well as a favorable judgment in a high profile almond case, which is currently being appealed.
- AMS investigated 559 cases related to section 8e import compliance and had 6 Department of Justice case referrals based on favorable decisions from the USDA Judicial Officer. Through diligent efforts to enforce regulations consistently across all programs, the number of reported violations has declined as compared to previous years.
- AMS conducted 17 compliance reviews each of which ensure the integrity of the marketing programs.
- AMS is currently working with the U.S. Census Bureau in finalizing a Memorandum of Understanding to obtain export data on commodities covered under the Export Fruit Acts and section 8e imports. AMS will use data for verification and enforcement purposes for the export shipment of apples, table grapes and plums.
- AMS is working with the Arizona Department of Agriculture and U.S. Customs and Border Protection in establishing the best procedure to detect the non-compliance of section 8e inspection requirements in Nogales, Arizona, a high-volume truck traffic port of entry. AMS will attempt to create a process that would require minimum disruption to the day to day business operations.

Rulemaking – In response to industry recommendations and requests, AMS issued approximately 24 rulemaking actions for revisions to fruit, vegetable, nut and specialty crop marketing orders within established internal timeframes. Our timeframe/benchmark for rulemaking is based on an internal 17-day span that begins when one of our regional offices receives an administrative committee’s 10-point justification for rulemaking. The clock stops when our headquarters staff sends the rulemaking package to the Office of the General Counsel for review and approval.

Summary of Budget and Performance

Statement of Agency Goals and Objectives

The mission of the Agricultural Marketing Service (AMS) is to facilitate the competitive and efficient marketing of agricultural products.

AMS has 21 programs, 4 strategic goals, and 8 strategic objectives that contribute to 2 United States Department of Agriculture (USDA) Strategic Goals.

USDA Strategic Goal	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
USDA Strategic Goal 1: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.	AMS Goal 1: Support our customers in making verifiable market-enhancing claims about how their products are produced, processed, and packaged.	<u>Objective 1.1:</u> Provide value-added services to strengthen marketing support to U.S. agriculture in an environment of rising cost pressures, increasing exports, competing imports, and changing market requirements.	<ul style="list-style-type: none"> • Grading and Certification Services • Audit Verification Services • Laboratory Services 	<u>Key Outcome 1:</u> Agricultural producers and sellers can document market-enhancing claims that offer greater economic returns.
	AMS Goal 2: Provide benefits to the agriculture industry and general public by delivering timely, accurate, and unbiased market information; supporting marketing innovation; and by purchasing commodities in temporary surplus and donating them for Federal food and nutrition programs.	<u>Objective 2.1:</u> Respond quickly and effectively to changing markets, marketing practices, and consumer trends. <u>Objective 2.2:</u> Support small-production agricultural producers through new and existing AMS programs that are especially beneficial to that segment of the industry.	<ul style="list-style-type: none"> • Market News • Standardization • Transportation and Market Development • Federal-State Marketing Improvement Program • Farmers Market Promotion Program • Specialty Crop Block Grants • Commodity Purchases [to support domestic producers] 	<u>Key Outcome 2:</u> The agriculture industry can identify alternative ways to maintain and improve the return on funds invested, and the food needs of USDA nutrition program recipients are matched with those of agricultural producers.
	AMS Goal 3: Enable agriculture groups to create marketing self-help programs designed to strengthen the industry's position in the marketplace.	<u>Objective 3.1:</u> Respond to industry requests for planning and technical assistance (while maintaining oversight of program activities).	<ul style="list-style-type: none"> • Research and Promotion Programs • Marketing Agreements and Orders 	<u>Key Outcome 3:</u> Agriculture industry groups can establish programs that promote consumer purchases of their commodities on a national or regional scale.

USDA Strategic Goal	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<p>USDA Strategic Goal 1 (continued): Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.</p>	<p>AMS Goal 4: Monitor specific agricultural industries/activities to ensure that they maintain practices established by regulation to protect buyers, sellers, and other stakeholders.</p>	<p><u>Objective 4.1:</u> Reduce the potential for mislabeling of agricultural products.</p> <p><u>Objective 4.2:</u> Institute an effective Country of Origin Labeling Program for all designated covered commodities.</p> <p><u>Objective 4.3:</u> Apply a variety of dispute resolution approaches to facilitate commercial dispute resolution.</p>	<ul style="list-style-type: none"> • National Organic Program • Organic Cost-Share Programs • Country of Origin Labeling • Federal Seed Act Program • Pesticide Recordkeeping • Perishable Agricultural Commodities Act Program • Plant Variety Protection 	<p><u>Key Outcome 4:</u> A fair agricultural marketplace that offers protections for buyers and other stakeholders at the national level.</p>
<p>USDA Strategic Goal 4: Ensure that all of America’s children have access to safe, nutritious, and balanced meals.</p>	<p>AMS Goal 2: Provide benefits to the agriculture industry and general public by delivering timely, accurate, and unbiased market information, supporting marketing innovation, and by purchasing commodities in temporary surplus and donating them for Federal food and nutrition programs.</p>	<p><u>Objective 2.1:</u> Respond quickly and effectively to changing markets, marketing practices, and consumer trends.</p> <p><u>Objective 2.2:</u> Support small-production agricultural producers through new and existing AMS programs that are especially beneficial to that segment of the industry.</p> <p><u>Objective 2.3:</u> Address food defense concerns.</p>	<ul style="list-style-type: none"> • Pesticide Data Program • Commodity Purchases [supporting USDA child nutrition programs] 	<p><u>Key Outcome 2:</u> The agriculture industry can identify alternative ways to maintain and improve the return on funds invested, and the food needs of USDA nutrition program recipients are matched with those of agricultural producers.</p>
	<p>AMS Goal 4: Monitor specific agricultural industries/activities to ensure that they maintain practices established by regulation to protect buyers, sellers, and other stakeholders.</p>	<p><u>Objective 4.1:</u> Reduce the potential for mislabeling of agricultural products.</p>	<ul style="list-style-type: none"> • Shell Egg Surveillance Program 	<p><u>Key Outcome 4:</u> A fair agricultural marketplace that offers protections for buyers and other stakeholders at the national level.</p>

Key Outcome 1: Agricultural producers and sellers can document market-enhancing claims that offer greater economic returns using unbiased, third-party, and legally recognized confirmation of product condition, lot size, USDA (quality) grade, marketing claims about a product or production process, or sales contract specifications.

Certification and Verification Programs provide product or process information for buyers and consumers about the quality or specifications of the product being purchased. These programs directly benefit the requesting party by supporting product sales. Grading and certification services verify quality or other contract requirements. Audit Verification services make it possible for the agriculture industry to make various marketing claims about their products and to reduce costs. For example, audit verification may be requested to verify that a system is in place that ensures products meet purchase specifications throughout the production process, or that the producer and/or processor followed the Food and Drug Administration's (FDA) recommended practices for food safety, including Good Agricultural Practices and Good Handling Practices. For exports, these services support sales by using internationally recognized standards to assist in export marketing. Field Laboratory Services provide AMS commodity programs and the agricultural community with multidisciplinary analytical laboratory services to support grading, commodity purchases, and export certification programs.

Long-term Performance Measure: Ensure that USDA grading and certification services deliver reliable verification of marketing claims to support the marketing of agricultural commodities by maintaining an accuracy rate over 90 percent.

Selected FY 2012 Accomplishments toward Achievement of the Key Outcome:

Cotton – AMS implemented a new instrument-based leaf grade for cotton classing using highly accurate instrument measurement, and a new system for futures classification that adopted advanced technology to streamline the process. AMS classified 14.8 million bales of cotton under the grower-classing program, a 14 percent decrease from FY 2011 due to smaller crop size, and 318,337 samples submitted for futures certification, which dropped by 60 percent in favor of the spot market.

Dairy – International markets are increasing for U.S. dairy and related products. AMS implemented dairy export certification programs in Chile, Brazil, and Kazakhstan, to eliminate trade barriers and increase exports. AMS Dairy Grading issued 20,515 export certificates, a 29 percent increase over FY 2011. To facilitate the issuance of these certificates, the Program is developing an online system for certification requests.

Fruit and Vegetable – AMS graded approximately 16.2 billion pounds of processed fruits and vegetables at 232 processing plants, 14 field offices, and 14 inspection points. This represents a 2.5 percent increase above the 2011 level. AMS graded or supervised Federally-licensed State employees in grading approximately 57.5 billion pounds of fresh fruits, vegetables, and specialty crops. AMS grading services for fresh fruits and vegetables are available at shipping points and in 32 Federal receiving markets throughout the U.S. and Puerto Rico.

Meat – Grading and verification services were provided to approximately 1,080 meat packing and processing plants, livestock producers and livestock service providers, beef export verification programs, organic certifying agencies, seed testing laboratories, state agencies, and other agricultural based establishments and companies worldwide. A total of 30.8 billion pounds of meat and meat products were verified for specification, contractual or marketing program requirements.

Poultry and Egg – AMS graded 7.1 billion pounds of poultry in 107 plants 2.25 billion dozen shell eggs in 175 shell egg plants. These quantities represent about 29 percent of the turkeys slaughtered, 15 percent of the broilers slaughtered, and 50 percent of the shell eggs.

Selected Accomplishments Expected at the FY 2014 Proposed Resource Level: AMS will continue to support rural economies by offering services that add value by documenting the quality of agricultural products or support marketing claims of interest to buyers and consumers.

Key Outcome 2: The agriculture industry can identify alternative ways to maintain and improve the return on funds it has invested and the food needs of USDA nutrition program recipients are matched with those of agricultural producers.

AMS generates, collects, and processes data that are distributed directly to users, or may be repackaged and further disseminated; provides commodity descriptions that are widely used by buyers and sellers of commodities throughout the agricultural industry for domestic and international trading, futures market contracts, and as a benchmark for purchase specifications in most private contracts; gathers and analyzes non-recurring statistical and economic data that supports agricultural marketing and contributes to public policy decisions; funds grants for projects that support marketing improvements; and purchases commodities for donation to USDA food and nutrition programs that benefit children and families in need. AMS monitors website usage and customer feedback to assess the usefulness of these products/services.

AMS programs benefit the agriculture industry and general public by delivering timely, accurate, and unbiased market information; supporting marketing innovation; and by purchasing non-price supported commodities in temporary surplus and supplying them for Federal food and nutrition programs. Market information is crucial to informed decision-making and alternative markets are a key component to thriving rural economies. Commodity purchases and other forms of producer assistance provide temporary support for rural economies against unanticipated drops in price or demand. America's children benefit from commodities purchased for child nutrition programs and from surplus commodities that are supplied through all USDA food assistance programs.

Long-term Performance Measure: Farmers markets increase consumer access to local food. AMS programs assist in the development and improvement of farmers markets. The cumulative number of farmers markets established was projected in 2009 to increase from 5,274 to 6,300 by 2015. The number of self-reported farmers markets in the National Farmers Market directory exceeded the USDA goal by reaching 7,864 in FY 2012 an increase of 9.6%. AMS continues to strongly support development of farmers and other alternative markets.

Selected FY 2012 Accomplishments toward Achievement of the Key Outcome:

Market News – AMS developed new tools to enhance Livestock Mandatory Reporting data by developing the boxed beef market dashboard. The Dashboard is available on the Market News Website which provides data visualization tools designed to allow users to view weekly volume and price information on direct slaughter cattle, swine, and lambs presented in the form of interactive graphs and tables that can be customized for viewing and downloaded for use in reports and presentations. In a spring 2012 customer satisfaction survey, nearly 2,200 respondents verified their satisfaction and confidence in the data reported.

The Mandatory Price Reporting Act of 2010 mandated reporting of wholesale pork cuts through negotiated rulemaking to address concerns in the producer segment relative to the asymmetric availability of market information. The Final Rule was published in the Federal Register on August 22, 2012, with an effective date of January 7, 2013. Pork processing plants covered by this regulation are required to submit price and volume information for all pork sales transactions to AMS in accordance with the requirements of the regulation. Included in the changes are reports for negotiated sales, formula sales, forward sales, sow and boar pork, export and a comprehensive pork cutout. The mandatory wholesale pork reporting program provides market participants with considerably more market information than was previously available.

AMS also implemented Dairy Product Mandatory Reporting, as required by the Mandatory Price Reporting Act. The Final Rule was published on February 15, 2012, and effective April 4, 2012. This electronic web-based reporting system moved the publication date to Wednesdays at 3 pm (EST) and includes sales information for cheddar cheese, butter, dry whey, and nonfat dry milk on a weekly basis. This information is used as a basis for minimum prices for the Federal milk order system accounting for 63% of the U.S. milk supply.

Standardization –AMS reviewed 81 commodity standards, began updating standards for almonds in shell, and proposed new or revised standards for four other commodities. AMS regularly reviews standards, proposes revisions or new standards as industry practices or consumer preferences change, and implements changes after public comment to ensure that they will facilitate commerce. To help protect the interests of U.S. agricultural

producers, AMS provides leadership in representing U.S. interests in development of international standards and promotion of U.S. inspection practices. AMS chaired committees and provided technical guidance to the following international standards organizations: United Nations Economic Commission for Europe, Codex Alimentarius, and International Organization for Standardization, Organization for Economic Cooperation and Development and others.

Transportation and Market Development (TMD) – TMD supported agricultural market innovation, expansion, and transportation through studies, reports, and technical assistance, including providing online access to the Grain Transportation Report (GTR) data. The data facilitate grain marketing and enhance research. In addition, AMS provided input or comments on more than 10 major transportation issues. AMS led the National Food Hub Collaboration in developing a database of more than 213 operating or emerging regional food hubs, and launched the Food Hub Community of Practice, a national peer-learning network intended to accelerate research, best practices, and sharing of resources among food hub stakeholders. The program published a new *USDA Regional Food Hub Resource Guide* and issued *Moving Food Along the Value Chain: Innovations in Regional Food Distribution* (a study of food hub models). TMD also conducted outreach at 26 regional and national conferences, training workshops, webinars, and conference calls to share knowledge about and potential funding sources for food hubs with more than 2,000 food hub stakeholders.

Farmers Market Promotion Program (FMPP) – AMS awarded over \$9 million in FMPP grants to organizations in 39 states, the District of Columbia, and Puerto Rico. The 2012 grants funded projects that connect farmers and ranchers to new customers (over 40); use new delivery approaches such as online and mobile markets (17); foster the economic growth of new and beginning farmers and ranchers (13); support minority farmers (12); help hospitals and health care organizations improve eating habits in their communities (10); and support agritourism (9).

Federal-State Marketing Improvement Program (FSMIP) – AMS awarded \$1.2 million in matching grant funds to 18 states for 22 projects that explore agricultural marketing opportunities or address challenges with statewide or regional impact on farmers and agri-businesses, such as value added products, aquaculture, and local and regional sales of produce.

Pesticide Data Program (PDP) – PDP tested more than 12,000 food and water samples, resulting in over 2 million individual tests. Commodities surveyed by PDP include fresh and processed fruit and vegetables, milk and dairy products, beef, pork, poultry, catfish, corn grain and corn syrup, soybeans, wheat and wheat flour, barley, oats, rice, almonds, peanut butter, honey, pear juice concentrate, bottled water, groundwater, and treated and untreated drinking water. PDP added five new commodities for the year – avocados, baby food applesauce, baby food carrots, baby food peaches, and baby food peas – and reintroduced previously tested commodities bringing the number of commodities surveyed to date to 108.

Commodity Purchases – AMS purchased \$741.1 million worth of non-price supported commodities in 2012 with Section 32 funds. The Department of Defense purchased, on AMS' behalf, an additional \$50 million of fresh fruits and vegetables for distribution through the National School Lunch Program (NSLP). Purchased commodities were used to fulfill the National School Lunch Program's commodity subsidy entitlement of 22.25 cents per meal, and to assist agricultural producers through purchases of surplus commodities on the market.

In response to industry requests to improve the timing and methods for procuring canned and frozen fruit and vegetable products, as well as FNS' need to supply these products year-round for domestic food assistance programs, AMS redesigned procurement programs for these products, with solicitations issued in the spring of 2012 for contracts covering the entire 2012-2013 school year (July through June). Also during FY 2012, AMS worked with FNS to improve current USDA purchased foods, as well as to develop and introduce a variety of new products. The goal is to improve the quality and variety available to domestic food assistance programs and create additional outlets for domestic agricultural products and suppliers. For example, eight canned fruit products were added to the list of available foods packed in extra light syrup.

Selected Accomplishments Expected at the FY 2014 Proposed Resource Level:

- With additional Transportation and Market Development resources, AMS will improve local food access and availability by stimulating the development of regional food hubs and marketing outlets for locally and regionally grown food. AMS will conduct a number of activities, including tailored guidance to community planners and market managers that will open new commercial, institutional, and retail market opportunities for small and mid-size farmers.
- In FSMIP, AMS will fund three additional State matching grant proposals for high-impact projects that benefit the farm sector and other stakeholders, including emerging needs such as changes driven by new FDA Food Safety Modernization Act reforms.

Key Outcome 3: Agriculture industry groups are able to establish self-regulatory programs on a national or regional scale to improve their ability to market products.

AMS works in partnership with the participating industry to oversee the administration of marketing self-help programs. AMS' role is to ensure that industry activities remain within legal and regulatory authority and to provide the necessary rulemaking. Program activities are funded from assessments collected by the industry that initiated the program. Federally-authorized marketing self-help programs are established under Research and Promotion (R&P) or Marketing Agreement and Order (MA&O) legislation.

Long-term Performance Measure: The percentage of peer reviewed commodity board evaluations of research and promotion programs that show quantitative financial benefits is 94% or higher.

Selected FY 2012 Accomplishments toward Achievement of the Key Outcome:

Research and Promotion – AMS provides administrative oversight to 20 industry-funded commodity research and promotion programs with over \$677 million in revenue. Industry research and promotion boards collect assessments from producers, feeders, seed stock producers, exporters, packers, importers, processors, manufacturers, and handlers, to carry out programs aimed at strengthening the demand for their products. AMS implemented a new Processed Raspberry Research and Promotion Program in 2012, which was requested by the industry to strengthen the position of processed raspberries in the marketplace, maintain and expand markets, and develop new uses within the U.S. The Cotton research and promotion program developed The Cotton University (<http://cottonuniversity.org/>) to provide production and manufacturing educational programs on-line, such as workshops and continuing education, to retailers and sourcing specialists.

Marketing Agreements and Orders – Each of the twenty-eight marketing orders currently active for fruits, vegetables, nuts and specialty crops are customized to meet the needs of each industry. In 2012, AMS established a minimum quality regulation for pistachios imported into the United States and worked with the Cherry Industry Administrative Board to amend the marketing order to help the domestic tart cherry industry address challenges it faced with handling fluctuating production levels. AMS also investigated 559 cases related to import compliance resulting in seven stipulations and three official warning letters to importers. To ensure the integrity of fruit and vegetable marketing programs, AMS conducted 17 compliance, program, and internal control reviews. After public hearings, AMS completed rulemaking to implement changes to the Mideast Milk Marketing Order that restored handler competitive equity and returned an estimated \$4.2 million annually to producers under that order.

Key Outcome 4: A fair agricultural marketplace that offers protections for buyers and other stakeholders at the national level.

AMS monitors and enforces marketing legislation that requires truthful labeling and accurate recordkeeping; provides for contract dispute settlement and protection against fraud and abuse; and promotes fair trade for specified products or production methods. These activities protect buyers and other stakeholders by helping to ensure a fair marketplace at the national level for specified agricultural commodities, including perishable produce, seed, shell eggs, and organically-produced products.

AMS programs monitor specific agricultural industries/activities to ensure that they maintain practices established by regulation to protect buyers, sellers, and other stakeholders. A fair marketplace supports rural economies, sustainable production, and the purchase of safe and nutritious meals for children.

Long-term Performance Measure: One component of ensuring the financial sustainability of producers is to continue to identify and improve access to new domestic markets. AMS provides support in developing opportunities through market trend analysis and business and marketing tools. This assistance includes overseeing national standards for the production and handling of agricultural products labeled as organic. Goods that are certified as organic frequently bring higher prices at market, resulting in increased returns for farmers. This program protects consumer interests through improvement of the integrity of the USDA Organic label. The percentage of accredited certifying agents, both domestic and foreign, that are in full compliance with 90 percent of the National Organic Program accreditation criteria will be maintained at 90 percent or better.

Selected FY 2012 Accomplishments toward Achievement of the Key Outcome:

National Organic Program (NOP) – NOP published Amendments to the National List of Allowed and Prohibited Substances (Crops and Processing) Rule and a number of other changes to the National List, issued resource documents and policy guidance. The NOP completed investigation of 279 complaints in FY 2012 that resulted in 9 civil penalties through settlement agreements for willful violations of the NOP regulations. These penalties totaled more than \$120,000. The program implemented process improvements to reduce the backlog of complaint cases in 2012 and closed 97% of complaints received in FY 2010 and 87% of complaints received in FY 2011.

The NOP conducted audits of USDA-accredited certifying agents, including 45 accreditation renewal audits, three midterm audits, two initial audits, three surveillance audits, and a recognition assessment audit. As a result of accreditation activities and reviews, the NOP processed and issued: 51 reinstatement approvals and 18 reinstatement denials; 1 Notice of Accreditation; 12 Renewals of Accreditation; 8 Notices of Continued Accreditation; 3 Surrender of Accreditation; 51 Notices of Noncompliance; a Notice of Denial of Reduction of Certification Ineligibility; 13 temporary variances; and 4 Application of Export Authorization.

Organic Certification Cost-Share – Approximately \$7.2 million was allocated to States to partially reimburse producers and handlers for the cost of organic certification through the National and Agricultural Marketing Assistance (AMA) Organic Certification Cost Share Programs. *Authority for the National Organic Certification Cost-Share Program expired in FY 2013.*

Country of Origin Labeling Program (COOL) – The COOL program conducted 3,836 retail reviews and 521 follow-up retail reviews of the roughly 37,000 regulated retailers. In addition, 225 products were audited through the supply chain. An automated database system - COOL FACTS - went live June of 2012. The system helps the program capture and manage compliance information to target audits in facilities with the most violations, streamlining operations to reduce costs while maintaining a 96% compliance rate.

Federal Seed Act Program – AMS conducted field tests on 491 seed samples to determine trueness-to-variety of seed in interstate commerce; received 218 new complaints from 16 States, resulting in 242 cases; and tested 213 regulatory seed samples. The Program administratively settled 153 Federal Seed Act cases during the year, with penalty assessments totaling \$74,675 and individual assessments ranging from \$1,225 to \$16,900. To ensure uniform application of the regulations, AMS conducted one training workshops for seed analysts and inspectors from five States.

Pesticide Recordkeeping Program (PRP) – PRP distributed 6,925 program brochures, 5,225 fact sheets, 11,300 greenhouse/nursery recordkeeping manuals, 4,435 pocket-sized recordkeeping manuals, 26,882 full-sized recordkeeping manuals, 7,220 wallet reference cards, and other educational materials to total almost 80,000 outreach materials to private certified pesticide applicators, including small and minority farmers.

Shell Egg Surveillance Program (SES) – The SES program conducted a total of 2,406 inspections of shell egg handlers and 331 inspections of egg hatcheries, and found 94% of all egg operations in compliance with SES

requirements. Operations in compliance improved and follow-up visits resulting from violations decreased 20% from FY 2011.

Perishable Agricultural Commodities Act (PACA) Program – AMS was contacted by members of the fruit and vegetable industry for assistance in resolving 1,501 commercial disputes involving approximately \$17.6 million. AMS resolved 93% of these disputes informally within 4 months. Decisions and orders were issued in 491 formal reparation cases involving award amounts totaling approximately \$12 million. AMS initiated 38 disciplinary cases against firms for alleged violations of the PACA and issued 22 disciplinary orders – either suspending or revoking a firm's PACA license, levying civil penalties, or issuing a finding of repeated and flagrant violations against produce firms for violations of the PACA.

Plant Variety Protection Program – AMS received 491 applications for certificates protecting intellectual property rights on new agricultural, floral, and seed plant varieties; a 7% decrease from FY 2011. AMS conducted searches on 570 applications to determine whether the plant constituted a new variety and issued 323 certificates of protection. At the end of FY 2012, 5,021 certificates were in force while protection had expired on 208 different varieties.

Selected Accomplishments Expected at the FY 2014 Proposed Resource Level:

- The National Organic program will strengthen organic compliance and enforcement to keep up with the growing market segment and support the integrity of organic labeling. The program will focus additional resources on agreements with international trading partners to open market opportunities.

Summary of Budget Performance
Key Performance Outcomes and Measures

Discussion of Key Performance Proposals:

Key Performance Targets

In support of USDA’s strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving – the budget estimates include the following discretionary proposals:

- +\$4.3 million for Transportation and Marketing to enhance community capacity to improve local food access.
- +\$2.0 million for the National Organic Program to strengthen organic labeling compliance and enforcement activities and to provide the resources needed for the development of international agreements.
- +\$0.4 million for Marketing Services pay costs.
- -\$4.3 million for the termination of the Microbiological Data Program (MDP).
- -\$1.8 million for termination of the Pesticide Recordkeeping Program.
- -\$0.5 million in funding authorized by the FY 2013 Continuing Appropriations Act.
- +\$0.1 million will increase the availability of matching grant funds awarded by the Federal-State Marketing Improvement Program (FSMIP).

These proposals will enable AMS to continue to support USDA efforts to enhance rural prosperity and support a sustainable and competitive agricultural system by increasing support for local food access and by maintaining fair trading and consumer confidence for organic agricultural products. By focusing on local marketing and agricultural communities, these proposals will help to create strong local and regional economies with an emphasis on food systems.

Key Performance Targets

Performance Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Target	FY 2014 Target
Transportation and Market Development: Number of educational publications, resource materials, site assessments, architectural designs, impact assessments, training of stakeholders, and case studies conducted and grants awarded to improve local food access	35	35	35	34	34	75
Transportation and Market Development Program Funding (\$ millions)	\$6	\$6	\$6	\$6	\$6	\$10

Performance Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Target	FY 2014 Target
Cumulative number of farmers markets established, increasing consumer access to local food	5,274	6,132	7,175	7,864	7,900	7,950
Farmers Market Promotion Program Funding (\$ millions) ^{1/}	\$5	\$5	\$10	\$10	0	0
National Organic Program: Percentage of accredited certifying agents, both domestic and foreign, that are in full conformance with 90% of the NOP accreditation criteria	--	90%	90%	96%	90%	90%
National Organic Program Funding (\$ millions)	\$4	\$7	\$7	\$7	\$7	\$9
Market News: Number of (annual) eViews for marketing and transportation information (millions)	56.8	56.0	55.2	55.7	55.7	55.7
Number of organic items covered (agricultural products reported by market news)	234	246	246	246	246	246
Market News Funding (\$ millions) ^{2/}	\$33	\$34	\$33	\$33	\$33	\$33
Pesticide Data Program: 5-year running total number of foods, based on top two dozen children's food commodities, included in the Pesticide Data Program	21	22	21	20	21	21
Comprehensive pesticide residue data available for dietary risk assessment (Priority 1 & 2 Compounds) - all commodities	91	91	89	89	89	89
PDP Funding (\$ millions)	\$15	\$15	\$15	\$15	\$15	\$15
Microbiological Data Program: Number of samples tested	15,172	18,600 ^{3/}	17,400	14,000	0	0
Number of commodities tested	6.35	8 ^{3/}	8	7	0	0
MDP Funding (\$ millions)	\$5	\$5	\$5	\$4	0	0

1/ 2008 Farm Bill provided funding for FY 2008-2012.

2/ Does not include one-time 2008 Farm Bill funds for organic market reporting.

3/ To focus on pathogen testing, MDP improved detection techniques, discontinued baseline tests (generic *E. coli*, Total Viable Counts, and coliforms), and increased the number of samples and commodities tested by approximately 23%.

Agricultural Marketing Service				
Full Cost by Department Strategic Goal				
(Dollars in Thousands)				
DISCRETIONARY PROGRAMS	FY 2011	FY 2012	FY 2013	FY 2014
USDA Goal 1: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving				
Market News	\$30,580	\$30,395	\$30,582	\$30,599
Indirect Costs	2,569	2,554	2,569	2,571
Total Costs	33,149	32,949	33,151	33,170
FTEs	256	237	243	243
<u>Related Performance Data</u>				
Organic Market Reporting: Number products reported	246	246	246	246
Number (in millions) of (annual) eViews for market information	55.2	55.7	55.7	55.7
National Organic Program	6,383	6,383	6,422	8,326
Indirect Costs	536	536	539	700
Total Costs	6,919	6,919	6,961	9,026
FTEs	35	33	34	43
<u>Related Performance Data</u>				
Percentage of accredited certifying agents, foreign and domestic, in conformance with 90 percent of the NOP accreditation criteria	90%	96%	90%	90%
Transportation and Market Development	5,290	5,290	5,322	9,290
Indirect Costs	444	444	447	781
Total Costs	5,734	5,734	5,769	10,071
FTEs	35	33	35	41
<u>Related Performance Data</u>				
Cumulative number of farmers markets established	7,175	7,864	7,900	7,950
Number of publications and activities to improve local food access	35	34	34	75
Standardization	4,561	4,561	4,589	4,590
Indirect Costs	383	383	385	386
Total Costs	4,944	4,944	4,974	4,976
FTEs	33	35	35	35
Federal Seed	2,203	2,238	2,252	2,254
Indirect Costs	236	201	202	201
Total Costs	2,439	2,439	2,454	2,455
FTEs	18	17	18	18
Country of Origin Labeling Program	7,326	4,613	4,641	4,626
Indirect Costs	616	388	390	389
Total Costs	7,942	5,000	5,031	5,015
FTEs	16	17	16	16
<u>Related Performance Data</u>				
Percentage of retail stores in compliance with Country of Origin Labeling regulations	96%	96%	96%	96%
Pesticide Recordkeeping	2,557	1,689	1,699	0
Indirect Costs	215	142	143	0
Total Costs	2,772	1,831	1,842	0
FTEs	7	6	6	0
Federal/State Marketing Improvement Program	1,331	1,198	1,205	1,363
Indirect Costs	0	0	0	0
Total Costs	1,331	1,198	1,205	1,363
FTEs	0	0	0	0
Total Discretionary Costs for USDA Strategic Goal 1	\$65,230	\$61,014	\$61,387	\$66,076
FTEs	400	378	387	396

USDA Goal 4: Ensure that all of America's children have access to safe, nutritious, and balanced meals					
Pesticide Data Program		14,142	14,142	14,229	14,158
Indirect Costs		1,188	1,188	1,195	1,189
Total Costs		15,330	15,330	15,424	15,347
FTEs		19	16	19	19
Related Performance Data					
Number of foods, based on top two dozen children's food commodities, in the Pesticide Data Program		21.0	20.0	21.0	21.0
Comprehensive pesticide residue data available for dietary risk assessment		89.0	89.0	89.0	89.0
Microbiological Data Program		4,236	4,011	4,375	0
Indirect Costs		356	337	0	0
Total Costs		4,592	4,348	4,375	0
FTEs		6	5	1	0
Related Performance Data					
Number of samples tested		17,400	14,000	0	0
Number of commodities tested		8.0	7.0	0.0	0.0
Shell Egg Surveillance		2,506	2,506	2,522	2,520
Indirect Costs		211	211	212	212
Total Costs		2,717	2,717	2,734	2,732
FTEs		16	17	17	17
Total Discretionary Costs for USDA Strategic Goal 4		\$22,639	\$22,395	\$22,533	\$18,079
FTEs		41	38	37	36
Total, Discretionary Appropriations		\$87,869	\$83,409	\$83,920	\$84,155
MANDATORY PROGRAMS					
USDA Goal 1: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving					
Commodity Purchase Services - Agri. Support & Emergency (AS&E)		15,790	10,468	9,598	15,178
Indirect Costs		1,327	879	806	1,275
Goal Total, Administrative Costs		17,116	11,347	10,404	16,453
FTEs		28	25	23	29
Commodity Purchases Program Funds - AS&E		485,790	332,365	279,213	421,197
Marketing Agreements & Orders		17,785	18,311	18,502	18,502
Indirect Costs		1,494	1,538	1,554	1,554
Total Administrative Costs		19,279	19,849	20,056	20,056
FTEs		106	111	111	111
Total Mandatory Program Costs for USDA Strategic Goal 1		\$522,186	\$363,561	\$309,673	\$457,706
FTEs		134	136	134	140
USDA Goal 4: Ensure that all of America's children have access to safe, nutritious, and balanced meals					
Commodity Purchase Services - Child Nutrition Purchases (CNP)		15,149	14,579	15,919	16,761
Indirect Costs		1,273	1,225	1,408	1,408
Goal Total, Administrative Costs		16,422	15,804	17,327	18,169
FTEs		26	35	37	33
Commodity Purchases Program Funds - CNP		466,067	462,913	465,000	465,125
Total Mandatory Program Costs for USDA Strategic Goal 4		\$482,489	\$478,716	\$482,327	\$483,294
FTEs		26	35	37	33
Total, Mandatory Appropriations (Section 32)		\$1,004,675	\$842,277	\$792,000	\$941,000

2015 Explanatory Notes
Agricultural Marketing Service

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AGRICULTURAL MARKETING SERVICE

Purpose Statement

The mission of the Agricultural Marketing Service (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.

AMS carries out a wide range of programs under the authorization of the Agricultural Marketing Act of 1946 as well as over 50 other statutes. AMS conducts many appropriated program activities through cooperative arrangements with State Departments of Agriculture and other agencies. More than half of the funds needed to finance AMS activities (excluding commodity purchase program funds) are derived from voluntary user fees. AMS also provides services for private industry and State/Federal agencies on a reimbursable basis.

1. Market News Service:

The Market News program is authorized by the following statutes:

Agricultural Marketing Act of 1946
Agricultural and Food Act of 1981 (as amended by the Food Security Act of 1985)
The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill)
Cotton Statistics and Estimates Act of 1927
The Mandatory Price Reporting Act of 2010
Peanut Statistics Act
Naval Stores Act
Tobacco Inspection Act of 1935
U.S. Cotton Futures Act

The AMS Market News service collects, analyzes, and disseminates market information to the public for numerous agricultural commodities, including cotton, cottonseed, and tobacco; dairy products; fruits, vegetables and ornamentals; livestock, meat, grains, poultry and eggs. Market information covers local, regional, national, and international markets and includes current data on supply, movement, contractual agreements, inventories, and prices for agricultural commodities. Market News data provides producers and marketers of farm products and those in related industries with timely, accurate, and unbiased market information that assists them in making the critical daily decisions of where and when to sell, and at what price; thereby enhancing competitiveness and helping to increase the efficiency of agricultural marketing systems.

Federal and State reporters obtain market information, which AMS experts analyze, compile, and immediately disseminate to the agricultural community, academia, and other interested parties. National information is integrated with local information and released in a form easily understood by the industry and locality served. Electronic access through internet-released market news reports and e-mail subscriptions makes Market News information quickly and widely available. The Market News Portal offers data in the format requested by the user such as customized reports, graphs, and dashboards.

2. Shell Egg Surveillance and Standardization:

These programs are authorized by the following statutes:

Egg Products Inspection Act
Agricultural Marketing Act of 1946

- a. Shell Egg Surveillance: AMS supports egg marketing by ensuring that cracked, leaking, or other types of “loss” (restricted) eggs are diverted from table egg consumption and by verifying that marketed eggs have a quality level of at least U.S. Consumer Grade B. AMS conducts this program, in cooperation with State departments of agriculture, to ensure that shell egg handling operations are inspected at least four times

annually and hatcheries are inspected at least once each year to control the disposition of certain types of under grade and restricted eggs. This program diverts eggs that are not at least U.S. Consumer Grade B-- and which cannot be sold in shell form--to egg breaking plants, which reassures buyers and supports efficient markets.

- b. Standards Development: AMS develops, reviews, and maintains agricultural commodity standards that describe product quality attributes such as taste, color, texture, yield, weight, and physical condition for use in the trading of agricultural commodities. These standards provide a common language for buyers and sellers of commodities and are widely used by the agricultural industry in domestic and international trading, futures market contracts, and as a benchmark for purchase specifications in most private contracts. AMS grade standards are the basis for AMS Market News reports, grading services for cotton, milk and dairy products, eggs, fresh and processed fruits and vegetables, livestock, meat, olive oil, peanuts, poultry, rabbits, tobacco, and Federal commodity procurement. To support international markets, AMS provides technical expertise to international standards organizations to protect the interests of U.S. agricultural producers.

3. Market Protection and Promotion Programs:

AMS administers programs under several laws that stimulate innovative and improved commodity marketing, authorize the collection of pesticide application and residue information to ensure proper marketing practices, and provide assistance to industry-sponsored activities.

In the administration of market protection and promotion activities, the Agricultural Marketing Service operates under the following authorities:

Agricultural Marketing Act of 1946
Beef Promotion and Research Act of 1985
Capper-Volstead Act
Cotton Research and Promotion Act
Commodity Promotion, Research, and Information Act of 1996
Dairy Production Stabilization Act of 1983
Egg Research and Consumer Information Act
Export Apple Act
Export Grape and Plum Act
Farm Security and Rural Investment Act of 2002
Federal Seed Act
Fluid Milk Promotion Act of 1990
Food, Conservation, and Energy Act of 2008
Food Quality Protection Act of 1996
Hass Avocado Promotion, Research, and Information Act of 2000
Honey Research, Promotion and Consumer Information Act
Mushroom Promotion, Research and Consumer Information Act of 1990
Organic Foods Production Act of 1990
Peanut Promotion, Research and Information Order
Popcorn Promotion, Research, and Consumer Information Act
Potato Research and Promotion Act
Pork Promotion, Research and Consumer Information Act of 1985
Soybean Promotion, Research and Consumer Information Act
Specialty Crops Competitiveness Act of 2004
Watermelon Research and Promotion Act

- a. Pesticide Data Program (PDP): Established under authority of the Agricultural Marketing Act of 1946 and the 1996 Food Quality Protection Act, PDP develops and communicates comprehensive, statistically-reliable information on pesticide residues in food to improve Government dietary risk assessments. This program provides data on a continual basis to the Environmental Protection Agency (EPA) for use in the

pesticide registration process and to other Federal and State agencies for use in determining policies intended to safeguard public health. The program particularly focuses on the foods most likely consumed by children in addition to pesticide residue data for population-wide dietary risk assessments. The pesticide residue data collected by the program enhances the competitiveness of farm economies by supporting the use of safer crop protection methods and supports marketing by providing information that can be used to re-assure consumers concerned about pesticides. To ensure integrity and the high degree of quality required for dietary risk assessment procedures, PDP's standard operating procedures parallel EPA's Good Laboratory Practice guidelines. Information on significant findings is reported to the Food and Drug Administration (FDA) for further action. This program is a cooperative effort between Federal agencies and is conducted by AMS through agreements with State agencies that provide sampling and testing services.

- b. National Organic Program (NOP): This program is authorized by the Organic Foods Production Act of 1990, which requires USDA to develop and maintain national standards governing the production and handling of agricultural products labeled as organic. AMS provides support to the National Organic Standards Board, reviews materials for the national list of allowed synthetic materials, and coordinates the enforcement and appeals process. The legislation also requires the program to examine and accredit State and private certifying agents who in turn ensure producers and handlers are in compliance with the national organic standards. AMS accredits foreign agents who certify products labeled organic for export to the U.S., and foreign governments that operate an organic accreditation program for organic exports to the U.S. which must be approved under a recognition agreement granted by USDA. This nationwide program increases the efficiency and enhances the competitiveness of domestic agricultural marketing for organic products. The 2014 Farm Bill amended the Organic Foods Production Act to provide funding to modernize NOP database and technology systems.

NOP administers the organic certification cost-share programs. The National Organic Certification Cost-Share Program was authorized by the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 6523(d)) and funded annually through 2018 by the Agricultural Act of 2014 (2014 Farm Bill), Sec. 10004(c) to offset up to 75 percent or \$750 of the certification costs incurred by organic producers and handlers. The Agricultural Management Assistance Program (7 U.S.C. 1524(b)) provides cost-share support for organic producers in 16 states.

- c. Federal Seed Program: The Federal Seed program is authorized by the Federal Seed Act and regulates agricultural and vegetable seed moving in interstate commerce. The program prohibits false labeling and advertising of seed, as well as the shipment of prohibited noxious-weed seed into a State. State seed inspectors are authorized to inspect seed subject to the Act and samples are routinely drawn by State seed inspectors to monitor seed sold commercially. Although intrastate infractions are subject to State laws, the violation is referred to AMS by the cooperating State agency should an inspection reveal infractions of the Federal Act. Based on the results of its tests and investigations, AMS attempts to resolve each case administratively. For cases that cannot be resolved, AMS can initiate appropriate legal action.
- d. Country of Origin Labeling (COOL): The COOL Act requires retailers to notify their customers of the country of origin of covered commodities. Labeling requirements for fish and shellfish became mandatory during FY 2005, and AMS established an audit-based compliance program the following year to ensure that the public receives credible and accurate information on the country of origin of the fish and shellfish they purchase. In January 2009, USDA issued a final rule on mandatory COOL for all other covered commodities that became effective on March 16, 2009. The COOL Act requires country of origin labeling for muscle cuts of beef (including veal), lamb, and pork; ground beef, ground lamb, and ground pork; farm-raised fish and shellfish; wild fish and shellfish; perishable agricultural commodities; peanuts, goat, chicken, ginseng, macadamia and pecan nuts. The law also requires method of production information (farm-raised or wild caught) for fish and shellfish to be noted at the final point of sale to consumers. The regulation outlines the labeling requirements for covered commodities and the recordkeeping requirements for retailers and suppliers. The program conducts retail surveillance reviews through cooperative agreements with state agencies. AMS trains Federal and State employees on enforcement responsibilities;

responds to formal complaints; conducts supply chain audits; and develops educational and outreach activities for interested parties.

- e. Commodity Research and Promotion Programs: AMS provides oversight and direction to industry-funded and managed commodity research and promotion programs. The various research and promotion acts authorize the collection of an assessment from identified segments of the marketing chain which is used to broaden and enhance national and international markets for various commodities. Assessments to producers are most common; however, some programs assess processors, feeders, packers, handlers, importers, exporters, or other entities. These assessments are used to carry out research and promotional activities for cotton, dairy, fluid milk, beef, lamb, pork, soybeans, sorghum, eggs, blueberries, Hass avocado, honey, mango, mushrooms, peanuts, popcorn, potatoes, processed raspberries, softwood lumber, watermelon, paper and paper-based packaging. AMS reviews and approves the budgets and projects proposed by the research and promotion boards to ensure that proposals comply with the regulation and statute. Each research and promotion board reimburses AMS for the cost of implementing and overseeing its program.

4. Transportation and Marketing:

Transportation and Market Development activities are authorized under the following statutes:

Agricultural Marketing Act of 1946
Agricultural Adjustment Act of 1938
Agricultural Trade and Assistance Act of 1954
Rural Development Act of 1972
International Carriage of Perishable Foodstuffs Act of 1982
The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill)
Farmer to Consumer Direct Marketing Act of 1976
American Taxpayer Relief Act of 2012

AMS monitors the agricultural transportation system (inland waterways, rail, truck, ocean bulk, and ocean containerized) and conducts market analyses that support decisions regarding the transportation of agricultural products domestically and internationally. This program determines whether the Nation's transportation system will adequately serve the agricultural and rural areas of the United States by providing necessary rail, barge, truck, and shipping services. AMS provides technical assistance to shippers and carriers and participates in transportation regulatory actions before various Federal agencies. In addition, AMS provides economic analyses and recommends improvements to domestic and international agricultural transportation for policy decisions.

AMS supports the development of agricultural markets through technical advice and assistance to States and municipalities that are interested in creating or upgrading wholesale market facilities, auction and collection markets, retail farmers markets, food hubs, and other direct or local markets. AMS also conducts feasibility studies in cooperation with the private sector, non-profit organizations, and other government agencies to evaluate and suggest efficient ways to handle and market agricultural commodities. AMS studies changes in the marketplace to assist States, localities, market managers/operators, and growers in making strategic decisions for future business development.

Farmers Market and Local Food Promotion Program: This program was created through amendments of the Farmer-to-Consumer Direct Marketing Act of 1976. The 2008 Farm Bill made resources available for the Farmers Market Promotion Program through 2012 to provide grants targeted to help improve and expand domestic farmers markets, roadside stands, community-supported agriculture programs, agritourism activities, and other direct producer-to-consumer market opportunities. The 2014 Farm Bill (2014 Agricultural Act) expanded the program to assist in the development of local food business enterprises and funded the expanded program through 2018. The purpose of the Farmers Market and Local Food Promotion Program is "...to increase domestic consumption of and access to locally and regionally produced agricultural products, and to develop new market opportunities for farm and ranch operations serving local markets..." Entities eligible to

apply for grants include agricultural cooperatives, producer networks, producer associations, local governments, nonprofit corporations, public benefit corporations, economic development corporations, regional farmers' market authorities, Tribal governments, and local and regional food business enterprises.

5. Payments to States and Possessions:

- a. Federal-State Marketing Improvement Program (FSMIP): FSMIP is authorized by the Agricultural Marketing Act of 1946, which gives USDA the authority to establish cooperative agreements with State departments of agriculture or similar State agencies to improve the efficiency of the agricultural marketing chain. AMS provides matching funds on a competitive basis to State departments of agriculture, State agricultural experiment stations, and other State agencies, to assist in exploring new market opportunities for U.S. food and agricultural products, and to encourage research and innovation aimed at improving the efficiency and performance of the agriculture commodities marketing system. The State agencies may perform the work or contract with others, but must contribute at least one-half of the cost of the projects. This program has made possible many types of projects, such as electronic marketing and agricultural product diversification. For 2013, USDA requested proposals that involve collaboration among states, academia, producers and other stakeholders, and have state, multi-state or national significance.
- b. Specialty Crop Block Grant Program (SCBGP): Section 101 of the Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621) authorized USDA to provide State assistance for specialty crops and the 2014 Farm Bill funds the program. AMS administers this program by awarding grants to State departments of agriculture to enhance the competitiveness of fruits and vegetables, tree nuts, nursery crops (including floriculture), and horticulture. AMS provides guidance and assistance to States in developing plans; submitting applications; and meeting the administrative, reporting, and audit requirements involved in managing a funded project. AMS also establishes internal review and evaluation procedures for applications and State plans, and participates in workshops, conferences, and other forums to facilitate interaction among States, USDA representatives, and industry organizations. After a grant is awarded, AMS reviews annual performance reports, final reports, audit results, and final financial statements; posts final performance reports on the SCBGP website; and disseminates project findings at appropriate meetings and conferences.

6. Commodity Grading, Verification, and Plant Variety Protection:

These programs are authorized by the following statutes:

Agricultural Marketing Act of 1946
Farm Security and Rural Investment Act of 2002
Wool Standards Act
Cotton Statistics and Estimates Act of 1927
U.S. Cotton Futures Act
United States Cotton Standards Act
Naval Stores Act
Produce Agency Act of 1927
Specialty Crops Competitive Act of 1994
Tobacco Inspection Act of 1935
Tobacco Statistics Act
Plant Variety Protection Act

- a. Grading, Certification, and Audit Verification: The grading process involves the application or verification of quality standards for agricultural commodities. AMS provides grading and certification services on agricultural commodities for which developed standards are available. AMS certification services provide assurance to buyers that the products they receive are the quantity and quality specified in their contract with the seller. AMS provides acceptance and condition inspection services for all agricultural commodities upon request. These services facilitate efficient marketing by permitting purchasers to buy commodities without having to personally inspect them and by providing an impartial evaluation of the

quality of products prior to their sale. AMS certificates are also used as evidence of quality and condition in a court of law to settle commercial disputes. AMS offers production and quality control system audits (audit verification services) that reduce costs and assist the industry in making various marketing claims about their products, and export certification services on a number of commodities, including seed. Grading, certification, and audit verification activities are performed by Federal employees or Federally-supervised State employees on a fee-for-service basis.

- b. Plant Variety Protection Program: This program is authorized by the Plant Variety Protection Act, which encourages the development of novel varieties of sexually reproduced or tuber propagated plants by providing intellectual property rights protection to the developer. The program, funded by user fees, verifies the uniqueness of variety and issues certificates that assure developers exclusive rights to sell, reproduce, import, or export such varieties, or to use them in the production of hybrids or different varieties, for a period of 20 years for most species and 25 years for woody plants.

7. Perishable Agricultural Commodities Act Program:

This program is carried out under the Perishable Agricultural Commodities Act (PACA) and the Produce Agency Act (PAA) and is funded by license fees. These Acts are designed to: (1) protect producers, shippers, distributors, and retailers from loss due to unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products handled for others. Commission merchants, dealers, and brokers handling fresh and frozen fruits and vegetables in interstate and foreign commerce must obtain a PACA license and abide by the fair trading practices established by the PACA. Traders who have been found to have committed unfair trade practices face license suspension or revocation and may be required to post surety bonds before resuming operations. To increase protection and avert financial losses to growers and licensed firms, the PACA was amended in 1984 to create a statutory trust. Sellers of fruits and vegetables who have not been paid are secured under this legislation until full payment is made. Complaints of violations are investigated and resolved through: (1) informal agreement between the two parties; (2) formal decisions involving payments to injured parties; (3) suspension or revocation of license; and (4) publication of the facts. Any interested party or group may request AMS assistance in settling disputes under the PACA.

8. Strengthening Agricultural Markets and Producer Income (Section 32):

Section 32 of the Act of August 24, 1935, (7 U.S.C. 612c) made available an appropriation equal to 30 percent of gross customs receipts collected during each preceding calendar year to encourage the domestic consumption or exportation of agricultural commodities. An amount equal to 30 percent of receipts collected on fishery products is transferred to the Department of Commerce's National Marine Fisheries Service. Section 14222 of the 2008 Farm Bill established an annual amount that can be retained from these funds for Section 32 activities, with the remaining funds transferred to the Food and Nutrition Service (FNS) for Child Nutrition Programs.

- a. Commodity Purchases and Diversions: AMS purchases non-price supported commodities such as meats, fish, fruits, vegetables, poultry, and egg products in order to stabilize market conditions pursuant to Section 32, and in support of entitlement program needs within USDA. The 2002 and 2008 Farm Bills established minimum levels of specialty crop purchases. All purchased commodities are distributed by FNS to schools, as part of the entitlement for the National School Lunch Program, or to other domestic nutrition assistance programs. AMS also provides purchasing services to FNS to supply food to recipients in nutrition assistance programs and is reimbursed for the administrative costs associated with these purchases (Economy Act, 31 U.S.C. 1535).

Section 32 of the Act of August 24, 1935, authorizes the Secretary of Agriculture, through payments or indemnities, to encourage the domestic consumption of agricultural commodities or products by persons in low income groups, and to re-establish farmers' purchasing power in connection with the normal production of agricultural commodities. In addition to commodities purchased for distribution, support to growers and producers may also be accomplished through commodity diversion. The diversion program under Section 32 provides an alternative means of support to markets that are experiencing adverse

economic conditions. Section 32 authority also allows USDA to finance the removal of defective commodities and to purchase foods for disaster relief (in Presidentially-declared domestic disasters under the Stafford Act).

- b. Marketing Agreements and Orders: The Marketing Agreements and Orders Program are authorized by the Agricultural Marketing Agreement Act of 1937. The program was established to assist farmers, milk producers, and handlers by allowing them to collectively work to solve marketing challenges. These instruments are designed to stabilize market conditions and improve the returns for fluid milk and fruit and vegetable producers. AMS oversees these various activities to ensure that they operate in the public interest and within legal parameters.

Marketing agreements and orders: (1) establish minimum prices that handlers pay to dairy producers; (2) regulate the quality and quantity of fruits and vegetables sold in commercial channels; and (3) provide for market development and promotion (including paid advertising). A majority of the currently active Federal marketing order programs for fruits and vegetables include minimum grade requirements. The standards used by our programs include characteristic qualities as well as criteria related to food safety (e.g., lack of mold, insects, foreign material, etc.). Presently, there are 32 active specialty crop marketing agreement and order programs covering 27 commodities, and 10 milk marketing orders. Proposed orders are subject to approval by producers of the regulated commodity. Section 32 funds authorized annually through the Appropriations Bill, are used by AMS for administering the Marketing Agreements and Orders Program at the national level, and to conduct public hearings and referenda to determine producer sentiment concerning new programs and proposed revisions of marketing orders already in effect. Program activities and administration at the local level are financed through handler assessments.

- c. Sheep Production and Marketing Grant Program: The 2014 Farm Bill amends the Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.) to establish a competitive grant program to strengthen and enhance the production and marketing of sheep and sheep products in the U.S. The Farm Bill makes funding available for a grant to one or more national entities whose mission is consistent with the purpose of the program.

Geographic Dispersion of Offices and Employees:

Most of AMS’ field offices are located to facilitate Market News data collection (near markets) or where needed to provide fee-funded grading, verification, and certification services to the agricultural industry (near customers). AMS regularly assesses, and when indicated, opens, relocates, or closes field offices to improve service delivery and reduce operational costs.

As of September 30, 2013, AMS had 2,525 employees, of whom 1,792 were permanent full-time and 733 were other than permanent full-time employees. Approximately 80 percent of AMS’ employees are assigned to field offices. Of the 2,015 employees assigned to field office locations, 1,297 were permanent full-time and 718 were other-than permanent full-time employees.

Schedule A (Milk Market Administrator) employees as of September 30, 2013, totaled 366, of which 328 were permanent full-time and 38 were other than permanent full-time employees.

Office of the Inspector General (OIG) Audits Completed:

#50601-1-ER	11/30/2012	USDA Controls Over Shell Egg Inspections
#50601-0002-31	6/4/2013	FSIS and AMS Field-Level Workforce Challenges
#01601-02-32	7/15/2013	National Organic Program- Organic Milk Phase II
#01099-001-21	1/28/2014	Oversight of the Beef Research and Promotion Board

Government Accountability Office (GAO) Audits Completed:

#320945	3/7/2013	Food Assistance Procurement Review
#450962	8/1/2013	Regulations and Global Competitiveness

GAO Reports – In Progress:

#361446	Pesticide Residue on Food
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AGRICULTURAL MARKETING SERVICE

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

Item	2012 Actual		2013 Actual		2014 Estimate		2015 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Agricultural Marketing Service								
Marketing Services, Discretionary.....	\$82,211	416	\$78,863	402	\$79,914	425	\$82,963	425
Payments to States and Possessions, Discretionary	1,198	-	1,331	-	1,363	1	1,235	1
Rescission.....	-	-	-2,171	-	-	-	-	-
Sequestration.....	-	-	-2,345	-	-	-	-	-
Adjusted Appropriations, Discretionary	83,409	416	75,678	402	81,277	426	84,198	426
Congressional Relations Transfer In.....	111	-	102	-	-	-	-	-
Working Capital Fund Transfer Out.....	-150	-	-250	-	-	-	-	-
Total Available, Discretionary	83,370	416	75,530	402	81,277	426	84,198	426
Farm Bill Initiatives:								
Farmers Market Promotion Program.....	10,000	5	-	-	15,000	4	15,000	4
Local Foods Promotion Program.....	-	-	-	-	15,000	4	15,000	4
Specialty Crop Block Grants-Farm Bill.....	55,000	4	52,195	2	67,280	8	72,500	8
Modernization Technology Upgrade - Organic.....	-	-	-	-	5,000	4	-	4
Organic Production & Market Data	-	-	-	-	5,000	-	-	-
Sheep Production and Marketing Grant Program	-	-	-	-	1,500	-	-	-
National Organic Cost Share.....	-	-	-	-	11,500	3	11,500	3
AMA Organic Cost Share, Mandatory.....	1,500	-	1,500	-	1,500	-	1,000	-
Sequestration.....	-	-	-76	-	-4,068	-	-	-
Total, Farm Bill Initiatives, Mandatory.....	66,500	9	53,619	2	117,712	23	115,000	23
Permanent Appropriations, Mandatory:								
Funds for Strengthening Markets, Income, and Supply (Sec. 32)	7,947,046	171	8,990,117	160	9,211,183	172	9,714,923	172
Rescission	-150,000	-	-109,608	-	-189,000	-	-203,000	-
Sequestration.....	-	-	-40,392	-	-79,703	-	-	-
Recoveries of Prior Year Obligations	563	-	4,016	-	-	-	-	-
Offsetting Collections	-	-	20,184	-	-	-	-	-
Available Authority from Previously Precluded								
Balances, Start of Year	259,953	-	219,286	-	313,530	-	119,000	-
Transfers Out ^{a/}	-6,995,999	-	-8,002,403	-	-8,299,713	-	-8,589,923	-
Unavailable Resources, End of Year	-219,286	-	-313,530	-	-119,000	-	-122,000	-
Subtotal, Permanent Appropriations, Mandatory.....	842,277	171	767,670	160	837,297	172	919,000	172
Total, AMS Appropriations.....	992,147	596	896,819	564	1,036,286	621	1,118,198	621
<u>Obligations under other USDA Appropriations:</u>								
Food & Nutrition Service for Commodity Procurement Services (Sec. 32).....	1,107	9	1,308	9	1,275	9	1,288	9
Miscellaneous Reimbursements.....	74	-	-	-	-	-	-	-
Total, Other USDA.....	1,181	9	1,308	9	1,275	9	1,288	9
Total, Agricultural Marketing Service Appropriations.....	993,328	605	898,127	573	1,037,561	630	1,119,486	630
<u>Non-Federal Funds:</u>								
Perishable Agricultural Commodities Act Fund, Mandatory Reimbursable work:	10,243	72	9,775	71	10,112	77	10,980	77
Research and Promotion Boards.....	3,579	25	3,954	23	4,401	27	4,445	27
Fees for Grading of Cotton and Tobacco	43,812	341	40,904	382	60,435	421	60,709	421
Grading of Farm Products for Producers, Processors, and Municipal, State and Federal Agencies	152,057	1,328	150,743	1,318	152,666	1,338	154,185	1,338
Wool Research, Development, and Promotion	2,250	-	2,135	-	2,088	-	2,250	-
Total, Non-Federal Funds	211,941	1,766	207,511	1,794	229,702	1,863	232,569	1,863
Total, Agricultural Marketing Service	1,205,269	2,371	1,105,638	2,367	1,267,263	2,493	1,352,055	2,493
Schedule A Staff Years		370		366		366		366

^{a/} Includes the transfers to the Food and Nutrition Service (FNS), the Commerce Department, and the Fresh Fruit and Vegetable Program administered by FNS.

AGRICULTURAL MARKETING SERVICE

Permanent Positions by Grade and Staff Year Summary

Item	2012 Actual			2013 Actual			2014 Estimate			2015 Estimate		
	Wash.			Wash.			Wash.			Wash.		
	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total
SES.....	11	1	12	9	1	10	9	1	10	9	1	10
GS-15.....	43	8	51	46	4	50	47	4	51	47	4	51
GS-14.....	85	23	108	75	38	113	75	38	113	75	38	113
GS-13.....	151	122	273	151	102	253	151	110	261	150	112	262
GS-12.....	119	150	269	90	163	253	90	163	253	90	163	253
GS-11.....	38	178	216	36	161	197	39	162	201	39	162	201
GS-10.....	2	15	17	2	12	14	2	12	14	2	12	14
GS-9.....	42	491	533	23	482	505	26	483	509	26	483	509
GS-8.....	14	252	266	10	255	265	10	258	268	10	258	268
GS-7.....	20	186	206	16	161	177	20	186	206	20	186	206
GS-6.....	6	64	70	6	55	61	6	55	61	6	55	61
GS-5.....	7	57	64	5	38	43	5	38	43	5	38	43
GS-4.....	4	7	11	2	8	10	4	9	13	4	9	13
GS-3.....	1	3	4	1	2	3	1	2	3	1	2	3
GS-2.....	1	-	1	-	-	-	-	-	-	-	-	-
GS-1.....	-	-	-	-	-	-	-	1	1	-	-	-
Ungraded Positions.....	-	8	8	-	8	8	-	8	8	-	9	9
Total Perm. Positions without Schedule A.....	544	1,565	2,109	472	1,490	1,962	485	1,529	2,014	484	1,531	2,015
Unfilled, EOY.....	-	178	178	-	170	170	-	-	-	-	-	-
Total, Perm. Full-Time Employment, EOY.....	544	1,387	1,931	472	1,320	1,792	485	1,529	2,014	553	1,531	2,015
Staff Year Est.....	563	1,808	2,371	632	1,735	2,367	592	1,901	2,493	592	1,901	2,493
Schedule A Staff Years.....	16	354	370	12	354	366	12	354	366	12	354	366

AGRICULTURAL MARKETING SERVICE

SIZE, COMPOSITION AND COST OF MOTOR VEHICLE FLEET

The estimated number of passenger motor vehicles available for 2015 is the minimum necessary to maintain essential services of AMS programs. These vehicles are used to provide services such as: 1) traveling to farms, market terminals, offices of product dealers and truckers, processing plants, canneries, stockyards, cotton gins, and compress operators; 2) transporting special equipment used for inspecting and grading commodities and for performing other work required under the Agricultural Marketing Act of 1946; U.S. Cotton Standards Act; Cotton Statistics and Estimates Act; Tobacco Inspection Act; and Dairy and Tobacco Adjustment Act; and 3) carrying boxes of cotton standards types to use in classing work and demonstration at farmers' meetings. AMS only replaces passenger vehicles that have mileage of at least 60,000 or are six or more years of age, in accordance with standards prescribed by the General Services Administration (GSA). Additional passenger vehicles are requested only when the forecasted workload clearly shows existing passenger vehicles will not be adequate for program needs.

Changes to the motor vehicle fleet. AMS does not anticipate increasing the fleet of passenger motor vehicles for 2015.

Replacement of passenger motor vehicles. AMS plans to replace two of the 174 passenger motor vehicles in operation in 2015.

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

Size, composition and cost of agency motor vehicle fleet as of September 30, 2013, are as follows:

Number of Vehicles by Type *									
Fiscal Year	Sedans & Station Wagons	Light Trucks, SUVs and Vans		Medium Duty Vehicles	Ambulances	Buses	Medium size Vehicles	Total Number of Vehicles	Annual Operating Costs (\$ in thou.) **
		4X2	4X4						
2012 Actual	198	74	13	0	0	0	6	291	\$647
Change	-24	0	-11	0	0	0	-3	-38	-265
2013 Actual	174	74	2	0	0	0	3	253	382
Change	0	0	0	0	0	0	0	0	0
2014 Est.	174	74	2	0	0	0	3	253	382
Change	0	0	0	0	0	0	0	0	0
2015 Est.	174	74	2	0	0	0	3	253	382

* Numbers include vehicles that are owned by the Agency and leased from commercial sources or GSA.

** Excludes acquisition costs and gains from the sale of vehicles as shown in OMB Motor Vehicle FAST Database.

AGRICULTURAL MARKETING SERVICE

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

Marketing Services

For necessary expenses of the Agricultural Marketing Service [\$79,914,000] \$82,963,000: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building.

Fees may be collected for the cost of standardization activities, as established by regulation pursuant to law (31 U.S.C. 9701).

Lead-Off Tabular Statement

Budget Estimate, 2015	\$82,963,000
2014 Enacted.....	<u>79,914,000</u>
Change in Appropriation	<u>+3,049,000</u>

Summary of Increases and Decreases

(Dollars in thousands)

Program	2012 Actual	2013 Change	2014 Change	2015 Change	2015 Estimate
Discretionary Appropriations:					
Market News	\$32,949	-\$1,847	+\$2,068	+\$805	\$33,975
Surveillance and Standards	7,661	-429	+476	-18	7,690
Market Protection and Promotion	35,867	-6,115	+2,091	-554	31,289
Transportation and Market Development	<u>5,734</u>	<u>+623</u>	<u>+836</u>	<u>+2,816</u>	<u>10,009</u>
Total	<u>82,211</u>	<u>-7,768</u>	<u>+5,471</u>	<u>+3,049</u>	<u>82,963</u>

AGRICULTURAL MARKETING SERVICE

Marketing Services

Project Statement

Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2012 Actual		2013 Actual		2014 Estimate		Inc. or Dec.		2015 Estimate		
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Appropriations:											
Market News Service.....	\$32,949	237	\$31,102	233	\$33,170	239	+\$805	(1)	-	\$33,975	239
Shell Egg Surveillance and Standardization:											
Shell Egg Surveillance.....	2,717	17	2,565	15	2,732	17	-118	(2)	-	2,614	17
Standardization.....	4,944	35	4,667	30	4,976	35	+100	(3)	-	5,076	35
Total, Surveillance and Standardization.....	7,661	52	7,232	45	7,708	52	-18		-	7,690	52
Market Protection and Promotion:											
Federal Seed Act.....	2,439	17	2,302	16	2,455	18	-101	(4)	-	2,354	18
Country of Origin Labeling.....	5,000	17	4,720	16	5,015	16	-249	(5)	-	4,766	16
Pesticide Data.....	15,330	16	14,471	19	15,347	19	-327	(6)	-2	15,020	17
Microbiological Data.....	4,348	5	-	1	-	-	-		-	-	-
National Organic Standards.....	6,919	33	6,531	33	9,026	43	+123	(7)	-	9,149	43
Pesticide Recordkeeping.....	1,831	6	1,728	4	-	-	-		-	-	-
Total, Market Protection and Promotion.....	35,867	94	29,752	89	31,843	96	-554		-2	31,289	94
Transportation and Market Development.....	5,734	33	6,357	35	7,193	38	+2,816	(8)	+2	10,009	40
Total Adjusted Appropriation.....	82,211	416	74,443	402	79,914	425	+3,049		-	82,963	425
Rescissions and Sequestration (Net).....	-	-	4,420	-	-	-	-		-	-	-
Total Appropriation.....	82,211	416	78,863	402	79,914	425	+3,049		-	82,963	425
Transfers In:											
Congressional Relations.....	111	-	102	-	-	-	-		-	-	-
Transfers Out:											
Working Capital Funds.....	-150	-	-250	-	-	-	-		-	-	-
Rescission.....	-	-	-2,135	-	-	-	-		-	-	-
Sequestration.....	-	-	-2,285	-	-	-	-		-	-	-
Total Available.....	82,172	416	74,295	402	79,914	425	+3,049		-	82,963	425
Lapsing Balances.....	-988	-	-816	-	-	-	-		-	-	-
Total Obligations.....	81,184	416	73,479	402	79,914	425	+3,049		-	82,963	425

AGRICULTURAL MARKETING SERVICE

Marketing Services

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2012 Actual		2013 Actual		2014 Estimate		Inc. or Dec.		2015 Estimate		
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Obligations:											
Market News Service.....	\$32,087	237	\$30,817	233	\$33,170	239	+\$805	(1)	-	\$33,975	239
Shell Egg Surveillance and Standardization:											
Shell Egg Surveillance.....	2,636	17	2,513	15	2,732	17	-118	(2)	-	2,614	17
Standardization.....	4,788	35	4,496	30	4,976	35	+100	(3)	-	5,076	35
Total, Surveillance and Standardization.....	7,424	52	7,009	45	7,708	52	-18		-	7,690	52
Market Protection and Promotion:											
Federal Seed Act.....	2,215	17	2,159	16	2,455	18	-101	(4)	-	2,354	18
Country of Origin Labeling.....	5,155	17	4,702	16	5,015	16	-249	(5)	-	4,766	16
Pesticide Data.....	15,948	16	14,545	19	15,347	19	-327	(6)	-2	15,020	17
Microbiological Data.....	4,513	5	92	1	-	-	-		-	-	-
National Organic Standards.....	6,294	33	6,245	33	9,026	43	+123	(7)	-	9,149	43
Pesticide Recordkeeping.....	1,770	6	1,635	4	-	-	-		-	-	-
Total, Market Protection and Promotion.....	35,895	94	29,378	89	31,843	96	-554		-2	31,289	94
Transportation and Market Development:											
Development.....	5,778	33	6,275	35	7,193	38	+2,816	(8)	+2	10,009	40
Total Obligations.....	81,184	416	73,479	402	79,914	425	+3,049		-	82,963	425
Lapsing Balances.....	988	-	816	-	-	-	-		-	-	-
Total Available.....	82,172	416	74,295	402	79,914	425	+3,049		-	82,963	425
Transfers In:											
Congressional Relations.....	-111	-	-102	-	-	-	-		-	-	-
Transfers Out:											
Working Capital Funds.....	150	-	250	-	-	-	-		-	-	-
Rescission.....	-	-	2,135	-	-	-	-		-	-	-
Sequestration.....	-	-	2,285	-	-	-	-		-	-	-
Total Appropriation.....	82,211	416	78,863	402	79,914	425	+3,049		-	82,963	425

AGRICULTURAL MARKETING SERVICE

Marketing Services

Justifications of Increases and Decreases

- (1) A net increase of \$805,000 for Market News (\$33,170,000 and 239 staff years available in 2014).

USDA Market News information impacts billions of dollars in agricultural trading each year by providing timely, accurate, and unbiased information on cotton, dairy, fruits, vegetables, specialty crops, livestock, grain, and poultry. The Market News Program will continue to provide current information on prices, supply, demand, quality, condition, movement, trends, and other market data that enables buyers and sellers of agricultural commodities to make informed marketing decisions so that product flows where and when it is needed.

The funding change is requested for the following items:

- a. An increase of \$237,000 for pay costs (\$59,000 for annualization of the 2014 pay increase and \$178,000 for the 2015 pay increase).

The increase funds the annualization of the one percent pay raise effective on January 1, 2014 and the requested one percent raise which will be effective January 1, 2015.

- b. An increase of \$717,000 for GSA and Security Payments.

USDA proposes in FY 2015 the decentralization of GSA Rental Payments and DHS payments. The amount is the equivalent share of the current GSA Rent and DHS central appropriations based upon current space occupancy across the continental United States. The appropriations request for the central GSA rent account and the DHS payment account has been reduced accordingly.

- c. A net decrease of \$149,000 through streamlining program operation.

Market News will achieve savings through streamlining of organizational structure and processes to reduce costs in non-personnel expenditures such as rent and utilities, contractual services, supplies and equipment. AMS will eliminate office space where employees can effectively perform their jobs from a home duty station. The program will cross-train employees so that employee skills will be leveraged more effectively across a broad range of activities which will allow the program to adjust resources to meet information needs in growing agricultural sectors.

- (2) A net decrease of \$118,000 for Shell Egg Surveillance (\$2,732,000 and 17 staff years available in 2014).

Base funding for the Shell Egg Surveillance (SES) Program prevents eggs not meeting minimum U.S. standards from entering the consumer marketplace. As outlined by Congress upon passage of the Egg Products Inspections Act (EPIA), the "lack of effective regulation for the handling or disposition of unwholesome, otherwise adulterated, or improperly labeled or packaged egg products and certain qualities of eggs is injurious to the public welfare and destroys markets for wholesome, not adulterated, and properly labeled and packaged eggs and egg products and results in sundry losses to producers and processors, as well as injury to consumers."

The funding change is requested for the following items:

- a. An increase of \$16,000 for pay costs (\$4,000 for annualization of the 2014 pay increase and \$12,000 for the 2015 pay increase).

The increase funds the annualization of the one percent pay raise effective on January 1, 2014 and the requested one percent raise which will be effective January 1, 2015.

b. An increase of \$51,000 for GSA and Security Payments.

USDA proposes in FY 2015 the decentralization of GSA Rental Payments and DHS payments. The amount is the equivalent share of the current GSA Rent and DHS central appropriations based upon current space occupancy across the continental U.S. The appropriations request for the central GSA rent account and the DHS payment account has been reduced accordingly.

c. A decrease of \$185,000 by streamlining the management oversight of the SES program.

The decrease will be achieved by consolidating the analysis of SES inspection results to headquarters to determine compliance and any subsequent enforcement action. The shift in management oversight is possible through modification to the Shell Egg Surveillance Program data entry and assessment system.

(3) A net increase of \$100,000 for Standardization (\$4,976,000 and 35 staff years available in 2014).

Base funds for Standardization will continue to fund development, review, and maintenance of agricultural commodity standards that describe product quality attributes such as taste, color, texture, yield, weight, and physical condition for use in the trading of agricultural commodities. These standards provide a common language for buyers and sellers of commodities. USDA standards and their utilization in commercial applications are accepted as the basis for trade, marketing, arbitration, sourcing of product, and consumer information. USDA food and fiber standards support agricultural exports as they become the basis for international harmonization of agricultural product quality grades recognized by the Codex Alimentarius and the United Nations Economic Commission for Europe.

The funding change is requested for the following items:

a. An increase of \$35,000 for pay costs (\$9,000 for annualization of the 2014 pay increase and \$26,000 for the 2015 pay increase).

The increase funds the annualization of the one percent pay raise effective on January 1, 2014 and the requested one percent raise which will be effective January 1, 2015

b. An increase of \$105,000 for GSA and Security Payments.

USDA proposes in FY 2015 the decentralization of GSA Rental Payments and DHS payments. The amount is the equivalent share of the current GSA Rent and DHS central appropriations based upon current space occupancy across the continental U.S. The appropriations request for the central GSA rent account and the DHS payment account has been reduced accordingly

c. A decrease of \$40,000 for Standardization.

The \$40,000 decrease will be realized through reduced non-salary expenditures and delays in filling vacancies.

(4) A net decrease of \$101,000 for the Federal Seed Act Program (\$2,455,000 and 18 staff years in FY 2014).

AMS will continue to administer Federal Seed Act (Act) regulations on the interstate shipment of agricultural and vegetable seeds. The Act requires that seed shipped in interstate commerce be labeled with information that allows seed buyers to make informed choices, and that seed labeling information and advertisements pertaining to the seed must be truthful. Therefore, the Federal Seed Program helps promote uniformity among State laws and fair competition within the seed trade.

AMS depends on cooperative agreements with State agencies to monitor interstate commerce of agricultural and vegetable seeds with regard to seed labeling. State inspectors routinely inspect and sample seed shipments being marketed in their States. They refer apparent violations of the Act to AMS' Federal Seed Program for investigation and appropriate action. While most complaints involving mislabeled seed are submitted by State seed control officials, they may be submitted by anyone. AMS takes regulatory action against the interstate shipper when a violation is confirmed. Actions on violations include a letter of warning for minor violations and technical violations; a monetary penalty is imposed for serious violations.

The funding change is requested for the following items:

- a. An increase of \$18,000 for pay costs (\$5,000 for annualization of the 2014 pay increase and \$13,000 for the 2015 pay increase).

The increase funds the annualization of the one percent pay raise effective on January 1, 2014 and the requested one percent raise which will be effective January 1, 2015.

- b. An increase of \$55,000 for GSA and Security Payments.

USDA proposes in FY 2015 the decentralization of GSA Rental Payments and DHS payments. The amount is the equivalent share of the current GSA Rent and DHS central appropriations based upon current space occupancy across the continental U.S. The appropriations request for the central GSA rent account and the DHS payment account has been reduced accordingly.

- c. A decrease of \$174,000 for the Federal Seed Program with a reduction of the number of seed cases investigated for violation.

The Federal Seed Program will reduce costs by \$174,000 in non-salary expenses such as contractual services, supplies, and equipment. This is expected to slightly increase the time it takes to close investigations, but the overall accuracy and value of the seed sampling program will be maintained.

- (5) A net decrease of \$249,000 for Country of Origin Labeling (\$5,015,000 and 16 staff years available in 2014).

The Country of Origin Labeling (COOL) amendments to the Agricultural Marketing Act of 1946 require retailers to notify their customers of the country of origin of covered commodities. Covered commodities are identified as muscle cuts of beef (including veal), lamb, and pork; ground beef, ground lamb, and ground pork; farm-raised fish and shellfish; wild fish and shellfish; perishable agricultural commodities; peanuts, goat, chicken, ginseng, macadamia and pecan nuts. The law also requires method of production information (farm-raised or wild caught) for fish and shellfish to be noted at the final point of sale to consumers. AMS works in collaboration with all 50 States to conduct retail surveillance activities for the COOL Program.

As the COOL Program continues to mature, the types of stores being monitored is shifting from large stores, primarily located in urban areas, to include stores in more rural settings. This shift is requiring increased resources for the States to conduct these reviews. Program changes will be addressed in a planned business review during FY 2014.

The funding change is requested for the following items:

- a. An increase of \$17,000 for pay costs (\$4,000 for annualization of the 2014 pay increase and \$13,000 for the 2015 pay increase).

The increase funds the annualization of the one percent pay raise effective on January 1, 2014 and the requested one percent raise which will be effective January 1, 2015.

- b. An increase of \$48,000 for GSA and Security Payments.

USDA proposes in FY 2015 the decentralization of GSA Rental Payments and DHS payments. The

amount is the equivalent share of the current GSA Rent and DHS central appropriations based upon current space occupancy across the continental U.S. The appropriations request for the central GSA rent account and the DHS payment account has been reduced accordingly.

- c. A decrease of \$314,000 for the COOL Program through streamlining activities and maximized saving based on a FY2014 business review.

The COOL Program has been significantly streamlined over the past few fiscal years. In FY 2015, the Program will realize a \$314,000 decrease through efficiencies identified in the business review initiated in FY 2014. The review will assess and develop an improved rating system that is practical for industry stakeholders.

- (6) A net decrease of \$327,000 and 2 staff years for the Pesticide Data Program (\$15,347,000 and 19 staff years available in 2014).

The Pesticide Data Program (PDP) will continue testing food commodities for pesticide residues. Because PDP's mission is to focus on testing foods, particularly foods most likely consumed by infants and children to improve Government's ability to protect human health from pesticide risk, PDP plays a critical role in ensuring that America's children have access to safe, nutritious, and balanced meals.

PDP data are comprehensive, impartial, and reliable and reflects actual pesticide residue exposure from food and enable multiple stakeholders to carry out their missions. The Environmental Protection Agency (EPA) uses the data to assess dietary risks from pesticide exposure and determine which pesticides can continue to be used in U.S. agricultural production. It also uses the data to harmonize U.S. pesticide tolerance levels with international levels. Food and Drug Administration (FDA) uses the data to enhance its surveillance of imported foods. State governments use the data to fulfill their consumer protection commitments. Growers and distributors use the data to resolve trade issues. PDP's database is completely available to the public electronically, in support of the Administration's open data initiative.

PDP helps assure the public that decisions about pesticide use are based on sound science and accurate data. This helps to keep diverse crop protection tools available to farmers and producers who benefit, along with consumers, from the continued competitiveness of U.S. agricultural products in the global market. PDP plays a critical role in ensuring that the nation's children have access to safe food by prioritizing sampling to focus on children's foods, as their dietary patterns differ from adults in both quantity and types of foods consumed. Using PDP pesticide residue information on children's foods, EPA weighs children's risk before approving pesticide use.

The funding change is requested for the following items:

- a. An increase of \$23,000 for pay costs (\$6,000 for annualization of the 2014 pay increase and \$17,000 for the 2015 pay increase).

The increase funds the annualization of the one percent pay raise effective on January 1, 2014 and the requested one percent raise which will be effective January 1, 2015.

- b. An increase of \$51,000 for GSA and Security Payments.

USDA proposes in FY 2015 the decentralization of GSA Rental Payments and DHS payments. The amount is the equivalent share of the current GSA Rent and DHS central appropriations based upon current space occupancy across the continental U.S. The appropriations request for the central GSA rent account and the DHS payment account has been reduced accordingly.

- c. A decrease of \$401,000 and 2 staff years.

The program will not fill vacancies.

(7) A net increase of \$123,000 for the National Organic Program (\$9,026,000 and 43 staff years available in 2014).

Base funding for the National Organic Program (NOP) supports the development and maintenance of national standards governing the production and handling of agricultural products labeled as organic. This responsibility was given to the USDA by the Organic Foods Production Act of 1990. Additionally, NOP assures consumers that organically produced products meet consistent standards and facilitates the expansion of organic markets. NOP establishes a level playing field for organic farms and businesses, expands economic opportunities, creates jobs, and builds consumer confidence in the USDA organic seal.

The program accomplishes its mission by examining and accrediting State and private certifying agents who ensure producers and handlers are in compliance with the National Organic Standards. AMS also accredits foreign governments that operate an organic accreditation program, as well as foreign agents who certify products labeled organic for export to the U.S.

The funding change is requested for the following items:

- a. An increase of \$53,000 for pay costs (\$13,000 for annualization of the 2014 pay increase and \$40,000 for the 2015 pay increase).

The increase funds the annualization of the one percent pay raise effective on January 1, 2014 and the requested one percent raise which will be effective January 1, 2015.

- b. An increase of \$129,000 for GSA and Security Payments.

USDA proposes in FY 2015 the decentralization of GSA Rental Payments and DHS payments. The amount is the equivalent share of the current GSA Rent and DHS central appropriations based upon current space occupancy across the continental U.S. The appropriations request for the central GSA rent account and the DHS payment account has been reduced accordingly.

- c. A decrease of \$59,000 for National Organic Program.

The National Organic Program will reduce costs by \$59,000 in non-salary expenses such as contractual services, supplies, and equipment.

(8) A net increase of \$2,816,000 and 2 staff years for Transportation and Market Development (\$7,193,000 and 38 staff years available in 2014).

Base funds will allow AMS to continue to support the development of agricultural markets by providing technical advice and assistance to States and municipalities that are interested in creating or upgrading market facilities (e.g., wholesale, auction, collection, retail farmers markets, food hubs, and other alternative markets). AMS also conducts feasibility studies in cooperation with the private sector, non-profit organizations, and other government agencies to evaluate and suggest efficient ways to handle and market agricultural commodities. AMS studies changes in the marketplace to assist States, localities, market managers/operators, and growers in making strategic decisions for future business development. As part of USDA's effort to assist the agricultural community to create prosperity, Market Development works in cooperation with other USDA agencies to assess innovative and cost-efficient options that help producers, distributors, and planners by identifying and developing alternative market outlets that help meet growing consumer demand for local and regional foods.

AMS monitors the agricultural transportation system (inland waterways, rail, truck, and ocean shipping) to inform policy decisions and support daily decision-making by shippers, producers, and traders. Base funds for Transportation Services will continue to fund insightful analysis and data generation on the movement of agricultural products from farms to markets via the major transportation modes. Transportation Services will continue to disseminate regular reporting, provide technical assistance to shippers and carriers, and represent the interests of agriculture and rural communities. The information generated by this program promotes an efficient agricultural transportation system, which improves farm income, supports exports, and meets the transportation

needs of rural America. There is no duplication with other agencies in USDA or other Federal departments for the work conducted by this program; AMS frequently receives requests from other USDA agencies and the U.S. Department of Transportation regarding analysis of agricultural transportation.

This Program's collaboration with other Federal agencies, private sector trade associations, and other stakeholders enables it to effectively leverage resources to support USDA's strategic objectives to enhance rural prosperity and support sustainable agricultural systems.

The funding change is requested for the following items:

- a. An increase of \$44,000 for pay costs (\$13,000 for annualization of the 2014 pay increase and \$40,000 for the 2015 pay increase).

The increase funds the annualization of the one percent pay raise effective on January 1, 2014 and the requested one percent raise which will be effective January 1, 2015.

- b. An increase of \$121,000 for GSA and Security Payments.

USDA proposes in FY 2015 the decentralization of GSA Rental Payments and DHS payments. The amount is the equivalent share of the current GSA Rent and DHS central appropriations based upon current space occupancy across the continental U.S. The appropriations request for the central GSA rent account and the DHS payment account has been reduced accordingly.

- c. An increase of \$2,651,000 to support local and regional markets for U.S. agricultural products.

Information concerning state and regional food needs is not readily available to food system developers and investors who need to gain a better understanding of the opportunities and challenges that exist for agricultural food systems across the country. A comprehensive assessment of the resources available to address food system development would establish a baseline and allow for trend analysis so that States can become partners in local and regional food system development.

With this increase, AMS will establish cooperative agreements with Federal and State agencies, Land-Grant Universities, Regional Planning Commissions, and other appropriate entities to develop comprehensive system-level assessments of the existing resource base, including production capacity, existing local and regional markets, distribution networks used by local buyers and sellers, market size and demographics, and other important attributes that affect the success of local food systems. Cooperators will be asked to prepare an assessment using GIS technology of the local food systems in their State, using layers to represent the resources currently in place. The assessment shall include a discussion of successes and potential challenges in the resource allocation identified by the mapping exercise. For example, the same farm production capacity being relied upon to supply multiple farmers markets, CSAs (Community Supported Agriculture), food hubs, retailers, institutions, and restaurants could pose a challenge to adequately meeting demand and create risk for some of the entities. By working with partners at the State or regional level, AMS can encourage efficient and high-impact use of Federal programs that support local foods and help inform better planning at the local level. This level of funding will fund 6 to 10 State assessments per year.

This effort will help states understand where their local and regional agricultural resources are so that state policies and initiatives for local and regional food system development can be enhanced. It will facilitate opportunities for local and regional producers and buyers to discover marketing opportunities and establish new market connections. It will also support the Farmers Market and Local Foods Promotion Programs authorized and funded by the Agricultural Act of 2014. Through these programs, AMS will award grants to increase domestic consumption of agricultural products and to develop market opportunities for farm and ranch operations serving local markets, by developing, improving, expanding, and providing outreach, training, and technical assistance to, or assisting in the development, improvement and expansion of: (1)

domestic farmers' markets and other direct producer-to-consumer market opportunities; and (2) local and regional food business enterprises (including those that are not direct producer-to-consumer markets) that process, distribute, aggregate, and store locally or regionally produced food products; this would include food hubs.

AGRICULTURAL MARKETING SERVICE

Marketing Services

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	2012 Actual		2013 Actual		2014 Estimate		2015 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Alabama	\$119	1	\$155	1	\$168	1	\$175	1
Arizona	410	2	550	3	599	3	621	3
Arkansas	557	3	315	2	342	2	355	2
California	3,761	19	3,843	21	4,180	22	4,341	22
Colorado	743	4	474	3	515	3	535	3
District of Columbia	39,794	204	40,278	220	43,804	232	45,476	232
Florida	1,792	9	1,354	7	1,473	8	1,529	8
Georgia	1,247	6	1,303	7	1,417	8	1,471	8
Idaho	631	3	508	3	553	3	574	3
Illinois	631	3	344	2	374	2	388	2
Iowa	1,706	9	1,795	10	1,952	10	2,027	10
Kansas	248	1	230	1	250	1	260	1
Kentucky	141	1	186	1	203	1	210	1
Louisiana	182	1	143	1	156	1	162	1
Maryland.....	294	1	225	1	245	1	254	1
Massachusetts	467	2	427	2	464	2	481	2
Michigan	2,585	13	1,649	9	1,794	10	1,862	10
Minnesota	915	5	319	2	347	2	360	2
Mississippi	111	1	157	1	171	1	178	1
Missouri	588	3	582	3	633	3	657	3
Montana	455	2	262	1	284	2	295	2
Nebraska	139	1	99	1	108	1	112	1
New Mexico	178	1	208	1	227	1	235	1
New York	3,248	16	2,256	12	2,454	13	2,547	13
North Carolina	2,075	10	1,957	11	2,128	11	2,210	11
Ohio	2,297	12	987	5	1,074	6	1,115	6
Oklahoma	306	2	334	2	363	2	377	2
Oregon	329	2	377	2	410	2	425	2
Pennsylvania	525	3	547	3	595	3	617	3
South Carolina	194	1	172	1	187	1	194	1
South Dakota	185	1	191	1	208	1	216	1
Tennessee	2,672	14	3,028	17	3,292	18	3,418	18
Texas	2,508	13	2,332	13	2,537	14	2,634	14
Virginia	5,015	26	2,824	15	3,071	16	3,188	16
Washington	2,248	11	1,622	9	1,763	9	1,831	9
Wisconsin	1,792	9	1,369	7	1,489	8	1,546	8
Wyoming	96	1	77	0	84	0	87	0
Obligations	81,184	416	73,479	402	79,914	425	82,963	425
Lapsing Balances	988	-	816	-	-	-	-	-
Total Available.....	82,172	416	74,295	402	79,914	425	82,963	425

AGRICULTURAL MARKETING SERVICE

Marketing Services

Classification by Objects

(Dollars in thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Personnel Compensation:				
Washington, D.C.....	\$24,541	\$24,318	\$25,895	\$26,093
Field.....	19,877	19,697	20,974	21,134
11 Total personnel compensation.....	33,609	33,186	35,092	35,349
12.0 Personnel benefits.....	10,475	10,458	11,374	11,459
13.0 Benefits for former personnel.....	334	371	403	419
Total, personnel comp. and benefits.....	44,418	44,015	46,869	47,227
Other Objects:				
21.0 Travel and transportation of persons.....	1,460	1,020	1,562	1,580
22.0 Transportation of things.....	45	16	18	18
23.1 Rental payments to GSA.....	28	59	64	1,253
23.2 Rental payments to others.....	1,351	1,074	1,168	1,213
23.3 Communications, utilities, and misc. charges.....	1,445	1,489	1,000	1,000
24.0 Printing and reproduction.....	199	279	303	515
25.2 Other services from non-Federal sources.....	20,344	15,747	17,126	18,285
25.3 Other purchases of goods and services from Federal sources.....	9,846	8,122	10,000	10,000
25.4 Operation and maintenance of facilities.....	7	-	-	-
25.6 Medical care.....	4	-	-	-
25.7 Operation and maintenance of equipment.....	132	113	123	127
26.0 Supplies and materials.....	608	488	531	551
31.0 Equipment.....	1,001	1,050	1,142	1,186
32.0 Land and structures.....	17	-	-	-
42.0 Insurance Claims and Indemnities.....	279	7	8	8
Total, Other Objects.....	36,766	29,464	33,045	35,736
Total, new Obligations.....	81,184	73,479	79,914	82,963
Position Data:				
Average Salary, ES positions.....	\$158,715	\$158,715	\$159,905	\$161,504
Average Salary, GS positions.....	\$74,385	\$74,385	\$74,916	\$75,665
Average Grade, GS positions.....	11	11	11	12

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAMS

MARKETING SERVICES

MARKET NEWS

Current Activities: The Market News Service provides current, unbiased information on supply, demand, prices, movement, location, quality, condition, and other market data on agricultural products in specific markets and marketing areas – both domestic and international. This information is supplied to buyers and sellers, producers and handlers, transportation and logistics companies, insurance and lending institutions, and others in the marketing chain, including consumers. The information reported by Market News provides a high level of market transparency that contributes to the orderly marketing of agricultural commodities and helps to promote fair trade for all market participants. The market information also supports government policy makers and is widely used for value determinations, such as in courts and mediation.

All market information is reported to the Agricultural Marketing Service (AMS) on a voluntary basis with the exception of Mandatory Price Reporting for specified livestock, meat, and dairy product information. The agricultural sector constantly evolves and so does the form and content of the market news reports, as well as the ways in which that information is made available to the public. AMS Market News issues hundreds of reports daily for some 700 products and commodities resulting in millions of e-views by the public on an annual basis.

Selected Examples of Recent Progress:

Livestock Mandatory Reporting (LMR) – AMS' LMR program (as authorized by P.L. 106-78, Title 9), initiated on April 2, 2001 and reauthorized in 2010 (P.L. 111-239), requires the reporting of market information by livestock processing plants that annually slaughter (on average) a minimum of 125,000 cattle, 100,000 swine, or process an average of 75,000 lambs. Packers that annually slaughter an average of at least 200,000 sows and boars and importers who annually import an average of at least 2,500 metric tons of lamb meat products are also required to report. Mandatory reporting provides information on:

- 79 percent of slaughter cattle
- 94 percent of boxed beef
- 94 percent of slaughter hogs
- 46 percent of slaughter sheep
- 57 percent of boxed lamb meat
- 87 percent of wholesale pork

The reports generated from this activity include specifics on negotiated, forward contract, and formula marketing arrangement purchases. LMR reports daily and weekly prices paid by packers to producers for cattle, hogs, and sheep; daily and weekly prices received by packers for their sales of boxed beef and boxed lamb to retailers, wholesalers, and further processors; and information on prices received by importers of boxed lamb.

The purpose of LMR is to make available information on pricing, contracting, and supply and demand conditions to encourage competition in the marketplace. Much of the information reported under the LMR program – such as formula transactions, forward contracts, and packer-owned transactions – was unavailable prior to the LMR Act, when USDA market reporting relied on voluntary reporting of negotiated transactions. The information in these reports is used by the livestock and meat industry to impact current and future marketing and production decisions. Prices reported through the program often are used as reference prices for the calculation of formula and contract prices. Analysts and policy makers also depend on this information to assess market conditions and the performance of the livestock and meat sectors.

On January 7, 2013, AMS Market News began implementation of the Livestock Mandatory Reporting program for wholesale pork. The provision for adding wholesale pork to LMR was mandated in the Mandatory Price Reporting

Act of 2010 (2010 Reauthorization Act) (Pub. L. 111-239), which reauthorized LMR for an additional 5 years. At the request of the swine industry, AMS initiated a transition plan from voluntary pork reporting to the mandatory program. Under this transition plan, AMS published mandatory wholesale pork market information on a 1-week delay from January 14, 2013 through March 25, 2013. A stepped up release schedule was implemented to transition from the 1-week delay to current-day reporting, which began on April 1, 2013. The voluntary pork reporting program was ended on April 12, 2013 due to a decline in reporting participation. Weekly mandatory reports for negotiated and formula pork sales began on July 1, 2013. Implementing a mandatory wholesale pork reporting program has provided market participants with considerably more market information than they have ever had in the past and has addressed concerns in the producer segment relative to the asymmetric availability of market information.

Dairy Product Mandatory Reporting (DPMR) – In November 2000, Public Law 106-532 (7 CFR 1170) required the mandatory sales reporting (price, volume, and moisture content, if applicable) on selected products by dairy handlers that process a minimum of one million pounds of qualifying sales. Mandatory reporting provides sales information on:

- 12% of butter production
- 34% of cheddar cheese production
- 60% of nonfat dry milk production
- 44% of dry whey production

The purpose of the program is to provide accurate and timely market information for the dairy sector. Widely available market information is needed to ensure markets operate competitively and fairly. AMS collects this data to be used as the price discovery mechanism to establish minimum prices for the Federal milk order system accounting for 63 percent of the U.S. milk supply. The information in these reports is also used by the dairy industry, impacting current and future production levels. Prices reported through the program often are used as reference prices for trade settlement, formula pricing, and contract pricing. Market participants and policy makers depend on this information to assess the health of the dairy industry.

In FY 2013, AMS tested and implemented enhancements to the reporting software. In addition, the program for validating the participating plants was fully implemented.

Organic Producers Survey – AMS Market News partnered with National Agricultural Statistics Service (NASS) to develop a direct survey of self-identified organic producers. The survey is an effort by AMS to more clearly understand how organic producers obtain market information, how they price and market their products, and their familiarity with current information made publically available by Market News. The survey results will help AMS build better tools to serve the information needs of the organic sector. The 12,000 self-identified organic producers fall into three broad categories: currently certified as organic, small enough to be exempt from certification, and those in the “other organic” category which includes those transitioning into organic production. The survey forms were mailed around February 1, 2014, along with an introductory letter from the AMS Administrator. Those who have not responded in two weeks will receive a reminder post card asking to complete the survey. Completed survey forms will be accepted through March 15, 2014. NASS will aggregate the survey results and provide them to AMS within 60 days of the closing of the survey period. AMS Market News will use the data to enhance organic market coverage for the benefit of organic producers, handlers and consumers nationwide.

Market News Portal (MNP) – AMS Market News began the process of migrating the MNP operating system to an open source software platform to improve service. This project is expected to be completed in May 2014. MNP functions have been virtualized and failover capability has been established and tested. Market News internalized Portal support and maintenance to reduce costs.

Data Availability on the Data.gov Website – AMS Market News has added data links to <http://www.Data.gov> for historical reports, annual summaries, and custom report generations for all commodity groups.

Market Reporting Improvements – AMS adds, modifies, or eliminates reports to support both consumers need and market environment changes on an on-going basis. Specific examples of new and enhanced agricultural market reports are listed below.

Cotton and Tobacco:

- Data used in establishing the Daily Spot Cotton Quotations: The Market New Division captured data for 10.1 percent of the crop for use in establishing the Daily Spot Cotton Quotations during the 2012-2013 marketing year. This was a 65 percent increase from the 2011-2012 marketing year and the highest percentage of the crop reported since the 2008-2009 marketing year. As a result, the Daily Spot Cotton Quotations are more reflective of local prices. Full implementation of the Seam Data file, a semi-automated process, creates recap summaries directly from the data made available by the Seam twice a day, as well as increased participation from merchants and gins, contributed to this improvement.
- Classing Office Quality Reports: Market News, working with the Classing Offices, incorporated the individual reports issued by the classing offices into the Cotton Market News Information System (CN MNIS). This allows the classing offices to generate their reports directly from the CN MNIS, automating the process and eliminating the need to manually enter data from printouts in order to generate the reports.

Dairy:

- Dairy Market News merged market reporting of five Chicago Mercantile Exchange weekly reports into a single report while maintaining all prices, averages, and trading information.
- Dairy Market News redesigned publication graphics creating more informative graphics for the user while reducing staff time.

Fruits, Vegetables and Specialty Crops:

- Fruit and Vegetable Market News modified its reporting of Mexican tomatoes, both price and volume, in accordance with the Tomato Suspension Agreement signed by the U.S. Commerce Department and the tomato shippers of Mexico. The agreement sets new floor price levels by type of tomato and requires that the environment of production (open field, adapted and controlled) be shown on all cartons crossed. Market News reports will reflect the environments for Mexico, while maintaining greenhouse for tomatoes from other origins.
- New Area Reported Auctions
 - Shenandoah Valley Produce Auction (Virginia)
- New Areas Reported for various commodities at Shipping Points – Price
 - Apples – Chile Imports through Miami Area
 - Blueberries – Mexico Crossings through Arizona, California and Texas
 - Brussels Sprouts – Mexico Crossings through Otay Mesa and Calexico, California
 - Chayote – Mexico Crossings through Texas
 - Oranges – Australian Imports through Los Angeles Area
 - Tangelos - Australian Imports through Los Angeles Area
 - Tangerines - Peru Imports through Southern California, and the Philadelphia/New York City Area
 - Tangerines – Chile Imports through Los Angeles and Philadelphia Areas
- New Shipment (Movement) Reports for organic
 - Bananas and mangos
 - Florida peppers, bell
 - Northern California potatoes
- New Shipment (Movement) Reports for organic greenhouse grown
 - Mexico peppers, bell

- Mexico tomatoes
- New Shipment (Movement) Reports for greenhouse
 - Mexico cucumbers crossing through Laredo, Otay Mesa, Pharr and Progresso
- New Shipment (Movement) Reports
 - California grape exports
 - Washington peach exports
 - Indiana potatoes
 - Missouri potatoes

Livestock, Poultry & Grain:

- In January 2013, AMS established the Livestock, Poultry and Grain Market News Division through the merger of the Livestock and Grain Market News Division with the Poultry Market News and Analysis Division.

New National, regional, and local livestock, poultry and grain reports include the following:

- 20 negotiated, formula, and forward contract wholesale pork reports
- 10 additional livestock auction markets
- Combined Livestock & Poultry Weekly Hi-lites Summary
- Combined Livestock & Poultry Weekly Imports
- Weekly National Whole Broiler/Fryer Report
- Monthly Grass-fed Beef Report
- Whole Broiler: On January 4, 2013, AMS released a new single, comprehensive whole broiler report, the Weekly National Whole Broiler/Fryer Report (Fri). This report consolidated and replaced information previously provided in fifteen separate market reports (including the 12-City Composite) with no loss of market information to the public. The new report broadens market coverage to the entire nation while providing information on a national, regional, and major metropolitan market basis, significantly improving the quality of information provided and user access.
- Grass-fed Beef: In September 2013, AMS launched a new monthly grass-fed beef report. This is the first report of its kind. It fills a significant data gap for the industry and increases transparency in the marketplace for all participants. In addition to market commentary, this new report includes three sections: prices paid for live cattle, wholesale beef prices, and direct-market beef prices. This monthly report added market clarity and exposure to assist the grass fed industry in marketing their products. In the future, as the number of market reporting participants grows, AMS will continue to expand the report by including trade volume data, and adding graphs and other visuals.

International Cooperation and Market Reporting – The Market News Program provides technical expertise to other countries through a variety of programs conducted by AMS and other U.S. agencies. These activities improve the information available to U.S. agriculture by supporting the development of foreign agricultural market information systems.

AMS hosted and worked with Foreign Agricultural Service (FAS)-sponsored groups from a number of countries who were looking at the way AMS Market News conducts data collection, analysis, and public dissemination of market information. AMS Market News, in conjunction with FAS, is working in support of the President’s Feed the Future Initiative which is a consolidated effort by the Federal government to achieve global food security and aid to developing nations dealing with chronic hunger. AMS is also providing technical assistance to develop or improve market information systems in a number of countries, including Haiti, Guatemala, and Honduras in support of regional efforts to consolidate and share market intelligence for the nations of Central America through USAID-funded programs. AMS began work in 2013 on a new multi-year assistance program in Bangladesh along with the Economic Research Service (ERS), NASS and FAS, funded by USAID. The agencies also met with officials in India to determine whether an assistance program can be defined and initiated in that country. The work

in India will also be aligned with ERS and NASS and funded by USAID through FAS.

Market Information Organization of the Americas (MIOA) – AMS continues in its leadership role in the MIOA, a network of market information organizations from 33 countries in North, Central, South America, and the Caribbean. AMS was chosen again in 2012 by the countries of the Northern Region (Canada, Mexico, and the U.S.) to serve a two year term as the Regional Representative on the Executive Committee of MIOA. The Northern Region will serve for one more year as the Chair of the Executive Committee, with the next elections scheduled for 2014. Specialists from AMS participated in several Executive Committee meetings throughout the year and directly assisted in the training efforts coordinated by MIOA – both on a regional and a hemispheric basis. AMS worked closely with the Foreign Agricultural Service (FAS) and its partners in MIOA, along with the Inter-American Institute for Cooperation on Agriculture (IICA) serving as Technical Secretariat, to support other capacity building initiatives. These included initiatives in the Central Region funded by the Inter-American Bank for Development (IDB). AMS and partners from other countries of MIOA have also supported and participated in technical meetings leading to the formation of a similar organization on the African continent, the African Agricultural Market Information System (AAMIS). That organization drew heavily on the experiences of MIOA and used many of the documents directly, such as the Rules of Procedures. The various regional partners of MIOA are working to create market reports for products of interest to all and to support interregional trade. A MIOA representative presented before the executive committee of the new G20 market information initiative called the Agricultural Market Information System (AMIS), which is currently chaired by USDA.

Customer Outreach and Training – AMS Market News routinely responds to requests for information from individuals, industry groups, and associations. Most of the new reports generated or products added are at the specific request of data users or customers of Market News. In 2013, AMS held a series of webinars on how to use the Market News Portal (MNP) to meet the users' market information needs, as well as general sessions on Market News and the information products that it creates. Additional webinars are planned for 2014 to further expose the tools and uses of the Portal to additional customers. AMS included Spanish language webinars in 2013, with more to follow in 2014.

The Cotton and Tobacco Market News Division increased reporting participation through outreach to educate buyers, sellers, producers, and ginners on the importance of participation in the Market News data collection process through personal visits, presentations, participation in local/regional meetings, and informational booths at two trade shows and two regional meetings. As a result of these outreach efforts, there are now eight producers and 30 gin operations that routinely supply market information for various reports.

SHELL EGG SURVEILLANCE

Current Activities: The Shell Egg Surveillance (SES) program monitors the disposition of "restricted eggs" (eggs that are cracked, dirty, incubator rejects, inedible, leaking, or otherwise unfit for human consumption) to ensure that only eggs fit for human consumption are available to consumers. Inedible eggs constitute a small proportion of all shell eggs and are most often used in animal feed; the remaining eggs are destroyed.

For 2013, the percentage of total egg operations in compliance with SES requirements was 87 percent. A 7 percent decrease from 94 percent compliance in 2012.

Selected Examples of Recent Progress:

Scheduled visits to shell egg handlers are made four times each year, and visits to hatcheries are conducted annually. Additional follow-up visits are made when violations are found. The percentage in compliance during these visits increased 3 percent in 2013, thereby requiring fewer follow-up visits.

<u>Inspections Conducted</u>				
<i>Quarterly visits are made to shell egg handlers with 3,000 or more chickens or who pack product for the ultimate consumer. If a violation of the Act is found a follow-up visit is made during the quarter.</i>				
	<u>Shell Egg Handlers</u>		<u>Hatcheries</u>	
	<u>Number of Handlers</u>	<u>Total Inspections</u>	<u>Number of Hatcheries</u>	<u>Total Inspections</u>
FY 2009	484	2,069	328	333
FY 2010	492	2,404	316	329
FY 2011	493	2,485	323	333
FY 2012	472	2,406	322	331
FY 2013	474	2,282	307	310

Note: Inspections above include both routine follow-up and other visits.

STANDARDIZATION

Current Activities: AMS food and fiber standards are widely used by the agricultural industry in domestic and international trading, futures market contracts, and as a benchmark for purchase specifications in most private contracts. Grade standards are also the basis for AMS Market News reports, grading services, and Federal commodity procurement.

Pursuant to the Agricultural Marketing Act of 1946 which directs USDA to provide such quality grade standards "to encourage uniformity and consistency in commercial practices," AMS develops quality grade standards for commodities as needed by the agriculture and food industry and modifies those standards when industry practices or consumer preferences change. Before standards are implemented, AMS conducts studies and announces proposed standards. Public comments are solicited to verify that quality grade standards will facilitate commerce. There are currently more than 500 quality grade standards in place for cotton, dairy products, eggs, fresh and processed fruits and vegetables, livestock, meat, olive oil, peanuts, poultry, rabbits, and tobacco.

In addition to their use by private industry in domestic and international contracting, USDA food and fiber standards have become the basis for international harmonization of agricultural product quality grades recognized by the Codex Alimentarius and the United Nations Economic Commission for Europe (UNECE).

Selected Examples of Recent Progress:

Standards Reviews – In 2013, AMS specialists reviewed 79 commodity standards to ensure they continue to accurately describe current products, including 21 for cotton products; 3 for dairy products; 32 for fruit and vegetable products; 10 for livestock, meat, and poultry products; and 13 for tobacco. These reviews resulted in the following standard revisions:

- Cotton Grade Standards – Over 2,000 Upland and Pima cotton grade standards boxes were produced that represent the 21 physical cotton grade standards. All freshly produced standards boxes were reviewed and approved by cotton industry representatives in June of 2013 at meetings in Raleigh, NC and Visalia, CA.
- Cotton Grade Standards – The Advisory Committee on Universal Cotton Standards recommended the adoption of a Universal Cotton Standard for instrument based cotton trash measurements. This recommendation was approved by the Secretary of Agriculture on September 26, 2013.
- Frozen Okra Standards – AMS published a Final Notice in the *Federal Register* on October 23, 2013, which became effective on November 22, 2013. The rulemaking removed the “Unclassified” section from the standards, as it is not a grade and only served to show that no grade had been applied. This term has created confusion in the industry and is no longer considered necessary. AMS is removing it from all standards as they are revised.

- Eggplant Standards – AMS published a Final Notice in the *Federal Register* on January 3, 2013, which became effective February 4, 2013. The revised eggplant standards permit mixed colors and/or type packs when designated. In addition, the “Unclassified” section was removed.
- Almonds in the Shell Standards – AMS published a Final Rule in the *Federal Register* on March 8, 2013, which became effective on April 8, 2013. The revised standards change the determination of internal defects from count to weight. This change aligns the inspection procedures for incoming inspections (based on the marketing order) and outgoing inspections (based on the standards).
- Multiple Frozen Vegetables Standards – AMS published notices in the *Federal Register* on July 23, 2010, and January 13, 2013 soliciting comments on possible changes to 18 frozen vegetable standards. The proposal was for moving to a one-term system of grading (e.g., referring to “Grade A” solely, instead of allowing the use of “Grade A” and/or “Extra Fancy” to describe the same degree of quality). This change to the standards will improve consistency between new and old standards, and minimize any confusion that might arise in the marketplace in interpreting or understanding the grading terminology used on packaging. Comments supported the proposal. The notice was published in the July 30, 2013; *Federal Register* and the revised standards took effect August 29, 2013.
- Three Fresh Onion Standards – AMS received various inquiries in recent years seeking amendment of the various onion standards to allow packing of mixed colors. Therefore, AMS proposed revising the United States Standards for Grades of Bermuda-Granex-Grano Type Onions, the United States Standards for Grades of Onions (Other Than Bermuda-Granex-Grano and Creole Type), and the United States Standards for Grades of Creole Onions to amend the similar varietal characteristics requirement to permit specified packs of mixed colors to be certified to a U.S. grade. The proposed revisions will bring the standards in line with current marketing practices, and improve the standards usefulness in serving the industry. On August 21, 2013, AMS published the proposed revisions in the *Federal Register*. The public comment period ended October 21, 2013, with only positive feedback. A final draft is in clearance.
- Safe Harbor Cuts for Beef Tenderness – AMS proposed to amend its operational requirements for certification of tenderness marketing claims to establish “safe harbor” cuts given that certain age and quality requirements are met. These operational requirements were developed by AMS in 2012 to certify tenderness marketing claims made in accordance with American Society for Testing and Materials’ (ASTM) Tenderness Standard for Meat Cuts Derived from Beef. Subsequent research and data analysis supported amending the operational requirements to include the safe harbor provision. For operations that meet the safe harbor requirements, the AMS certification process will be shortened significantly. Under safe harbor, these operations will not be required to randomly select cuts and assess tenderness of the cuts using a USDA approved technology that measures slice shear force.
- AMS developed draft documents concerning proposed changes to egg standards that seek to clarify the definition for condition of shell eggs.
- AMS developed a draft proposal to revise the standard for lamb carcasses and cuts. The draft proposes to add another method -- dentition -- for determining maturity, in addition to the current physiological method. Suggestions to change the class name from yearling mutton to yearling lamb and to add flavor option classes were also included in the draft proposal.
- AMS took action through ASTM to engage stakeholders in the development of an industry standard for lamb tenderness. When implemented, AMS will certify tenderness marketing claims for lamb similar to the process used for beef.

International Activities – AMS remains a leader in global marketing standards initiatives and represents the U.S. in meetings of the Codex Alimentarius, the International Dairy Federation, the United Nations Economic Commission for Europe (UNECE), the Organization for Economic Cooperation and Development, the International Organization for Standardization, the International Seed Testing Association, the International Meat Secretariat, the American Society for Testing and Materials International, the U.S. Canadian Regulatory Cooperation Council, the

International Cotton Advisory Committee, international cotton outreach, and several bilateral consultative committees on Agriculture. Examples include:

- AMS participated in the 61st Session of the UNECE Specialized Section on Standardization of Fresh Fruits and Vegetables, which continued to develop two new standards, revised eight existing standards, and complete two interpretative brochures were completed.
- One AMS staff member chaired and another served as the U.S. delegate to the UNECE 60th Session of the Specialized Section on Standardization of Dry and Dried Produce at which six standards and one interpretative brochure were completed. Another six standards and an interpretative brochure are being developed. AMS also led four working groups within this Specialized Section.
- AMS representatives attended UNECE's rapporteurs meeting in July 2013, in Poland to revise and update international porcine standards. Representatives of nine countries reviewed the existing pork cuts contained in the standards, added new cuts being traded internationally, and updated technical cut descriptions. With the world now seeing more retail cuts traded worldwide, the United States is leading the development of UNECE retail cut standards for both beef and pork.
- AMS achieved adoption of UNECE's first standard for retail meat cuts in November 2013. AMS served as Vice-Chair of UNECE's Specialized Section on the Standardization of Meat where the focus of meetings held in July 2013 was on gaining the consensus of delegates concerning draft standards for retail meat (beef and pork) cuts and further processed poultry products. The U.S. led the development of these draft standards and was successful in gaining the concurrence of delegates on the draft standard for retail meat cuts. Subsequently, this standard was adopted by the Working Party at its meeting in November, 2013. AMS will seek concurrence and adoption of the further processed poultry standard during 2014 meetings of the Specialized Section and Working Party.
- One AMS official serves as Delegate to the Codex Committee on Milk and Milk Products. The 36th session of the Codex Alimentarius Commission agreed to establish an Electronic Working Group (eWG) to determine the feasibility of developing one or more standards for processed cheese. The delegate is participating in this eWG to represent the interests of the U.S. dairy industry on this issue.
- AMS representatives participated in Codex committees and working groups established to advance standards for fruit and vegetables, and participated in two international Codex outreach programs to build international support for U.S. positions at Codex committee plenary sessions. AMS coordinates its activities with the U.S. Codex Offices in the USDA/Food Safety and Inspection Service and the Food and Drug Administration, relevant domestic stakeholders, and with Codex committees and working groups.
 - AMS worked with five electronic working groups' subsidiaries of the Codex Committee on Processed Fruits and Vegetables (CCPFV) in preparation for the 27th session scheduled for September 2014. Main issues for the 27th CCPFV Session include the merging of eleven different frozen vegetable standards, merging four different canned fruits standards, and the converting the Codex Regional Asia Standard for ginseng products into an international standard.
 - AMS worked with Codex Committee on Fresh Fruits and Vegetables (CCFFV) electronic working group to prepare for the 18th CCFFV Session.
 - AMS was assigned to be the U.S. co-delegate to the Codex Committee on Spices and Culinary Herbs (CCSCH).
- AMS participated in the Organization for Economic and Cooperation Development (OECD) Fruit and Vegetable Scheme technical working group on the development of brochures for Fresh Pomegranate based on the Codex Standard for Pomegranate. AMS' participation in OECD's brochure development is geared at protecting the interests of the U.S. pomegranate industry and U.S. agricultural exports. AMS also uses such opportunities to undertake outreach activities in support of USDA international standardization activities.

- AMS participated in the International Nut and Dried Fruit Council (INC) 30th Congress in Barcelona, Spain as a speaker at its scientific seminar day. The INC Congress is the largest international dry fruit and nut industry annual event, and AMS used this opportunity to promote USDA standardization activities and to undertake outreach directly to the international dry fruit and nut industry.
- AMS participated in Germany's biennial fresh fruit and vegetable standardization workshop to conduct outreach to Europe inspection agencies and to gather information on future European Union standardization plans and policies related to the marketing of fresh fruits and vegetables.
- AMS officials participated in the International Union for the Protection of New Varieties of Plants (UPOV) meetings in Geneva, Switzerland. The UPOV convention creates an international system of plant breeder (intellectual property) rights based on a set of uniform and clearly defined principles. Issues that were discussed included international cooperation for testing new plant varieties (i.e., Distinct, Uniform and Stable), molecular techniques, electronic plant variety protection applications, and the structure/organization of UPOV database. Both the AMS Plant Variety Protection Office and the U.S. Patent and Trademark Office regularly participate in UPOV meetings.
- AMS officials led U.S. participation in the U.S./Canada Regulatory Cooperation Council's initiative to harmonize meat and poultry nomenclature between the two countries. AMS met with representatives of the American Meat Institute, Canadian Food Inspection Agency, North American Meat Association, and industry officials to harmonize each country's nomenclature for meat and poultry cuts. With only minor differences in poultry cut nomenclature, AMS outlined the meat nomenclature differences for beef and pork between the two countries and offered solutions for resolving the differences. AMS proposed to harmonize the U.S. and Canadian standards based upon the Institutional Meat Purchasing Specifications (IMPS) and the Uniform Retail Meat Identity Standard (URMIS). Subsequent discussions led to agreement by representatives of both countries and industry stakeholders on the updated nomenclature. AMS plans to have the updated IMPS nomenclature published by the end of calendar year 2013. Additionally, AMS has engaged discussions with the Mexican meat industry to adopt IMPS. If so, the result would create a standardized North American meat nomenclature system.
- An AMS official served as the Chairperson of the U.S. Technical Advisory Group (U.S. TAG) for the International Organization for Standardization's (ISO) Food and Food Products Technical Working Group on Animal Welfare (ISO TC 34/WG 16 (Working Group)). The U.S. TAG for TC 34/WG 16 is composed of 46 U.S. representatives and is tasked with providing the U.S. position to ISO TC 34/WG 16 in the development of a new ISO technical specification for animal welfare. ISO TC 34 received a request from the World Organisation for Animal Health's (OIE) to develop the new standard to complement section 7 of the OIE Terrestrial Animal Code. The AMS representative participated in the inaugural meeting of WG 16 in Paris, France in October, 2012 and led a meeting of the U.S. TAG in Washington, DC in October, 2013.
- An AMS representative served as the Chairperson of the International Organization for Standardization's (ISO) Food and Food Products Technical subcommittee for "Horizontal methods for molecular biomarker analysis" (ISO TC 34/SC 16), completing a five year term which began in November, 2008. The AMS official is now a candidate for a renewed three year term. ISO TC 34/SC 16 was established in 2008 to advance fair and transparent commerce of food and agricultural biotechnology products through the development of internationally harmonized standard methods for DNA, protein and biochemical analysis. It is the only international standards developing organization tasked with providing global standards and specifications to verify the genetic identity of high valued commodities and food products, provide validation for coexistence claims, detect GMOs in non-GMO and organic products, and detect plant pathogens in commerce. It is sponsored in part by AMS and composed of over 200 scientific subject matter experts representing the national standardization bodies of thirty-three countries. The AMS chairperson participated in the 7th ISO TC 34 Chairman's Advisory Group meeting in Paris, France and led the 4th ISO TC 34/SC 16 plenary meeting in London, United Kingdom during April, 2013.

Market Access Activities – AMS' standardization activities enhance and expand export market access for US commodities through collaboration with regulatory and trade federal agencies and industry groups to develop

market and export assistance programs (e.g., systems-based programs to meet export requirements and policies for specific countries). Due to AMS' market expertise, Federal agencies and the agricultural industry depend on AMS to develop and administer marketing programs (e.g., quality systems verification programs and laboratory approval programs) to make products eligible for export to various countries. For example, the use of veterinary drugs is an increasing issue for animal agriculture in America and one that may be addressed through marketing programs in order to enhance the US industry's competitiveness in various international markets.

In 2013, export verification became a high priority issue for the beef, pork, and turkey industries when the Russian Federation banned the use of ractopamine, a beta-agonistic drug approved for use in food-producing animals to promote leanness and to improve feed efficiency. To address Russia's zero-tolerance policy, FAS and FSIS approached AMS to develop programs to assist FSIS in ensuring products destined for export to various countries meet the Export Library requirements. AMS' Livestock, Poultry and Seed Program administers Quality Systems Verification Programs which provide companies that supply agricultural products and services the opportunity to assure customers of their ability to provide consistent quality products or services. AMS' Science and Technology Program administers laboratory approval programs that verify the analysis of products destined to be exported meet various countries' requirements. In 2013, AMS developed programs to address this issue for both export and domestic trading purposes.

FEDERAL SEED ACT

Current Activities: AMS administers Federal Seed Act (Act) regulations on the interstate shipment of agricultural and vegetable seeds. The Act requires that seed shipped in interstate commerce be labeled with information that allows seed buyers to make informed choices, and that seed labeling information and advertisements pertaining to the seed must be truthful. Therefore, the Federal Seed Program helps promote uniformity among State laws and fair competition within the seed trade.

AMS depends on cooperative agreements with State agencies to monitor interstate commerce of agricultural and vegetable seeds with regard to seed labeling. State inspectors routinely inspect and sample seed shipments being marketed in their States. They refer apparent violations of the Act to AMS' Seed Regulatory and Testing Division for investigation and appropriate action. While most complaints involving mislabeled seed are submitted by State seed control officials, they may be submitted by anyone. AMS takes regulatory action against the interstate shipper when a violation is confirmed. Actions on violations include a letter of warning for minor violations and technical violations; a monetary penalty is imposed for serious violations.

Selected Examples of Recent Progress:

During FY 2013, AMS initiated 244 investigations based on 233 Federal Seed Act complaints from 16 States, 1 local store, and 6 individuals. In cooperation with State agencies, AMS received 463 regulatory seed samples from 23 States, 3 companies, and 5 local stores for trueness-to-variety. AMS conducted field tests on the samples at 2 locations to determine trueness-to-variety of seed shipped in interstate commerce.

The Federal Seed Program administratively settled 144 Federal Seed Act cases during the fiscal year with 73 warnings, 55 no-actions, and 16 with penalty assessments totaling \$73,050. Individual assessments ranged from \$1,050 to \$19,500.

To ensure uniform application of the regulations, AMS conducted a training workshop for seed analysts from seven States. In addition to the seed analyst training, AMS was the host for the Association of Official Seed Analysts/Society of Commercial Seed Technologists consolidated exam.

In cooperation with the Association of Official Seed Analysts and the Society of Commercial Seed Technologists, AMS began conducting web-based training seminars with both State and private industry professionals to increase awareness of and changes to seed regulations, rules, standards, and testing techniques. Seminars may be conducted multiple times per year as needed or requested by industry.

COUNTRY OF ORIGIN LABELING

Current Activities: The Country of Origin Labeling (COOL) amendments to the Agricultural Marketing Act of 1946 require retailers to notify their customers of the country of origin of covered commodities. Covered commodities are identified as muscle cuts of beef (including veal), lamb, goat, chicken, and pork; ground beef, ground lamb, ground goat, ground chicken, and ground pork; fish and shellfish; perishable agricultural commodities (fruits and vegetables); peanuts, pecans, macadamia nuts, and ginseng. The law also requires method of production information (farm-raised or wild caught) for fish and shellfish to be noted at the final point of sale to consumers. The Act states that “normal course of business” records and producer affidavits may be used for verification, the same requirements and penalties apply to both suppliers and retailers, and the maximum penalty per violation is \$1,000. The COOL requirement became mandatory for retailers in March 2009 upon implementation of the final rule.

In May 2013, Parts 60 and 65 of the regulation were amended, which expanded the definition of “retailer” and changed labeling provisions for meat muscle cut covered commodities for compliance with the World Trade Organization findings. AMS prepared educational materials and participated in outreach events with industry stakeholders. In addition, COOL initiated a business process review of enforcement protocols in an effort to maintain program integrity, reduce the burden on industry, and ensure consumers are notified of country or origin and method of production information at the point of sale.

Selected Examples of Recent Progress:

Enforcement Activities – AMS continues to work in collaboration with all 50 States to conduct retail surveillance activities for the COOL program. In 2013, the COOL Program conducted 2,061 retail reviews and 547 follow-up retail reviews of the roughly 37,000 regulated retailers. Based on the average number of COOL covered commodities sold in a store location, overall retailer compliance to COOL was approximately 96 percent, but considering the number of stores with at least one non-compliance finding, only about 19 percent of retailers were in full compliance. In addition, 152 products were audited through the supply chain. Overall compliance by suppliers to retail stores is approximately 97 percent.

Program Audit – AMS improved program operations by incorporating key Office of Inspector General (OIG) recommendations into program activities, including a survey of 370 small retail establishments to determine if they are covered retailers and subject to COOL conformance.

Training – Beginning in April 2013, COOL refresher training was made available to State officials electronically via USDA’s AgLearn system. Four individual training modules were created, deployed and successfully completed by approximately 350 state and federal employees. This web-based training investment reduced travel cost by approximately \$240,000 in FY 2013.

Outreach – In May 2013, COOL strengthened its education and outreach efforts for affected industry stakeholders via webinar events. The program’s goal is collaboration and complete transparency with industry.

PESTICIDE DATA PROGRAM

Current Activities: The Pesticide Data Program (PDP) is a critical component in meeting the requirements of the 1996 Food Quality Protection Act (FQPA), which directs the Secretary of Agriculture to provide improved data collection of pesticide residues, standardized analytical and data reporting methods, and increased sampling of foods most likely to be consumed by infants and children. The program has the largest database on pesticide residues in children’s foods in the U.S. In a collaborative effort, AMS, the Environmental Protection Agency (EPA), and the Food and Drug Administration (FDA) coordinate and prioritize residue-testing and program activities. In addition, AMS conducts annual planning meetings with all program participants, including the cooperating State agencies and agricultural industry stakeholders, to select commodities and water sampling sites for inclusion in the program.

Selected Examples of Recent Progress:

During 2013, PDP tested more than 11,000 food and water samples, resulting in over 2 million individual tests.

Commodities – Commodities surveyed by PDP include fresh and processed fruit and vegetables, milk and dairy products, beef, pork, poultry, catfish, salmon, corn grain and corn syrup, soybeans, wheat and wheat flour, barley, oats, rice, almonds, peanut butter, honey, pear juice concentrate, bottled water, groundwater, and treated and untreated drinking water. In 2013, PDP added two new commodities – salmon and raspberries and reintroduced previously tested commodities bringing the number of commodities surveyed to date to 110. Consumption of salmon and raspberries are on the rise due to efforts to promote a healthy diet. Pesticide residue data on these commodities are needed to more accurately reflect different agricultural production practices (e.g., farm-raised salmon; foreign pesticides used on imported raspberries). Data on previously tested commodities is needed to determine if there were measurable changes in the residue profile. All commodities selected for testing are based on EPA's requests for data to monitor registration-driven changes mandated by the FQPA and to respond to public food safety concerns.

Water Survey – PDP's water survey test surface and groundwater sites around the U.S. Through April 2013, PDP surveyed 92 municipal sites drawing from surface water in 29 States and the District of Columbia, 1,206 potable groundwater wells in 42 States, 586 school/childcare facility wells, 90 groundwater samples from 8 Native American Tribes and 93 brands of bottled water. Data were shared with the local agency and with the school/childcare facility. The majority of pesticides included in the PDP testing profiles were not detected; those compounds that were detected were primarily commonly used herbicides and their metabolites. None of the detections exceeded the recently established Human Health Benchmarks for Pesticides (HHBPs) or Maximum Contaminant Levels (MCLs). The PDP water survey was discontinued in April 2013 due to budget reductions.

Sampling – During 2013, PDP achieved a 99.9 percent success rate in collecting samples. PDP uses statistical tools and marketing data to enhance sample collection rate. Recent improvements in the sample tracking database and the use of electronic sample information forms that allow for instant availability of data at food distribution points make the data more valuable for trace-back of questionable products. PDP monitors product availability at the various collection points through frequent communication with sampling inspectors and makes necessary adjustments to sampling protocols to meet collection targets.

Testing Methods – PDP enhanced its testing methods to bring the total number of pesticides and metabolites tested to over 490, including pharmaceutical compounds tested in water. PDP laboratories consolidated analytical screening methods and expanded the use of automation to reduce costs for equipment maintenance, human resources, and the management of hazardous waste. PDP also expanded pesticide testing by adding pesticides that are used overseas but are not allowed in the U.S. These illegal pesticides are used on products imported to the U.S. and are being gradually incorporated in response to requests by the Government Accountability Office (GAO) and EPA's OIG.

Outreach – PDP staff met routinely with EPA officials to present new information/data and to conduct program planning sessions. To improve communications, PDP staff met with minor crop and chemical industry representatives, Pest Control Officials and the Association of Food and Drug Officials. PDP staff also participated in the Association of Analytical Chemists Proficiency Test Advisory Committee and Pesticides Subcommittee, and attended interagency meetings with FSIS' Office of Pest Management Policy and NASS to discuss program planning issues and to share technical information.

Reporting – AMS publishes annual data summaries. Public-domain databases containing sample identity and analytical results data for each sample tested are posted on the Program's website at <http://www.ams.usda.gov/AMSV1.0/pdp>.

NATIONAL ORGANIC PROGRAM

Current Activities: Through the work of the National Organic Program (NOP) (authorized by the Organic Foods Production Act of 1990, 7 U.S.C. 6501 et seq.), AMS facilitates market access by developing, implementing, and enforcing USDA organic regulations which govern the production, handling, and labeling of organic agricultural products. AMS accredits 84 third-party organic certifying agents worldwide and those certifiers oversee more than 25,000 certified organic operations around the world. AMS also establishes and maintains organic recognition and equivalency agreements with foreign governments. To maximize public participation and transparency, AMS supports the work of the National Organic Standards Board (NOSB), a group of 15 private-sector appointees who recommend materials to be allowed or prohibited in organic operations and provide other recommendations related to organic agriculture to the Secretary.

Selected Examples of Recent Progress:

International Trade – USDA engages with other countries to advance organic trade through recognition and equivalency agreements. In September 2013, the U.S. and Japan announced that beginning January 1, 2014, organic products certified in Japan or in the U.S. may be sold as organic in either country. This partnership between two significant organic markets will streamline access for U.S. farmers and processors to the growing Japanese organic market, benefiting the thriving organic industry and supporting jobs and businesses on a global scale. AMS also traveled to Brussels, Belgium to support the existing U.S.-EU organic equivalency agreement; completed a peer assessment with Canada to support the existing U.S.-Canada equivalency agreement; conducted an assessment of the Swiss organic program as part of a possible path towards equivalency; and conducted an audit in New Zealand to support an existing recognition agreement.

Consumer Protection (Compliance, Enforcement, and Appeals) – In FY 2013, the NOP completed its investigation of 239 complaints alleging violations of the organic regulations, and reduced its total backlog of open complaint investigations for the first time. Over the course of the year, the NOP issued 18 civil penalties through settlement agreements for willful violations of the USDA organic regulations. These violations ranged from selling product as “organic” without certification to the application of prohibited substances in organic crops. Penalties totaled \$96,500. AMS also supported criminal investigations and sentencing efforts led by other offices, including the OIG Criminal Division and the Department of Justice. To improve the appeals process, AMS reorganized and realigned the NOP appeals function. Through process streamlining and the increased use of settlements, the number of open appeals cases has been cut in half, and the average days a case is open stands at only 129 days, down from 339 days before the transition. These improvements expedited the NOP appeals process, and allowed staff to be utilized on other critical NOP projects. NOP received positive feedback from stakeholders involved in appeals.

Organic Integrity – Accreditation Activities – At the close of FY 2013, USDA organic certifiers were in full compliance with 95 percent of the NOP’s accreditation criteria, and have implemented corrective actions for all deficiencies. Over the year, AMS conducted 25 accreditation renewal audits, 5 accreditation midterm audits, and an initial accreditation audit resulting in the issuance of 63 reinstatements of certification, 9 temporary variances to the USDA organic regulations, and 4 export authorizations. During FY 2013, AMS also launched a new “sound and sensible” initiative designed to make the organic certification process affordable and attainable for organic operations. This included gaining certifier feedback about the current barriers to certification, establishing the principles of the sound and sensible initiative to make organic certification accessible, attainable, and affordable for all operations, updating program materials, and conducting outreach to certifiers.

Standards Development – In FY 2013, the NOP successfully led approximately 20 standards projects, all designed to clarify standards for certifiers and operators. Published standards are helping to level the playing field across organic businesses include 3 final rules, 3 proposed rules, 2 draft guidance documents, 5 final guidance documents, and a number of instructions and policy memos. NOP collaborated with the National Organic Standards Board to guide the development of a revamped process for reviewing substances used in organic agriculture to improve efficient use of USDA resources and ensure stability for organic markets.

Training and Outreach – Each year, the National Organic Program conducts training for accredited certifying agents. This year’s training, in Orlando, Florida reached over 100 certifier representatives, and was supplemented by

certifier conference calls and webinars during the year. NOP representatives also spoke at several organic conferences, focusing particularly on the “sound and sensible” organic certification initiative. Further, more than 15,000 USDA employees accessed the Organic Literacy Training, developed by the USDA Organic Working Group and AMS. The USDA Organic Insider email service has 17,703 subscribers as of November 2013, a 25 percent increase from the beginning of FY 2013. This service is used to send USDA organic updates and the Organic Quarterly newsletter. The program published seven articles on the USDA organic regulations and certification on USDA’s blog, including “*Can GMOs Be Used in Organic Products?*” which has been consistently ranked as one of the most-read articles on the USDA blog. In addition to these activities, AMS held two public meetings of the National Organic Standards Board in Providence, Rhode Island in October 2012 and in Portland, Oregon in April 2013.

Collaboration with Federal Partners – AMS expanded its cooperation with other Federal partners on shared organic issues in FY 2013. This included working with the Department of Justice, DHS Customs and Border Protection, the Food and Drug Administration (FDA), the Environmental Protection Agency (EPA), and the Alcohol and Tobacco Tax and Trade Bureau (TTB) on both enforcement and regulatory issues. For example, the NOP increased cross-training and interaction with FDA, EPA, and TTB on food additives, pesticide products and inerts, and organic alcohol labeling; and entered into an agreement with the Federal Trade Commission to collect data on consumer perceptions of personal care products and textiles sold as organic.

External Audits – The OIG completed one audit related to the NOP in FY 2013. The audit report, "National Organic Program (NOP) - Organic Milk Operations," focused on the compliance of organic milk producers to the USDA organic regulations. The OIG found that generally USDA successfully implemented the access to pasture rule for organic dairy cattle, offering six recommendations to build on existing oversight controls. These recommendations focus on ensuring all organic dairy producers are treated consistently and that all aspects of organic milk production comply with USDA organic requirements. AMS has projects underway that will meet all OIG's recommendations.

Organic Certification Cost-Share Grant Program – In FY 2013, AMS continued to administer the Agricultural Marketing Assistance Organic Certification Cost Share Grant Program, a program that supports organic producers in 16 designated States. AMS allocated approximately \$1.4 million to the 16 states to support this program; organic producers in those States can apply for reimbursements up to \$750 for the cost of organic certification.

PESTICIDE RECORDKEEPING PROGRAM

Current Activities: The Federal Pesticide Recordkeeping Program (PRP) is a National program that enforces the Federal Pesticide Recordkeeping regulations, which requires certified private pesticide applicators (over 600,000 agricultural producers) to maintain records of their restricted use pesticide (RUP) applications. This is accomplished by conducting compliance inspections of these certified private pesticide applicators utilizing State and Federal personnel. PRP also provides information to the regulated community to assist them with compliance and provides outreach materials to licensed health care professionals to inform them of the availability of RUP record information when needed for medical treatment.

For FY 2013, the Federal Pesticide Recordkeeping Program (PRP) implemented 21 cooperative agreements with state lead pesticide agencies and one university to carry out the provisions of the recordkeeping regulations. The cooperative agreements totaled \$779,000 for 1,600 inspections and provided educational outreach to certified private pesticide applicators. The PRP will be terminated in FY 2014. Program activities were suspended September 30, 2013.

RESEARCH AND PROMOTION PROGRAMS

Current Activities: AMS provides administrative oversight to 20 industry-funded commodity research and promotion (check off) programs with over \$667.4 million in revenue. Industry research and promotion boards collect assessments from producers, feeders, seed stock producers, exporters, packers, importers, processors, manufacturers, and handlers, to carry out programs aimed at strengthening the demand for their products. It is the

responsibility of AMS to review and approve the budgets and projects proposed by the boards such as paid advertising, consumer education, industry relations, industry information, retail, food service and export promotion, market production and nutrition research, public relations, and project evaluation. Those industries reimburse AMS for the cost of administrative oversight activities.

Selected Examples of Recent Progress:

Cotton – Two high priorities for the cotton industry are 1) reducing environmental impact and increasing efficiencies in the field and in textile manufacturing; and 2) maintaining consumer and trade interest in cotton fiber. The Cotton Research and Promotion Program, in cooperation with the National Cotton Council and Cotton Council International recently launched a joint program with Cotton Australia to raise awareness of the responsible growing practices among cotton producers in Australia and the United States. The Cotton LEADS™ program is aimed at textile brands, retailers and manufacturers committed to sourcing cotton that is grown in a responsible and transparent manner. Validating the Cotton LEADS program are the national-level oversight, regulatory enforcement, and transparency of practices common to both countries. Combined, Australia and the United States account for roughly 17 percent of global cotton production. Cotton LEADS is designed to assist businesses along the cotton supply chain with their sustainability goals. Cotton LEADS is a complement to many of the farm-by-farm certification programs that have appeared in recent years.

In late 2013, Cotton Incorporated launched a new marketing campaign called *Cotton or Nothing*. The campaign was designed to persuade brands and retailers to return cotton into their apparel offerings that, due to cotton's increase in price in 2011, were being made with less expensive synthetic fibers. During New York's Fashion Week, Cotton Incorporated staged a "protest" with unclothed mannequins holding up signs saying they wanted to wear cotton, or nothing. The campaign also invited consumers to "Join The Protest" by having their picture taken with the striking mannequins and signing a *Cotton Or Nothing* manifesto. *Cotton Or Nothing* is an industry-facing marketing program fueled by growing consumer dissatisfaction with poorly-produced garments. Over 300 people supported the mannequins' cause by participating in the Mannequin Protest. A stop-motion short film of the protest is available for viewing on <http://www.cottonornothing.com/>.

In 2013, the Cotton Research and Promotion Programs continued its rollout of Cotton University (<http://cottonuniversity.org/>) to provide cotton production and manufacturing educational programs on-line, such as workshops and continuing education, to retailers and sourcing specialists.

Dairy Products – The Dairy Research and Promotion Program focused on sustainability through the check off-created Innovation Center for U.S. Dairy (IC). The dairy industry is committed to reducing the carbon footprint of fluid milk by 25 percent by the year 2020 – equivalent to taking more than 1.25 million cars off the road every year. In April 2013, the IC and USDA renewed a MOU to cooperate on sustainability initiatives. Eight tools will focus on operational efficiencies and innovations to reduce greenhouse gas emissions throughout the entire dairy value chain – from production of feed for dairy cows, to on-farm energy audits, to retail. Many of the IC-created resources are available online and provide information on grant opportunities that are made available through USDA programs.

The dairy check off program also continued health and wellness efforts and launched a partnership with Feeding America and the Academy of Nutrition and Dietetics to help fight hunger and make additional resources available for the nearly 50 million Americans who are food insecure. As part of this partnership, the organizations will identify ways to improve access to milk and other dairy foods at local food banks.

Eggs – The Egg Research and Promotion Program's Good Egg Project educate consumers about egg production and promote nutrition and philanthropy. A key goal of the project is to invite the public to join egg farmers in the fight against hunger through the donation of eggs to local food banks and Feeding America. Since the Good Egg Project began in 2009, egg farmers have donated more than 48.2 million eggs to the Nation's hungry population.

Paper and Paper-Based Packaging – AMS's Fruit and Vegetable Program worked with the Paper and Paper-Based Packaging Panel – a group of industry leaders of all sizes and including manufacturers and importers of paper and paper-based packaging – to develop a national research, promotion, and information program. A proposed rule for a Paper and Paper-Based Packaging Program was published in the *Federal Register* on January 2, 2013. Seventy-five

comments were received; 62 in support of the program. A referendum to determine industry support was held October 28 through November 8, 2013. Eighty-five percent of those voting in the referendum representing 95 percent to the volume represented in the referendum favored implementation of the program. A final rule was published in the *Federal Register* on January 22, 2014, establishing the program, with an effective date of January 23, 2014. The program will be administered by a 12-member Board, consisting of 11 manufacturers and 1 importer. A 35-cent per ton assessment rate will result in approximately \$25 million in collections annually. Manufacturers and importers of less than 100,000 tons of paper annually would be exempt. Assessment collection begins March 1, 2014.

Hardwood Lumber and Hardwood Plywood – AMS’s Fruit and Vegetable Program worked with the Blue Ribbon Committee – a group of hardwood lumber and hardwood plywood industry leaders of all sizes of manufacturers – to develop a Hardwood Lumber and Hardwood Plywood Research, Promotion and Information Program. The program would help increase demand for U.S. hardwoods, since consumption has declined significantly over the last several years. Hardwood lumber products are used in residential and commercial construction, including flooring, furniture, moldings, doors and kitchen cabinets. The program would conduct promotion activities to improve perception, competitive position and sales of hardwood lumber and hardwood plywood. The proposal for the program was published in the *Federal Register* on November 13, 2013, with comments due by January 13, 2014.

Soybean – In 2012, the United Soybean Board (Soybean Board) began funding a project for the development and expansion of high oleic oil soybeans in cooperation with DuPont Pioneer and Monsanto Corporation. The Soybean Board has set a goal of harvesting 18 million acres of high oleic oil soybeans in 2023, equating to about 22 percent of total U.S. soybean acreage projected for that year. On November 7, 2013, the Food and Drug Administration announced plans to measure support for the removal of trans fats from the generally-recognized-as-safe (GRAS) status. The soybean industry had anticipated the phase-out of partially hydrogenated vegetable oils, including commodity soyoil, from the food supply. Soybeans that produce high-oleic soy oil contain no trans fats.

Research and Promotion Program Industry Revenue
FY 2013 Estimate
(Dollars in Millions)

<u>Commodity</u>	<u>Estimated Revenue</u>
Cotton	\$88.1
Dairy	103.8
Fluid Milk	104.6
Beef	39.7
Lamb	2.5
Pork	83.4
Soybeans	96.8
Sorghum	9.5
Eggs	25.0
Blueberries	5.3
Hass Avocado Board	41.3
Honey Board	5.5
Mango Board	5.7
Mushroom Council	4.5
Peanut Board	12.0
Popcorn Board	0.9
Potato Board	19.9
Processed Raspberries	1.5
Softwood Lumber	14.2

<u>Commodity</u>	<u>Estimated Revenue</u>
Watermelon Board	3.2
Total	\$667.4

Note: The board's fiscal year coincides with the calendar year for the blueberry, cotton, dairy, egg, fluid milk, Hass avocados, honey, mangos, mushroom, pork, popcorn, and Softwood lumber boards. The other boards operate under different 12-month fiscal periods.

TRANSPORTATION AND MARKET DEVELOPMENT

Current Activities: AMS serves as the expert source for economic analysis on agricultural transportation from farm to markets. The Agency informs, represents, and helps agricultural shippers and government policymakers through market reports, regulatory representation, economic analysis, transportation disruption reports, and technical assistance.

AMS supports and enhances the distribution of U.S. agricultural products and marketing opportunities for small and mid-sized producers through grant programs, applied research, and technical services. These activities focus on direct marketing and locally grown initiatives.

Selected Examples of Recent Progress:

Transportation Reports and Studies – AMS provides a variety of reports and information for diverse audiences, including government entities and agricultural stakeholders, on regulatory, policy, and legislative matters related to agricultural and rural transportation. These products inform decision-makers and promote the development of an efficient agricultural transportation system that improves farm income, expands exports, and meets the transportation needs of rural America. Routine reports and publications that AMS provide include, the weekly *Grain Transportation Report*, the weekly *Ocean Shipping Container Availability Report*, the *Agricultural Refrigerated Truck Quarterly*, and the annual *Transportation of U.S. Grains: A Modal Share Analysis*, the quarterly *Mexico Transport Cost Indicator Report*, and the quarterly *Brazil Soybean Transportation Report*.

In FY 2013, AMS developed a new Agricultural Transportation Research and Information Center on its website. Publications and articles that were created and published in FY 2013 include the following:

- [The Shift to Larger Railcars for the Shipment of Grain](#) – provides insight on the increased use of larger railcars (C-114 covered hopper cars) for the shipment of grain.
- [The Effects of Increased Shuttle-Train Movements of Grain and Oilseeds](#) – provides brief analysis regarding increased shuttle-train movements of grain and oilseeds between 1994 and 2011.
- [State Grain Rail Statistical Summary](#) – provides statistics and analysis for movements of grain and oilseeds by rail throughout the United States.
- [A Comprehensive Rail Rate Index for Grain](#) – develops new rail rate indices for unit trains and shuttle trains and compares them with a rail cost index.
- [Profiles of Top U.S. Agricultural Ports](#) – provide a view of the top 20 U.S. ocean ports moving agricultural export and import traffic.
- [A Reliable Waterway System Is Important to Agriculture](#) – describes the importance of marine transportation to fiscal 2013 agricultural exports.
- [The Potential Impact of Brazil Transportation Efficiencies on World Cotton Trade](#) – summarizes data regarding the estimated impact of Brazil improvements in transportation infrastructure on cotton production, prices, and exports

Regulatory Representation – AMS is often asked to provide input to various regulatory agencies on issues related to agricultural shipping under the authorities of the Agricultural Adjustment Act of 1938, Agricultural Marketing Act

of 1946, and International Carriage of Perishable Foodstuffs Act of 1982. During FY 2013, AMS provided input on 4 major transportation issues, including: the Surface Transportation Board (STB) Petition for Rulemaking to Adopt Revised Competitive Switching Rules, EP-711; the STB proposal to revise its rules regarding interchange commitments, EP 714; the STB proposal to make rate regulation reforms, EP-715; and the Canadian Pacific's Railway investment representations in the purchase of the former Dakota, Minnesota and Eastern Railroad.

Outreach and Education – In conjunction with agricultural trade groups, State associations, and other groups, AMS sponsored eight seminars and workshops for new and experienced exporters and shippers.

- *Agricultural Export Documentation and Transportation Workshops* – These seminars, held in Fresno and Sacramento, CA, Boise, ID, Minneapolis, MN, Memphis, TN, and Portland, OR, provided a fundamental understanding of the transportation options, cost factors, and technical considerations associated with export transportation of high-valued and value-added agricultural products.
- *Networking across the Supply Chain: Transportation Innovations in Local and Regional Food Systems* – This was a matchmaking conference in La Crosse, WI, with the Center for Integrated Agricultural Systems, University of Wisconsin-Madison. One hundred food system professionals attended, including growers, distributors, retailers, transportation researchers, regional and urban planners, and public sector officials. A presentation at the 2013 American Planning Association, Wisconsin Chapter, and Annual Conference in June and a report are among follow-up activities underway.
- *National Agricultural Transportation Summit* – Along with the Soy Transportation Coalition and the National Grain and Feed Association, AMS co-sponsored an Agricultural Transportation Summit in Rosemont, IL, to:
 - Raise the awareness of the importance of transportation to the success and profitability of U.S. agriculture;
 - Precipitate and motivate further action to promote a transportation infrastructure that better serves the interests of U.S. agriculture;
 - Provide a venue for advocates of U.S. agriculture to network and develop collaborations for the purpose of promoting the transportation needs of U.S. agriculture; and
 - Build bridges between government and agricultural interests that will result in more effective promotion of agricultural transportation issues.

Direct Marketing/Locally Grown – There continues to be an increasing demand by consumers for locally-grown products, as evidenced by the continued growth of farmers markets and the rapid emergence and development of food hubs occurring across the country. In FY 2013, over 8,100 farmers markets were recorded in the AMS National Farmers Market Directory, a 4 percent increase from FY 2012 and 54 percent increase from 2009. In addition, AMS helped develop a food hub database that now includes 236 regional food hubs (a 7 percent increase over last year).

FY 2013 examples of AMS support for the growth and development of markets for locally and regionally grown agricultural products include the following:

Innovative Research

- **Cooperative Agreements:** AMS sponsored five research cooperative agreements to identify new and innovative marketing opportunities for local food entrepreneurs. None of the research projects have concluded, but AMS convened its first Local Foods Research Symposium to present results from the funded cooperative. Topics presented included the following:
 - [Assessing the Economic Impacts of Regional Food Hubs](#) (Cornell University) - Builds a replicable methodology to assess the economic impact of food hubs, including impacts on participating farms and the multiplier and distributional impacts on regional economies.
 - [Networking across the Supply Chain: Transportation Innovations in Driftless Local and Regional Food Systems](#) (University of Wisconsin) – Recognizes that emerging wholesale markets for local

food are pulling product through intermediated supply chains, resulting in new business opportunities and transportation needs. It also summarizes the experience of participants in an AMS sponsored, University of Wisconsin hosted, and regional business consortium to explore innovations in intermediated, regional food supply chains and discuss their significance for transportation infrastructure and planning.

- [National Survey of CSAs: Emerging Marketing and Business Strategies](#) (University of Kentucky) – Summarizes results from five regional exploratory cases highlighting diverse and innovative uses of the CSA model.
 - [Impacts of Relationship-Based Online Marketing and Social Media Use on Community Supported Agriculture \(CSA\) Programs](#) (University of Maryland and Lehigh University) – Describes initial results from a national survey of CSA operators designed to address questions of how specific CSA practices and use of social media technologies interact to affect multi-dimensional performance of CSA programs.
 - [Measuring Effects of Mobile Markets on Healthy Food Choices](#) (University of Wisconsin) – Describes the results of a focus group study that was used to investigate questions seeking: (1) understanding on who uses mobile markets, who does not, and why? and (2) whether mobile markets facilitate healthy food choices, and if so, how?
- **Assessing the Role of Terminal Markets in Regional Food Systems Development:** AMS' Fruit and Vegetable Program collaborated with the Transportation and Market Development Program to document and analyze flows of local/regional food moving through the Philadelphia Wholesale Terminal Market in order to better understand the importance and contribution of terminal markets in today's food system. Once data are collected and analyzed, AMS will assist market managers and wholesalers better position the market to take advantage of emerging demand for local and regional produce.

Facilities Design Projects/Studies – AMS provides direct site assessment and design services for food market planners, managers, and community stakeholders to improve the efficiency of permanent food market facilities. In FY 2013, AMS provided architectural plans and design assistance to 7 local food businesses. Examples include:

- The development of architectural designs for the first USDA-inspected and all locally-sourced processing facility and meat counter in New York City, to be called the "Tiberio Custom Meat Shop" located in the Moore Street Public Market. The mission of the meat food hub is to support small regional farms and make local meat more affordable. The project is under the auspices of Brooklyn Economic Development Corporation and supported by the New York State Department of Agriculture and Markets.
- The development of architectural designs for a minority-owned food hub in Holmes County, MS, that will support future expansion of the facility so that it can become more efficient and continue to provide local produce to school cafeterias in Mississippi.

Outreach/Training/Technical Assistance – During FY 2013, AMS responded to more than 200 requests for information and assistance regarding local and regional food marketing issues. AMS also participated in 20 regional and national conferences, webinars, training workshops, and conference calls to share information with more than 1,400 small and mid-sized enterprises and individuals on opportunities to enhance their marketing and purchasing strategies regarding locally and regionally produced foods. For example, 82 food service managers participated in a conference call with Veterans' Administration hospitals across the country. AMS provided information to the participants regarding ways to source more local food with many of the hospitals to institute changes in their sourcing processes to obtain more local food items.

AUDITING, CERTIFICATION, GRADING,
TESTING, AND VERIFICATION SERVICES

Current Activities: AMS provides impartial verification services that ensure agricultural products meet specified requirements. These services include AMS' grading program, which verifies that product meets USDA grade standards. These services are voluntary, with users paying for the cost of the requested service.

AMS has also developed voluntary testing and process verification programs in response to the industry's growing need to facilitate the marketing of agricultural products. AMS' Process Verified Program provides producers and marketers of livestock, seed products, and poultry products the opportunity to assure customers of their ability to provide consistent quality products by having their written production and manufacturing processes confirmed through independent, third party audits. The USDA Process Verified Program uses the ISO 9000 series standards for documented quality management systems as a format for evaluation documentation to ensure consistent auditing practices and promote international recognition of audit results.

Selected Examples of Recent Progress:

Cotton Grading – AMS classified 15.9 million bales of cotton under the grower-classing program in FY 2013, with all cotton classed by the High Volume Instrument (HVI) method. This represents a 7.5 percent production increase from the FY 2012 enacted level. Classing information is provided electronically to owners of the cotton. In FY 2013, the Cotton Program disseminated data for over 54 million bales, a 12.5 percent increase from FY 2012. This data represents multiple crop years or multiple requests for the same bale.

The AMS Cotton and Tobacco Program provided classification services on 913,179 samples submitted for futures certification during FY 2013. This classification total was 186 percent higher as compared to FY 2012 when classification services were provided on 318,337 samples submitted. The primary cause for the increase in the number of samples classed was the marketing environment during FY 2013. Many cotton merchants found it more advantageous to certificate the cotton on the futures market rather than sell the cotton on the spot market.

Fees and Charges in Effect 2013:

<u>Service Performed</u>	<u>Fees</u>
Form 1 grading services	\$2.20 per sample <u>a/</u>
Futures grading services	3.50 per sample

a/ Base fee rate as of July 2008. A discount of five cents per bale is awarded to producers who are billed through voluntary central agents (e.g., cotton gins and warehouses).

During FY 2013, AMS graded 227 million kilos of tobacco and performed pesticide testing on 69 million kilograms of tobacco to ensure that pesticide residue levels were within tolerance. In addition, 2 million pounds of tobacco were graded under the MOU with USDA's Risk Management Agency.

Fees and Charges in Effect 2013:

<u>Service Performed</u>	<u>Fees</u>
Permissive Inspection	\$47.40 per hour
Domestic Tobacco Grading	0.70 per hundred lbs
Certification of Export Tobacco	0.25 per hundred lbs
Imported Tobacco Grading	1.54 per hundred kg
Imported Tobacco Pesticide Testing and Certification	0.54 per hundred kg
Domestic Tobacco Pesticide Testing and Certification	0.25 per hundred lbs
Retest Tobacco Pesticide Testing and Certification	220.00 per sample

Dairy Products Grading – Dairy products grading, laboratory analysis, and dairy plant inspections assure purity and quality of dairy products. Upon request, AMS grades dairy products sold in commercial channels. An AMS grade is also required on some products sold to the Commodity Credit Corporation (CCC) under the dairy price support program.

Fees and Charges in Effect in 2013:

<u>Services Performed</u>	<u>Fees</u>
Continuous Resident Service	\$69.00 per hour
Nonresident Service	75.00 per hour

International markets are increasing for U.S. dairy and related products. AMS Dairy Programs offer assistance with inspection and certification of dairy and related products for export. Certifications attest that dairy products are: 1) fit for human consumption; 2) produced under sanitary and wholesome conditions; and 3) free from animal diseases. The Dairy Grading Program implemented the electronic Document Creation System (eDOCS) to facilitate the issuing of export certificates for product going to the European Union (EU). In 2013, the Dairy Grading program issued 32,000 export certificates which was a 50 percent increase over 2012. AMS Dairy Programs continues to look for ways to improve the certificate issuance program. Currently the program is working on adding requests for export certificates for China to the eDOCS system. Requests for sanitary certificates have been updated to allow exporters to request certificates by e-mail instead of fax.

Fruit and Vegetable, Specialty Crop Inspections (SCI) – This program offers both grading and audit-based verification services for the food industry. In 2013, AMS graded or supervised the grading of approximately 73 billion pounds of fresh and processed fruits, vegetables, specialty crops, and miscellaneous products. Grading services were provided by approximately 1,500 Federally-licensed State employees at shipping points and cooperative market locations and by more than 800 federal employees at 31 federal receiving markets, 237 processing plants, 14 field offices, and 14 inspection points. Also, SCI expanded its Quality Monitoring Program (QMP) for two fresh fruit and vegetable inspection applicants. Mandatory inspections for fresh fruits and vegetables for the Defense Commissary Act were eliminated for current and future contracts in July 2013 by Defense Commissary Agency officials in a budget cutting move. This is projected to reduce services (and revenue) by approximately \$1 million for Federal and State inspection offices.

AMS performs Fresh Products Good Agricultural Practices (GAP) & Good Handling Practices (GHP) audits. GAP/GHP is an audit based activity that assesses a participant's ability to conform to generally recognized "best practices" that minimize the risk of food safety hazards contaminating fruits, vegetables, and other specialty products during the production, harvesting, packing, transportation and storage of the product. In 2013, AMS conducted approximately 4,178 audits on over 90 different commodities in 49 states, Canada (Quebec, Ontario, and British Columbia), and Chile.

In addition, AMS conducted third-party quality, systems, and sanitation audits for food service organizations, processors, retailers, and state and federal government entities. Below is a listing of 2013 highlights:

- AMS performed 12 verification audits under the Qualified Through Verification (QTV) program to meet the needs of the fresh-cut produce industry.
- Performed 54 Domestic Origin Verification audits at facilities to confirm products supplied for USDA purchases were of domestic origin.
- Performed 11 audits under the Plant Systems Audit (PSA) program which is an unbiased, third-party audit of a processor's quality assurance system, for fruit and vegetable processors nationwide.
- AMS performed 413 surveys from the Food Defense Survey System in support of USDA food purchases. The reviews verify the measures that operators of food establishments take to minimize the risk of tampering or intentional contamination of food under their control.
- AMS inspected food components in Department of Defense (DOD) operational rations in support of military activities in Iraq, Afghanistan, and elsewhere and participated with the U.S. Department of Commerce Food Team in 6 worldwide subsistence audits under DOD's "Prime Vendor" food procurement program in 2013. These audits are conducted by food quality experts at various vendor/warehouse locations throughout the U.S. and other countries worldwide to ensure the quality of the food products purchased under Prime Vendor contracts. In 2013, AMS auditors participated in 16 DOD Produce Quality

Audits. These audits verify that produce suppliers' facilities meet DOD's food safety requirements and that produce meets their specifications.

- In 2013, AMS began providing inspection of Ready-to-Use Supplementary Food contracted by the Farm Service Agency on behalf of the U.S. Agency for International Development. This food is provided to children from 6 months to 5 years old with moderate acute malnutrition.
- AMS manages the Child Nutrition (CN) Labeling program, including training additional staff to review CN labels as needed based on label volume, performing outreach, and training to CN manufacturers and school food service professionals on program and policy changes. During 2013, AMS reviewed for approval 3,365 label applications.

Fees and Charges in Effect for Processed Fruit and Vegetable Grading in 2013:

<u>Service Performed</u>	<u>Base</u>	<u>Hourly Fees</u>	
		<u>Overtime</u>	<u>Holiday</u>
Lot inspection	\$62.00	\$93.00	\$124.00
Yearly contract (in-plant)	49.00	73.50	98.00
Additional Graders (in-plant)	65.00	97.50	130.00
Seasonal contract (in-plant)	65.00	97.50	130.00

Fees and Charges in Effect for Fresh Fruit and Vegetable Grading in 2013:

Quality and condition inspections of products each in quantities of 51 or more packages and unloaded from the same land or air conveyance:

<u>Service Performed</u>	<u>Fees</u>
Over a half car lot equivalent	\$151.00
Half car lot equivalent or less of each product	125.00
For each additional lot of the same product	69.00

Note: Lots in excess of car lot equivalents are charged proportionally by the quarter car lot.

Hourly Rates:

Hourly rate for inspections performed for other purposes during the grader's regularly scheduled work week	\$74.00
Hourly rate for inspections performed under 40 hour contracts during the grader's regularly scheduled work week	74.00
Premium rate, in addition to hourly or car lot rates	38.00
Holiday hourly rate, in addition to hourly or car lot rates	74.00
Hourly rate for auditing (travel and expenses, inclusive)	92.00

AMS conducted 29 training classes during 2013 to ensure quality service and uniform application of procedures:

- One 5-day Basic GAP training class for new Federal and Federal/State inspector auditors.
- Eight LiveMeeting commodity refresher training classes for more than 250 Federal and State inspectors.
- Nine regional classroom sessions on GAP and GHP for more than 290 fresh fruit and vegetable Federal and State auditors.
- Three industry training classes on inspection processes for various commodities and grading standards in conjunction with a formal agreement with United Fresh Produce Association.
- Five classes for Food and Nutrition Services for more than 160 state public school cafeteria nutrition and food specialists.
- One comprehensive 6-week Market Inspector Training course for 18 new Federal and Federal/State

inspectors. This course included 4 days of LiveMeeting training, 4 weeks of onsite training and a one-week on-the-job training assignment in the Hunts Point Market, Bronx, NY.

- One 2-day industry training class for 12 company personnel onsite at Fresh Produce Association of the Americas, Nogales, Arizona.
- One 2-day industry training class for 19 company personnel onsite at Houston Food Bank, Houston, Texas.

Meat Grading and Verification – During FY 2013, grading and verification services were provided to approximately 820 meat packing and processing plants, livestock producers and livestock service providers, beef export verification programs, organic certifying agencies, seed testing laboratories, state agencies, and other agricultural based establishments and companies worldwide. A total of 27.8 billion pounds of meat and meat products were verified for specification, contractual or marketing program requirements.

A total of 19.9 billion pounds of red meat (beef, lamb, veal and calf) were graded, which represents approximately 94 percent of steers and heifers, 68 percent of lamb, and 30 percent of veal and calf commercially slaughtered in the U.S. Services designed to help producers, packers, processors and others verify specific requirements for overseas customers facilitated the export of 3.3 million metric tons (valued at \$12.1 billion) of beef, lamb, veal and pork. AMS graded 273 loads of beef cattle carcasses for the Chicago Mercantile Exchange and performed 8 worldwide food audits for Department of Defense prime vendor contracts. Instrument grading has been successfully implemented at ten major beef harvesting facilities.

The program conducted on-site audits of USDA accredited certification agents to the ISO Guide 65 program, within the scope of USDA Grass-fed Standard. This provides producers the ability to label and sell their products as USDA Certified Grass Fed as well as USDA Certified Organic through the same accredited certification agent.

Fees and Charges in Effect in FY 2013:

<u>Service Performed</u>	<u>Hourly Fees</u>
Commitment grading	\$61.00
Non-commitment grading	\$71.00
Premium (overtime) grading	\$78.00
Holiday grading	\$122.00
Audit verification	\$108.00

Poultry and Egg Grading – Approximately 89 percent of poultry grading services were provided on a resident basis, where a full-time grader is usually stationed at the plant that requests service. The remaining 11 percent of poultry grading services are provided on a non-resident (lot grading) basis. During 2013, AMS provided resident service in 103 poultry plants, grading 9.8 billion pounds of poultry and 170 shell egg plants where 5.97 billion dozen shell eggs were graded. There was a 1.20 billion pound decrease in the volume of chicken received in official plants, and a 0.56 billion pound decrease of turkey handled in official plants for a 0.76 billion pound total decreases in poultry received. Shell eggs certified in 2013 increased by 5.8 billion pounds. Poultry grading services covered about 27 percent of the turkeys slaughtered, 22 percent of the broilers slaughtered, and 50 percent of the shell eggs produced in the U.S., excluding eggs used for breaking and hatching.

Currently, three companies with 17 facilities are approved under the Process Verified Program with claims such as all vegetarian diet, no animal by-products, humanely raised, antibiotic free, raised cage free, tenderness guaranteed, and no antibiotics ever. There are 14 qualified Process Program auditors who perform audits under that program.

Fees and Charges in Effect in 2013:

<u>Service Performed</u>	<u>Hourly Rate</u>
Non-Resident Plant--Regular Time	\$77.28
Resident Plant*	44.27 – 61.29
Auditing Activities	89.20

**Note: Fee rate depends on the volume of product handled in the plant.*

The Poultry Export Verification Program (PEV) certifies U.S. poultry exports to the EU member states because of concerns by European Commission (EC) auditors about 1) the use of chlorinated water in the processing of U.S. poultry and 2) perceived deficiencies in the U.S. system regarding verification of on-farm Good Manufacturing Practices. In 2013, AMS conducted two PEV surveillance audits and the audited company shipped 539,000 turkey products to EU countries ranging from 6,000–20,000 pound lots.

Voluntary Seed Testing – AMS offers seed inspection and certification services to users for a fee. Most of the users of this service are seed exporters. During 2013, AMS tested 1,640 samples and issued 1,640 Seed Analysis Certificates. This represents a 12 percent decrease in certification requests due to world-wide economic conditions and the privatization of accredited seed testing for U.S. seed being shipped internationally.

Fees and Charges in Effect 2013:

<u>Service Performed</u>	<u>Hourly Fees</u>
Seed Testing Activities	\$52.00

Administration of Organization for Economic Cooperation and Development (OECD) Seed Schemes – AMS is responsible for the administration of U.S. participation in the OECD Seed Schemes, an international program through which seed companies export seed certified for varietal purity. AMS collects a fee to operate the program that is based on the amount of seed shipped. During 2013, AMS approved the shipment of 187 million pounds of seed and approved 1,536 new varieties.

Fees and Charges in Effect 2013:

<u>Service Performed</u>	<u>Fees</u>
Seed Export Management	\$0.20 per 100 lbs. – Corn 0.11 per 100 lbs. – Other Crops

AMS Laboratory Approval and Testing Division (LATD) – The LATD provides scientific, technical, and testing support services to AMS commodity programs and to the agricultural community in order to facilitate domestic and international marketing of agricultural commodities.

Specifically, LATD:

- Develops and administers laboratory approval programs to enhance and expand export market access for U.S. commodities.
- Provides scientific and market advice to federal partners to assist in negotiating and establishing export requirements and policies and administers laboratory approval programs that verify the analysis of products destined to be exported meet various countries’ requirements.
- Through the National Science Laboratories (NSL), provides analytical testing services in the fields of chemistry, microbiology, and molecular biology on a fee-for-service basis. The NSL’s primary mission is to serve AMS commodity programs, other Federal agencies, and industries, with analytical testing in support of grading, commodity purchases, exports, compliance, product specifications, and research. The NSL has established a high level of quality assurance and is ISO/IEC 17025:2005 accredited. The laboratory consistently performs tests on commodities such as food products, juice products, canned and fresh fruits and vegetables, eggs and egg products, honey, meats, milk and dairy products, military and emergency food rations, oils, peanuts and other nuts, organic foods and products, and tobacco.

During FY 2013, LATD administered the following number of laboratory approval programs: 5 export programs (70 labs in total), 3 domestic programs (32 labs in total), and 2 programs (12 labs in total) in support of AMS commodity programs. Three new laboratories were approved. In administering these programs, LATD conducted 54 onsite lab audits, analyzed 582 check sample data sets, and monitored each lab’s proficiency data.

The AMS NSL tested 87,700 samples of various agriculture commodities, many of which were tested for multiple analytes. The NSL provided analytical testing services to other Federal programs, including the NOP, Agricultural Research Service, and Animal and Plant Health Inspection Service.

Fees and Charges in Effect 2013:

<u>Service Performed</u>	<u>Fees</u>
Aflatoxin	\$29.00 – \$102.00 per test
Olive Oil testing	83.00 per hour
Dairy	83.00 per hour
Citrus	78.00 per hour
Tobacco	290.50 – 539.50 per test
Voluntary/Other	83.00 per hour
Laboratory Approval Service	\$510 – \$16,500 per lab

PLANT VARIETY PROTECTION ACT

Current Activities: The Plant Variety Protection (PVP) Act provides legal and intellectual property rights protection to developers of new varieties of plants that are sexually reproduced or tuber-propagated. This voluntary program is funded through application fees for certificates of protection. Each developer of a new variety is assessed a fee of \$5,150 to cover the cost of filing, searching, issuing, informing the public, and maintaining plant variety protection certificates.

Selected Examples of Recent Progress:

More than 140 species of plants are currently protected under the PVP. In 2013, AMS received 488 applications for protecting new agricultural, floral, and seed plant varieties, which is a 1 percent decrease from 2012. A total of 642 applications, including some from previous years, were pending action at the end of 2013. During the fiscal year, AMS conducted searches on 963 applications to determine whether the plant constituted a new variety. On the basis of those searches, the program issued 831 certificates of protection, a 163 percent increase from 2012. At the end of the fiscal year, 5,683 certificates were in force while protection had expired on 112 different varieties.

In April 2013, AMS completed development Phase 1 of the electronic online PVP application filing (ePVP) system by migrating the database. This ePVP system will provide U.S. PVP applicants with an interactive Web based filing system and AMS PVP examiners with the tools to conduct electronic examinations – both features that will speed PVP application processing and granting of PVP property rights. The Program initiated Phase II of the ePVP system development in May 2013. Phase II is the development of the Web portal for external users and the Customer Relationship Management (CRM) system for internal users, including the PVP application and crop specific forms. This part of the project uses the Agile software development technique, which is based on iterative and incremental development where requirements and solutions evolve through collaboration between the PVPO and vendor development teams.

NATIONAL SHEEP INDUSTRY IMPROVEMENT CENTER

The National Sheep Industry Improvement Center (Sheep Center) was initially authorized under the Federal Agricultural Improvement and Reform (FAIR) Act. The Act, as amended, was passed as part of the 1996 Farm Bill. The purpose of the Sheep Center is to allow the industry to engage in coordinated programs focusing on infrastructure development, production research, and environmental stewardship efforts, and marketing. The Sheep Center's work has been instrumental in providing assistance to a declining U.S. sheep industry and was re-established under the 2008 Farm Bill, which provided a one-time, no-year appropriation to fund additional Sheep Center projects.

Selected Examples of Recent Progress:

In November 2012, AMS approved nine grants selected by the Sheep Center Board of Directors to improve the competitiveness of the U.S. sheep and goat industries for a total of \$300,000. In April 2013, AMS approved the Sheep Center's 2013 Strategic Plan and budget in the amount of \$383,800. The Board of Directors announced it was accepting grant proposals in August 2013, with applications due September 30, 2013. On November 20, the Board of Directors approved 10 grants and submitted them to USDA for approval.

AGRICULTURAL MARKETING SERVICE

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

Limitation on Administrative Expenses

Not to exceed [~~\$60,435,000~~] \$60,709,000 (from fees collected) shall be obligated during the current fiscal year for administrative expenses: Provided, That if crop size is understated and/or other uncontrollable events occur, the agency may exceed this limitation by up to 10 percent with notification to the Committees on Appropriations of both Houses of Congress.

Budget Estimate, 2015	\$60,709,000
2014 Enacted	<u>60,435,000</u>
Change in Appropriation	<u>+274,000</u>

AGRICULTURAL MARKETING SERVICE

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

Payments to States and Possessions

For payments to departments of agriculture, bureaus and departments of markets, and similar agencies for marketing activities under section 204(b) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623(b)), [\$1,363,000] \$1,235,000.

Lead-Off Tabular Statement

Budget Estimate, 2015.....	\$1,235,000
2014 Enacted.....	<u>1,363,000</u>
Change in Appropriation.....	<u><u>-128,000</u></u>

Summary of Increases and Decreases

(Dollars in thousands)

	2012	2013	2014	2015	2015
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Discretionary Appropriations:					
Payments to States and Possessions.....	\$1,198	+\$37	+\$128	-\$128	\$1,235
Total.....	<u>1,198</u>	<u>+37</u>	<u>+128</u>	<u>-128</u>	<u>1,235</u>

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Project Statement

Appropriation Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2012 Actual		2013 Actual		2014 Estimate		Inc. or Dec.		2015 Estimate		
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Appropriations:											
Payments to States and Possessions.....											
	\$1,198	-	\$1,331	-	\$1,363	1	-\$128	(1)	-	\$1,235	1
Total Appropriation.....	1,198	-	1,331	-	1,363	1	-128	-	-	1,235	1
Rescission.....	-	-	-36	-	-	-	-	-	-	-	-
Sequestration.....	-	-	-60	-	-	-	-	-	-	-	-
Total Available.....	1,198	-	1,235	-	1,363	1	-128	-	-	1,235	1
Total Obligations.....	1,198	-	1,235	-	1,363	1	-128	-	-	1,235	1

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2012 Actual		2013 Actual		2014 Estimate		Inc. or Dec.		2015 Estimate		
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Obligations:											
Payments to States and Possessions.....											
	\$1,198	-	\$1,235	-	\$1,363	1	-\$128	(1)	-	\$1,235	1
Total Obligations.....	1,198	-	1,235	-	1,363	1	-128	-	-	1,235	1
Total Available.....	1,198	-	1,235	-	1,363	1	-128	-	-	1,235	1
Rescission.....	-	-	36	-	-	-	-	-	-	-	-
Sequestration.....	-	-	60	-	-	-	-	-	-	-	-
Total Appropriation....	1,198	-	1,331	-	1,363	1	-128	-	-	1,235	1

AGRICULTURAL MARKETING SERVICE

Justification of Increases & Decreases

Payments to States and Possessions

- (1) A decrease of \$128,000 for the Federal State Marketing Improvement Program (\$1,363,000 and 1 staff year available in 2014).

AMS' Federal State Marketing Improvement Program (FSMIP) will continue to offer matching funds through the competitive grants program to State Departments of Agriculture, State Agricultural Experiment Stations, and other State agencies to assist in exploring new market opportunities for U.S. food and agricultural products, and to encourage research and innovation aimed at improving the efficiency and performance of marketing systems.

This change will reduce the amount of matching grant funds awarded for state projects. AMS will encourage grant applicants to submit proposals that address USDA strategic objectives.

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Distribution of obligations by State is not available until projects have been selected. Projects for 2014 will be selected in the fourth quarter of 2014. Funds in 2014 for the Federal-State Marketing Improvement Program total \$1,363,000. A funding level of \$1,235,000 is proposed for 2015.

Geographic Breakdown of Obligations

(Dollars in thousands)

	<u>2012 Actual</u>	<u>2013 Actual</u>
Arkansas.....	-	\$50
Florida.....	-	70
Hawaii.....	\$28	75
Illinois.....	98	-
Kansas.....	-	107
Kentucky.....	69	-
Massachusetts.....	53	37
Michigan.....	-	127
Minnesota.....	-	45
Mississippi.....	53	-
Missouri.....	60	-
Montana.....	39	-
Nevada.....	46	-
New Jersey.....	63	-
New Mexico.....	43	-
New York.....	-	106
North Carolina.....	30	-
North Dakota.....	-	78
Oregon.....	-	99
Pennsylvania.....	95	-
South Dakota.....	32	-
Tennessee.....	90	-
Texas.....	-	78
Vermont.....	47	89
Virginia.....	108	97
Washington.....	144	127
Wisconsin.....	66	-
Wyoming.....	-	50
District of Columbia.....	34	-
Total, Available.....	<u>1,198</u>	<u>1,235</u>

AGRICULTURAL MARKETING SERVICE

Specialty Crop Block Grants

Annual funding of \$52,195,000 was provided in 2013 for the Specialty Crop Block Grant Program by the 2008 Farm Bill. Solicitation of grant applications was released on May 9, 2013. Applications were accepted through July 10, 2013 and awarded in September 2013. Obligations not awarded in grants were expended for administrative costs. This is a formula block grant program; 2014 amounts are based on the formula, net of 7.2 percent sequestration.

Geographic Breakdown of Obligations

(Dollars in thousands)

	<u>2012 Actual</u>	<u>2013 Actual</u>	<u>2014 Estimate</u>
Alabama	\$401	\$381	\$481
Alaska	195	185	234
Arizona	1,265	1,318	1,664
Arkansas	255	243	307
California	18,708	18,270	23,071
Colorado	682	684	864
Connecticut	404	376	475
District of Columbia	181	172	217
Delaware	245	229	289
Florida	4,484	4,222	5,331
Georgia	1,133	1,142	1,442
Hawaii	379	347	438
Idaho	930	1,001	1,264
Illinois	634	540	682
Indiana	398	373	471
Iowa	271	253	319
Kansas	259	240	303
Kentucky	261	244	308
Louisiana	351	326	412
Maine	403	402	508
Maryland	394	447	564
Massachusetts	439	420	530
Michigan	1,340	1,269	1,602
Minnesota	704	676	854
Mississippi	282	276	349
Missouri	351	319	403
Montana	329	305	385
Nebraska	332	314	396
Nevada	260	251	317
New Hampshire	239	224	283
New Jersey	816	777	981
New Mexico	515	429	542

AGRICULTURAL MARKETING SERVICE

Specialty Crop Block Grants

Geographic Breakdown of Obligations

(Dollars in thousands)

(continued)

	<u>2012 Actual</u>	<u>2013 Actual</u>	<u>2014 Estimate</u>
New York	\$1,116	\$1,010	\$1,275
North Carolina	1,153	1,083	1,368
North Dakota	616	483	610
Ohio	643	507	640
Oklahoma	385	333	421
Oregon	1,490	1,514	1,912
Pennsylvania	1,029	956	1,207
Rhode Island	217	205	259
South Carolina	553	508	642
South Dakota	208	195	246
Tennessee	528	474	599
Texas	1,854	1,421	1,794
Utah	289	280	354
Vermont	224	209	264
Virginia	496	459	580
Washington	3,327	3,262	4,119
West Virginia	217	205	259
Wisconsin	884	871	1,100
Wyoming	205	197	249
American Samoa	216	203	256
Guam	183	174	220
Northern Mariana Islands.....	96	-	-
Puerto Rico	382	352	445
U.S. Virgin Islands	182	-	-
Subtotal, Grant Obligations	54,333	51,556	65,105
Administrative Expenses	667	639	2,175
Total, Available or Estimate	55,000	52,195	67,280

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions
Classification by Objects
(Dollars in thousands)

	2012	2013	2014	2015
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Personnel Compensation:				
Washington, D.C.....	-	-	\$179	\$181
Field.....	-	-	-	-
11.0 Total personnel compensation.....	-	-	138	139
12.0 Personnel benefits.....	-	-	41	42
Total, personnel comp. and benefits.....	-	-	179	181
Other Objects:				
41.0 Grants, subsidies and contributions.....	1,198	1,235	1,184	1,054
Total, Other Objects.....	1,198	1,235	1,184	1,054
Total, Payments to States and Possessions.....	1,198	1,235	1,363	1,235

Position Data:

Average Salary, ES positions.....	-	-	-	-
Average Salary, GS positions.....	-	-	\$138,136	\$139,172
Average Grade, GS positions.....	-	-	14	14

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAMS

PAYMENTS TO STATES AND POSSESSIONS

Current Activities: The Federal-State Marketing Improvement Program (FSMIP) is a grant program which provides matching funds to State Departments of Agriculture, State agricultural experiment stations, and other appropriate State agencies to help them explore new market opportunities for U.S. food and agricultural products, and to encourage research and innovation aimed at improving the efficiency and performance of the marketing system.

Selected Examples of Recent Progress:

In FY 2013, FSMIP reviewed 51 matching grant proposals from 24 states to help create economic opportunities for American farmers and ranchers. AMS awarded \$1.2 million to 18 State departments of agriculture and universities in 15 states for projects that will explore agricultural marketing opportunities or address agricultural marketing challenges that have statewide or regional impact on farmers and agri-businesses. The projects will enable states to research new opportunities, and spark innovation in the marketing, transportation and distribution of U.S. agricultural products. Many of the FY 2013 projects focus on researching how to improve marketing strategies, and increasing sales of value added meat products, aquaculture products, and fresh and processed produce in local and regional food systems. Other topics include bioenergy, forestry, and horticulture.

Federal-State Marketing Improvement Program
Fiscal Year 2013 Grants

<u>State</u>	<u>Purpose</u>	<u>Award</u>
Arkansas	Create wealth in the rural Eastern Arkansas area through local and regional food systems and value-added agriculture.	\$49,700
Florida	Determine the impact of state-specific signs and labels on consumer demand for the U.S. and Florida grown tomatoes.	69,500
Hawaii	Interview and survey grocery retailers and restaurants in Hawaii to explore market acceptance, demand level, preferred product form, packaging and price point for produce and fish harvested by aquaponic farms and related food-safety requirements.	75,000
Kansas	Study the current use by nurseries and garden centers of social media marketing.	107,160
Massachusetts	Determine the best methods for expanding the existing business model to new markets by researching and identifying the needs of wholesale and institutional outlets and aggregation/distribution costs of the Food Hub.	37,374
Michigan	Assess emerging demand for U.S. pork in China by evaluating urban Chinese consumer preferences for various product-attributes using a well-established experimental economics methodology.	99,879
Michigan	Investigate and refine measurements of the extent to which attention-capturing elements of retail displays of branded and non-branded food producing plants vary among consumers by the level of their gardening expertise.	26,655

<u>State</u>	<u>Purpose</u>	<u>Award</u>
Minnesota	Identify a yield-maximizing process to convert acid whey to soluble dietary fiber, evaluate the economic feasibility of the process, and explore the market size and potential for growth in demand for the fiber.	45,279
New York	Understand the roles and opportunities for small-scale farmer marketing cooperatives as food hubs in addressing growing demands for local, source-identified food products through intermediated marketing channels.	106,258
North Dakota	Support the commercialization of a new biofuel pathway by collecting and analyzing market information on energy beets, creating a demand schedule using an economic feasibility simulation models, and exploring the most cost efficient way of transporting energy beets or beet juice.	78,298
Oregon	Train entrepreneurial food producers and processors in the basics of conducting product sensory and consumer tests themselves.	99,180
Texas	Develop a profile and identify marketing strategies to reach an emerging yet sizeable market of wine consumers - the Hispanic wine consumer.	77,803
Vermont	Amplify the economic impacts (and mitigate risks) of agricultural and culinary tourism for Vermont farms through research and evaluation of economic impacts; capacity development and risk management for producers offering on-farm experiences; coordinated marketing campaign to drive visitors to farm and food businesses offering authentic experiences; and leadership and network development to ensure the sharing of best practices and strong agricultural organizations.	88,500
Virginia	Examine factors in business partnership selection and contractual relationships between small scale producers and middlemen in the market for specialty crops in order to increase the efficiency and profitability specialty crops markets through improved understanding and more effective use of business relationships and contracts.	39,580
Virginia	Identify the deficiencies in the local food marketing system and develop marketing strategies that meet the needs of small farmers and consumers in selected counties in Virginia.	57,200
Washington	Assess the feasibility of and develop the framework options for a farmer “verification” program for Washington State to ensure public trust in local products sold at the state’s farmers markets.	76,633
Washington	To assess the impact of post-harvest labor shortages in the U.S. pome and prunus industries on profit and economic welfare, and determine the extent to which such labor shortages interfere with marketing, distribution, and delivery in domestic and foreign markets.	50,699
Wyoming	Measure pollination services’ value in Wyoming’s rural economy, assess Wyoming’s pollination industry structure and organization and explore Wyoming beekeepers’ openness to new marketing avenues.	49,992
Total		<u>\$1,234,690</u>

SPECIALTY CROP BLOCK GRANT PROGRAM

Current Activities: The Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621 note) authorized USDA to provide state assistance for specialty crops. All 50 states, the District of Columbia, and the Commonwealth of Puerto Rico are eligible to participate. Specialty crop block grant funds can be requested to enhance the competitiveness of specialty crops. Specialty crops are defined as fruits and vegetables, tree nuts, dried fruits, and nursery crops (including floriculture).

The 2008 Farm Bill, Section 10109, extended the Specialty Crop Block Grant (SCBG) Program through 2012 and provided Commodity Credit Corporation funding at the following levels: \$10 million in 2008, \$49 million in 2009, and \$55 million for 2010 through 2012. The Farm Bill also amended the definition of specialty crops by adding horticulture; and added Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands to the list of “States” eligible to apply for grants.

Section 701 of the American Taxpayer Relief Act of 2012 extended funding for Section 10109 of the Farm Bill for one year until September 30, 2013.

State grants for each fiscal year are equal to the higher of \$100,000 or 1/3 of one percent of the total amount of available funding. Program regulations require State departments of agriculture to describe their outreach efforts to specialty crop producers, including socially disadvantaged and beginning farmers; and to describe their efforts to conduct a competitive process to ensure maximum public input and benefit.

Selected Examples of Recent Progress:

The 2013 Notice of Funding Availability was published on May 9, 2013, in the *Federal Register* with a grant application deadline of July 10, 2013. During 2013, grant awards were made to the 50 States, District of Columbia, the Commonwealth of Puerto Rico, Guam, and American Samoa. Grant awards totaled approximately \$52 million for 694 projects. Project awards were aimed at enhancing the competitiveness of specialty crops through marketing and promotion, food safety, research, production, pest and plant health, and education initiatives. Information on the amounts awarded and the projects funded is available on www.ams.usda.gov/AMSV1.0/scbgp.

In Fiscal Year 2013, the SCBG Program monitored its grantees through site visits, site visit follow-up reviews, and a review of performance reports. SCBGP staff conducted 9 site visits and 18 site visit follow-up reviews with State departments of agriculture grantees. The site visits and follow-up reviews enhanced the performance of the SCBG Program, identified effective practices and outstanding program outcomes, facilitated decision making by parties with responsibility of overseeing or initiating corrective action, and improved public accountability. Of the 122 corrective actions identified through site visits conducted by the SCBGP Program, 108 were implemented, according to the follow-up reviews performed in fiscal year 2013. In addition, program staff reviewed over 2,300 project performance reports totaling over \$157 million in grant funds to evaluate the significance and impact of the program in enhancing the competitiveness of specialty crops.

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Lead-Off Tabular Statement

Budget Estimate, 2015.....	\$10,980,000
2014 Enacted.....	10,112,000
Change in Appropriation.....	+868,000

Summary of Increases and Decreases

(Dollars in thousands)

Program	2012 Actual	2013 Change	2014 Change	2015 Change	2015 Estimate
Mandatory Appropriations:					
Perishable Agricultural Commodities Act..	\$10,243	-\$468	+\$337	+\$868	\$10,980
Total.....	10,243	-468	337	868	10,980

Project Statement

Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	<u>2012 Actual</u>		<u>2013 Actual</u>		<u>2014 Estimate</u>		<u>Inc. or Dec.</u>		<u>2015 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Appropriations:										
Appropriation (from receipts)..	\$11,548	72	\$11,739	71	\$10,897	77	+\$83	-	\$10,980	77
Recoveries.....	257	-	216	-	-	-	-	-	-	-
Sequestration.....	-	-	-535	-	-785	-	-	-	-	-
Balance Available, SOY.....	4,989	-	6,551	-	8,196	-	-	-	8,196	-
Total Available.....	16,794	72	17,971	71	18,308	77	+83	-	19,176	77
Balance Available, EOY.....	-6,551	-	-8,196	-	-8,196	-	-	-	-8,196	-
Total Obligations.....	10,243	72	9,775	71	10,112	77	+868	-	10,980	77

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Project Statement

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

Program	<u>2012 Actual</u>		<u>2013 Actual</u>		<u>2014 Estimate</u>		<u>Inc. or Dec.</u>		<u>2015 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Obligations:										
Total Obligations.....	\$10,243	72	\$9,775	71	\$10,112	77	+\$868	-	\$10,980	77
Balance Available, EOY.....	6,551	-	8,196	-	8,196	-	-	-	8,196	-
Total Available.....	16,794	72	17,971	71	18,308	77	+868	-	19,176	77
Recoveries.....	-257	-	-216	-	-	-	-	-	-	-
Sequestration.....	-	-	535	-	785	-	-	-	-	-
Bal. Available, SOY.....	-4,989	-	-6,551	-	-8,196	-	-	-	-8,196	-
Total Appropriation (from receipts).....	11,548	72	11,739	71	10,897	77	+83	-	10,980	77

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	<u>2012 Actual</u>		<u>2013 Actual</u>		<u>2014 Estimate</u>		<u>2015 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Arizona.....	\$1,006	10	\$1,024	10	\$1,070	11	\$1,070	11
District of Columbia.....	6,968	41	6,574	41	6,628	43	7,496	43
Texas.....	1,093	10	1,124	10	1,163	11	1,163	11
Virginia.....	1,176	11	1,053	10	1,251	12	1,251	12
Obligations.....	10,243	72	9,775	71	10,112	77	10,980	77
Bal. Available, EOY.....	6,551	-	8,196	-	8,196	-	8,196	-
Total, Available.....	16,794	72	17,971	71	18,308	77	19,176	77

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAMS

PERISHABLE AGRICULTURAL COMMODITIES ACT FUND

Current Activities: The Perishable Agricultural Commodities Act (PACA) and the Produce Agency Act (7 U.S.C. 491 et seq.) are designed to protect producers, shippers, distributors, and retailers from loss due to unfair and fraudulent practices in the marketing of perishable agricultural commodities; and prevent the unwarranted destruction or dumping of farm products.

AMS' PACA program enforces these Acts and is funded by license and user fees paid by commission merchants, dealers, and brokers handling fresh and frozen fruits and vegetables in interstate and foreign commerce. The law provides a forum for resolving contract disputes and a mechanism for the collection of damages from anyone who fails to meet contractual obligations. In addition, PACA provides for prompt payment to fruit and vegetable sellers and may place sanctions and/or civil penalties against firms or principals who violate the law's standards for fair business practices.

AMS investigates violations of PACA, resulting in: 1) informal agreements between two parties; 2) formal decisions involving payments to injured parties; 3) suspension or revocation of licenses and/or publication of the facts; or 4) monetary penalty in lieu of license suspension or revocation.

PACA also imposes a statutory trust that attaches to perishable agricultural commodities received by regulated entities, products derived from the commodities, and any receivables or proceeds from the sale of the commodities. The trust benefits produce suppliers, sellers, or agents that have not been paid, to ensure they are paid in full.

Selected Examples of Recent Progress:

In 2013, AMS was contacted by members of the fruit and vegetable industry for assistance in resolving 1,186 commercial disputes. These disputes involved approximately \$20.5 million. AMS resolved approximately 91 percent of those disputes informally within four months. Decisions and orders were issued in 375 formal reparation cases involving award amounts totaling approximately \$8.8 million. AMS initiated 38 disciplinary complaints against firms for alleged violations of the PACA. AMS issued 37 disciplinary orders – either suspending or revoking a firm's PACA license, levying civil penalties, or issuing a finding of repeated and flagrant violations against produce firms for violations of the PACA. In addition, the PACA Division assisted 2,078 telephone callers needing immediate transactional assistance.

Fees and Charges in Effect in 2013:*

<u>Service Performed</u>	<u>Cost</u>
Basic License	\$995.00 per year
Branch License	600.00 per location

* PACA adjusted its annual license fee in 2011 for the first time since 1995, with the support of the Fruit and Vegetable Advisory Committee and other trade associations. That fee remains in effect.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income and Supply

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

Section 32

Funds available under Section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), shall be used only for commodity program expenses as authorized therein, including up to \$500,000 to pay for eligible small businesses' first pre-award audits, and other related operating expenses, except for: (1) transfers to the Department of Commerce as authorized by the Fish and Wildlife Act of August 8, 1956; (2) transfers otherwise provided in this Act; and (3) not more than [\$20,056,000] \$20,317,000 for formulation and administration of marketing agreements and orders pursuant to the Agricultural Marketing Agreement Act of 1937 and the Agricultural Act of 1961.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income, and Supply (Section 32)

Lead-Off Tabular Statement

Permanent Appropriation, 2014	\$9,211,182,712
Prior Year Appropriation Available, start of year	313,530,530
Less Food and Nutrition Service (FNS) transfer from prior year funds for the Farm Bill Fresh Fruit and Vegetable Program (FFVP) <u>a/</u>	-117,000,000
Less annual transfers to:	
Department of Commerce	-130,144,436
FNS, Child Nutrition Programs	-8,011,568,806
Total, Transfers	-8,141,713,242
Farm Bill Spending Authority, 2014	1,266,000,000
Less Rescission	-189,000,000
Less Sequester	-79,703,000
Less Current Year Unavailable, held for the Farm Bill FFVP <u>b/</u>	-119,000,000
Total AMS Budget Authority, 2014	878,297,000
Less FNS transfer for the Farm Bill FFVP	-41,000,000
Total Available for Obligation, 2014	837,297,000
Budget Estimate, 2015:	
Permanent Appropriation, 2015	9,714,922,892
Prior Year Appropriation Available, start of year	119,000,000
Less Food and Nutrition Service (FNS) transfer from prior year funds for the Farm Bill Fresh Fruit and Vegetable Program (FFVP) <u>b/</u>	-119,000,000
Less annual transfers to:	
Department of Commerce	-131,000,000
FNS, Child Nutrition Programs	-8,299,922,892
Total, Transfers	-8,430,922,892
Farm Bill Spending Authority, 2015	1,284,000,000
Less Proposed Rescission	-203,000,000
Less Current Year Unavailable, held for the Farm Bill FFVP <u>c/</u>	-122,000,000
Total AMS Budget Authority, 2015	959,000,000
Less FNS transfer for the Farm Bill FFVP	-40,000,000
Agency Request, 2015	919,000,000
Change from Adjusted 2014 Base	<u>81,703,000</u>

a/ USDA appropriations for FY 2013, P.L. 113-6, General Provision Section 722, directs the transfer on October 1, 2013, of 2013 funds made available under subsection (c) of Section 14222 of P.L. 110-246 to carry out section 19(i)(1)(c) of the Richard B. Russell National School Lunch Act.

b/ USDA appropriations for FY 2014, P.L. 113-76, General Provision Section 719, directs the transfer on October 1, 2014, of 2013 funds made available under subsection (c) of Section 14222 of P.L. 110-246 to carry out section 19(i)(1)(c) of the Richard B. Russell National School Lunch Act.

c/ The FY 2015 Budget assumes that \$122 million of the July 1, 2015, transfer will not be made available until October 1, 2015.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income, and Supply (Section 32)

Summary of Increases and Decreases

(Dollars in thousands)

Program	2012 Actual	2013 Change	2014 Change	2015 Change	2015 Estimate
Mandatory Appropriations:					
Child Nutrition Program Purchases	\$465,000	-	-	-	\$465,000
Farm Bill Specialty Crop Purchases	175,600	-\$122,400	+\$152,800	-	206,000
Emergency Surplus Removal	2,200	+197,645	-199,845	-	-
Estimated Future Needs <u>a/</u>	224,913	-63,245	-62,549	+\$80,854	179,973
State Option Contract	5,000	-	-	-	5,000
Removal of Defective Commodities	2,500	-	-	-	2,500
Disaster Relief	5,000	-	-	-	5,000
Small Business Support	-	-	-	+500	500
Commodity Purchases Services	27,731	-	+6,891	+88	34,710
Marketing Agreements and Orders	20,056	-	-	+261	20,317
AMS Spending Authority	928,000	+12,000	-102,703	+81,703	919,000
FNS Transfer for Farm Bill Fresh					
Fruit and Vegetable Program <u>b/</u>	20,000	+21,000	-	-1,000	40,000
AMS Budget Authority	948,000	+33,000	-102,703	+80,703	959,000

a/ These funds are available for appropriate Section 32 uses based on market conditions as determined by the Secretary.

b/ Does not include amounts held for transfer on October 1 of the subsequent fiscal year.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income, and Supply (Section 32)

Project Statement

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

Program	<u>2012 Actual</u>		<u>2013 Actual</u>		<u>2014 Estimate</u>		<u>Inc. or Dec.</u>		<u>2015 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Appropriations:										
Permanent Appropriation.....	\$7,947,046	171	\$8,990,117	160	\$9,211,183	172	+\$503,740	-	\$9,714,923	172
Transfers Out:										
Food and Nutrition Service (FNS),										
Child Nutrition Programs.....	-6,749,901	-	-7,697,031	-	-8,011,569	-	-288,354	-	-8,299,923	-
FNS Transfer from PY funds.....	-117,000	-	-133,000	-	-117,000	-	-2,000	-	-119,000	-
FNS, Fresh Fruit and										
Vegetable Program.....	-20,000	-	-41,000	-	-41,000	-	+1,000	-	-40,000	-
Department of Commerce.....	-109,098	-	-131,372	-	-130,144	-	-856	-	-131,000	-
Subtotal.....	-6,995,999	-	-8,002,403	-	-8,299,713	-	-290,210	-	-8,589,923	-
Rescission.....	-150,000	-	-109,608	-	-189,000	-	-14,000	-	-203,000	-
Sequestration.....	-	-	-40,392	-	-79,703	-	+79,703	-	-	-
Prior Year Appropriation.....										
Available, SOY.....	259,953	-	219,286	-	313,530	-	-194,530	-	119,000	-
Recoveries.....	563	-	4,016	-	-	-	-	-	-	-
Offsetting Collections.....	-	-	20,184	-	-	-	-	-	-	-
Unavailable Resources, EOY.....	-219,286	-	-313,530	-	-119,000	-	-3,000	-	-122,000	-
Total Obligations.....	842,277	171	767,670	160	837,297	172	+81,703	-	919,000	172

Note: A rescission has been proposed for \$203 million for FY 2015.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income, and Supply (Section 32)

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2012 Actual		2013 Actual		2014 Estimate		Inc. or Dec.		2015 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Commodity Purchases:										
Child Nutrition Program Purchases.	\$462,913	-	\$464,982	-	\$465,000	-	-	-	\$465,000	-
Farm Bill Specialty Crop Purchases.	162,173	-	53,200	-	206,000	-	-	-	206,000	-
Emergency Surplus Removal.....	171,726	-	199,846	-	-	-	-	-	-	-
Estimated Future Needs.....	-	-	-	-	99,119	-	+80,854	-	179,973	-
Subtotal.....	796,812	-	718,028	-	770,119	-	+80,854	-	850,973	-
State Option Contract.....	-	-	-	-	5,000	-	-	-	5,000	-
Removal of Defective Commodities....	-	-	145	-	2,500	-	-	-	2,500	-
Disaster Relief.....	447	-	4,039	-	5,000	-	-	-	5,000	-
Small Business Support.....	-	-	-	-	-	-	+500 (1)	-	500	-
Prior Year Adjustment.....	-1,982	-	-	-	-	-	-	-	-	-
Administrative Funds:										
Commodity Purchases Services.....	27,151	60	27,593	62	34,622	61	+88 (2)	-	34,710	61
Marketing Agreements and Orders.	19,849	111	17,865	98	20,056	111	+261 (2)	-	20,317	111
Subtotal.....	47,000	171	45,458	160	54,678	172	+349	-	55,027	172
Total Obligations.....	842,277	171	767,670	160	837,297	172	+81,703	-	919,000	172
Recoveries.....	-563	-	-4,016	-	-	-	-	-	-	-
Offsetting Collections.....	-	-	-20,184	-	-	-	-	-	-	-
Precluded from Obligation										
in Current Year.....	-133,000	-	-117,000	-	-119,000	-	-3,000	-	-122,000	-
Unavailable Resources, EOY.....	219,286	-	313,530	-	119,000	-	+3,000	-	122,000	-
Transfer to FNS.....	259,953	-	219,286	-	313,530	-	-191,530	-	122,000	-
Prior Year Appropriation										
Available, SOY.....	-259,953	-	-219,286	-	-313,530	-	+191,530	-	-122,000	-
Total Appropriation.....	928,000	171	940,000	160	837,297	172	+81,703	-	919,000	172

AGRICULTURAL MARKETING SERVICE

Justification of Increases and Decreases

Funds for Strengthening Markets, Income, and Supply (Section 32)

- (1) An increase of \$500,000 to pay for eligible small business' first "pre-award" audit to make them eligible to participate in USDA's Federal food procurement program.

AMS has historically supported USDA's small business goals through commodity purchases. Recently the program has faced increased challenges in recruiting small businesses into the purchase program due to initial start-up costs of qualifying. The increase would pay for eligible small business first pre-award audit costs thus increasing the pool of available vendors.

- (2) An increase of \$349,000 for administrative costs associated with Commodity Purchases and oversight of Marketing Agreements and Orders (\$54,678,000 and 172 staff years available in 2014).

This increase is requested to fund salary costs for employees with technical expertise needed to conduct marketing order regulatory and oversight activities and to purchase agricultural commodities used in USDA food assistance programs. Without this increase, AMS will have to reduce services that benefits farmers, agricultural, producers, processors, handlers, recipient agencies, and other stakeholders.

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	2012 Actual		2013 Actual		2014 Estimate		2015 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
California.....	\$1,143	4	\$1,138	10	\$1,167	10	\$1,167	10
District of Columbia.....	44,075	160	42,668	135	51,692	147	52,029	147
Florida.....	618	2	607	5	631	5	631	5
Oregon.....	900	3	825	7	919	7	919	7
Texas.....	65	1	5	1	66	1	66	1
Virginia.....	199	1	215	2	203	2	215	2
Total, Available.....	47,000	171	45,458	160	54,678	172	55,027	172

AGRICULTURAL MARKETING SERVICE

STATUS OF PROGRAMS

SECTION 32

COMMODITY PURCHASES

Current Activities: AMS purchases meat, poultry, eggs and egg products, and fruits, vegetables and tree nuts to help stabilize market conditions. The commodities acquired are furnished to the Food and Nutrition Service (FNS) to meet the needs of the National School Lunch Program and other domestic nutrition assistance programs. Food purchases are coordinated with FNS to assure that the quantity, quality, and variety of commodities purchased meet the desires of schools and institutions participating in domestic nutrition assistance programs and can be used to assist individuals in meeting the *Dietary Guidelines for Americans*. The Farm Service Agency (FSA) administers the payments to vendors to whom contracts have been awarded, and ensures the proper storage of commodities when necessary. The administrative costs for food buying operations and coordination with FNS and FSA are paid from the Commodity Purchase Services (CPS) activity in the Section 32 program.

AMS also maintains a government-wide food specification program to reduce government food purchase costs by standardizing contract specifications, and conducts various programs and outreach initiatives to make AMS activities and expertise available to schools and other institutional food purchasers.

Section 4404 of the 2008 Farm Bill directs USDA to purchase additional fruits, vegetables, and tree nuts (specialty crops) using Section 32 funds, to assist growers and support domestic nutrition assistance programs. The adjusted totals, which include the \$200 million minimum purchase level established by previous legislation, are: \$390 million for 2008, \$393 million for 2009, \$399 million for 2010, \$403 million for 2011, and \$406 million for 2012 and each fiscal year thereafter. In 2013, AMS purchased over \$417.3 million of specialty crop products which is approximately 3 percent over the minimum purchase level.

Selected Examples of Recent Progress:

Commodity Purchases – In 2013, AMS purchased \$670.7 million worth of non-price supported commodities with Section 32 funds. The Department of Defense purchased an additional \$50 million of fresh fruits and vegetables for the National School Lunch Program (NSLP) from Section 32 funds on behalf of AMS. Purchased commodities were used to fulfill the National School Lunch Program's commodity subsidy entitlement of 23.25 cents per meal and for emergency surplus removal to assist agricultural producers.

Under agreement, AMS also purchased an additional \$847.5 million (including \$243.8 million in specialty crops) of commodities on behalf of FNS using funds appropriated to FNS for entitlement programs. In total, AMS purchased approximately 1.8 billion pounds (1.2 billion pounds in specialty crops) of commodities distributed by FNS through the Department's various nutrition assistance programs.

Surplus Removal – Surplus removal (or bonus) commodities are donated to schools and other institutions in addition to entitlements purchases. The following chart reports the commodities purchased under surplus removal and reflects the variety of producers that received assistance through bonus purchases:

2013 Contingency Fund Expenditures
for Surplus Removal

<u>Commodity</u>	<u>Amount</u>
Blueberries, Wild	\$15,670,661
Blueberries, Cultivated	14,973,884
Catfish Products	9,934,460
Chicken Products	50,000,000
Cranberries	4,987,092
Grapefruit Juice	3,786,034
Lamb Products	4,965,064
Potatoes	25,000,000
Strawberries	1,968,843
Tomatoes	3,559,856
Turkey	64,999,575
Total	\$199,845,469

Disaster Assistance – Section 32 funds are available each fiscal year to purchase commodities for disaster assistance, as needed under authority of the Stafford Act. A total of \$4,039,169 was authorized to AMS and FSA for disaster assistance. Following are the disaster assistance activities funded by Section 32 in FY 2013:

- Hurricane Sandy – AMS was authorized \$583,000 to pay for transportation incurred and to purchase Group A (not price-supported) commodities as a replacement for USDA foods used in New York during Hurricane Sandy. FSA was authorized \$1,271,022 to purchase Group B (price-supported) commodities as a replacement for USDA foods used in the same disaster area.
- Oklahoma Disaster – FSA was authorized \$153,680 to purchase Group B commodities to replace commodities utilized for assistance in Oklahoma due to severe weather and tornadoes.
- Republic of the Marshall Islands (RMI) Drought – Section 32 funds totaling \$2,022,000 was authorized for the purchase and distribution of foods for drought disaster assistance in the RMI through the Defense Logistics Agency.

Web-Based Supply Chain Management – Beginning in 2006, AMS was authorized to use Section 32 funds to develop and operate a new computer system to support the shared interests of USDA commodity purchase programs. The Web-Based Supply Chain Management (WBSCM) system has improved the procurement, delivery, and management of more than 200 commodities and 4.5 million tons of food through domestic and foreign feeding programs administered by AMS, FSA, FNS, and the United States Agency for International Development (USAID). The system went “live” during FY 2011, and supported full operations through FY 2013. Currently, the system is supporting over 7,000 registered users.

In FY 2013, WBSCM management began a technical upgrade of the underlying SAP software. The technical upgrade will bring the SAP software up to the most current versions, allowing all web browsers to be used when accessing WBSCM. The technical refresh will also enhance several user screens, while correcting some known issues, and improving system efficiencies in data processing and handling. This effort will supplant most of the normal operations and maintenance activities, reducing the number of system issues that can be corrected over the course of the year. Funds that were earmarked for operations and maintenance have been diverted to the technical refresh effort, which is scheduled to be completed in the summer of 2014. In FY 2014, WBSCM management will also undertake acquisition of a new contract for WBSCM operations and maintenance, since the current contract concludes at the end of FY 2014.

Procurement Program Redesigns – Last year, in response to industry requests to improve the timing and methods for procuring canned and frozen fruit and vegetable products, as well as FNS’ need to supply these products year-round for domestic food assistance programs, AMS launched completely redesigned procurement programs for these products. For 2013, solicitations were issued in the spring and AMS secured contracts for the entire 2013-2014

school year (July 2013 through June 2014). CPS continues to refine the timing of purchases, and made significant changes to the sweet potatoes purchased for the year. At the request of industry, the Solicitation was released even earlier in the year with the purpose of giving vendors more time to obtain the product necessary to meet product specifications.

CPS continued to build on prior efforts to use long term contract vehicles such as request for proposals (RFPs). Turkey taco meat was purchased for the first time on an RFP in hopes of providing a more consistent product to FNS recipients. Diced chicken was also bought on an RFP, but with additional option periods. CPS exercised an option for turkey taco meat for the very first time, hoping the option period will encourage vendors to continue to perform well and deliver on time. CPS is now purchasing turkey roasts on yearlong contracts, with contracts being awarded to vendors by FNS region (state groupings). This process allows vendors to know a year in advance how many turkey roasts to produce while recipients receive a consistent product over the entire year.

CPS also redesigned the purchasing program for chicken, turkey, beef, pork and ham, buying product once every four weeks instead of every two weeks. Vendors report they like knowing the quantity of product they need to produce for the entire month, and are better able to plan production and deliveries. Internally, CPS personnel report a lower amount of administrative burden over the course of the month and an improved ability to monitor vendor performance. CPS continues to receive positive feedback from recipients and the vendor community for improvements seen with the use of long term contract vehicles.

Product Development – During FY 2013, CPS worked within AMS and FNS to make improvements to current USDA foods as well as to develop and introduce a variety of new products, improving the quality and variety available to domestic food assistance programs and creating additional outlets for domestic agricultural products and suppliers. CPS added low sodium ham, diced mushrooms (for processing), and bulk beans (for processing), with many other products on the horizon for improvement or development. New products will be rolled out over the course of the year when formulations are finalized.

A handful of items were improved by CPS' commodity procurement to assist FNS programs with acceptability of the product or to help FNS meet dietary guidelines. For example, CPS added a smaller sized beef patty to help meet lower fat and protein requirements for younger children. CPS is also assisting industry with a formation change of the breaded catfish filet so the breading is whole grain and lower in fat, again to assist FNS in meeting whole grain requirements and to reduce overall fat. Additional product improvements are also in the offing and will be rolled out as soon as formulations can be developed and adjusted.

Food Safety – AMS samples and tests every lot of ground beef produced under contract for foodborne pathogens (*Escherichia coli* O157:H7 and *Salmonella*) and various indicator organisms. Any lot found positive for a pathogen is rejected for purchase. Indicator organism testing results are used to measure statistical process capability, with the result that vendors found to have lost process control are downgraded from “process capable” to “conditional” status or from “conditional” status to “ineligible” status. In addition, any lot found to have indicator organism values exceeding critical limits is also rejected for purchase. In FY 2013, AMS tested approximately 71,000 samples of beef, less than 0.05 and 0.5 percent of which were positive for *E. coli* O157:H7 and *Salmonella*, respectively.

MARKETING AGREEMENTS AND ORDERS

Current Activities: Section 32 funds support the administration of Federal marketing agreements and marketing orders, which help to establish orderly marketing conditions for dairy products, fruits, vegetables, nuts and specialty crops. Marketing agreements and orders enable dairy farmers and fruit/vegetable growers to work together to solve marketing problems that they cannot solve individually, by balancing the availability of quality product with the need for adequate returns to producers and the demands of consumers. Twenty-eight marketing orders are currently active for fruits, vegetables, nuts and specialty crops, and they are customized to meet the needs of a particular industry and may have provisions that: (1) impose mandatory grading and inspection services to meet minimum grade levels; (2) standardize the packaging and labeling of containers; (3) sponsor production research projects; (4) create market research and product promotion activities; and (5) increase or decrease the amount of product allowed into commercial channels during periods of exceedingly high or low volume. Ten regional marketing orders are

currently active for milk and dairy products to ensure orderly marketing conditions and an adequate supply of fluid milk for public consumption.

Selected Examples of Recent Progress:

Dairy Program:

Class III and Class IV Product Price Formulas – AMS issued a final rule that permanently adopts changes to the manufacturing cost allowances and the butterfat yield factor used in Class III and Class IV product-price formulas applicable to all Federal milk marketing orders. These changes were implemented previously through an interim final rule that became effective on October 1, 2008. The final rule provides regulatory certainty to industry stakeholders by ensuring that the Class III and Class IV product-price formulas remain reflective of current marketing conditions. Major stakeholders supported finalizing the rule so that they could begin a conversation with the Department on alternatives to the current classified pricing system. These conversations could not begin until this and related Class III and Class IV rulemaking proceedings were closed. With this action, the Department is no longer under ex parte restrictions and is better able to serve the needs of the dairy industry.

Evolving Industry Needs – AMS has provided technical consultation for industry stakeholders regarding a proposed Federal milk marketing order covering the state of California. Industry representatives are exploring alternative milk marketing options to provide nationally coordinated milk pricing.

Fruits and Vegetable Program:

Evolving Industry Needs – AMS programs help U.S. producers and handlers remain competitive in domestic and global markets. In an effort to respond to industry needs, AMS personnel met with representatives from numerous industries to discuss matters of industry concern and to consider broad scale regulatory changes responsive to recent trends in production volume and handling practices. In particular, AMS attended 264 board/committee meetings and approved 26 operating budgets. AMS specialists reviewed 732 promotional pieces to ensure board/committee messaging was compliant with Departmental guidelines. AMS also reviewed proposals for dozens of research projects funded by industry assessments, each of which is designed to address issues like pest management and post-harvest handling. Fruit, vegetable, and specialty crop marketing orders directly affect and benefit more than 33,000 U.S. farmers.

In accordance with marketing order requirements, AMS conducted referenda among the growers of two commodities to determine whether continuation of those programs is desirable. Growers of Walla Walla sweet onions and Vidalia onions voted unanimously to continue their programs.

AMS specialists conducted regional outreach and collaborated with other agencies on projects like the Food and Nutrition Service's Farm to School Grant Program, and served on the California Food and Agriculture Council, as well as on Fruit and Vegetable Program Project Teams. AMS responded to inquiries from various industries interested in establishing new Federal marketing orders, including U.S. pecans, Mississippi and California sweet potatoes, U.S. catfish, and U.S. eggs.

Enforcement – AMS is responsible for the enforcement of 28 Federal marketing orders and 14 section 8e import regulations, as well as export regulations for 3 commodities and the U.S. Peanut Standards. Industry administrative committees are responsible for conducting initial investigations and report complaints of possible violations to AMS.

- AMS reviewed and analyzed 7,600 imported lots subject to section 8e regulations for potential violations, covering 700 companies, and entered into 5 stipulation agreements and issued 70 official warnings to violators.
- AMS handled two multi-million dollar compliance cases:
 - Koretoff v. Vilsack: AMS obtained a favorable ruling that establishment of the Salmonella treatment regulation was within the Secretary's authority under the Agricultural Marketing Agreement Act of

1937 and the Federal marketing order for California almonds. The plaintiffs challenged the Department Regulation that requires almond handlers to treat (pasteurize or chemically) raw almonds to reduce the risk of Salmonella bacteria contamination. Both the District Court and the appellate court ruled that the promulgation of the rule was within Department authority, and followed proper procedures.

- Marvin Horne, et al. v. the U.S. Department of Agriculture was argued in front of the Supreme Court in March 2013. This case involves the violation of the raisin marketing order for the 2002-03 and 2003-04 crop years. The Supreme Court held that the plaintiff may raise their takings claim as a defense to the fines imposed on them, but took no position on the merits of the takings claim, and remanded the case to the U.S. Court of Appeals for the Ninth Circuit.
- AMS conducted 14 compliance reviews of administrative committees and boards to ensure the integrity of the marketing programs.
- AMS signed a memorandum of understanding with the U.S. Census Bureau to share export data on shipments covered under the Export Fruit Acts and section 8e imports. AMS will use Census data for verification and enforcement purposes for the export shipment of apples, table grapes and plums.
- A major technology project is under development that will integrate, analyze, and automate data from multiple sources to improve the monitoring and enforcement of compliance with domestic, import, and export regulations. This project will greatly enhance the agency's ability to effectively monitor and enforce the regulations of 28 domestic marketing orders, with an \$11 billion annual crop value; section 8e import regulations for 14 commodities with 150,000 shipments annually, valued at \$3 billion; the Export Fruit Acts, which cover the annual exportation of 1.4 million tons of US apples, grapes, and plums; and Congressionally mandated peanuts standards.

Rulemaking – In all, the Fruit and Vegetable Rulemaking Branch processed 80 dockets, including 26 work plans, 14 proposed rules, 2 continuance referenda, 14 interim rules, 11 final rules, and 12 interim final rules. AMS managed the amendatory processes for the Florida citrus and California kiwifruit marketing orders, a responsibility that included facilitating hearings, analyzing evidence, and drafting and clearing rulemaking actions prior to publication in the Federal Register. AMS also handled rulemaking processes for terminating the California-Oregon potato marketing order and suspending regulations under the Washington potato marketing order, based on industry requests.

AGRICULTURAL MARKETING SERVICE

Shared Funding Projects

(Dollars in thousands)

	2012	2013	2014	2015
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Working Capital Fund:				
Administration:				
Mail and Reproduction Management.....	\$917	\$902	\$770	\$944
Beltsville Service Center.....	261	202	224	229
Integrated Procurement System.....	311	283	284	293
Procurement Operations.....	-	1	1	1
Subtotal.....	1,489	1,388	1,279	1,467
Communications:				
Creative Media & Broadcast Center.....	52	63	365	348
Finance and Management:				
NFC/USDA.....	529	706	850	907
Non-USDA.....	-	-	-	-
Controller Operations.....	1,363	1,300	1,396	1,405
Financial Systems.....	2,436	2,400	1,978	1,954
Internal Control Support Services.....	143	99	91	93
Subtotal.....	4,471	4,505	4,315	4,359
Information Technology:				
NITC/USDA.....	4,110	4,688	3,886	3,894
Non-USDA.....	-	-	-	-
Internal Technology Services.....	-	15	-	-
Telecommunications Services.....	933	897	945	908
Subtotal.....	5,043	5,600	4,831	4,802
Correspondence Management.....	170	143	126	149
Total, Working Capital Fund.....	11,225	11,699	10,916	11,125

AGRICULTURAL MARKETING SERVICE

Shared Funding Projects

(Dollars in thousands)

	2012	2013	2014	2015
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Department-Wide Reimbursable Programs:				
1890's USDA Initiatives.....	82	78	79	79
Advisory Committee Liason Services.....	30	23	28	28
Continuity of Operations Planning.....	46	55	56	56
E-GOV Initiatives HSPD-12.....	168	175	182	182
Emergency Operations Center.....	64	61	62	62
Facility and Infrastructure Review and Assessment.....	6	11	12	12
Faith-Based Initiatives and Neighborhood Partnerships.....	11	10	11	11
Federal Biobased Products Preferred Procurement Program.....	9	9	9	9
Hispanic-Serving Institutions National Program.....	54	52	54	54
Honor Awards.....	2	1	2	2
Human Resources Transformation (inc. Diversity Council).....	45	42	44	44
Intertribal Technical Assistance Network.....	53	-	-	-
Medical Services.....	18	22	22	22
Personnel and Document Security.....	33	34	35	35
Pre-authorizing Funding.....	93	90	100	100
Retirement Processor/Web Application.....	14	15	15	16
Sign Language Interpreter Services.....	53	63	63	63
TARGET Center.....	24	24	25	25
USDA 1994 Program.....	21	20	21	21
Virtual University.....	57	55	56	56
Visitor Information Center.....	21	23	26	26
	<hr/>			
Total, Department-Wide Reimbursable Programs.....	904	863	902	903
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AGRICULTURAL MARKETING SERVICE

Shared Funding Projects

(Dollars in thousands)

	2012	2013	2014	2015
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
E-Gov:				
Budget Formulation and Execution Line of Business.....	2	3	3	3
Disaster Assistance Improvement Plan	-	-	-	-
Enterprise Human Resources Intigration.....	78	66	60	60
E-Rulemaking.....	13	28	28	28
E-Training.....	65	56	75	75
Financial Management Line of Business.....	2	5	5	5
Geospatial Line of Business.....	-	-	-	-
GovBenefits.gov.....	-	-	-	-
Grants.gov.....	16	19	17	17
Grants Management Line of Business.....	-	-	-	-
Human Resources Line of Business.....	7	7	7	7
Integrated Acquisition Environment – Loans and Grants...	32	36	51	51
Integrated Acquisition Environment.....	15	18	18	18
Recreation One-Stop.....	-	-	-	-
Total, E-Gov.....	230	238	264	264
Agency Total.....	12,359	12,800	12,082	12,292

Summary of Budget and Performance

Statement of Department Goals and Objectives

The mission of the Agricultural Marketing Service (AMS) is to facilitate the competitive and efficient marketing of agricultural products.

AMS has 21 programs, 4 strategic goals, and 7 strategic objectives that contribute to 2 United States Department of Agriculture (USDA) Strategic Goals.

USDA Strategic Goal: Assist Rural Communities to Create Prosperity so they are Self-sustaining, Repopulating, and Economically Thriving

Objective: Increase Agricultural Opportunities by Ensuring a Robust Safety Net, Creating New Markets, and Supporting a Competitive Agricultural System

Agency Strategic Goals	Agency Objectives	Programs that Contribute	Key Outcomes
<p>AMS Goal 1: Support our customers in making verifiable market-enhancing claims about how their products are produced, processed, and packaged.</p>	<p>Provide value-added services to strengthen marketing support to U.S. agriculture in an environment of rising cost pressures, increasing exports, competing imports, and changing market requirements.</p>	<ul style="list-style-type: none"> • Grading and Certification Services • Audit Verification Services • Laboratory Services 	<p>Agricultural producers and sellers can document market-enhancing claims that offer greater economic returns.</p>
<p>AMS Goal 2: Provide benefits to the agriculture industry and general public by delivering timely, accurate, and unbiased market information; supporting marketing innovation; and by purchasing commodities in temporary surplus and donating them for Federal food and nutrition programs.</p>	<p>Respond quickly and effectively to changing markets, marketing practices, and consumer trends.</p> <p>Support small-production agricultural producers through new and existing AMS programs that are especially beneficial to that segment of the industry.</p>	<ul style="list-style-type: none"> • Market News • Standardization • Transportation and Market Development • Federal-State Marketing Improvement Program • Commodity Purchases [to support domestic producers] • Specialty Crop Block Grants • Farmers Market Promotion Program • Local Food Promotion Program 	<p>The agriculture industry can identify alternative ways to maintain and improve the return on funds invested, and the food needs of USDA nutrition program recipients are matched with those of agricultural producers.</p>
<p>AMS Goal 3: Enable agriculture groups to create marketing self-help programs designed to strengthen the industry's position in the marketplace.</p>	<p>Respond to industry requests for planning and technical assistance (while maintaining oversight of program activities).</p>	<ul style="list-style-type: none"> • Research and Promotion Programs • Marketing Agreements and Orders 	<p>Agriculture industry groups can establish programs that promote consumer purchases of their commodities on a national or regional scale.</p>

Agency Strategic Goals	Agency Objectives	Programs that Contribute	Key Outcomes
<p>AMS Goal 4: Monitor specific agricultural industries/activities to ensure that they maintain practices established by regulation to protect buyers, sellers, and other stakeholders.</p>	<p>Reduce the potential for mislabeling of agricultural products.</p> <p>Institute an effective Country of Origin Labeling Program for all designated covered commodities.</p> <p>Apply a variety of dispute resolution approaches to facilitate commercial dispute resolution for perishable commodities.</p>	<ul style="list-style-type: none"> • National Organic Program • Organic Cost-Share Programs • Country of Origin Labeling • Shell Egg Surveillance Program • Federal Seed Act Program • Perishable Agricultural Commodities Act Program • Plant Variety Protection 	<p>A fair agricultural marketplace that offers protections for buyers and other stakeholders at the national level.</p>

Key Outcome: Agricultural producers and sellers can document market-enhancing claims that offer greater economic returns.

Key Performance Measures and Targets:

Grading and certification programs enable agricultural producers and sellers to document market-enhancing claims that offer greater economic returns using unbiased, third-party, and legally recognized confirmation of product condition, lot size, USDA (quality) grade, marketing claims about a product or production process, or sales contract specifications.

Certification and verification programs provide product or process information for buyers and consumers about the quality or specifications of the product being purchased, which directly benefits the requesting party by supporting product sales. Grading and certification services verify quality or other contract requirements. Audit verification services make it possible for the agriculture industry to make various marketing claims about their products and to reduce costs. For example, audit verification may be requested to verify that a system is in place that ensures products meet purchase specifications throughout the production process, or that the producer and/or processor followed the Food and Drug Administration’s (FDA) recommended practices for food safety, including Good Agricultural Practices and Good Handling Practices. For exports, these services support sales by using internationally recognized standards to assist in export marketing. Field Laboratory Services provide AMS commodity programs and the agricultural community with multidisciplinary analytical laboratory services to support grading, commodity purchases, and export certification programs.

Selected FY 2013 Accomplishments toward Achievement of the Key Outcome:

- Classified 15.9 million bales of cotton under the grower-classing program in FY 2013, which represents a 7.5 percent production increase from the FY 2012 level. The primary cause for the increase was the marketing environment in which many cotton merchants found it more advantageous to certificate the cotton on the futures market rather than sell the cotton on the spot market.
- Implemented an electronic Document Creation System to facilitate the issuing of export certificates for dairy product going to the European Union (EU) and issued 32,000 export certificates, a 50 percent increase over the previous year.

- Graded approximately 73 billion pounds of fresh and processed fruits, vegetables, specialty crops, and miscellaneous products. Grading services were provided at shipping points and cooperative market locations, federal receiving markets, processing plants, field offices, and inspection points.
- Provided meat grading and verification services to approximately 820 meat packing and processing plants, livestock producers and livestock service providers, beef export verification programs, organic certifying agencies, seed testing laboratories, state agencies, and other agricultural based establishments and companies worldwide. Verified a total of 27.8 billion pounds of meat and meat products against specification, contractual or marketing program requirements.
- Provided resident grading service in 103 poultry plants to grade 9.8 billion pounds of poultry, and in 170 shell egg plants to grade 5.97 billion dozen shell eggs.

Selected Accomplishments Expected at the FY 2015 Proposed Resource Level: AMS will continue to support rural economies by offering services that add value by documenting the quality of agricultural products or support marketing claims of interest to buyers and consumers.

Key Outcome: The agriculture industry can identify alternative ways to maintain and improve the return on funds invested, and the food needs of USDA nutrition program recipients are matched with those of agricultural producers.

Key Performance Measures and Targets:

AMS generates, collects, and processes data that are distributed directly to users, or may be repackaged and further disseminated; provides commodity descriptions that are widely used by buyers and sellers of commodities throughout the agricultural industry for domestic and international trading, futures market contracts, and as a benchmark for purchase specifications in most private contracts; gathers and analyzes non-recurring statistical and economic data that supports agricultural marketing and contributes to public policy decisions; funds grants for projects that support marketing improvements; and purchases commodities for donation to USDA food and nutrition programs that benefit children and families in need. AMS monitors website usage and customer feedback to assess the usefulness of these products/services.

AMS programs benefit the agriculture industry and general public by delivering timely, accurate, and unbiased market information; supporting marketing innovation; and by purchasing non-price supported commodities in temporary surplus and supplying them for Federal food and nutrition programs. Market information is crucial to informed decision-making and alternative markets are a key component to thriving rural economies. Commodity purchases and other forms of producer assistance provide temporary support for rural economies against unanticipated drops in price or demand.

Measure	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2015 Target
Relevance of Market News Information (customer survey results)	N/A	N/A	N/A	81%	81%	81%	82%
Relevance of Market News Information for Food Hubs (customer survey results)	N/A	N/A	N/A	0	0	0	75%
Utilization of Market News Information (Reports generated on the portal per year)	N/A	N/A	N/A	5 million	5.5 million	6 million	6.5 million
Market News Funding (\$ thousands)	\$33,411	\$34,222	\$33,149	\$32,949	\$31,102	\$33,170	\$33,975

Measure	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2015 Target
Transportation and Marketing Program: New markets established or expanded through technical and financial assistance	NA	NA	NA	NA	518	568	653
Transportation and Marketing Program: Number of new jobs created through food hub and direct marketing growth	NA	NA	NA	NA	200	309	409
Transportation and Market Development Program Funding (\$ thousands)	\$5,681	\$5,824	\$5,734	\$5,734	\$6,357	\$7,193	\$10,009

Selected FY 2013 Accomplishments toward Achievement of the Key Outcome:

- Implemented mandatory reporting for wholesale pork based on a transition plan developed at the request of the swine industry, phasing into weekly mandatory reports for negotiated and formula pork sales by July 1, 2013. The mandatory wholesale pork reporting program provides market participants with considerably more market information than they ever had in the past and addressed producer concerns about the asymmetric availability of market information.
- Reviewed 79 commodity standards to ensure they continue to accurately describe current products, and represented U.S. interests in development of international standards. AMS chaired committees and provided technical guidance to United Nations Economic Commission for Europe, Codex Alimentarius, and International Organization for Standardization, Organization for Economic Cooperation and Development, and others.
- Developed a new Agricultural Transportation Research and Information Center on the AMS website; provided input on 4 major transportation issues; recorded over 8,100 farmers markets in the AMS National Farmers Market Directory, a 4 percent increase from FY 2012 and 54 percent increase from 2009; participated in development of a food hub database that now includes 236 regional food hubs (a 7 percent increase over 2012).
- Awarded \$1.2 million in Federal-State Marketing Improvement Program matching grants to 15 states for 18 projects that explore agricultural marketing opportunities or address challenges with statewide or regional impact on farmers and agri-businesses, such as value added products, aquaculture, and local and regional sales of produce.
- Purchased \$253 million worth of non-price supported commodities with Section 32 funds to assist agricultural producers through emergency surplus removal and to meet specialty crop purchase requirements. These commodities were distributed through the various USDA domestic nutrition assistance programs.

Selected Accomplishments Expected at the FY 2015 Proposed Resource Level:

- Expand Market News reporting on local and regional markets to generate new transparency for local marketing and new opportunities for producers selling through these markets.
- Support development of local and regional agricultural markets by providing technical advice and assistance to States that are interested in creating or upgrading market facilities (e.g., wholesale, auction, collection, retail farmers markets, food hubs, and other alternative markets) through cooperative agreements with Federal and State agencies, Land-Grant Universities, Regional Planning Commissions, and other appropriate entities to develop comprehensive system-level assessments of the existing resource base, including production capacity,

existing local and regional markets, distribution networks used by local buyers and sellers, market size and demographics, and other important attributes that affect the success of local food systems.

Key Outcome: Agriculture industry groups can establish programs that promote consumer purchases of their commodities on a national or regional scale.

Key Performance Measures and Targets:

AMS works in partnership with the participating industry to oversee the administration of marketing self-help programs. AMS’ role is to ensure that industry activities remain within legal and regulatory authority and to provide the necessary rulemaking. Program activities are funded from assessments collected by the industry that initiated the program. Federally-authorized marketing self-help programs are established under Research and Promotion (R&P) or Marketing Agreement and Order (MA&O) legislation.

Selected FY 2013 Accomplishments toward Achievement of the Key Outcome:

- Oversaw the activities of 20 industry-funded commodity research and promotion (check off) programs with over \$667.4 million in assessments from producers, feeders, seed stock producers, exporters, packers, importers, processors, manufacturers, and handlers. AMS reviews and approves budgets and projects such as paid advertising, consumer education, industry relations, industry information, retail, food service and export promotion, market production and nutrition research, public relations, and project evaluation designed to strengthen the demand for their products.
- Provided regulatory support and Federal oversight of 10 milk marketing orders and 28 active orders for fruits, vegetables, nuts and specialty crops, customized to meet the needs of each industry.

Key Outcome: A fair agricultural marketplace that offers protections for buyers and other stakeholders at the national level.

Key Performance Measures and Targets:

AMS monitors and enforces marketing legislation that requires truthful labeling and accurate recordkeeping; provides for contract dispute settlement and protection against fraud and abuse; and promotes fair trade for specified products or production methods. These activities protect buyers and other stakeholders by helping to ensure a fair marketplace at the national level for specified agricultural commodities, including perishable produce, seed, shell eggs, and organically-produced products.

AMS programs monitor specific agricultural industries/activities to ensure that they maintain practices established by regulation to protect buyers, sellers, and other stakeholders. A fair marketplace supports rural economies, sustainable production, and the purchase of safe and nutritious meals for children.

Measure	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2015 Target
National Organic Program: Percentage compliance with certification and criteria	n/a	90%	90%	96%	90%	95%	95%
National Organic Program Funding (\$ thousands)	\$3,867	\$6,919	\$6,919	\$6,919	\$6,531	\$9,026	\$9,149

Selected FY 2013 Accomplishments toward Achievement of the Key Outcome:

- Completed investigation of 239 complaints alleging violations of the organic regulations, and reduced the total backlog of open complaint investigations. Expedited the appeals process through reorganization, process

improvements, and increased use of settlements, cutting the number of open appeals cases in half and the average days a case is open by 60 percent. Launched a new “sound and sensible” initiative designed to make the organic certification process affordable and attainable for organic operations. Using certifier feedback about barriers to certification updated program materials and conducted outreach to certifiers.

- Conducted 2,061 Country of Origin Labeling retail reviews and 547 follow-up retail reviews of the roughly 37,000 regulated retailers. Retail reviews report overall retailer compliance to COOL at approximately 96 percent based on the average number of COOL covered commodities sold in a store location, but only about 19 percent of retailers in full compliance (due to the number of stores with at least one non-compliance finding). Audited 152 products through the supply chain, reporting overall compliance by suppliers to retail stores at approximately 97 percent.
- Conducted 2,282 inspections of shell egg handlers and 310 inspections of egg hatcheries, and found 94 percent of all egg operations in compliance with program requirements. Since the number of operations in compliance improved, follow-up visits resulting from violations decreased 7percent from FY 2012.
- Initiated 244 investigations of Federal Seed Act complaints and conducted field tests for trueness-to-variety on 463 regulatory seed samples. Administratively settled 144 Federal Seed Act cases during the fiscal year with 73 warnings, 55 no-actions, and 16 with penalty assessments ranging from \$1,050 to \$19,500.
- Assisted members of the fruit and vegetable industry in resolving 1,186 commercial disputes involving approximately \$20.5 million. Of these disputes, AMS resolved 91percent informally within 4 months. Decisions and orders were issued in 375 formal reparation cases involving award amounts totaling approximately \$8.8 million. AMS initiated 38 disciplinary cases against firms for alleged violations of the PACA and issued 37 disciplinary orders – either suspending or revoking a firms PACA license, levying civil penalties, or issuing a finding of repeated and flagrant violations against produce firms for violations of the PACA.
- Conducted searches on 963 Plant Variety Protection applications to determine whether the plant constituted a new variety and issued 831 certificates of protection, a 163 percent increase from 2012.

Selected Accomplishments Expected at the FY 2015 Proposed Resource Level:

The National Organic program will continue to strengthen organic compliance and enforcement to keep up with the growing market segment and support the integrity of organic labeling. The program will also focus resources on agreements with international trading partners to open market opportunities.

USDA Strategic Goal: Ensure that all of America’s Children have Access to Safe, Nutritious, and Balanced Meals.

Objectives: Improve Access to Nutritious Food; Protect Public Health by Ensuring Food is Safe

Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
AMS Goal 2: Provide benefits to the agriculture industry and general public by delivering timely, accurate, and unbiased market information, supporting marketing innovation, and by purchasing commodities in temporary surplus and donating them for Federal food and nutrition programs.	Respond quickly and effectively to changing markets, marketing practices, and consumer trends. Support small-production agricultural producers through new and existing AMS programs that are especially beneficial to that segment of the industry.	<ul style="list-style-type: none"> • Pesticide Data Program • Commodity Purchases [supporting USDA child nutrition programs] 	The agriculture industry can identify alternative ways to maintain and improve the return on funds invested, and the food needs of USDA nutrition program recipients are matched with those of agricultural producers.

Key Outcome: The agriculture industry can identify alternative ways to maintain and improve the return on funds invested, and the food needs of USDA nutrition program recipients are matched with those of agricultural producers.

Key Performance Measures and Targets:

AMS programs benefit the agriculture industry and general public by delivering timely, accurate, and unbiased information that supports agricultural marketing; and by purchasing non-price supported commodities and supplying them for Federal food and nutrition programs. America’s children benefit from commodities purchased for child nutrition programs and from surplus commodities that are supplied through all USDA food assistance programs.

Measure	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2015 Target
Pesticide Data Program: 5-year running total number of children's food commodities tested (out of top 24)	21	22	21	20	21	21	20
Pesticide Data Program: Percentage of comprehensive pesticide residue data available for dietary risk assessment	91%	90%	90%	87%	84%	83%	83%
Pesticide Data Program Funding (\$ thousands)	\$15,238	\$15,360	\$15,330	\$15,330	\$14,471	\$15,347	\$15,020

Selected FY 2013 Accomplishments toward Achievement of the Key Outcome:

- Tested more than 11,000 food and water samples for pesticide residues, resulting in over 2 million individual tests. Two new commodities – salmon and raspberries – bring the number of commodities surveyed to date to 110.
- Purchased \$415 million worth of non-price supported commodities with Section 32 funds, plus an additional \$50 million of fresh fruits and vegetables through the Department of Defense, to fulfill the National School Lunch Program’s commodity subsidy entitlement. Purchased an additional \$847.5 million (including \$243.8 million in specialty crops) of commodities on behalf of FNS using funds appropriated to FNS for entitlement programs.

Strategic Goal and Objectives Funding Matrix

(Dollars in thousands)

Discretionary Program/ Program Items	FY 2012 Actual	FY 2013 Actual	FY 2014 Estimate	Increase or Decrease	FY 2015 Estimate
Department Strategic Goal 1: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving					
Strategic Objectives 1.2: Increase Agricultural Opportunities by Ensuring a Robust Safety Net, Creating New Markets, and Supporting a Competitive Agricultural System					
Market News.....	\$32,949	\$31,102	\$33,170	+\$805	\$33,975
Staff Years.....	237	233	239	0	239
National Organic Program	6,919	6,531	9,026	+123	9,149
Staff Years.....	33	33	43	-	43
Transportation and Market Development.....	5,734	6,357	7,193	+2,816	10,009
Staff Years.....	33	35	38	2	40
Standardization	4,944	4,667	4,976	+100	5,076
Staff Years.....	35	30	35	-	35
Federal Seed	2,439	2,302	2,455	-101	2,354
Staff Years.....	17	16	18	-	18
Shell Egg Surveillance	2,717	2,565	2,732	-118	2,614
Staff Years.....	17	15	17	-	17
Country of Origin Labeling Program.....	5,000	4,720	5,015	-249	4,766
Staff Years.....	17	16	16	-	16
Pesticide Recordkeeping	1,831	1,728	-	-	-
Staff Years.....	6	4	-	-	-
Federal/State Marketing Improvement Program...	1,198	1,331	1,363	-128	1,235
Staff Years.....	-	-	1	-	1
Total Costs, Strategic Goal 1.....	63,731	61,303	65,930	+3,248	69,178
Total Staff Years, Strategic Goal 1	395	382	407	+2	409
Department Strategic Goal 4: Ensure that all of America’s children have access to safe, nutritious, and balanced meals					
Strategic Objectives 4.1 & 4.3: Improve Access to Nutritious Food; Protect Public Health by Ensuring Food is Safe					
Pesticide Data Program	15,330	14,471	15,347	-327	15,020
Staff Years	16	19	19	-2	17
Microbiological Data Program	4,348	-	-	-	-
Staff Years.....	5	1	-	-	-
Total Costs, Strategic Goal 4.....	\$19,678	\$14,471	\$15,347	-327	\$15,020
Total Staff Years, Strategic Goal 4	21	20	19	-2	17
Total Costs, All Strategic Goals.....	83,409	75,774	81,277	+2,921	84,198
Total Staff Years, All Strategic Goals	416	402	426	-	426

Full Cost by Department Strategic Goal
(Dollars in Thousands)

Department Strategic Goal 1: Assist Rural Communities to Create Prosperity So They Are Self Sustaining, Repopulating, and Economically Thriving

Discretionary Program/Program Items	2012 Actual	2013 Actual	2014 Estimate	2015 Estimate
Market News.....	\$29,600	\$28,231	\$30,387	\$31,124
Indirect Costs.....	2,487	2,586	2,783	2,851
Total Costs.....	32,087	30,817	33,170	33,975
FTEs.....	237	233	239	239
Performance Measure:				
Organic Market Reporting: Number products reported.....	246	246	246	246
Number (in millions) of (annual) eViews for market information.....	55.7	55.7	55.7	55.7
National Organic Program.....	5,806	5,721	8,269	8,381
Indirect Costs.....	488	524	757	768
Total Costs.....	6,294	6,245	9,026	9,149
FTEs.....	33	33	43	43
Performance Measure:				
Percentage of accredited certifying agents, foreign and domestic, in conformance with 90 percent of the NOP accreditation criteria...	96%	90%	90%	90%
Transportation and Market Development.....	5,330	5,749	6,590	9,169
Indirect Costs.....	448	526	603	840
Total Costs.....	5,778	6,275	7,193	10,009
FTEs.....	33	35	38	40
Performance Measure:				
Cumulative number of farmers markets established.....	7,864	7,900	7,950	7,950
Number of publications and activities to improve local food access	34	34	75	75
Standardization.....	4,417	4,119	4,559	4,650
Indirect Costs.....	371	377	417	426
Total Costs.....	4,788	4,496	4,976	5,076
FTEs.....	35	30	35	35
Federal Seed.....	2,032	1,978	2,249	2,156
Indirect Costs.....	183	181	206	198
Total Costs.....	2,215	2,159	2,455	2,354
FTEs.....	17	16	18	18
Shell Egg Surveillance.....	2,432	2,302	2,503	2,395
Indirect Costs.....	204	211	229	219
Total Costs.....	2,636	2,513	2,732	2,614
FTEs.....	17	15	17	17
Country of Origin Labeling Program.....	4,755	4,308	4,594	4,366
Indirect Costs.....	400	394	421	400
Total Costs.....	5,155	4,702	5,015	4,766
FTEs.....	17	16	16	16
Performance Measure:				
Percentage of retail stores in compliance with Country of Origin Labeling regulations.....	96%	96%	96%	96%
Pesticide Recordkeeping.....	1,633	1,498	-	-
Indirect Costs.....	137	137	-	-
Total Costs.....	1,770	1,635	-	-
FTEs.....	6	4	-	-
Federal/State Marketing Improvement Program.....	1,198	1,235	1,363	1,363
Indirect Costs.....	-	-	-	-
Total Costs.....	1,198	1,235	1,363	1,363
FTEs.....	-	-	1	1
Total Discretionary Costs, Strategic Goal 1.....	\$61,921	\$60,077	\$65,930	\$69,306
Total FTEs, Strategic Goal 1.....	395	382	407	409

Department Strategic Goal 4: Ensure that all of America's children have access to safe, nutritious, and balanced meals

	2012	2013	2014	2015
Discretionary Program/Program Items	Actual	Actual	Estimate	Estimate
Pesticide Data Program.....	14,712	13,325	14,059	13,760
Indirect Costs.....	1,236	1,220	1,288	1,260
Total Costs	15,948	14,545	15,347	15,020
FTEs.....	16	19	19	17
Performance Measure:				
Number of foods, based on top two dozen children's food commodities, in the Pesticide Data Program.....	20.0	21.0	21.0	21.0
Comprehensive pesticide residue data available for dietary risk assessment.....	89.0	89.0	89.0	89.0
Microbiological Data Program.....	4,163	92	-	-
Indirect Costs.....	350	-	-	-
Total Costs	4,513	92	-	-
FTEs.....	5	1	-	-
Performance Measure:				
Number of samples tested.....	14,000	0	0	0
Number of commodities tested.....	7.0	0.0	0.0	0.0
Total Discretionary Costs, Strategic Goal 4.....	\$20,461	\$14,637	\$15,347	\$15,020
Total FTEs, Strategic Goal 4.....	21	20	19	17
Total Discretionary Costs, All Strategic Goals.....	\$82,382	\$74,714	\$81,277	\$84,326
Total Discretionary FTEs, All Strategic Goals.....	416	402	426	426

Department Strategic Goal 1: Assist Rural Communities to Create Prosperity So They Are Self Sustaining, Repopulating, and Economically Thriving

	2012	2013	2014	2015
Mandatory Program/Program Items	Actual	Actual	Estimate	Estimate
Commodity Purchase Services - Agri. Support & Emergency (AS&E).....	10,468	9,004	12,871	14,684
Indirect Costs.....	879	825	1,179	1,345
Total Costs	11,346	9,829	14,050	16,029
FTEs.....	25	22	25	28
Commodity Purchases Program Funds - AS&E.....	332,365	257,230	317,619	398,973
Marketing Agreements & Orders.....	18,311	16,366	18,373	18,612
Indirect Costs.....	1,538	1,499	1,683	1,705
Total Costs	19,849	17,865	20,056	20,317
FTEs.....	111	98	111	111
Total Mandatory Costs, Strategic Goal 1.....	\$363,560	\$284,924	\$351,725	\$435,319
Total FTEs, Strategic Goal 1.....	136	120	136	139

Department Strategic Goal 4: Ensure that all of America's children have access to safe, nutritious, and balanced meals

	2012	2013	2014	2015
Mandatory Program/Program Items	Actual	Actual	Estimate	Estimate
Commodity Purchase Services - Child Nutrition Purchases (CNP).....	14,579	16,274	18,846	17,114
Indirect Costs.....	1,225	1,490	1,726	1,567
Total Costs	15,805	17,764	20,572	18,681
FTEs.....	35	40	36	33
Commodity Purchases Program Funds - CNP.....	462,912	464,982	465,000	465,000
Total Mandatory Costs, Strategic Goal 4.....	\$478,717	\$482,746	\$485,572	\$483,681
Total FTEs, Strategic Goal 4.....	35	40	36	33
Total Mandatory Costs, All Strategic Goals.....	\$842,277	\$767,670	\$837,297	\$919,000
Total Mandatory FTEs, All Strategic Goals.....	171	160	172	172

2016 Explanatory Notes
Agricultural Marketing Service

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AGRICULTURAL MARKETING SERVICE

Purpose Statement

The mission of the Agricultural Marketing Service (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.

AMS carries out a wide range of programs under the authorization of the Agricultural Marketing Act of 1946 as well as over 50 other statutes. More than half of the funds needed to finance AMS activities (excluding commodity purchase program funds) are derived from voluntary user fees. AMS also provides services for private industry and State/Federal agencies on a reimbursable basis. In addition, AMS conducts several appropriated program activities through cooperative arrangements with State Departments of Agriculture and other agencies.

1. Market News Service:

The Market News program is authorized by the following statutes:

Agricultural Marketing Act of 1946
Agricultural and Food Act of 1981 (as amended by the Food Security Act of 1985)
The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill)
Cotton Statistics and Estimates Act of 1927
The Mandatory Price Reporting Act of 2010
Peanut Statistics Act
Naval Stores Act
Tobacco Inspection Act of 1935
U.S. Cotton Futures Act

The AMS Market News service collects, analyzes, and disseminates market information to the public for numerous agricultural commodities, including cotton, cottonseed, and tobacco; dairy products; fruits, vegetables and ornamentals; livestock, meat, grains, poultry and eggs; organic products. Market information covers local, regional, national, and international markets and includes current data on supply, movement, contractual agreements, inventories, and prices for agricultural commodities. Market News data provides producers and marketers of farm products and those in related industries with timely, accurate, and unbiased market information that assists them in making the critical daily decisions of where and when to sell, and at what price; thereby enhancing competitiveness and helping to increase the efficiency of agricultural marketing systems.

Federal and State reporters obtain market information, which AMS experts analyze, compile, and immediately disseminate to the agricultural community, academia, and other interested parties. National information is integrated with local information and released in a form easily understood by the industry and locality served. Electronic access through internet-released market news reports and e-mail subscriptions makes Market News information quickly and widely available. The Market News Portal offers data in the format requested by the user such as customized reports, graphs, and dashboards.

2. Shell Egg Surveillance and Standardization:

These programs are authorized by the following statutes:

Egg Products Inspection Act
Agricultural Marketing Act of 1946

- a. Shell Egg Surveillance: AMS supports egg marketing by ensuring that cracked, leaking, or other types of “loss” (restricted) eggs are diverted from table egg consumption and by verifying that marketed eggs have a quality level of at least U.S. Consumer Grade B. AMS conducts this program, in cooperation with State Departments of Agriculture, to ensure that shell egg handling operations are inspected at least four times annually and hatcheries are inspected at least once each year to control the disposition of certain types of under grade and restricted eggs. This program diverts eggs that are not at least U.S. Consumer Grade B--

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and which cannot be sold in shell form--to egg breaking plants, which reassures buyers and supports efficient markets.

- b. Standards Development: AMS develops, reviews, and maintains agricultural commodity standards that describe product quality attributes such as taste, color, texture, yield, weight, and physical condition for use in the trading of agricultural commodities. These standards provide a common language for buyers and sellers of commodities and are widely used by the agricultural industry in domestic and international trading, futures market contracts, and as a benchmark for purchase specifications in most private contracts. AMS grade standards are the basis for AMS Market News reports, grading services for cotton, milk and dairy products, eggs, fresh and processed fruits and vegetables, livestock, meat, olive oil, peanuts, poultry, rabbits, tobacco, and Federal commodity procurement. To support international markets, AMS provides technical expertise to international standards organizations to protect the interests of U.S. agricultural producers.

3. Market Protection and Promotion Programs:

AMS administers programs under several laws that stimulate innovative and improved commodity marketing, authorize the collection of pesticide application and residue information to ensure proper marketing practices, and provide assistance to industry-sponsored activities.

In the administration of market protection and promotion activities, AMS operates under the following authorities:

Agricultural Marketing Act of 1946
Beef Promotion and Research Act of 1985
Capper-Volstead Act
Cotton Research and Promotion Act
Commodity Promotion, Research, and Information Act of 1996
Dairy Production Stabilization Act of 1983
Egg Research and Consumer Information Act
Export Apple Act
Export Grape and Plum Act
Farm Security and Rural Investment Act of 2002
Federal Seed Act
Fluid Milk Promotion Act of 1990
Food, Conservation, and Energy Act of 2008
Food Quality Protection Act of 1996
Hass Avocado Promotion, Research, and Information Act of 2000
Honey Research, Promotion and Consumer Information Act
Mushroom Promotion, Research and Consumer Information Act of 1990
Organic Foods Production Act of 1990
Peanut Promotion, Research and Information Order
Popcorn Promotion, Research, and Consumer Information Act
Potato Research and Promotion Act
Pork Promotion, Research and Consumer Information Act of 1985
Soybean Promotion, Research and Consumer Information Act
Specialty Crops Competitiveness Act of 2004
Watermelon Research and Promotion Act

- a. Pesticide Data Program (PDP): Established under authority of the Agricultural Marketing Act of 1946 and the 1996 Food Quality Protection Act, PDP develops and communicates comprehensive, statistically-reliable information on pesticide residues in food to improve Government dietary risk assessments. This program provides data on a continual basis to the Environmental Protection Agency (EPA) for use in the pesticide registration process and to other Federal and State agencies for use in determining policies intended to safeguard public health. The program particularly focuses on the foods most likely consumed

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by children in addition to pesticide residue data for population-wide dietary risk assessments. The pesticide residue data collected by the program enhances the competitiveness of farm economies by supporting the use of safer crop protection methods and supports marketing by providing information that can be used to re-assure consumers concerned about pesticides. To ensure integrity and the high degree of quality required for dietary risk assessment procedures, PDP's standard operating procedures parallel EPA's Good Laboratory Practice guidelines. Information on significant findings is reported to the Food and Drug Administration (FDA) for further action. This program is a cooperative effort between Federal agencies and is conducted by AMS through agreements with State agencies that provide sampling and testing services.

- b. National Organic Program (NOP): This program is authorized by the Organic Foods Production Act of 1990, which requires USDA to develop and maintain national standards governing the production and handling of agricultural products labeled as organic. AMS provides support to the National Organic Standards Board, reviews materials for the national list of allowed synthetic materials, and coordinates the enforcement and appeals process. The legislation also requires the program to examine and accredit State and private certifying agents who in turn ensure producers and handlers are in compliance with the national organic standards. AMS accredits foreign agents who certify products labeled organic for export to the U.S., and foreign governments that operate an organic accreditation program for organic exports to the U.S. which must be approved under a recognition agreement granted by USDA. This nationwide program increases the efficiency and enhances the competitiveness of domestic agricultural marketing for organic products. The 2014 Farm Bill amended the Organic Foods Production Act to provide funding to modernize NOP database and technology systems.

NOP administers the organic certification cost-share programs. The National Organic Certification Cost-Share Program was authorized by the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 6523(d)) and funded annually through 2018 by the Agricultural Act of 2014 (2014 Farm Bill), Sec. 10004(c) to offset up to 75 percent or \$750 of the certification costs incurred by organic producers and handlers. The Agricultural Management Assistance Program (7 U.S.C. 1524(b)) provides cost-share support for organic producers in 16 states which are: Connecticut, Delaware, Hawaii, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia and Wyoming.

- c. Federal Seed Program: The Federal Seed program is authorized by the Federal Seed Act and regulates agricultural and vegetable seed moving in interstate commerce. The program prohibits false labeling and advertising of seed, as well as the shipment of prohibited noxious-weed seed into a State. State seed inspectors are authorized to inspect seed subject to the Act and samples are routinely drawn by State seed inspectors to monitor seed sold commercially. Although intrastate infractions are subject to State laws, the violation is referred to AMS by the cooperating State agency should an inspection reveal infractions of the Federal Act. Based on the results of tests and investigations, AMS attempts to resolve each case administratively. For cases that cannot be resolved, AMS can initiate appropriate legal action.
- d. Country of Origin Labeling (COOL): The COOL Act requires retailers to notify their customers of the country of origin of covered commodities. Labeling requirements for fish and shellfish became mandatory during FY 2005, and AMS established an audit-based compliance program the following year to ensure that the public receives credible and accurate information on the country of origin of the fish and shellfish they purchase. In January 2009, USDA issued a final rule on mandatory COOL for all other covered commodities that became effective on March 16, 2009. The COOL Act requires country of origin labeling for muscle cuts of beef (including veal), lamb, and pork; ground beef, ground lamb, and ground pork; farm-raised fish and shellfish; wild fish and shellfish; perishable agricultural commodities; peanuts, goat, chicken, ginseng, macadamia and pecan nuts. The law also requires method of production information (farm-raised or wild caught) for fish and shellfish to be noted at the final point of sale to consumers. The regulation outlines the labeling requirements for covered commodities and the recordkeeping requirements for retailers and suppliers. The program conducts retail surveillance reviews through cooperative agreements with state agencies. AMS trains Federal and State employees on enforcement responsibilities;

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responds to formal complaints; conducts supply chain audits; and develops educational and outreach activities for interested parties.

- e. Commodity Research and Promotion Programs: AMS provides oversight and direction to industry-funded and managed commodity research and promotion programs. The various research and promotion acts authorize the collection of an assessment from identified segments of the marketing chain which is used to broaden and enhance national and international markets for various commodities. Assessments to producers are most common; however, some programs assess processors, feeders, packers, handlers, importers, exporters, or other entities. These assessments are used to carry out research and promotional activities for cotton, dairy, fluid milk, beef, lamb, pork, soybeans, sorghum, eggs, blueberries, Hass avocado, honey, mango, mushrooms, peanuts, popcorn, potatoes, processed raspberries, softwood lumber, watermelon, paper and paper-based packaging. AMS reviews and approves the budgets and projects proposed by the research and promotion boards to ensure that proposals comply with the regulation and statute. Each research and promotion board reimburses AMS for the cost of implementing and overseeing its program.
- f. Sheep Production and Marketing Grant Program: The 2014 Farm Bill amends the Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.) to establish a competitive grant program to strengthen and enhance the production and marketing of sheep and sheep products in the U.S. The Farm Bill makes funding available for a grant to one or more national entities whose mission is consistent with the purpose of the program.

4. Transportation and Marketing:

Transportation and Market Development activities are authorized under the following statutes:

Agricultural Marketing Act of 1946
Agricultural Adjustment Act of 1938
Agricultural Trade and Assistance Act of 1954
Rural Development Act of 1972
International Carriage of Perishable Foodstuffs Act of 1982
The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill)
Farmer to Consumer Direct Marketing Act of 1976
American Taxpayer Relief Act of 2012

AMS monitors the agricultural transportation system (inland waterways, rail, truck, ocean bulk, and ocean containerized) and conducts market analyses that support decisions regarding the transportation of agricultural products domestically and internationally. This program determines whether the Nation's transportation system will adequately serve the agricultural and rural areas of the United States by providing necessary rail, barge, truck, and shipping services. AMS provides technical assistance to shippers and carriers and participates in transportation regulatory actions before various Federal agencies. In addition, AMS provides economic analyses and recommends improvements to domestic and international agricultural transportation for policy decisions.

AMS supports the development of agricultural markets through technical advice and assistance to States and municipalities that are interested in creating or upgrading wholesale market facilities, auction and collection markets, retail farmers markets, food hubs, and other direct or local markets. AMS also conducts feasibility studies in cooperation with the private sector, non-profit organizations, and other government agencies to evaluate and suggest efficient ways to handle and market agricultural commodities. AMS studies changes in the marketplace to assist States, localities, market managers/operators, and growers in making strategic decisions for future business development.

Farmers Market and Local Food Promotion Program: This program was created through amendments of the Farmer-to-Consumer Direct Marketing Act of 1976. The 2008 Farm Bill made resources available for the Farmers Market Promotion Program through 2012 to provide grants targeted to help improve and expand domestic farmers markets, roadside stands, community-supported agriculture programs, agritourism activities,

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and other direct producer-to-consumer market opportunities. The 2014 Farm Bill expanded the program to assist in the development of local food business enterprises and funded the expanded program through 2018. The purpose of the Farmers Market and Local Food Promotion Program is “...to increase domestic consumption of and access to locally and regionally produced agricultural products, and to develop new market opportunities for farm and ranch operations serving local markets...” Entities eligible to apply for grants include agricultural cooperatives, producer networks, producer associations, local governments, nonprofit corporations, public benefit corporations, economic development corporations, regional farmers’ market authorities, Tribal governments, and local and regional food business enterprises.

5. Payments to States and Possessions:

- a. Federal-State Marketing Improvement Program (FSMIP): FSMIP is authorized by the Agricultural Marketing Act of 1946, which gives USDA the authority to establish cooperative agreements with State departments of agriculture or similar State agencies to improve the efficiency of the agricultural marketing chain. AMS provides matching funds on a competitive basis to State departments of agriculture, State agricultural experiment stations, and other State agencies, to assist in exploring new market opportunities for U.S. food and agricultural products, and to encourage research and innovation aimed at improving the efficiency and performance of the agriculture commodities marketing system. State agencies may perform the work or contract with others, but must contribute at least one-half of the cost of the projects. This program has made possible many types of projects, such as electronic marketing and agricultural product diversification. For 2014, USDA requested proposals that involve collaboration among states, academia, producers and other stakeholders, and have state, multi-state or national significance.
- b. Specialty Crop Block Grant Program (SCBGP): Section 101 of the Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621) authorized USDA to provide State assistance for specialty crops and the 2014 Farm Bill funds the program. AMS administers this program by awarding grants to State departments of agriculture to enhance the competitiveness of fruits and vegetables, tree nuts, nursery crops (including floriculture), and horticulture. AMS provides guidance and assistance to States in developing plans; submitting applications; and meeting the administrative, reporting, and audit requirements involved in managing a funded project. AMS also establishes internal review and evaluation procedures for applications and State plans, and participates in workshops, conferences, and other forums to facilitate interaction among States, USDA representatives, and industry organizations. After a grant is awarded, AMS reviews annual performance reports, final reports, audit results, and final financial statements; posts final performance reports on the SCBGP website; and disseminates project findings at appropriate meetings and conferences.

6. Commodity Grading, Verification, and Plant Variety Protection:

These programs are authorized by the following statutes:

Agricultural Marketing Act of 1946
Farm Security and Rural Investment Act of 2002
Wool Standards Act
Cotton Statistics and Estimates Act of 1927
U.S. Cotton Futures Act
United States Cotton Standards Act
Naval Stores Act
Produce Agency Act of 1927
Specialty Crops Competitive Act of 1994
Tobacco Inspection Act of 1935
Tobacco Statistics Act
Plant Variety Protection Act

- a. Grading, Certification, and Audit Verification: The grading process involves the application or verification of quality standards for agricultural commodities. AMS provides grading and certification services on

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agricultural commodities for which developed standards are available. AMS certification services provide assurance to buyers that the products they receive are the quantity and quality specified in their contract with the seller. AMS provides acceptance and condition inspection services for all agricultural commodities upon request. These services facilitate efficient marketing by permitting purchasers to buy commodities without having to personally inspect them and by providing an impartial evaluation of the quality of products prior to their sale. AMS certificates are also used as evidence of quality and condition in a court of law to settle commercial disputes. AMS offers production and quality control system audits (audit verification services) that reduce costs and assist the industry in making various marketing claims about their products, and export certification services on a number of commodities, including seed. Grading, certification, and audit verification activities are performed by Federal employees or Federally-supervised State employees on a fee-for-service basis.

- b. Plant Variety Protection Program: This program is authorized by the Plant Variety Protection Act, which encourages the development of novel varieties of sexually reproduced or tuber propagated plants by providing intellectual property rights protection to the developer. The program, funded by user fees, verifies the uniqueness of variety and issues certificates that assure developers exclusive rights to sell, reproduce, import, or export such varieties, or to use them in the production of hybrids or different varieties, for a period of 20 years for most species and 25 years for woody plants.

7. Perishable Agricultural Commodities Act Program:

This program is carried out under the Perishable Agricultural Commodities Act (PACA) and the Produce Agency Act (PAA) and is funded by license fees. These Acts are designed to: (1) protect producers, shippers, distributors, and retailers from loss due to unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products handled for others. Commission merchants, dealers, and brokers handling fresh and frozen fruits and vegetables in interstate and foreign commerce must obtain a PACA license and abide by the fair trading practices established by the PACA. Traders who have been found to have committed unfair trade practices face license suspension or revocation and may be required to post surety bonds before resuming operations. To increase protection and avert financial losses to growers and licensed firms, the PACA was amended in 1984 to create a statutory trust. Sellers of fruits and vegetables who have not been paid are secured under this legislation until full payment is made. Complaints of violations are investigated and resolved through: (1) informal agreement between the two parties; (2) formal decisions involving payments to injured parties; (3) suspension or revocation of license; and (4) publication of the facts. Any interested party or group may request AMS assistance in settling disputes under the PACA.

8. Strengthening Agricultural Markets and Producer Income (Section 32):

Section 32 of the Act of August 24, 1935, (7 U.S.C. 612c) made available an appropriation equal to 30 percent of gross customs receipts collected during each preceding calendar year to encourage the domestic consumption or exportation of agricultural commodities. An amount equal to 30 percent of receipts collected on fishery products is transferred to the Department of Commerce's National Marine Fisheries Service. Section 14222 of the 2008 Farm Bill established an annual amount that can be retained from these funds for Section 32 activities, with the remaining funds transferred to the Food and Nutrition Service (FNS) for Child Nutrition Programs.

- a. Commodity Purchases and Diversions: AMS purchases non-price supported commodities such as meats, fish, fruits, vegetables, poultry, and egg products in order to stabilize market conditions pursuant to Section 32, and in support of entitlement program needs within USDA. The 2002 and 2008 Farm Bills established minimum levels of specialty crop purchases. All purchased commodities are distributed by FNS to schools, as part of the entitlement for the National School Lunch Program, or to other domestic nutrition assistance programs. AMS also provides purchasing services to FNS to supply food to recipients in nutrition assistance programs and is reimbursed for the administrative costs associated with these purchases (Economy Act, 31 U.S.C. 1535).

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Section 32 of the Act of August 24, 1935, authorizes the Secretary of Agriculture, through payments or indemnities, to encourage the domestic consumption of agricultural commodities or products by persons in low income groups, and to re-establish farmers' purchasing power in connection with the normal production of agricultural commodities. In addition to commodities purchased for distribution, support to growers and producers may also be accomplished through commodity diversion. The diversion program under Section 32 provides an alternative means of support to markets that are experiencing adverse economic conditions. Section 32 authority also allows USDA to finance the removal of defective commodities and to purchase foods for disaster relief (in Presidentially-declared domestic disasters under the Stafford Act).

- b. Marketing Agreements and Orders: The Marketing Agreements and Orders Program are authorized by the Agricultural Marketing Agreement Act of 1937. The program was established to assist farmers, milk producers, and handlers by allowing them to collectively work to solve marketing challenges. These instruments are designed to stabilize market conditions and improve the returns for fluid milk and fruit and vegetable producers. AMS oversees these various activities to ensure that they operate in the public interest and within legal parameters.

Marketing agreements and orders: (1) establish minimum prices that handlers pay to dairy producers; (2) regulate the quality and quantity of fruits and vegetables sold in commercial channels; and (3) provide for market development and promotion (including paid advertising). A majority of the currently active Federal marketing order programs for fruits and vegetables include minimum grade requirements. The standards used by our programs include characteristic qualities as well as criteria related to food safety (e.g., lack of mold, insects, foreign material, etc.). Presently, there are 38 active specialty crop marketing agreement and order programs covering 28 commodities, and 10 milk marketing orders. Proposed orders are subject to approval by producers of the regulated commodity. Section 32 funds authorized annually through the Appropriations Bill, are used by AMS for administering the Marketing Agreements and Orders Program at the national level, and to conduct public hearings and referenda to determine producer sentiment concerning new programs and proposed revisions of marketing orders already in effect. Program activities and administration at the local level are financed through handler assessments.

Geographic Dispersion of Offices and Employees:

Most of AMS' field offices are located to facilitate Market News data collection (near markets) or where needed to provide fee-funded grading, verification, and certification services to the agricultural industry (near customers). AMS regularly assesses, and when indicated, opens, relocates, or closes field offices to improve service delivery and reduce operational costs.

As of September 30, 2014, AMS had 2,434 employees, of whom 1,794 were permanent full-time and 640 were other than permanent full-time employees. Approximately 80 percent of AMS' employees are assigned to field offices. Of the 1,912 employees assigned to field office locations, 1,285 were permanent full-time and 627 were other-than permanent full-time employees.

Schedule A (Milk Market Administrator) employees as of September 30, 2014, totaled 358, of which 320 were permanent full-time and 38 were other than permanent full-time employees.

OIG Audits – In Progress:

#01601-001-41
#50601-002-23

AMS Procurement & Inspection of Fruits & Vegetables
Evaluation of USDA Process Verified Programs

AGRICULTURAL MARKETING SERVICE

Available Funds and Staff Years (SY)

(Dollars in thousands)

Item	2013 Actual		2014 Actual		2015 Enacted		2016 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Agricultural Marketing Service								
Marketing Services, Discretionary	\$78,863	402	\$79,914	363	\$81,192	416	\$83,121	412
Payments to States and Possessions, Discretionary	1,331	-	1,363	1	1,235	1	1,235	1
Rescission.....	-2,171	-	-	-	-	-	-	-
Sequestration.....	-2,345	-	-	-	-	-	-	-
Adjusted Appropriations, Discretionary	75,678	402	81,277	364	82,427	417	84,356	413
Congressional Relations Transfer In.....	102	-	102	-	-	-	-	-
Working Capital Fund Transfer Out.....	-250	-	-200	-	-	-	-	-
Total Available, Discretionary	75,530	402	81,179	364	82,427	417	84,356	413
Farm Bill Initiatives:								
Farmers Market Promotion Program.....	-	-	15,000	2	15,000	-	15,000	-
Local Foods Promotion Program.....	-	-	15,000	2	15,000	-	15,000	-
Specialty Crop Block Grants.....	52,195	2	72,500	3	72,500	8	72,500	8
Modernization Technology Upgrade - Organic.....	-	-	5,000	-	-	4	-	4
Organic Production & Marketing Data	-	-	3,500	-	-	-	-	-
Sheep Production and Marketing.....	-	-	1,500	-	-	-	-	-
National Organic Cost Share.....	-	-	11,500	-	11,500	-	11,500	-
AMA Organic Cost Share, Mandatory.....	1,500	-	1,500	-	1,000	-	1,000	-
Sequestration.....	-76	-	-4,068	-	-8,395	-	-	-
Total, Farm Bill Initiatives, Mandatory.....	53,619	2	121,432	7	106,605	12	115,000	12
Permanent Appropriations, Mandatory:								
Funds for Strengthening Markets, Income,								
and Supply (Sec. 32)	8,990,117	160	9,211,183	149	9,714,923	172	10,316,645	172
Rescission	-109,608	-	-189,000	-	-121,094	-	-292,020	-
Sequestration.....	-40,392	-	-79,703	-	-81,906	-	-	-
Recoveries of Prior Year Obligations	4,016	-	2,283	-	-	-	-	-
Offsetting Collections	20,184	-	14,779	-	-	-	-	-
Available Authority from Previously Precluded								
Balances, Start of Year	219,286	-	313,530	-	187,486	-	122,000	-
Transfers Out ^{a/}	-8,002,403	-	-8,299,713	-	-8,658,409	-	-9,176,645	-
Unavailable Resources, End of Year	-313,530	-	-187,486	-	-122,000	-	-125,000	-
Subtotal, Permanent Appropriations, Mandatory.....	767,670	160	785,873	149	919,000	172	844,980	172
Total, AMS Appropriations.....	896,819	564	988,484	520	1,108,032	601	1,044,336	597
<u>Obligations Under Other USDA Appropriations:</u>								
Food & Nutrition Service for Commodity								
Procurement Services (Sec. 32).....	1,308	9	1,309	9	1,288	9	1,301	9
Miscellaneous Reimbursements.....	-	-	-	-	-	-	-	-
Total, Other USDA.....	1,308	9	1,309	9	1,288	9	1,301	9
Total, Agricultural Marketing Service Appropriations.....	898,127	573	989,793	529	1,109,320	610	1,045,637	606
<u>Non-Federal Funds:</u>								
Perishable Agricultural Commodities Act Fund, Mandatory								
Reimbursable work:								
Research and Promotion Boards.....	3,954	23	3,953	24	4,445	27	4,473	27
Fees for Grading of Cotton and Tobacco	40,904	382	43,090	331	60,709	421	60,982	421
Grading of Farm Products for Producers, Processors, and								
Municipal, State and Federal Agencies	150,743	1,318	158,334	1,243	153,911	1,338	155,357	1,351
Wool Research, Development, and Promotion	2,135	-	2,203	-	2,086	-	2,250	-
Total, Non-Federal Funds	207,511	1,794	217,615	1,661	231,329	1,863	233,341	1,876
Total, Agricultural Marketing Service	1,105,638	2,367	1,207,408	2,190	1,340,649	2,473	1,278,978	2,482
Schedule A Staff Years		366		348		359		359

^{a/} Includes the transfers to the Food and Nutrition Service (FNS), the Commerce Department, and the Fresh Fruit and Vegetable Program administered by FNS.

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Permanent Positions by Grade and Staff Year Summary

Item	2013 Actual			2014 Actual			2015 Enacted			2016 Estimate		
	Wash.		Total	Wash.		Total	Wash.		Total	Wash.		Total
	D.C.	Field		D.C.	Field		D.C.	Field		D.C.	Field	
SES.....	9	1	10	11	1	12	11	1	12	11	1	12
GS-15.....	46	4	50	41	3	44	42	3	45	42	3	45
GS-14.....	75	38	113	86	34	120	86	34	120	86	34	120
GS-13.....	151	102	253	152	98	250	151	100	251	151	100	251
GS-12.....	90	163	253	99	160	259	136	163	299	136	163	299
GS-11.....	36	161	197	39	155	194	31	101	132	31	101	132
GS-10.....	2	12	14	2	12	14	3	12	15	3	12	15
GS-9.....	23	482	505	26	459	485	26	483	509	26	483	509
GS-8.....	10	255	265	10	259	269	10	258	268	10	258	268
GS-7.....	16	161	177	12	155	167	10	176	186	10	177	187
GS-6.....	6	55	61	7	62	69	6	60	66	6	60	66
GS-5.....	5	38	43	5	49	54	6	38	44	6	38	44
GS-4.....	2	8	10	2	8	10	2	9	11	2	9	11
GS-3.....	1	2	3	-	-	-	-	-	-	-	-	-
Ungraded Positions.....	-	8	8	-	7	7	-	8	8	-	8	8
Total Perm. Positions without Schedule A.....	472	1,490	1,962	492	1,462	1,954	520	1,445	1,965	520	1,446	1,966
Unfilled, EOY.....	-	170	170	-	160	168	-	-	-	-	-	-
Total, Perm. Full-Time Employment, EOY.....	472	1,320	1,792	492	1,302	1,794	520	1,445	1,965	553	1,446	1,966
Staff Year Est.....	632	1,735	2,367	632	1,558	2,190	660	1,813	2,473	663	1,819	2,482
Schedule A Staff Years.....	12	354	366	12	336	348	12	347	359	12	347	359

AGRICULTURAL MARKETING SERVICE

SIZE, COMPOSITION AND COST OF MOTOR VEHICLE FLEET

The estimated number of passenger motor vehicles available for 2016 is the minimum necessary to maintain essential services of AMS programs. These vehicles are used to provide necessary services such as: 1) traveling to places which in most cases are not accessible by common carriers, such as farms, market terminals, offices of product dealers and truckers, processing plants, canneries, stockyards, cotton gins, and compress operators; 2) carrying special grading and testing equipment used for inspecting and grading commodities and for performing other work required under the Agricultural Marketing Act of 1946; U.S. Cotton Standards Act; Cotton Statistics and Estimates Act; Tobacco Inspection Act; and Dairy and Tobacco Adjustment Act; and 3) carrying boxes of cotton standards types to use in classing work and demonstration at farmers' meetings. AMS only replaces passenger vehicles that have mileage of at least 60,000 or are six or more years of age, in accordance with standards prescribed by the General Services Administration (GSA). Additional passenger vehicles are requested when the forecasted workload is of such a nature and volume that the number of existing passenger vehicles will not be adequate for program needs.

Changes to the motor vehicle fleet. AMS does not anticipate increasing the fleet of passenger motor vehicles for 2016.

Replacement of passenger motor vehicles. AMS plan to replace two of the 253 passenger motor vehicles in operation in 2016.

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

Size, composition and cost of agency motor vehicle fleet as of September 30, 2014, are as follows:

Number of Vehicles by Type *									
Fiscal Year	Sedans & Station Wagons	Light Trucks, SUVs and Vans		Medium Duty Vehicles	Ambulances	Buses	Medium size Vehicles	Total Number of Vehicles	Annual Operating Costs ** (\$ in thou.)
		4X2	4X4						
2013 Actual	174	74	2	0	0	0	3	253	\$1,354
Change	0	0	0	0	0	0	0	0	-93
2014 Actual	174	74	2	0	0	0	3	253	1,261
Change	0	0	0	0	0	0	0	0	0
2015 Est.	174	74	2	0	0	0	3	253	1,261
Change	0	0	0	0	0	0	0	0	0
2016 Est.	174	74	2	0	0	0	3	253	1,261

* Numbers include vehicles that are owned by the Agency and leased from commercial sources or GSA.

** Excludes acquisition costs and gains from the sale of vehicles as shown in OMB Motor Vehicle FAST Database.

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

Marketing Services

For necessary expenses of the Agricultural Marketing Service, [~~\$81,192,000~~] \$83,121,000: *Provided*, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building.

Fees may be collected for the cost of standardization activities, as established by regulation pursuant to law (31 U.S.C. 9701).

Lead-Off Tabular Statement

Budget Estimate, 2016.....	\$83,121,000
2015 Enacted.....	<u>81,192,000</u>
Change in Appropriation	<u><u>1,929,000</u></u>

Summary of Increases and Decreases

(Dollars in thousands)

Program	2013 Actual	2014 Change	2015 Change	2016 Change	2016 Estimate
Discretionary Appropriations:					
Market News	\$31,102	+\$2,068	+\$805	+\$350	\$34,325
Surveillance and Standards	7,232	+476	-18	-399	7,291
Market Protection and Promotion	29,752	+2,091	-554	+152	31,441
Transportation and Market Development	<u>6,357</u>	<u>+836</u>	<u>+1,045</u>	<u>+1,826</u>	<u>10,064</u>
Total	74,443	+5,471	+1,278	+1,929	83,121

AGRICULTURAL MARKETING SERVICE

Marketing Services

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2013 Actual		2014 Actual		2015 Enacted		Inc. or Dec.		2016 Estimate		
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Appropriations:											
Market News Service.....	\$31,102	233	\$33,170	213	\$33,975	239	+\$350	(1)	-	\$34,325	239
Shell Egg Surveillance and Standardization:											
Shell Egg Surveillance.....	2,565	15	2,732	8	2,614	8	-444	(2)	-4	2,170	4
Standardization.....	4,667	30	4,976	32	5,076	35	+45	(3)	-	5,121	35
Total, Surveillance and Standardization.....	7,232	45	7,708	40	7,690	43	-399		-4	7,291	39
Market Protection and Promotion:											
Federal Seed Act.....	2,302	16	2,455	14	2,354	18	+25	(4)	-	2,379	18
Country of Origin Labeling.....	4,720	16	5,015	16	4,766	16	+25	(5)	-	4,791	16
Pesticide Data.....	14,471	19	15,347	15	15,020	17	+30	(6)	-	15,050	17
Microbiological Data.....	-	1	-	-	-	-	-		-	-	-
National Organic Standards.....	6,531	33	9,026	35	9,149	43	+72	(7)	-	9,221	43
Pesticide Recordkeeping.....	1,728	4	-	-	-	-	-		-	-	-
Total, Market Protection and Promotion.....	29,752	89	31,843	80	31,289	94	+152		-	31,441	94
Transportation and Market Development:											
Development.....	6,357	35	7,193	30	8,238	40	+1,826	(8)	-	10,064	40
Total Adjusted Appropriation.....	74,443	402	79,914	363	81,192	416	+1,929		-4	83,121	412
Rescissions and Sequestration (Net).....	4,420	-	-	-	-	-	-		-	-	-
Total Appropriation.....	78,863	402	79,914	363	81,192	416	+1,929		-4	83,121	412
Transfers In:											
Congressional Relations.....	102	-	102	-	-	-	-		-	-	-
Transfers Out:											
Working Capital Funds.....	-250	-	-200	-	-	-	-		-	-	-
Rescission.....	-2,135	-	-	-	-	-	-		-	-	-
Sequestration.....	-2,285	-	-	-	-	-	-		-	-	-
Total Available.....	74,295	402	79,816	363	81,192	416	+1,929		-4	83,121	412
Lapsing Balances.....	-816	-	-1,067	-	-	-	-		-	-	-
Total Obligations.....	73,479	402	78,749	363	81,192	416	+1,929		-4	83,121	412

AGRICULTURAL MARKETING SERVICE

Marketing Services

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2013 Actual		2014 Actual		2015 Enacted		Inc. or Dec.		2016 Estimate		
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Obligations:											
Market News Service.....	\$30,817	233	\$32,566	213	\$33,975	239	+\$350	(1)	-	\$34,325	239
Shell Egg Surveillance and Standardization:											
Shell Egg Surveillance.....	2,513	15	2,719	8	2,614	8	-444	(2)	-4	2,170	4
Standardization.....	4,496	30	4,959	32	5,076	35	+45	(3)	-	5,121	35
Total, Surveillance and Standardization.....	7,009	45	7,678	40	7,690	43	-399		-4	7,291	39
Market Protection and Promotion:											
Federal Seed Act.....	2,159	16	2,225	14	2,354	18	+25	(4)	-	2,379	18
Country of Origin Labeling.....	4,702	16	5,000	16	4,766	16	+25	(5)	-	4,791	16
Pesticide Data.....	14,545	19	15,346	15	15,020	17	+30	(6)	-	15,050	17
Microbiological Data.....	92	1	-	-	-	-	-		-	-	-
National Organic Standards....	6,245	33	8,947	35	9,149	43	+72	(7)	-	9,221	43
Pesticide Recordkeeping.....	1,635	4	-	-	-	-	-		-	-	-
Total, Market Protection and Promotion.....	29,378	89	31,518	80	31,289	94	+152		-	31,441	94
Transportation and Market Development:											
Development.....	6,275	35	6,987	30	8,238	40	+1,826	(8)	-	10,064	40
Total Obligations.....	73,479	402	78,749	363	81,192	416	+1,929		-4	83,121	412
Lapsing Balances.....	816	-	1,067	-	-	-	-		-	-	-
Total Available.....	74,295	402	79,816	363	81,192	416	+1,929		-4	83,121	412
Transfers In:											
Congressional Relations.....	-102	-	-102	-	-	-	-		-	-	-
Transfers Out:											
Working Capital Funds.....	250	-	200	-	-	-	-		-	-	-
Rescission.....	2,135	-	-	-	-	-	-		-	-	-
Sequestration.....	2,285	-	-	-	-	-	-		-	-	-
Total Appropriation.....	78,863	402	79,914	363	81,192	416	+1,929		-4	83,121	412

AGRICULTURAL MARKETING SERVICE

Marketing Services

Justifications of Increases and Decreases

(1) An increase of \$350,000 for Market News (\$33,975,000 and 239 staff years available in 2015).

Base funds for Market News will continue to fund unbiased statistics, price, and sales information to assist in the orderly marketing and distribution of agricultural commodities. Continued availability of market information is necessary to increase agricultural opportunities by creating new markets and support a competitive agricultural system. Stoppages or cutbacks in the program will interrupt information needed across the agricultural industry. The agriculture industry made its concerns known to the Department during the recent lapse in budgetary funding. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- AMS reports encompass a wide variety of domestic and international market data that enable producers to respond to changing market conditions. Data is disseminated within hours of collection and made available through distribution channels with a high degree of transparency.
- The Market News Program provides data on cotton, dairy, fruits, vegetables, specialty crops, livestock, grain, and poultry.

Base funding supports ongoing services and continued efforts to enhance and expand the information products that the Program provides to the public, as well as improving the ways in which information and data products are stored and delivered. Expanded coverage of local and regional markets is underway, and coverage of the organic sectors and other specialized systems, such as grass fed beef, will be expanded or added. AMS is developing a digital database to provide large sets of multi-year market news data to users in a common format. The Agency will continue to harmonize and merge several market news information databases into one unified database and data capture system, which will simplify public access to and maintenance of market news data. These efforts require innovation in the way vital market information is captured and disseminated. AMS is developing new strategies to collect and report information and explore ways to repackage its current data to be even more useful to industry partners and data users.

The Agency will partner with other key USDA data agencies, as well as with key stakeholders and secondary disseminators such as the Market Information Organization of the Americas, to identify ways to more efficiently and reliably capture data and make this data publically available in the manner that best meets the needs of customers. Cooperative agreements with states and other institutions will be used to capture local, farm gate, and retail data and make this data available to the public on a regional and national level. This will provide important information about the value of food in local and regional food systems and will help producer's access appropriate risk management and other resources. AMS will review and adapt emerging tools to capture market information "on the ground" (e.g., via hand-held devices at wholesale markets and auctions) and explore the increased usage of mobile devices to better meet customers' information needs. The Agency will develop the most effective means to collect data for small direct marketers and make this data publically available. The staff year increase will be funded from base funding.

Funds will be used for salaries and benefits for 240 staff years, site travel, outreach, and data management systems necessary to collect, analyze, and make available large quantities of information, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports the AMS objective to increase market opportunities for American agriculture through analysis of domestic and international market information and data and the USDA strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The funding change is requested for the following items:

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- a. An increase of \$319,000 for pay costs (\$63,000 for annualization of the 2015 pay increase and \$256,000 for the 2016 pay increase).
 - b. An increase of \$31,000 for expanded coverage under the Federal Employee Health Benefits Program (FEHB).
- (2) A decrease of \$444,000 and 4 staff years for the Shell Egg Surveillance (\$2,614,000 and 8 staff years available in 2015).

The Shell Egg Surveillance Program inspects registered shell egg facilities and monitors the disposition of restricted eggs to limit the number of restricted eggs in consumer channels. Stoppages in the program could disrupt markets for this product and endanger customer health. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- It prevents eggs not meeting minimum U.S. standards from entering the consumer marketplace so that only eggs fit for human consumption are available to consumers.
- As outlined by Congress upon passage of the Egg Products Inspections Act (EPIA), the “lack of effective regulation for the handling or disposition of unwholesome, otherwise adulterated, or improperly labeled or packaged egg products and certain qualities of eggs is injurious to the public welfare and destroys markets for wholesome, not adulterated, and properly labeled and packaged eggs and egg products and results in sundry losses to producers and processors, as well as injury to consumers.”

AMS' Shell Egg Surveillance Program monitors the disposition of restricted eggs (eggs that are cracked, dirty, incubator rejects, inedible, leaking, or otherwise unfit for human consumption) through inspection of packing plants a minimum of four times annually and hatcheries once annually. Inedible eggs constitute a small proportion of all shell eggs and are most often used in animal feed; the remaining eggs are destroyed.

Funds will be used for salaries and benefits for 4 staff years, supervisory travel, and agreements with cooperating State agencies or for AMS inspectors. Costs were estimated by using 2015 as a base, modified by the use of cross-utilized grading personnel to conduct inspections where State personnel are not available.

These funds support the AMS objective to safeguard the quality and wholesomeness of agricultural products and the USDA strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The funding change is requested for the following items:

- a. An increase of \$5,000 for pay costs (\$1,000 for annualization of the 2015 pay increase and \$4,000 for the 2016 pay increase).
- b. A decrease of \$449,000 and 4 staff years due to organizational changes and improved compliance at shell egg facilities.

Over time, industry consolidation has reduced the number of Shell Egg Surveillance (SES) registered facilities that need inspection through the program. The number of SES registered facilities has decreased by 28 percent, from 1,023 facilities in 2000 to 734 facilities in 2013. As a result, the number of inspections conducted to meet EPIA requirements has also decreased by 28 percent. The number of compliance actions resulting from inspection has decreased by almost 70 percent in this timeframe.

AMS can reduce the resources needed to meet the mandated number of inspections, while still providing adequate oversight and information to run a successful program. AMS will continue to meet the regulatory requirements by inspecting packing plants a minimum of four times annually and hatcheries once annually. This change will have little impact on regulated entities, and the rate of compliance is expected to remain

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the same. AMS will continue to conduct this program in cooperation with State Departments of Agriculture and will cross-utilize grading personnel in order to maintain the current inspection levels.

(3) An increase of \$45,000 for Standardization (\$5,076,000 and 35 staff years available in 2015).

Base funds for Standardization will fund continued development, review, and maintenance of agricultural commodity standards that describe product quality attributes for trade purposes. Standards describe product quality attributes such as taste, color, tenure, yield weight, and physical condition. AMS continually reviews the effectiveness of standards in domestic trading and provides technical guidance on standards to several international organizations. Stoppages or cutbacks in the program could interrupt domestic and international markets. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- Agricultural commodity standards and product descriptions provide a common language for buyers and sellers of commodities.
- USDA standards are widely used by the agricultural industry in trading, futures market contracts, and in purchase specifications in most private contracts.
- AMS' Standardization Program supports the development of international standards to facilitate trade of agricultural commodities and protect the interests of American agricultural producers.
- Access to international markets helps build financial sustainability for U.S. producers.

Funds will be used for salaries and benefits for 35 staff years, customer outreach, participation in international standards-setting forums, rent, utilities, communications, and indirect AMS and USDA costs.

A fundamental element of the agricultural marketing infrastructure, AMS Standardization supports AMS' objective to develop international and domestic commodity standards to facilitate global trade and economic growth and USDA's strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The funding change is requested for the following item:

- a. An increase of \$45,000 for pay costs (\$9,000 for annualization of the 2015 pay increase and \$36,000 for the 2016 pay increase).

(4) An increase of \$25,000 for the Federal Seed Act Program (\$2,354,000 and 18 staff years available in 2015).

The Federal Seed Program will continue to administer Federal Seed Act (Act) regulations on the interstate shipment of agricultural and vegetable seed. Stoppages or cutbacks to the program will interrupt compliance monitoring and investigation of seed in interstate commerce, harming growers. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- The program protects growers by enforcing regulations on labeling of seed shipped in interstate commerce that supply information for seed buyers and truthful advertising pertaining to seed, and by monitoring shipments of prohibited noxious weed seed into a State.
- The program helps promote uniformity among State laws and fair competition within the seed trade.

The Federal Seed Program collaborates with State seed inspectors who are authorized to inspect seed subject to the Act. Samples are routinely drawn by State inspectors to monitor seed sold commercially. They refer apparent violations of the Act to AMS' Federal Seed Program for investigation and appropriate action. AMS tests seed samples and resolves violations administratively or initiates legal action. AMS trains cooperators on

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violations of interstate shipments, provides expert advice, and implements seed testing procedures and technology. Funds will be used for salaries and benefits for 18 staff years, cooperator training, seed testing, cooperative agreements, data management, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports AMS' objective to safeguard the quality and wholesomeness of agricultural products and USDA's strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The funding change is requested for the following item:

- a. An increase of \$25,000 for pay costs (\$5,000 for annualization of the 2015 pay increase and \$20,000 for the 2016 pay increase).

(5) An increase of \$25,000 for the Country of Origin Labeling (\$4,766,000 and 16 staff years available in 2015).

The Country of Origin Labeling (COOL) program will continue to conduct reviews of retail stores and suppliers to ensure a high level of compliance with labeling provisions for covered commodities. Stoppage or cutbacks in this program could result in reduced information for consumers. Any changes to the administration of the COOL program based on World Trade Organization (WTO) decision will require Congressional action and will relate only to muscle cuts of beef and pork. The WTO case does not impact other covered commodities. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- The audit-based COOL compliance program ensures that the public receives credible, accurate information regarding the source of specific foods to enable more informed choices.
- COOL provisions of the Agricultural Marketing Act of 1946 require retailers to notify their customers of the country of origin of covered commodities.
 - Covered commodities are identified as muscle cuts of beef (including veal), lamb, and pork; ground beef, lamb, and pork; farm-raised fish and shellfish; wild fish and shellfish; perishable agricultural commodities; peanuts, goat, chicken, venison, ginseng, macadamia and pecan nuts.
 - The law also requires method of production information (farm-raised or wild caught) for fish and shellfish to be noted at the final point of sale to consumers.

AMS works in collaboration with all 50 States to conduct retail surveillance activities for the COOL program. The program provides training to State cooperators and outreach to retailers and stakeholders. These funds will be used for salaries and benefits for 16 staff years, supervisory travel, cooperative agreements with cooperating State agencies, compliance data tracking, outreach, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports AMS' objective to safeguard the quality and wholesomeness of agricultural products and USDA's strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The funding change is requested for the following item:

- a. An increase of \$25,000 for pay costs (\$9,000 for annualization of the 2015 pay increase and \$20,000 for the 2016 pay increase).

(6) An increase of \$30,000 for the Pesticide Data Program (\$15,020,000 and 17 staff years available in 2015).

The Pesticide Data Program (PDP) will continue to test food commodities for pesticide residues and report program findings to support pesticide regulations and the marketing of U.S. commodities. PDP will deliver data for 21 of the top 24 children's commodities and continue to include the 10 States currently cooperating in

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the program. Sampling by the 10 States currently covers 48 percent of the U.S. population. Stoppages or cutbacks in the program would reduce the data available for pesticide regulation and for consumers, and could disrupt international marketing. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- PDP develops and communicates comprehensive, statistically-reliable information on pesticide residues in food to improve Government dietary risk assessments.
- PDP is a trusted, expert source for data that the Environmental Protection Agency (EPA) depends upon when looking at dietary pesticide exposure, and is a critical component to verifying that all sources of exposure to pesticides meet U.S. safety standards.
- Because PDP's mission is to focus on testing foods, particularly foods most likely consumed by infants and children, to improve Government's ability to protect human health from pesticide risk, PDP plays a critical role in ensuring that America's children have access to safe, nutritious, and balanced meals.
- PDP also supports the global marketing of U.S. products, since pesticide data results are used in promoting exports of U.S. commodities.

The PDP manages the collection, analysis, and reporting of pesticide residues on agricultural commodities in the U.S. food supply, with an emphasis on commodities consumed by infants and children, through cooperation with State Departments of Agriculture and other Federal agencies. This program provides data on a continual basis to the EPA for use in the pesticide registration process and to other Federal and State agencies for use in determining policies intended to safeguard public health. Ultimately, if the EPA determines a pesticide is not safe for consumers, it is removed from the market. Over 99 percent of the products sampled through PDP had residues below the EPA tolerances. The PDP is not designed for enforcement of EPA pesticide residue tolerances, however AMS informs the U.S. Food and Drug Administration (FDA), which is responsible for enforcing EPA tolerances, if residues detected exceed the EPA tolerance or have no EPA tolerance established. The PDP pesticide residue results are reported monthly to FDA and EPA. In instances where a PDP finding is extraordinary and may pose a safety risk, FDA and EPA are immediately notified. This system of checks and balances provides Americans with the safest food supply in the world.

The PDP tests a wide variety of domestic and imported foods using a sound statistical program and the most current laboratory methods. The PDP works with State agencies representing all regions of the country and approximately half of the U.S. population. These funds will be used for salaries and benefits for 17 staff years, agreements with cooperating State and Federal agencies for sampling and testing services, specialized testing equipment, data management, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports AMS' objective to increase market opportunities for American agriculture through analysis of domestic and international market information and data, and the USDA strategic goal to ensure that all of America's children have access to safe, nutritious, and balanced meals.

The funding change is requested for the following item:

- a. An increase of \$30,000 for pay costs (\$6,000 for annualization of the 2015 pay increase and \$24,000 for the 2016 pay increase).
- (7) An increase of \$72,000 for the National Organic Program (\$9,149,000 and 43 staff years available in 2015).

The National Organic Program (NOP) will continue to support the development and maintenance of national standards governing the production and handling of agricultural products labeled as organic. Because NOP assures consumers that organically produced products meet consistent standards and facilitates the expansion of organic markets, stoppages or cutbacks in the program would reduce consumer confidence in organic agricultural products and disrupt marketing nationally and internationally. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to

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carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- The USDA Organic seal is well-known by consumers, and organic certification gives producers an opportunity to receive a premium for their products.
- AMS is central to the success of the program, which depends on the integrity of the seal through standards enforcement.
- Organic agriculture creates jobs and expands opportunities for farms and businesses, and domestic consumer sales of organic products continue to exponentially increase.

AMS continues to expand market access for organic farms and businesses. Today, the industry encompasses over 18,000 certified organic businesses and has grown to \$35 billion in annual U.S. retail sales. AMS ensures the integrity of organic agricultural products through consistent compliance enforcement and increased transparency. With accredited certifying agents worldwide, organic producers and processors can maintain their compliance with organic regulations. To expand marketing opportunities for both domestic producers and international partners, AMS evaluates and establishes recognition and equivalency agreements with foreign governments.

To increase the number of certified organic operations, USDA supports research and education to enable organic production, reduce overlapping requirements, and eliminate other obstacles. AMS collaborates with certifying agents and other USDA agencies to make organic certification more accessible, attainable, and affordable to U.S. producers. The Program will provide greater assistance to small and new farmers and businesses with entry into the organic market, especially those located in states included in USDA's Strike Force for rural growth and opportunity initiative. Clear standards, sound and sensible certification, and greater organic literacy will facilitate market access and reliable international trade partnerships.

The program accomplishes its mission by examining and accrediting State and private certifying agents who ensure producers and handlers are in compliance with the National Organic Standards. AMS also accredits foreign governments that operate an organic accreditation program, as well as foreign agents who certify products labeled organic for export to the U.S. The staff year increase will be funded from base funding.

These funds will be used for salaries and benefits for 46 staff years, core travel related to international agreements and site visits, a data management system, outreach, two meetings a year for the National Organic Standards Board, technical resources for National List reviews, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports AMS' objective to create jobs and expand opportunities for farms and businesses by supporting organic agriculture, and USDA's strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The funding change is requested for the following item:

- a. An increase of \$72,000 for pay costs (\$14,000 for annualization of the 2015 pay increase and \$58,000 for the 2016 pay increase).
- (8) An increase of \$1,826,000 for Transportation and Market Development (\$8,238,000 and 40 staff years available in 2015).

AMS will continue to promote producer access to local and regional markets, including direct-to-consumer and other emerging opportunities, and play a crucial role in bringing locally-sourced agricultural products to communities in need. AMS will also continue to serve as an expert source for economic analysis on agricultural transportation from farm to markets, which helps agricultural shippers and government policymakers make informed decisions. Stoppages or cutbacks in the program would reduce activities that greatly benefit small to medium agricultural producers and rural communities.

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A new Transportation and Market Development effort will identify existing local and regional agricultural resources so localities and agribusiness can leverage available services and partner to enhance their local food efforts. Access to such information will also improve organizations' ability to develop more holistic strategies to address issues related to the availability of local food, including developing applications to the Farmers Market and Local Foods Promotion Program.

In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- Increasing consumer demand for locally-produced food is creating new opportunities for farmers, ranchers, and small businesses – local food is a multibillion-dollar market and growing, and there has been large growth in farmers markets, community-supported agriculture, and food hubs just in the last few years.
- Each year, AMS helps hundreds of agricultural food businesses – including farmers' markets, food hubs, wholesale markets, retailers, state agencies, community planning organizations, and other agri-food focused groups – enhance their local food marketing efforts to support prosperous, self-sustaining, and economically thriving communities.
- As part of USDA's effort to assist the agricultural community to create prosperity, Market Development works in cooperation with other USDA agencies to assess innovative and cost-efficient options that help producers, distributors, and planners by identifying and developing alternative market outlets that help meet growing consumer demand for local and regional foods.
- Through its Transportation and Market Development Program, AMS promotes producer access to local and regional markets, including direct-to-consumer and other emerging opportunities, and plays a crucial role in bringing locally sourced agricultural products to communities in need.
- By providing relevant, current transportation data and analysis, AMS helps to ensure equal access to domestic and international markets, build financial sustainability for producers, and enhance global food security.

AMS conducts regular data collection and analysis on farmers' markets and direct-to-consumer marketing to help stakeholders understand evolving influences on market performance and profitability. The National Farmers Market Directory connects consumers to producers at over 8,000 farmers' markets by providing location and operation information. Food hubs and other aggregation models inform retail, commercial, and institutional customers who are seeking local and regional food products. Wholesale markets and facility design provide targeted site assessment and design services for food market planners, managers, and community stakeholders to improve the efficiency of permanent food market facilities.

AMS' increased emphasis on regional food systems supports economic growth for tribal, state, county, community, non-profit, and private sector partners as well as small farmers. These new market opportunities develop and revitalize the infrastructure necessary for vibrant regional food systems and support innovation and proven business approaches such as cooperatives. AMS can help improve access to healthy, locally produced foods that focus on food production and distribution at traditional and non-traditional retail options. Increased access to locally grown fruits, vegetables, and other nutritious food through electronic benefit transfer and other technology will enable greater assistance to communities in need. These activities equip local producers to distribute and market healthy foods and develop additional farmers markets to promote healthier communities.

With the funding provided in fiscal year 2015, AMS plans to establish two cooperative agreements each year to develop comprehensive system-level assessments of the existing resource base, including production capacity, existing local and regional markets, distribution networks used by local buyers and sellers, market size and demographics, and other important attributes that affect the success of local food systems. Cooperators will include Federal and State agencies, Land-Grant Universities, Regional Planning Commissions, and other appropriate entities.

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AMS will conduct surveys of local food businesses and facilitate SWOT (Strengths, Weaknesses, Opportunities, and Threats) analyses to provide educational, outreach, and technical assistance to support the growth of local food systems. AMS will also initiate cooperative agreements that invest in the research of food value chains (i.e. strategic alliances between producers and supply chain partners) and provide travel funds to facilitate stakeholder engagement and technical assistance to rural businesses.

These funds will be used for salaries and benefits for 40 staff years, cooperative agreements for market development support, market and transportation studies, site travel, outreach, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports AMS' objectives to improve access to healthy, locally produced foods while developing market opportunities and to increase market opportunities through analysis of domestic and international market information and data. It supports USDA's goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The funding change is requested for the following items:

a. An increase of \$1,771,000 to support local and regional markets for U.S. agricultural products.

The requested level of funding will enable the program to build upon local and regional support efforts by expanding the number of State assessments conducted by four to six each year. Information concerning State and regional food needs is not readily available to food system developers and investors who need to gain a better understanding of the opportunities and challenges that exist for agricultural food systems across the country. A comprehensive assessment of the resources available to address food system development will establish a baseline and allow for trend analysis so that States can become partners in local and regional food system development. AMS is requesting States can better engage and facilitate the development of local food systems.

AMS will target some States as initial partners based on a combination of USDA priorities such as StrikeForce, Promise Zones, and Low Food Access/Low Food Income Areas. Cooperators will be asked to prepare an assessment using GIS technology of the local food systems in their State, using layers to represent the resources currently in place. The assessment shall include a discussion of successes and potential challenges in the resource allocation identified by the mapping exercise. For example, the same farm production capacity being relied upon to supply multiple farmers markets, CSAs (Community Supported Agriculture), food hubs, retailers, institutions, and restaurants could pose a challenge to adequately meeting demand and create risk for some of the entities. By working with partners at the State or regional level, AMS can encourage efficient and high-impact use of Federal programs that support local foods and help inform better planning at the local level.

This effort will help states understand where their local and regional agricultural resources are so that state policies and initiatives for local and regional food system development can be enhanced. It will facilitate opportunities for local and regional producers and buyers to discover marketing opportunities and establish new market connections. It will also complement the Farmers' Market and Local Foods Promotion Programs authorized and funded by the Agricultural Act of 2014. Through these programs, AMS will award grants to increase domestic consumption of agricultural products and to develop market opportunities for farm and ranch operations serving local markets, by developing, improving, expanding, and providing outreach, training, and technical assistance to, or assisting in the development, improvement and expansion of: (1) domestic farmers' markets and other direct producer-to-consumer market opportunities; and (2) local and regional food business enterprises (including those that are not direct producer-to-consumer markets) that process, distribute, aggregate, and store locally or regionally produced food products; this would include food hubs.

b. An increase of \$55,000 for pay costs (\$11,000 for annualization of the 2015 pay increase and \$44,000 for the 2016 pay increase).

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Marketing Services

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	2013 Actual		2014 Actual		2015 Enacted		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Alabama	\$155	1	\$120	1	\$175	1	\$175	1
Arizona	550	3	478	2	621	3	621	3
Arkansas	315	2	75	-	355	2	355	2
California	3,843	21	3,878	18	4,341	22	4,341	22
Colorado	474	3	469	2	535	3	535	3
Connecticut.....	-	-	23	-	-	-	-	-
District of Columbia	40,278	220	46,897	216	43,705	224	45,634	224
Florida	1,354	7	1,604	7	1,529	8	1,529	8
Georgia	1,303	7	1,254	6	1,471	8	1,471	7
Idaho	508	3	493	2	574	3	574	3
Illinois	344	2	227	1	388	2	388	2
Iowa	1,795	10	1,416	7	2,027	10	2,027	10
Kansas	230	1	249	1	260	1	260	1
Kentucky	186	1	128	1	210	1	210	1
Louisiana	143	1	90	-	162	1	162	1
Maryland.....	225	1	238	1	254	1	254	1
Massachusetts	427	2	373	2	481	2	481	2
Michigan	1,649	9	1,653	9	1,862	10	1,862	9
Minnesota	319	2	196	1	360	2	360	2
Mississippi	157	1	-	-	178	1	178	1
Missouri	582	3	586	3	657	3	657	3
Montana	262	1	71	-	295	2	295	1
Nebraska	99	1	100	1	112	1	112	1
New Mexico	208	1	182	1	235	1	235	1
New York	2,256	12	2,541	12	2,547	13	2,547	13
North Carolina	1,957	11	1,851	9	2,210	11	2,210	11
Ohio	987	5	1,001	5	1,115	6	1,115	6
Oklahoma	334	2	348	2	377	2	377	2
Oregon	377	2	255	1	425	2	425	2
Pennsylvania	547	3	663	3	617	3	617	3
South Carolina	172	1	189	1	194	1	194	1
South Dakota	191	1	199	1	216	1	216	1
Tennessee	3,028	17	3,330	15	3,418	18	3,418	17
Texas	2,332	13	2,148	10	2,634	13	2,634	13
Virginia	2,824	15	2,421	11	3,188	16	3,188	16
Washington	1,622	9	1,535	7	1,831	9	1,831	9
Wisconsin	1,369	7	1,392	6	1,546	8	1,546	8
Wyoming	77	-	76	-	87	-	87	-
Obligations	73,479	402	78,749	363	81,192	416	83,121	412
Lapsing Balances	816	-	1,067	-	-	-	-	-
Total Available.....	74,295	402	79,816	363	81,192	416	83,121	412

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Marketing Services
Classification by Objects
(Dollars in thousands)

		2013	2014	2015	2016
		<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
Personnel Compensation:					
	Washington, D.C.....	\$18,335	\$17,436	\$19,144	\$19,365
	Field.....	14,851	14,123	15,505	15,684
11.0	Total personnel compensation.....	33,186	31,559	34,649	35,049
12.0	Personnel benefits.....	10,458	9,990	11,159	11,301
13.0	Benefits for former personnel.....	371	111	419	436
	Total, personnel comp. and benefits.....	44,015	41,660	46,227	46,785
Other Objects:					
21.0	Travel and transportation of persons.....	1,020	1,176	1,286	1,290
22.0	Transportation of things.....	16	19	18	18
23.1	Rental payments to GSA.....	59	165	1,253	1,253
23.2	Rental payments to others.....	1,074	1,184	1,213	1,263
23.3	Communications, utilities, and misc. charges.....	1,489	2,294	1,678	1,678
24.0	Printing and reproduction.....	279	144	331	335
25.2	Other services from non-Federal sources.....	15,747	15,815	17,314	17,430
25.3	Other purchases of goods and services from Federal sources.....	8,122	13,829	10,000	11,155
25.7	Operation and maintenance of equipment.....	113	33	127	132
26.0	Supplies and materials.....	488	631	551	574
31.0	Equipment.....	1,050	1,795	1,186	1,200
42.0	Insurance Claims and Indemnities.....	7	4	8	8
	Total, Other Objects.....	29,464	37,089	34,965	36,336
99.9	Total, Marketing Services.....	73,479	78,749	81,192	83,121
Position Data:					
	Average Salary (dollars), ES position.....	\$158,715	\$160,242	\$163,447	\$166,716
	Average Salary (dollars), GS position.....	\$74,385	\$75,873	\$77,390	78,164
	Average Grade, GS position.....	11	11	12	12

AGRICULTURAL MARKETING SERVICE

Status Of Programs

Marketing Services

Market News

Current Activities: The Market News Service (Market News) provides current, unbiased information on supply, demand, prices, movement, location, quality, condition, and other market data on agricultural products in specific markets and marketing areas – both domestic and international. This information is supplied to buyers and sellers, producers and handlers, transportation and logistics companies, insurance and lending institutions, and others in the marketing chain, including consumers. The information reported by Market News provides a high level of market transparency that contributes to the orderly marketing of agricultural commodities and helps to promote fair trade for all market participants. The market information also supports government policy makers and is widely used for value determinations, such as in courts and mediation.

All market information is reported to the Agricultural Marketing Service (AMS) on a voluntary basis with the exception of Mandatory Price Reporting for specified livestock, meat, and dairy product information. The agricultural sector constantly evolves and so does the form and content of the market news reports, as well as the ways in which that information is made available to the public. AMS Market News issues hundreds of reports daily for some 700 products and commodities resulting in millions of e-views by the public on an annual basis.

Selected Examples of Recent Progress:

Local and Regional Market Reporting – The 2014 Farm Bill stipulated that USDA report prices and volumes of locally or regionally produced agricultural food products. In response to the Farm Bill requirements, USDA Market News developed a plan which leverages existing and new Federal-State cooperative agreements to facilitate research into the availability of local market information and to collect price and volume data for the multitude of commodities and products produced and marketed locally. Market News also expanded the reporting of weekly retail features to include more products marketed as locally produced in retail grocery stores. For easier access to local information, AMS launched a new “Local” webpage. This single, coordinated, user-friendly site allows data users to easily view local and regional Farmers Markets, Farmers Auctions, Farm-to-School, and Direct-to-Consumer sales reports within their state.

Market News Portal (MNP) – AMS released an enhanced version of the Market News Portal (website) with simplified navigation that gives users easier, more logical access to the wealth of timely and reliable data available from Market News. The new Portal combines information from the various commodity groups into a single site and utilizes the best of current technology to improve reliability and to provide a better platform for future upgrades.

Redesign of Market News into Digital Data Service – Market News is redesigning its data and technical infrastructure to provide better service to agricultural market participants by improving information transparency and increasing reporting speed, accuracy, and flexibility. The Market News Information Collection and Dissemination Instrument (MNICDI) under development is a standardized information management system that will help Market News collect and distribute information from remote locations by combining all reporting functions into a single, user-managed platform. The system will facilitate the flow of data from the data provider to agency analysts to the public, and allow all data users to build unique content. The current nonstandard databases and systems contain redundancies, varying analysis levels, non-standard data models, and no electronic reporting capabilities, which constrain adjustments to data products in rapidly changing markets. The new system will harmonize data and processes, resulting in better analyses, more information availability, and faster information delivery for more agricultural markets in one easy-to-use tool.

Organic Producers Survey – In February 2014, AMS Market News initiated a survey of organic producers in order to obtain valuable feedback on how to better meet the informational needs of the organic sector. The survey was sent to a population of producers who had self-identified as organic producers in the 2012 Census of Agriculture. The goal of the survey was to determine the current and potential use of Market News information and identify barriers or concerns that prevent producers from utilizing AMS Markets News for price discovery. AMS learned

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that greater education and outreach was needed to raise awareness of Market News organic commodity reporting services within the organic community. Market News is working with the USDA Organic Working Group (OWG), particularly the Education and Outreach Team, to identify opportunities to demonstrate and promote the specialized information products that Market News has created in response to the demand for more information on the organic sector. As a part of the outreach effort under the OWG, Market News will host a webinar for the public in March 2015, to highlight the products available and how best to use them. Market News plans to attend industry meetings and increase the outreach to the organic groups, to both promote the existing information products and to identify other ways to meet the market information needs of the organic sector.

International Cooperation and Market Reporting – The Market News Program provides technical expertise to other countries through a variety of programs conducted by AMS and other U.S. agencies. These activities improve the information available to U.S. agriculture by supporting the development of foreign agricultural market information systems.

AMS hosted and worked with Foreign Agricultural Service (FAS) - sponsored groups from a number of countries who were looking at the way AMS Market News conducts data collection, analysis, and public dissemination of market information. AMS Market News, in conjunction with FAS, is working in support of the President's Feed the Future Initiative which is a consolidated effort by the Federal Government to achieve global food security and aid to developing nations dealing with chronic hunger. AMS is also providing technical assistance to develop or improve market information systems in a number of countries, including Haiti, Guatemala, and Honduras in support of regional efforts to consolidate and share market intelligence for the nations of Central America through USAID-funded programs. AMS continued work in 2014 on the multi-year assistance program funded by USAID in Bangladesh, along with the Economic Research Service (ERS), the National Agricultural Statistics Service (NASS), and FAS. The Agencies also met with officials in India to determine whether a similar assistance program can be defined and initiated in that country.

Market Information Organization of the Americas (MIOA) – AMS continues in its leadership role in the MIOA, a network of market information organizations from 33 countries in North, Central and South America; and the Caribbean. AMS was chosen again in 2014 by the countries of the Northern Region (Canada, Mexico, and the U.S.) to serve as the Regional Representative on the Executive Committee of MIOA. The various regional partners of MIOA are working to create market reports for products of interest to all and to support interregional trade. A MIOA representative presented before the executive committee of the new G20 market information initiative called the Agricultural Market Information System (AMIS), which is currently chaired by USDA. AMS continues to work with FAS and the Inter-American Institute for Cooperation on Agriculture (IICA) in developing and maintaining a number of specialized projects, jointly funded by FAS, AMS and MIOA, including a university curriculum on market information systems and a product dictionary focused on the Central American region, known as a Wiki.

Customer Outreach and Training – AMS Market News routinely responds to requests for information from individuals, industry groups, and associations. Most of the new reports generated or products added are at the specific request of data users or customers of Market News. In 2014, AMS participated in industry meetings, which Market News used to highlight and educate the public on the various information products that Market News offers and how to use them. Market News will develop and deliver additional webinars to demonstrate these information products and how to use the Market News Portal (MNP) to meet the users' market information needs.

Livestock Mandatory Reporting (LMR) – AMS' LMR program (as authorized by P.L. 106-78, Title IX), was initiated on April 2, 2001, and reauthorized in 2010 (P.L. 111-239). The purpose of LMR is to make information on pricing, contracting, and supply and demand conditions available to encourage competition in the marketplace. The legislation requires the reporting of market information to AMS by livestock processing plants that annually slaughter (on average) a minimum of 125,000 cattle, 100,000 swine, or process an average of 75,000 lambs to ensure the availability of information for market participants. Packers that annually slaughter an average of at least 200,000 sows and boars and importers who annually import an average of at least 2,500 metric tons of lamb meat products are also required to report.

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LMR provides information on:

- 80 percent of slaughter cattle
- 93 percent of boxed beef
- 94 percent of slaughter hogs
- 56 percent of slaughter sheep
- 46 percent of boxed lamb meat
- 87 percent of wholesale pork

LMR reports daily and weekly prices paid by packers to producers for cattle, hogs, and sheep; daily and weekly prices received by packers for their sales of boxed beef and boxed lamb to retailers, wholesalers, and further processors; and information on prices received by importers of boxed lamb. The reports generated from this activity include specifics on negotiated, forward contract, and formula marketing arrangement transactions. The implementation of mandatory reporting of wholesale pork as of January 7, 2013, provided market participants with considerably more market information than they have ever had in the past and addressed concerns in the producer segment relative to the asymmetric availability of market information.

The published information is used by the livestock and meat industry to impact current and future marketing and production decisions, and as reference prices for the calculation of formula and contract prices. Analysts and policy makers also depend on this information to assess market conditions and the performance of the livestock and meat sectors. The Mandatory Price Reporting Act, which sunsets every five years, is scheduled for reauthorization by September 30, 2015.

Dairy Product Mandatory Reporting (DPMR)

Mandatory dairy product reporting provides sales information on:

- 15% of butter production
- 33% of cheddar cheese production
- 66% of nonfat dry milk production
- 45% of dry whey production

The purpose of the program is to provide accurate and timely market information for the dairy sector. Widely available market information is needed to ensure markets operate competitively and fairly. AMS collects this data to be used as the price discovery mechanism to establish minimum prices for the Federal milk order system, accounting for 62 percent of the U.S. milk supply. The information in these reports is also used by the dairy industry, impacting current and future production levels. Prices reported through the program often are used as reference prices for trade settlement, formula pricing, and contract pricing. Market participants and policy makers depend on this information to assess the health of the dairy industry.

Market Reporting Improvements – AMS adds, modifies, or eliminates reports to support both consumers' needs and market environment changes on an on-going basis. Specific examples of new and enhanced agricultural market reports are listed below.

Cotton and Tobacco:

- Daily Spot Cotton Quotations: Cotton Market News captured data for 10.4 percent of the crop for use in establishing the Daily Spot Cotton Quotations during the 2013-2014 marketing year. This was a 3 percent increase from the 2012-2013 marketing year and the highest percentage of the crop reported since the 2008-2009 marketing year.
- Cotton Market News has developed additional comma-separated cotton price data files that are available through e-mail requests sent to CottonMN@ams.usda.gov. Data for the past three marketing years, as well as the 2014-2015 marketing year to date, is available.

Dairy:

- Dairy Market News is redesigning the flagship weekly publication and implementing publication standards across all market reports to provide better use ability to data users.

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- Dairy Market News implemented electronic data collection for dry ingredients.
- Dairy Market News is evaluating the addition of products (skim milk powder and dry whey) and reviewing reporting guidelines for dry whey reporting.

Fruits, Vegetables and Specialty Crops:

- New Area Reported, Auctions
 - Lincoln County, Kentucky
- New Areas Reported for Various Commodities at Shipping Points – Price
 - Potatoes – Indiana and Georgia
 - Peppers – Georgia
 - Carrots – Georgia
 - Grapes for Export – California
- New Shipment (Movement) Reports for Organic
 - Blueberries – Georgia and Oregon
 - Florida Peppers, Bell
 - Northern California potatoes
- New Shipment (Movement) Reports
 - Grapes for Export – California

Livestock, Poultry and Grain:

- Livestock, Poultry, and Grain Market News (LPGMN) developed ten new reports, including three to highlight local and regional reporting efforts for beef and Farm-to-School.
- LPGMN developed a new webpage allowing data users to easily view local and regional Farmers Markets, Farmers Auctions, Farm-to-School, and Direct-to-Consumer sales reports within individual states on a single, coordinated, user-friendly site.
- LPGMN revised/updated or developed eight Federal-State cooperative agreements in order to collaborate with State Departments of Agriculture to capture local and regional food market prices and volumes, including five with Secretary StrikeForce (SF) States.
- Added additional information to increase market transparency for Livestock Mandatory Reporting reports.

Shell Egg Surveillance

Current Activities: The Shell Egg Surveillance (SES) Program monitors the disposition of "restricted eggs" (eggs that are cracked, dirty, incubator rejects, inedible, leaking, or otherwise unfit for human consumption) to ensure that only eggs fit for human consumption are available to consumers. Inedible eggs constitute a small proportion of all shell eggs and are most often used in animal feed; the remaining eggs are destroyed.

Visits to shell egg handlers are made four times each year, and visits to hatcheries are conducted annually. Additional follow-up visits are made when violations are found. For 2014, the percentage of total egg operations in compliance with SES requirements was 89 percent, a 2 percent increase from the 87 percent compliance rate in 2013.

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Selected Examples of Recent Progress:

<u>Inspections Conducted</u>				
<i>Quarterly visits are made to shell egg handlers with 3,000 or more chickens or who pack product for the ultimate consumer. If a violation of the Act is found, a follow-up visit is made during the quarter.</i>				
	Shell Egg Handlers		Hatcheries	
	<u>Number of Handlers</u>	<u>Total Inspections</u>	<u>Number of Hatcheries</u>	<u>Total Inspections</u>
FY 2010	492	2,404	316	329
FY 2011	493	2,485	323	333
FY 2012	472	2,406	322	331
FY 2013	474	2,282	307	310
FY 2014	462	2,019	267	266

Note: Inspections above include both routine follow-up and other visits.

Standardization

Current Activities: AMS food and fiber standards are widely used by the agricultural industry in domestic and international trading, futures market contracts, and as a benchmark for purchase specifications in most private contracts. Grade standards are also the basis for AMS Market News reports, grading services, and Federal commodity procurement.

Pursuant to the Agricultural Marketing Act of 1946, which directs USDA to provide such quality grade standards "to encourage uniformity and consistency in commercial practices," AMS develops quality grade standards for commodities as needed by the agriculture and food industry and modifies those standards when industry practices or consumer preferences change. Before standards are implemented, AMS conducts studies and announces proposed standards. Public comments are solicited to verify that quality grade standards will facilitate commerce. There are currently more than 500 quality grade standards in place for cotton, dairy products, eggs, fresh and processed fruits and vegetables, livestock, meat, olive oil, peanuts, poultry, rabbits, and tobacco.

In addition to their use by private industry in domestic and international contracting, USDA food and fiber standards have become the basis for international harmonization of agricultural product quality grades recognized by the Codex Alimentarius and the United Nations Economic Commission for Europe (UNECE).

Selected Examples of Recent Progress:

Standards Reviews – In 2014, AMS specialists reviewed commodity standards to ensure they continue to accurately describe current products, including 21 for cotton products; 3 for dairy products; 71 for fruit and vegetable products; 12 for livestock, meat, and poultry products; and 13 for tobacco. These reviews resulted in the following standard revisions:

- Cotton Standards – Approximately 2,000 Upland and Pima cotton grade standards boxes were produced representing the 21 physical cotton grade standards. All freshly produced standards boxes were reviewed and approved by cotton industry representatives in June of 2014 at meetings in Memphis, TN, and Visalia, CA. In addition, over 42,000 pounds of instrument calibration cotton standards were distributed to the domestic and international cotton industries.
- Three Fresh Onion Standards – AMS received various inquiries in recent years seeking amendment of the various onion standards to allow packing of mixed colors. Therefore, AMS revised the United States Standards for Grades of Bermuda-Granex-Grano Type Onions, the United States Standards for Grades of Onions (other than Bermuda-Granex-Grano and Creole Type), and the United States Standards for Grades of Creole Onions to amend the similar varietal characteristics requirement to permit specified packs of mixed colors to be certified to a U.S. grade. The revisions bring the standards in line with current marketing practices, and improve the standards usefulness in serving the industry.
- AMS solicited public comments on a proposed revision to the United States Standards for Grades of Maple

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Sirup. AMS received a petition from the International Maple Syrup Institute (IMSI) requesting a revision of the U.S. grade standards by replacing the current grade classification requirements with new color and flavor descriptors, and revising Grade A requirements to be free from damage. AMS also proposed to change the spelling from “sirup” to the more commonly used term “syrup.” The proposed grade standards would revise the existing federal grade standards for maple sirup. The purpose of these proposed revisions would be to foster or assist in the development of new or expanded markets, and improve the marketing of maple syrup in the U.S. and internationally. On May 7, 2014, AMS published the proposed revisions in the *Federal Register* with a 60 day comment period which closed on July 7, 2014. Thirteen comments were received, mostly in favor of the proposed revisions.

- AMS developed draft documents concerning proposed changes to 48 United States Standards for Grades of fresh fruits and vegetables, fruits and vegetables for processing, nuts and specialty crops. AMS is proposing to remove the “unclassified” category from the standards. The “unclassified” category is not a grade and only served to show that no grade had been applied to the lot. The category no longer reflects current industry practices and is not consistent with other U.S. standards. AMS is removing the “unclassified” category from all standards as they are revised.
- Section 10012 of the Agricultural Act of 2014 (P.L. 113-79), the 2014 Farm Bill, charged the Secretary of Agriculture with developing a report describing how a Federal standard of identity for honey would be in the interest of consumers, the honey industry, and U.S. agriculture. By definition, a Federal standard of identity promotes honesty and fair dealing in the interest of consumers. The Secretary delegated responsibility for completing the report to AMS. Pursuant to the Farm Bill mandate, AMS gathered input from stakeholders on their interest in a Federal standard of identity for honey through a Federal Register notice “United States Standard of Identity for Honey” published on August 20, 2014 (79 FR 49279), with a 30-day comment period. On September 22, AMS published a notice of extension to the comment period for an additional 30 days until October 19, 2014. During the 60-day comment period, AMS received 85 comments.
- Institutional Meat Purchase Specifications (IMPS) – Under the Regulatory Cooperation Council (RCC) initiative, AMS worked with officials of the Canadian Food Inspection Agency (CFIA), and meat industry stakeholders in the U.S. and Canada, to complete revisions to the IMPS and harmonize meat cut nomenclature between the two countries. Canada agreed to adopt the IMPS as their standards for meat cut nomenclature. The revised IMPS and harmonized nomenclature benefits the meat industry by reducing costs of maintaining separate inventories and enhances trade opportunities for U.S. producers.

International Activities – AMS remains a leader in global marketing standards initiatives and represents the U.S. in meetings of the Codex Alimentarius, the International Dairy Federation, the United Nations Economic Commission for Europe (UNECE), the Organization for Economic Cooperation and Development, the International Organization for Standardization, the International Seed Testing Association, the International Meat Secretariat, the American Society for Testing and Materials International, the U.S. Canadian Regulatory Cooperation Council, the Inter-American Commission on Organic Agriculture, the International Cotton Advisory Committee, international cotton outreach, and several bilateral consultative committees on Agriculture. Examples of recent progress include:

- AMS participated in the 62nd Session of the UNECE Specialized Section on Standardization of Fresh Fruits and Vegetables, held April 28 – May 1, 2014, which developed one new standard and revised eight existing standards. AMS is a member of five working groups.
- One AMS staff member chaired and another served as the U.S. delegate to the UNECE 61st Session of the Specialized Section on Standardization of Dry and Dried Produce held June 16-19, 2014, at which one new and one revised standard and an interpretative brochure were completed. Another four standards are being developed. AMS also led four working groups within this Specialized Section. On behalf of the U.S. pistachio industry AMS lead an inter-cessionary effort to amend the UNECE inshell pistachio standard. The UNECE Working Party approved and adopted the changes to the UNECE Inshell Pistachio Nut Standard, as requested by the industry. This change will provide continued European market access

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without the application of a restrictive tolerance for insect damage in the UNECE standard for inshell pistachio nuts.

- AMS serves as Vice Chair of UNECE's Specialized Section on the Standardization of Meat. AMS played a leadership role in organizing and facilitating the 2014 session of the Specialized Section on the Standardization of Meat Quality and Harmonization. Attendees included representatives from the meat industry of the U.S. and from over 75 countries that lead the world in meat production. AMS led the development of UNECE's first standard for further processed poultry and was successful in securing its adoption as an official agricultural quality standard of the United Nations (UN). Over the years, AMS has worked through the UN's Specialized Section to model global standards after USDA standards to help U.S. meat producers remain competitive in international markets.
- An AMS official serves as Delegate to the Codex Committee on Milk and Milk Products. The Electronic Working Group (eWG) was established to develop a proposed draft standard for processed cheese and whey permeate powder. The AMS delegate submitted U.S. comments that address the export interest of the U.S. dairy industry and government. A Physical Working Group is slated to meet in Brussels, Belgium, to advance the work.
- AMS representatives participated in Codex committees and working groups established to advance standards for fruit and vegetables, and participated in two international Codex outreach programs to build international support for U.S. positions at Codex committee plenary sessions. AMS coordinates its activities with the U.S. Codex Offices in the USDA/Food Safety and Inspection Service; the Food and Drug Administration; relevant domestic stakeholders; and Codex committees and working groups.
 - AMS worked with five electronic working groups' subsidiaries of the Codex Committee on Processed Fruits and Vegetables (CCPFV) in preparation for participation in the CCFFV's 27th session held September 8-12, 2014. The 27th CCPFV Session worked on merging eleven different frozen vegetable standards (four of which were completed), merged four different canned fruits standards, and converted the Codex Regional Asia Standard for ginseng products into an international standard. AMS is a member of three CCPFV electronic working groups.
 - AMS worked with Codex Committee on Fresh Fruits and Vegetables (CCFFV) electronic working groups to prepare and participate in the 18th CCFFV Session held February 24-27, 2014, in Philadelphia, Pennsylvania. Two standards were completed and four new ones were approved for elaboration. AMS is a member of five CCFFV electronic working groups.
 - AMS participated in the meeting of the 1st Session of the Codex Committee on Spices and Culinary Herbs (CCSCH) held February 11-14, 2014, in Kochi, India, and provided leadership to the Priorities Working Group that selected the products to be standardized. AMS is a member of five electronic working groups.
- AMS participated in the Organization for Economic and Cooperation Development (OECD) Fruit and Vegetable Scheme's technical working group from May 18-24, 2014, in Warsaw, Poland, on the development of brochures for Chinese cabbage and onions. Additionally, AMS worked with the U.S. pomegranate industry to protect U.S. interests and exports by providing input on a brochure developed for pomegranates, which was completed and published by the OECD in March 2014. AMS also attended the 16th OECD Heads of National Inspection Services meeting and made a presentation of the scoring of skin defects in Fresh Fruits and Vegetables. AMS uses such opportunities to undertake outreach activities in support of USDA international standardization activities.
- AMS serves as the National Designated Authority for OECD Seed Schemes. Currently there are 58 participating OECD member countries that label seed for varietal purity for international trade. For the first time in 20 years, the U.S. served as chair of the OECD Seed Schemes annual meeting held in Zagreb, Croatia, in June 2014. As outgoing chair, the U.S. currently serves as a member of the OECD Seed Schemes Bureau until 2016. The Bureau acts in an executive advisory capacity for all 58 OECD Seed Schemes member countries.

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- AMS participated in a United Kingdom harmonization workshop on agricultural quality from July 7-11, 2014, in Scotland, and demonstrated the U.S. F&V inspection methods for measuring of defects.
- AMS provided technical assistance to the Serbian Government and its meat industry to help modernize their meat standards and specifications. AMS worked with Serbian representatives to adopt meat standards developed under the U.N.'s Agricultural Quality Standards Working Party. Adopting and implementing new standards for meat products helps Serbia to prepare for ascending to the European Union. AMS provided assistance to Serbian stakeholders on becoming familiar with the new standards and how to implement the system nationwide. AMS facilitated group meetings to discuss how things are done in the U.S., what challenges our industry has faced over the years, and the hurdles facing the Serbian agricultural industry. AMS works with countries such as Serbia to ensure our Nation's interests are represented in the international meat industry and to keep U.S. agricultural products competitive in global markets.
- AMS chaired U.S. representation to the International Organization for Standardization's (ISO's) Technical Committee (TC) 34/Working Group (WG) 16, a group of experts in the field of animal welfare assembled to develop an international industry consensus animal welfare standard for food producing animals. The group was established after the World Organisation for Animal Health (OIE) and the ISO signed an agreement to help OIE further the international adoption of OIE animal welfare codes that also play a role in ensuring animal health. ISO selected AMS to be on the subcommittee drafting the standard. The U.S. led the drafting of an outline for the Technical Specification, which was submitted for public comments.
- AMS participated in the Inter-American Commission on Organic Agriculture meetings, with the goal of supporting greater harmonization of organic standards and improved control systems in Latin America.

Market Access Activities – AMS' standardization activities enhance and expand export market access for U.S. commodities through collaboration with federal regulatory and trade agencies and industry groups to develop market and export assistance programs (e.g., systems-based programs to meet export requirements and policies for specific countries). Due to AMS' market expertise, Federal agencies and the agricultural industry depend on AMS to develop and administer marketing programs (e.g., quality systems verification programs and laboratory approval programs) to make products eligible for export to various countries.

For example, to address Russia's zero-tolerance policy on the use of ractopamine, a beta-agonistic drug, AMS implemented programs to assist USDA's Food Safety and Inspection Service's (FSIS) in ensuring that products destined for export to various countries meet the Export Library requirements. AMS implemented a Quality Systems Verification Program, which provides companies that supply agricultural products and services with the opportunity to assure customers of their ability to provide consistent quality products or services, and a Laboratory Approval Program (LAP), which verifies through analysis that products destined to be exported meet various countries' requirements.

Dairy Products: China Decree 145 required that by May 1, 2014, a regulatory questionnaire, plant list and site visits of dairy facilities be completed as a prerequisite to trade with China. On April 30, 2014, FDA in collaboration with AMS and FAS, responded to China's 2012 Decree, submitted completed questionnaire, and identified 240 U.S. dairy plants eligible to export. AMS also assisted the China delegation during an onsite verification plant visit to a sample of facilities. On May 6, 2014, China published the U.S. recommended plant list on their website. China is the world's largest importer and is currently the second largest export destination for U.S. dairy products, valued at \$707 million in FY 2013.

In March 2014, the EU Commission agreed to a U.S. proposal, and to published a new Colostrum dairy certificate. U.S. Colostrum exporters were anxious for the EU market to open. On August 14, 2014, the U.S. completed the design, tested, and launched a new EU Colostrum certificate accessible through the AMS eDocs/eTDE database system. Dairy export trade with the EU is currently valued at \$140 million.

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Federal Seed Act

Current Activities: AMS administers Federal Seed Act (Act) regulations regarding the interstate shipment of agricultural and vegetable seeds. The Act requires that seed shipped in interstate commerce be labeled with information that allows seed buyers to make informed choices, and that seed labeling information and advertisements pertaining to the seed must be truthful. Therefore, the Federal Seed Program helps promote uniformity among State laws and fair competition within the seed trade.

AMS depends on cooperative agreements with State agencies to monitor interstate commerce of agricultural and vegetable seeds with regard to seed labeling. State inspectors routinely inspect and sample seed shipments being marketed in their States. They refer apparent violations of the Act to AMS for investigation and appropriate action. While most complaints involving mislabeled seed are submitted by State seed control officials, they may be submitted by anyone. AMS takes regulatory action against the interstate shipper when a violation is confirmed. Actions on violations include a letter of warning for minor or technical violations; a monetary penalty is imposed for serious violations.

Selected Examples of Recent Progress:

During FY 2014, AMS initiated 198 investigations based on 208 Federal Seed Act complaints from 16 States and one seed company. In cooperation with State agencies, AMS received 257 regulatory seed samples from 19 States and 5 companies for trueness-to-variety. AMS conducted field tests on those samples to determine trueness-to-variety of seed shipped in interstate commerce.

The Federal Seed Program administratively settled 169 Federal Seed Act cases during the fiscal year with 44 warnings, 34 no-actions, and 91 with penalty assessments totaling \$58,375. Individual assessments ranged from \$350 to \$7,425. The remaining 29 investigations initiated in FY 2014 are still pending.

To ensure uniform application of the regulations, AMS conducted training workshops for 28 seed analysts from 16 States. AMS also hosted the consolidated exam for the Association of Official Seed Analysts/Society of Commercial Seed Technologists. To increase awareness of changes to seed regulations, rules, standards, and testing techniques, AMS conducted six web-based training seminars for both State and private industry professionals, in cooperation with the Association of Official Seed Analysts and the Society of Commercial Seed Technologists. Seminars may be conducted multiple times per year as needed or requested by industry.

Country of Origin Labeling

Current Activities: The Country of Origin Labeling (COOL) amendments to the Agricultural Marketing Act of 1946 require retailers to notify their customers of the country of origin of covered commodities. Covered commodities are identified as muscle cuts of beef (including veal), lamb, goat, chicken, and pork; ground beef, ground lamb, ground goat, ground chicken, and ground pork; fish and shellfish; perishable agricultural commodities (fruits and vegetables); peanuts, pecans, macadamia nuts, and ginseng. The law also requires method of production information (farm-raised or wild caught) for fish and shellfish to be noted at the final point of sale to consumers. The Act states that “normal course of business” records and producer affidavits may be used for verification, the same requirements and penalties apply to both suppliers and retailers, and the maximum penalty per violation is \$1,000.

In May 2013, Parts 60 and 65 of the regulation were amended to clarify the definition of “retailer” and to change the labeling provisions for meat muscle cut covered commodities for compliance with the World Trade Organization (WTO) findings. In FY 2014, AMS continued to develop educational materials and participate in outreach events with industry stakeholders. In addition, the COOL staff completed a business process review of enforcement protocols, which resulted in reducing the number of times industry stakeholders are required to produce records that verify COOL claims, while maintaining program integrity and ensuring that consumers are provided country of origin and method of production information at the point of sale.

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On October 20, 2014, the WTO dispute panel publicly released its final report regarding the COOL case prompted by Mexico's and Canada's claims that amendments to the COOL rules failed to correct the faults outlined by the original panel. The report found that the amended COOL final rule violates the Technical Barriers to Trade (TBT) Agreement because of less favorable treatment for livestock born in Canada and Mexico than U.S. livestock, which has been determined to result in detrimental competitive opportunities, increased segregation of meat and livestock, higher recordkeeping burden, and increased incentive to choose domestic over imported livestock. On November 28, WTO's Dispute Settlement Body (DSB) held a special meeting at which Canada and Mexico asked to adopt the ruling against COOL. On the same day, the Office of the U.S. Trade Representative filed a Notice of Appeal against adoption of the report. The appellate hearing will take place on February 16-17, 2015, in Geneva, Switzerland.

Selected Examples of Recent Progress:

Enforcement Activities – AMS continues to work in collaboration with all 50 States to conduct retail surveillance activities for the COOL program. In 2014, the COOL Program conducted 2,982 initial retail reviews and 570 follow-up retail reviews of the roughly 37,000 regulated retailers. Based on the number of COOL covered commodities sold in a store location, overall retailer compliance to COOL was approximately 91 percent, which is a reduction compared to previous years. However, nearly 40 percent of the FY 2014 retail reviews were conducted in regional, small, and independently owned stores; i.e., retailers who typically are not associated with trade associations. Non-compliance notifications were sent to 76 percent of the retailers reviewed for having compliance deficiencies and crucial weaknesses. In addition to retail surveillance activities, 113 products were audited through the supply chain. Overall compliance by suppliers to retail stores is approximately 98 percent. Meat muscle cut commodities were not audited during FY 2014.

Program Business Process Review – AMS improved program operations by implementing a new enforcement process which reduced the recordkeeping burden on retailers by 15,208 labor hours in 2014, and executed a new retailer compliance rating system that includes thresholds to identify retailers who need additional oversight. The types of retail non-compliances were expanded to align new business rules with amended meat labeling requirements. To reduce the burden on suppliers, AMS developed and implemented a new supplier certification pilot program to verify the effectiveness of COOL compliance procedures through onsite visits to the Nation's largest covered commodity supply firms. Suppliers with sufficient systems are no longer subject to routine supplier traceback desk audits.

Training – Beginning in April 2014, COOL training was made available to State officials via webinar and classroom style workshops. Three tiers of training were created and presented. Tier 1 training was for State Reviewers with recent COOL experience. The training provided an update to the regulation and new retail review procedures. Tier 2 training was provided for experienced State Reviewers on conducting follow-up retail reviews. Tier 3 training was for State officials new to the COOL program. Over 300 State officials were COOL-certified in 2014 to conduct retail reviews.

Outreach – In August and September 2014, COOL strengthened its education and outreach efforts for affected industry stakeholders by attending the Merchants Distributors Inc. tradeshow and the W. Lee Flowers Distributors annual meeting consisting of regional, small and independently owned store management teams. The Program's goal was to collaborate and provide COOL guidance to weaker segments, in terms of COOL compliance trends, of the retail industry.

Pesticide Data Program

Current Activities: The Pesticide Data Program (PDP) is a critical component in meeting the requirements of the 1996 Food Quality Protection Act (FQPA), which directs the Secretary of Agriculture to provide improved data collection of pesticide residues, standardized analytical and data reporting methods, and increased sampling of foods most likely to be consumed by infants and children. The Program has the largest database on pesticide residues in children's foods in the U.S. In a collaborative effort, AMS, the Environmental Protection Agency (EPA), and the Food and Drug Administration (FDA) coordinate and prioritize residue-testing and program activities. In addition, AMS conducts annual planning meetings with all program participants, including the cooperating State agencies and

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agricultural industry stakeholders, to select commodities for inclusion in the Program.

Selected Examples of Recent Progress:

During 2014, PDP tested more than 10,650 food samples, resulting in over 2.1 million individual tests.

Commodities – Commodities surveyed by PDP include fresh and processed fruits and vegetables, milk and dairy products, beef, pork, poultry, catfish, salmon, corn grain and corn syrup, soybeans, wheat and wheat flour, barley, oats, rice, almonds, peanut butter, honey, pear juice concentrate, bottled water, groundwater, and treated and untreated drinking water. In 2014, PDP added two new commodities, dairy-based infant formula and soy-based infant formula, and reintroduced previously tested commodities bringing the number of commodities surveyed to date to 112. Data on infant formula was needed to more accurately evaluate pesticide exposure to this vulnerable segment of the population. Data on previously tested commodities is needed to determine if there were measurable changes in the residue profile. All commodities selected for testing are based on EPA's requests for data to monitor registration-driven changes mandated by the FQPA and to respond to public food safety concerns.

Sampling – During 2014, PDP achieved a 100 percent of its goal in collecting samples. PDP uses statistical tools and marketing data to enhance sample collection rates. Recent improvements in the sample tracking database and the use of electronic sample information forms allows for instant availability of data collected at food distribution points, thereby streamlining the sample collection, shipping and laboratory receipt process. PDP monitors product availability at the various collection points through frequent communication with sampling inspectors and makes necessary adjustments to sampling protocols to meet collection targets.

Testing Methods – PDP enhanced its testing methods to bring the total number of pesticides and metabolites tested to over 450. PDP laboratories consolidated analytical screening methods and continued to expand the use of automation to reduce costs for equipment maintenance, human resources, and the management of hazardous waste. Increased use of state of the art instruments and consolidation of testing methods augmented data quality by lowering limits of detection (LODs) by tenfold for selected compounds. PDP continued to expand pesticide testing by adding pesticides that are used overseas but are not allowed in the U.S. These illegal pesticides are used on products imported to the U.S. and are being gradually incorporated in response to requests by the Government Accountability Office (GAO) and EPA's Office of Inspector General.

Outreach – PDP staff met routinely with EPA officials to present new information/data and to conduct program planning sessions. To improve communications, PDP staff met with minor crop and chemical industry representatives, including the Minor Crop Farmer Alliance (MCFA), CropLife America, and the Produce Marketing Association (PMA). PDP worked with USDA's Foreign Agricultural Service (FAS) to ensure that data needed to support exports are available and can be used to assist in removing potential trade barriers. PDP worked with FAS to increase the understanding and acceptance of PDP sampling and testing on an international level – PDP data is now routinely used in FAS' Compliance Plans in instances where trade barriers have arisen and have been used by other countries (e.g., Taiwan) in their own dietary risk assessments. PDP met with FAS throughout the year and presented program information and updates at the FAS' Agricultural Technical Advisory Committee Meeting. PDP shared presumptive tolerance violation data on a monthly basis with EPA, FDA, FAS, USDA's Office of Pest Management Policy (OPMP), and USDA's National Organic Program (NOP). PDP staff participated in the Association of Analytical Chemists (AOAC) Proficiency Test Advisory Committee and Pesticides Subcommittee and attended interagency meetings with USDA's Food Safety and Inspection Service's (FSIS) Interagency Residue Control Group (IRCG) to discuss program planning issues and to share technical information. PDP staff met with the Interagency Risk Assessment Consortium (IRAC) to participate in efforts to enhance communication and coordination among the member agencies and promote the conduct of scientific research that will facilitate risk assessments and presented a program update at the North American Chemical Residue Workshop.

Reporting – Public-domain databases containing sample identity and analytical results data for each sample tested are posted on the Program's website at <http://www.ams.usda.gov/pdp>.

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National Organic Program

Current Activities: Through the work of the National Organic Program (NOP) (authorized by the Organic Foods Production Act of 1990, 7 U.S.C. 6501 et seq.), AMS facilitates market access and protects market integrity by developing, implementing, and enforcing USDA organic regulations. These regulations govern the production, handling, and labeling of organic agricultural products. AMS accredits 81 third-party organic certifying agents worldwide and those certifiers oversee more than 25,000 certified organic operations around the world. AMS also establishes and maintains organic recognition and equivalency agreements with foreign governments. To maximize public participation and transparency, AMS supports the work of the National Organic Standards Board (NOSB), a group of 15 volunteer private-sector appointees who recommend materials to be allowed or prohibited in organic operations and provide other recommendations related to organic agriculture to the Secretary.

Selected Examples of Recent Progress:

International Trade – USDA engages with other countries to advance organic trade through recognition and equivalency agreements. A new organic equivalency arrangement between the U.S. and Korea was implemented on July 1, 2014, allowing organic processed products certified in the U.S. or Korea to be labeled as organic in either country. This arrangement allows American organic farmers, processors, and businesses greater access to Korea's growing market for organic products. Without this equivalency arrangement, organic farmers and businesses wanting to sell organic processed products in either country would have to obtain separate certifications to meet each country's organic standards. Similar to other equivalency arrangements, this arrangement with Korea eliminates significant barriers, especially for small and medium-sized organic businesses. AMS also conducted a peer review of the European Union's organic system to support that existing arrangement; continued to discuss equivalency options with other countries, including Switzerland, Mexico, Costa Rica, and New Zealand; and participated in Inter-American Commission on Organic Agriculture meetings in Panama to support greater harmonization of organic standards and improved control systems in Latin America.

Organic Certification Cost-Share Grant Programs – Supporting market access efforts across USDA, AMS reinitiated the National Organic Cost Share Program and continued to administer the Agricultural Marketing Assistance Organic Certification Cost Share Grant Program in FY 2014. The National Organic Cost Share Program was funded through the 2014 Farm Bill and supports organic producers and handlers across the country. AMS allocated more than \$12 million to State departments of agriculture to support these programs under which organic producers and handlers can apply for reimbursements up to \$750 for the cost of organic certification. This assistance can make a significant difference in a small or beginning farmer's choice to pursue organic certification. AMS engaged in a range of educational and outreach projects this year to inform certified organic operations about the availability of these funds.

Consumer Protection (Compliance, Enforcement, and Appeals) – AMS continued its work to protect consumers and the integrity of the USDA organic seal. In FY 2014, the AMS National Organic Program completed 285 complaint investigations, exceeding the FY 2013 total. The Program continues to improve its case closure rate and in FY 2014, 181 investigations were closed in an average of 81 days; significantly faster than the target timeframe of 180 days. Compliance and enforcement activities included over 200 investigative and enforcement actions, including 60 Notices of warning, 26 Cease-and-desist notices, and 48 referrals for investigation by certifiers and by State, Federal and foreign agencies. The Program also publicized 13 fraudulent organic certificates; and levied 9 civil penalties for \$81,500 via settlement agreements for knowing violations of the Organic Foods Production Act. The Program considered reinstatement requests from 62 suspended operations, and reinstated more than 90% of applicants because outstanding non-compliances had been corrected. AMS also facilitated the closure of 44 appeals in an average of 140 days. This is a faster average timeline than in 2013, when the average days to closure was 194.

Organic Integrity – Accreditation Activities – At the close of FY 2014, USDA organic certifiers remained in full compliance with 95 percent of the NOP's accreditation criteria. A total of 56 audits of USDA-accredited organic certifiers were conducted to verify regulatory compliance. During FY 2014, AMS also underwent a peer review of its organic accreditation program by the American National Standards Institute, and is implementing opportunities for improvement that were identified in the audit. AMS continued its "sound and sensible" initiative designed to make the organic certification process affordable, accessible, and attainable for organic operations. This included

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awarding project contracts to 13 organizations to identify tools and methods for streamlining the certification process, and to develop technical assistance resources for new and transitioning farmers.

Standards Development – In FY 2014, AMS successfully led a variety of organic standards projects, all designed to clarify requirements for certifiers and operators. Standards serve to level the playing field across organic businesses and those published in FY 2014 included two final rules related to materials in organic agriculture, two final guidance documents, five policy memos on the use of materials in organic production and handling, and five clarifying instructions for certifiers. NOP also collaborated with the National Organic Standards Board to implement the revised process for reviewing substances used in organic agriculture that was published near the end of FY 2013. This revised approach increases stakeholder comment opportunities for the renewal of materials in organic production, and ensures greater stability for organic markets.

Training and Outreach – Each year, NOP conducts training for accredited certifying agents. This year, training was held in English in San Diego, California, and in Spanish in Costa Rica. Both training sessions focused on teaching sound and sensible certification practices. The training in Costa Rica also supported technical assistance and improved control systems for certifiers working throughout Latin America. NOP conducted webinar training for auditors to review and reaffirm sound and sensible concepts and practices. AMS representatives also spoke at several organic conferences, focusing particularly on the “sound and sensible” organic certification initiative. NOP distributed USDA organic updates and the Organic Quarterly newsletter through the USDA Organic Insider email service, which had over 18,000 subscribers at the end of 2014. In addition to these activities, AMS held a two day training program with members of the National Organic Standards Board in Washington, D.C., and held one public board meeting in San Antonio, Texas, in May 2014.

Technology Investments – AMS is investing significantly to improve upon its information technology to support organic accreditation efforts. NOP fully integrated its list of suspended and revoked operations into the annual list of certified organic operations to reduce look-up errors and increase awareness about operator status. To more effectively track accreditation activities such as audits, report delivery, and adverse actions, NOP developed an up-to-date accreditation database. The program also began designing and developing the Organic Integrity Database, which will be a modernized certified organic operations data system that will contain up-to-date and accurate information; increase supply chain transparency; promote market visibility for organic operations; reduce certifier reporting burden; and deter fraud.

Research And Promotion Programs

Current Activities: AMS provides administrative oversight to 22 industry-funded commodity research and promotion (checkoff) programs with over \$699.8 million in revenue. Industry research and promotion boards collect assessments from producers, feeders, seed stock producers, exporters, packers, importers, processors, manufacturers, and handlers, to carry out programs aimed at strengthening the demand for their products. It is the responsibility of AMS to review and approve the budgets and projects proposed by the boards such as paid advertising, consumer education, industry relations, industry information, retail, food service and export promotion, market production and nutrition research, public relations, and project evaluation. Those industries reimburse AMS for the cost of administrative oversight activities.

Selected Examples of Recent Progress:

During FY 2014, AMS engaged with industry and special emphasis groups in order to increase diversity among individuals nominated to service (candidate slates) on research and promotion (R&P) boards. AMS developed and led the first-ever diversity-training session (AMS Research and Promotion Boards: Opportunities for Diversity), held as part of USDA initiative to encourage diverse agricultural leaders and focused on increasing the diversity of candidates nominated to service on R&P boards. More than 40 participants representing 19 R&P board participated in the training. Additionally, as part of this endeavor, AMS identified 6 R&P boards to target for increased diversity resulting in 4 board candidate slates with 40 percent or more diversity (by gender and race). AMS also developed a Call to Action document to encourage stakeholders to serve on R&P boards and conducted diversity training (Understanding, Recognizing, and Valuing Diversity) for 24 R&P marketing specialists. AMS recently certified the

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National Black Growers Council as eligible to nominate sorghum producers as members of the United Sorghum Checkoff Program, resulting in 2 members nominated for consideration by the Secretary. As a result of these efforts, representation of women and minorities on R&P boards has increased by 8 percent. AMS continues to work to amplify its diversity messaging through a small farmer email list (800 individuals), 50 USDA outreach representatives, 600 plus USDA partners, and 30 plus USDA liaisons.

Cotton – The Cotton Board’s (Board) recommendations for 2014 activities fell into three priority areas – building market share, sustainability, and innovation. To build market share, the Board advised greater efforts to increase global cotton consumption. The Board supported building on cotton’s sustainability message throughout the supply chain, in all program areas. Finally, the Board recommended an increased emphasis on new avenues for innovative research, development and marketing, especially expanding partnerships and accelerating the speed to market of new projects and technologies.

The Cotton Research and Promotion Program, in cooperation with the National Cotton Council and Cotton Council International, continued its joint program with Cotton Australia to raise awareness of responsible growing practices among cotton producers in Australia and the U.S. This initiative, celebrating its one-year anniversary, addresses accountability with regard to environmentally sensitive issues. The Cotton LEADS program is aimed at textile brands, retailers and manufacturers committed to sourcing cotton that is grown in a responsible and transparent manner. Its core principles are consistent with sustainability, the use of best practices and traceability in the supply chain. The program, which is designed to assist businesses along the cotton supply chain with their sustainability goals, now counts nearly 230 partners who are committed to responsible cotton production. Validating the Cotton LEADS Program are the national-level oversight, regulatory enforcement, and transparency of practices common to both countries. The Program is a complement to many of the farm-by-farm certification programs that have appeared in recent years. Combined, Australia and the U.S. account for roughly 17 percent of global cotton production.

Dairy Products – The Dairy Research and Promotion Program continued its focus on sustainability through the checkoff created Innovation Center for U.S. Dairy (Innovation Center). On March 28, 2014, the White House announced its “Climate Action Plan – Strategy to Reduce Methane Emissions” and specifically recognized the voluntary work of the Innovation Center and its commitment to reduce dairy sector greenhouse gases by 25 percent by the year 2020 – equivalent to taking more than 1.25 million cars off the road every year. The announcement also noted that in partnership with the dairy industry, USDA, the Environmental Protection Agency, and the Department of Energy would jointly release a “Biogas Roadmap.” The Biogas Roadmap was released in August 2014 and outlines a variety of strategies to accelerate the adoption of methane digesters and other cost-effective technologies to reduce the U.S. dairy industry’s carbon footprint. To date, the Innovation Center has created eight tools to focus on operational efficiencies and innovations to reduce greenhouse gas emissions throughout the entire dairy value chain – from production to feed for dairy cows, to on-farm energy audits, to retail. Many of the Innovation Center-created resources are available online and provide information on grant opportunities that are made available through USDA programs.

Fluid Milk – In April 2014, the National Fluid Milk Processor Promotion Program and the Dairy Research and Promotion Program announced a partnership with Feeding America and launched the Great American Milk Drive to raise awareness about hunger in America and the need for milk donations in food banks. Feeding America reports that milk is one of the top five foods requested by clients; however, the majority of food banks cannot keep up with demand because milk is rarely donated. To meet daily dietary recommendations, consumers need about 68 gallons of milk per year. Currently, the 37 million Americans served annually by Feeding America receive the equivalent of less than one gallon per year. The Great American Milk Drive is the first of its kind to help resolve this milk shortage. Consumers can donate a gallon of milk online, via text, or, participate in local events that drive in-store donations.

Eggs – The Egg Research and Promotion Program’s Good Egg Project educates consumers about egg production and promotes nutrition and philanthropy. A key goal of the project is to invite the public to join egg farmers in the fight against hunger through the donation of eggs to local food banks and Feeding America. Since the Good Egg Project began in 2009, egg farmers have donated more than 48.2 million eggs to the Nation’s hungry population.

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In addition, the Egg Research and Promotion Program worked on Share Our Strength's No Kid Hungry campaign in 2014. The goal of this campaign is to lessen childhood hunger in America by ensuring that all children receive, every single day, the healthy food they need. The campaign connects children in need to effective nutrition programs like school breakfast and summer meals and teaches low-income families to cook healthful, affordable meals through Cooking Matters. The campaign is supported by a network of private citizens, public officials, nonprofits, business leaders and others providing innovative hunger solutions in their communities.

Mushrooms – The Mushroom Council, in partnership with major meat processors, and the mushroom industry has created a new category of meat/mushroom products available for school and commercial foodservice. The concept is called “blendability.” The meat/mushroom blends are lower in calories and fat per serving compared to similar all-meat options. Rather than replacing students’ favorite foods, this “blendability” concept develops meal options that use mushrooms as a substitute for a portion of the traditional meat component. Examples of foods that could be modified include fajitas, chili, sloppy Joes, meatballs, burgers, and tacos. Blendability also adds an extra serving of vegetables to the plate and reduces fat and cholesterol in traditional meals. Sample dishes were recently showcased at college campuses with an overwhelmingly positive response.

Softwood Lumber – The Softwood Lumber Board is working with one of the leading architectural firms, as well as the softwood lumber industry on a research proposal to establish the structural viability of a 42-story-tall prototypical mass timber framed building. The project is called the “Timber Tower Research Project.” The goal of the Timber Tower Project is to develop a structural system for tall buildings that uses mass timber as the main structural material and minimize the embodied carbon footprint of the building. Systems were developed with consideration of constructability, cost, and fire protection – although additional research and physical testing will be necessary to verify the performance of the proposed system.

Soybean – In 2012, the United Soybean Board (Soybean Board) began funding a project for the development and expansion of high oleic oil soybeans in cooperation with DuPont Pioneer and Monsanto Corporation. The Soybean Board has set a goal of harvesting 18 million acres of high oleic oil soybeans in 2023, equating to about 22 percent of total U.S. soybean acreage projected for that year. On November 7, 2013, the Food and Drug Administration announced plans to measure support for the removal of trans fats from the generally-recognized-as-safe (GRAS) status. The soybean industry had anticipated the phase-out of partially hydrogenated vegetable oils, including commodity soyoil, from the food supply. Soybeans that produce high-oleic soy oil contain no trans fats.

The Board initiated a specific project in 2014 aimed at increasing representation of underrepresented groups in soybean industry leadership positions. The Board is communicating on an ongoing basis the importance of outreach to the Qualified State Soybean Boards which nominate candidates to the Board. Moreover, the Board developed several brochures specifically designed for women, young farmers, Hispanics, and Native Americans on why they may want to serve on the Board. The Board has invited representatives from the National Black Growers Council (NBGC) to attend and participate in their industry wide Soy Connections meeting. Finally, the Board has met with other underrepresented groups, including Native American representatives, to help the Board identify individuals who may want to serve on the Board.

Pork – After 18 months of industry collaboration, the National Pork Board recently announced that a new common swine industry audit platform for pork producers, packers and processors is now certified by the Professional Animal Auditor Certification Organization (PAACO) and available to the public. The new audit tool builds on the existing Pork Quality Assurance® Plus (PQA Plus®) program and expands it to serve as a single, common audit platform for the pork industry. The overarching goal of the common audit process is to provide consumers greater assurance of the care taken by farmers and pork processors to improve animal well-being and food safety.

Research and Promotion Program Industry Revenue FY 2014 Estimate (Dollars in Millions)

<u>Commodity</u>	<u>Estimated Revenue</u>
Cotton	\$79.8
Dairy	103.8

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<u>Commodity</u>	<u>Estimated Revenue</u>
Fluid Milk	104.6
Beef	41.3
Lamb	2.6
Pork	91.0
Soybeans	103.4
Sorghum	7.5
Eggs	27.1
Blueberries	5.6
Hass Avocado Board	42.5
Honey Board	5.6
Mango Board	6.0
Mushroom Council	4.4
Paper and Paper-Packaging	20.8
Peanut Board	8.7
Popcorn Board	1.0
Potato Board	21.0
Processed Raspberries	2.4
Softwood Lumber	17.5
Watermelon Board	3.2
Total	\$699.8

Note: The boards' fiscal year coincides with the calendar year for the blueberry, cotton, dairy, egg, fluid milk, Hass avocados, honey, mangos, mushroom, pork, popcorn, and Softwood lumber boards. The other boards operate under different 12-month fiscal periods.

Transportation and Market Development

Current Activities: AMS serves as the expert source for economic analysis on agricultural transportation from farm to markets. The Agency informs, represents, and helps agricultural shippers and government policymakers through market reports, regulatory representation, economic analysis, transportation disruption reports, and technical assistance.

AMS also supports and enhances the distribution of U.S. agricultural products, and marketing opportunities for agricultural producers and local food businesses through grant programs, applied research, and technical services. These activities focus on specialty crops, agricultural marketing research, and local food initiatives.

Selected Examples of Recent Progress:

Transportation Reports and Studies – In addition to issuing regular transportation reports that are published weekly, quarterly, and annually, AMS developed and published on its Agricultural Transportation website twelve new, one-time transportation analyses, articles, and resources in FY 2014. Examples include:

- *Eroding U.S. Soybean Competitiveness and Market Shares: What Is the Road Ahead?*
- *Corn Transportation Profile*
- *Networking Across the Supply Chain: Transportation Innovations in Local and Regional Food Systems*
- *Rail Tariff Rates for Grain by Shipment Size and Distance Shipped*
- *Rail Rate Mediation and Arbitration for Grain Shippers*
- *Railroad Concentration, Market Shares, and Rates*
- *USDA Perspective on Transportation Constraints to Agriculture Exports*
- *State Grain Rail Statistics*
- *Tracking U.S. Grain, Oilseed and Related Product Exports in Mexico*

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Regulatory Representation – AMS is often asked to provide input to various regulatory agencies and members of Congress on issues related to agricultural shipping under the authorities of the Agricultural Adjustment Act of 1938 and the Agricultural Marketing Act of 1946. During FY 2014, AMS met with Congressional staff to provide input on three major transportation proceedings, including: the Surface Transportation Board’s (STB) Rate Regulation Review for the Transportation of Grain by Rail, EP 665; the STB proceeding on United States Rail Service Issues, EP 724; and the STB proceeding on Rail Fuel Surcharges, EP 661, to determine whether Safe Harbor provisions should be modified or removed. In addition to those proceedings, AMS testified before the Senate Commerce, Science and Transportation Committee on September 10, 2014, to address concerns regarding “Freight Rail Service: Improving the Performance of America’s Rail System.” As a result of AMS participation in the hearing, USDA was requested to conduct an economic analysis of the rail service challenges facing agricultural shippers. AMS also provided a formal letter to the STB regarding rail service issues that resulted in the STB requesting more data and transparency from U.S. Class I railroads.

Outreach and Education – In conjunction with agricultural trade groups, State associations, and other groups, AMS sponsored six seminars and workshops for new and experienced exporters and shippers, facilitating discussion of ocean, rail, and truck regulatory, rate, and service issues for agricultural and forest product shippers and exporters in Fresno and Sacramento, CA, Boise, ID, Minneapolis, MN, Memphis, TN, and Portland, OR. The workshops support the goals of the President “Made in Rural America” export and investment initiative by connecting more rural businesses of all types to export information and assistance.

Direct Marketing/Locally Grown – There continues to be an increasing demand by consumers for locally-grown products, as evidenced by the continued growth of farmers markets and the rapid emergence and development of food hubs occurring across the country. In FY 2014, over 8,300 farmers markets are recorded in the AMS National Farmers Market Directory. In addition, AMS developed three new local food directories for on-farm markets, food hubs, and community supported agriculture businesses (CSAs). At the end of 2014, directory listings included 1,171 on-farm markets, 125 food hubs, and 583 CSAs. These businesses voluntarily report their operational details so that such information can be shared with the public to enhance the marketing of, and access to, local foods.

In FY 2014, AMS established the following cooperative agreements to support the growth of local and regional food systems:

- University of Wisconsin – to evaluate the potential impact of the emerging mobile market distribution system on sales for farmers providing locally grown foods.
- Wallace Center at Winrock International – to support the 2014 National Food Hub Conference in Raleigh, NC, that brought together roughly 500 food hub stakeholders for three full days of training workshops, sessions, plenaries, consulting, networking, and tours. The conference organized and engaged food hub managers and staff, community organizations, technical assistance providers, food industry leaders, public agency staff, and funders in discussions, trainings and peer-learning. Subjects included food hub management, operations and infrastructure; technology; business planning and business structures; economic, health and food access impacts; research and metrics; and network and support systems.
- Sustainable Agriculture and Food System Funders Forum (SAFSF) – to support a meeting to be held in Chicago, IL, that will bring together community organizations, technical assistance providers, food industry leaders, public agency staff, and funders for three days of training workshops, sessions, plenaries, consulting, and networking. The Forum allows SAFSF to highlight the links between agriculture and food systems and other critical issues: health, economic development, poverty, education, smart growth, and the viability of communities both rural and urban.
- U.S. Department of Defense (DoD) and Wholesome Wave Foundation – a Memorandum of Understanding was established between AMS and the DoD Healthy Base Initiative to assist DoD in increasing healthy food access for residents on military installations. In addition, a cooperative agreement was established with the Wholesome Wave Foundation to develop, for online publication, a comprehensive manual for military installations and participating farmer’s market managers to use in successfully establishing and operating a farmers market on military installations.

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- National Institute for Food and Agriculture (NIFA) – to conduct national outreach, education, and technical assistance to Farmers Market and Local Food Promotion Program eligible applicants so that they can be better equipped to understand, develop, submit, and manage their Federal grant application (or grant). Support from NIFA will also ensure that more eligible applicants are aware of AMS grant opportunities which will increase access and participation in the programs.
- FamilyFarmed.org – to develop for publication a national business planning guide on “Food Safety for Food Hubs and their Farmers.” Demand for locally and regionally grown foods is strong and increasing. As this demand rises, the need to facilitate the effective and efficient aggregation, storage, distribution, and marketing of these locally and regionally grown foods is necessary. This guide will describe all the relevant issues pertaining to food safety for food hubs and their farmers and create sample plans for food hubs to use in developing food safety plans and becoming Good Agricultural Practices (GAP) certified.

Facilities Design Projects/Studies – AMS provides direct site assessment and design services for food market planners, managers, and community stakeholders to improve the efficiency of permanent food market facilities. AMS does not fund construction of facilities. In FY 2014, AMS provided architectural plans and design assistance to 10 local food businesses. Examples include:

- Organic Sandy Produce (Organic Sandy), Sandy, OR – AMS provided a conceptual design for the proposed food hub, including a community kitchen and cold storage. Currently the food hub is aggregating produce from local organic farms and marketing the produce to local families and restaurants in the Sandy Oregon area. Organic Sandy was formed to provide families with year-round access to locally grown and regionally sourced organic produce, bulk grains, herbs and locally processed foods.
- Rural Development Center, Salinas, CA (ALBA Headquarters) – ALBA’s mission is to advance economic viability, social equity and ecological land management among limited-resource and aspiring farmers. AMS provided design guidance for the facility to expand its loading docks, coolers, cooled staging area, and an extension of the wet/dry rooms.
- Greenwood Farmers Market, Greenwood, SC – AMS provided technical assistance for the development of a multi-functional farmers market on a 2.5 acre site. The proposed market site is located on a traditional main street. The proposed site was originally the location of the town’s railroad train station. The community is actively working to reinvigorate its downtown with increased economic development activity through the Uptown Greenwood Development Corporation.
- Crossroad Community Farmers Market, Takoma Park, MD – AMS provided technical design assistance to facilitate the expansion of the Crossroad Community Farmers Market. The design included expansion into the county Right of Way to accommodate additional farmers and to enhance vendor and pedestrian safety.

Outreach/Training/Technical Assistance – During FY 2014, AMS responded to more than 400 requests for information and assistance regarding local and regional food marketing issues. AMS also participated in 25 regional and national conferences, webinars, training workshops, and conference calls to share information with more than 2,000 small and mid-sized enterprises and individuals on opportunities to enhance their marketing and purchasing strategies regarding locally and regionally produced foods.

AMS Specialty Crop, Local Food, and Marketing Research Grant Awards

- AMS awarded \$66 million in grants through its Specialty Crop Block Grant Program to state departments of agriculture for 838 projects that help support specialty crop growers, including locally grown fruits and vegetables, through research and other programs to increase demand, in accordance with the Agricultural Act of 2014 and the amended the Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621).

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- AMS awarded \$27.1 million in grants to establish, improve, and support over 370 local food markets across the U.S. through its Farmers Market and Local Food Promotion Program, in accordance with the Agricultural Act of 2014 and the amended Direct Farmer to Consumer Marketing Act of 1976 (7 U.S.C. 3005).
- AMS awarded \$1.1 million in matching grants through its Federal State Marketing Improvement Program to state departments of agriculture and universities to carry out 17 projects that will address barriers, challenges, and opportunities in marketing, transportation, and distribution of U.S. food and agricultural products, domestically and internationally, in Accordance with the Agricultural Marketing Act of 1946.

Auditing, Certification, Grading, Testing, And Verification Services

Current Activities: AMS provides impartial services verifying that agricultural products meet specified requirements. These services include AMS' grading program, which confirms that product meets USDA grade standards. These services are voluntary, with users paying for the cost of the requested service.

AMS has also developed voluntary testing and process verification programs in response to the industry's growing need to facilitate the marketing of agricultural products. AMS' Process Verified Program provides producers and marketers of livestock, seed products, and poultry products with the opportunity to assure customers of their ability to provide consistent quality products by having their written production and manufacturing processes confirmed through independent, third party audits. The USDA Process Verified Program uses the ISO 9000 series standards for documented quality management systems as a format for evaluation documentation to ensure consistent auditing practices and promote international recognition of audit results. AMS' laboratory testing services provides analytical testing services to AMS commodity programs, other Federal agencies, and the agricultural and food community, to ensure products meet testing requirements for food safety and quality.

Selected Examples of Recent Progress:

Cotton Grading – AMS classified 13.2 million bales of cotton under the grower-classing program in FY 2014, with all cotton classed by the High Volume Instrument (HVI) method. This represents a 17.0 percent production decrease from the FY 2013 level. Classing information is provided electronically to owners of the cotton. In FY 2014, the Cotton Program disseminated data for over 50 million bales, a 7.4 percent decrease from FY 2013. This data represents multiple crop years or multiple requests for the same bale.

The AMS Cotton and Tobacco Program provided classification/certifications services on 886,484 bales of cotton submitted for futures certification during FY 2014. This certification total was 2.9 percent lower as compared to FY 2013 when certification services were provided on 913,179 samples submitted. The primary cause for the decrease in the number of samples certificated was the marketing environment during FY 2014. Many cotton merchants found it more advantageous to sell the cotton on the spot market rather than futures market.

Fees and Charges in Effect in 2014:

<u>Service Performed</u>	<u>Fees</u>
Form 1 grading services	\$2.20 per sample <i>a/</i>
Futures grading services	3.50 per sample

a/ A discount of five cents per bale is awarded to producers who are billed through voluntary central agents (e.g., cotton gins and warehouses).

Tobacco Grading – During FY 2014, AMS graded 101.3 million kilos of tobacco and performed pesticide testing on 40.3 million kilograms of tobacco to ensure that pesticide residue levels were within tolerance. In addition, 4.8 million pounds of tobacco were graded under a Memorandum of Understanding with USDA's Risk Management Agency.

Fees and Charges in Effect in 2014:

<u>Service Performed</u>	<u>Fees</u>
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Permissive Inspection	\$47.40 per hour
Domestic Tobacco Grading	0.70 per hundred lb
Certification of Export Tobacco	0.25 per hundred lb
Imported Tobacco Grading	1.54 per hundred kg
Imported Tobacco Pesticide Testing and Certification	0.54 per hundred kg
Domestic Tobacco Pesticide Testing and Certification	0.25 per hundred lb
Retest Tobacco Pesticide Testing and Certification	220.00 per sample

Dairy Products Grading – Dairy products grading, laboratory analysis, and dairy plant inspections assure purity and quality of dairy products. Upon request, AMS grades dairy products sold in commercial channels. An AMS grade is also required on some products sold to the Commodity Credit Corporation (CCC).

Fees and Charges in Effect in 2014:

<u>Services Performed</u>	<u>Fees</u>
Continuous Resident Service	\$76.00 per hour <u>a/</u>
Nonresident Service	82.00 per hour <u>a/</u>

a/ New fee rate beginning in February 2014.

International markets are increasing for U.S. dairy and related products. AMS Dairy Programs offer assistance with inspection and certification of dairy and related products for export. Certifications attest that dairy products are: 1) fit for human consumption; 2) produced under sanitary and wholesome conditions; and 3) free from animal diseases. The Dairy Grading Program implemented the electronic Document Creation System (eDOCS) to facilitate the issuing of export certificates for product going to the European Union. In 2014, the Dairy Grading program issued 44,000 export certificates, which was a 38 percent increase over 2013. AMS Dairy Programs continues to improve the certificate issuance program. In 2014, the program expanded the functionality of eDocs to include the issuance of export certificates for China, the second largest export market for dairy products.

Fruit and Vegetable, Specialty Crops Inspection (SCI) – This program offers both grading and audit-based verification services for the food industry. In 2014, AMS graded or supervised the grading of approximately 67 billion pounds of fresh and processed fruits, vegetables, specialty crops, and miscellaneous products. Grading services were provided by approximately 1,500 Federally-licensed State employees at shipping points and cooperative market locations and by more than 800 federal employees at 31 federal receiving markets, 237 processing plants, 14 field offices, and 14 inspection points. Also, SCI continued to offer its Quality Monitoring Program which is currently being provided for four fruit and vegetable inspection applicants. Mandatory inspections for fresh fruits and vegetables for the Defense Commissary Act have been eliminated by Defense Commissary Agency officials in a budget cutting move. This has reduced services (and revenue) by approximately \$1 million for Federal and State inspection offices.

AMS performs Fresh Products Good Agricultural Practices (GAP) & Good Handling Practices (GHP) audits. GAP/GHP audits assess a participant’s ability to conform to generally recognized “best practices” that minimize the risk of food safety hazards contaminating fruits, vegetables, and other specialty products during the production, harvesting, packing, transportation and storage of the product. In 2014, AMS conducted approximately 3,833 audits on over 90 different commodities in 49 states, Canada (Quebec, Ontario, and British Columbia), and Chile. In FY 2014, AMS conducted a pilot program, called GroupGAP, to allow groups of growers to collectively undergo GAP certification through a shared quality management system, rather than each individual grower undergoing his/her own certification. GroupGAP enables small growers to pool resources and share the implementation costs associated with certification. AMS conducted the pilot program using 6 groups – one each from CA, MT, WI, MI, MO and PA – which collectively represented more than 75 growers. AMS intends to continue the pilot in FY 2015 with several new groups participating, and an anticipated date of Spring 2016 for a full program launch.

In addition, AMS conducted third-party quality, systems, and sanitation audits for food service organizations, processors, retailers, and state and federal government entities. In 2014 AMS:

- Performed 9 verification audits under the Qualified Through Verification program to meet the needs of the

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- fresh-cut produce industry.
- Performed 46 Domestic Origin Verification audits at facilities to confirm products supplied for USDA purchases were of domestic origin.
 - Performed 8 audits under the Plant Systems Audit program which is an unbiased, third-party audit of a processor's quality assurance system, for fruit and vegetable processors nationwide.
 - Performed 455 surveys from the Plant Survey/Food Defense Survey System in support of USDA food purchases. The reviews verify the measures that operators of food establishments take to minimize the risk of tampering or intentional contamination of food under their control.
 - Inspected food components in Department of Defense (DOD) operational rations in support of military activities in Iraq, Afghanistan, and elsewhere, and participated with the U.S. Department of Commerce Food Team in 4 worldwide subsistence audits under DOD's "Prime Vendor" food procurement program in 2014.
 - These audits are conducted by food quality experts at various vendor/warehouse locations throughout the U.S. and other countries worldwide to ensure the quality of the food products purchased under Prime Vendor contracts.
 - AMS auditors also participated in 19 DOD Produce Quality Audits. These audits verify that produce suppliers' facilities meet DOD's food safety requirements and that produce meets their specifications.
 - Provided inspection of Ready-to-Use Supplementary Food contracted by the Farm Service Agency on behalf of the U.S. Agency for International Development at three facilities. This food is provided to children from 6 months to 5 years old with moderate acute malnutrition.
 - Reviewed for approval 2,365 label applications under the Child Nutrition (CN) Labeling program, which is managed by AMS; trained additional staff to review CN labels as needed based on label volume; conducted outreach; and provided training to CN manufacturers and school food service professionals on program and policy changes.
 - Cooperated with the Foreign Agricultural Service and Korean Customs Service to have Florida citrus concentrate accepted by South Korea under the terms of the Korea U.S. Trade Agreement to eliminate the tariff on orange juice. Removal of the tariff resulted in a 54 percent reduction in cost to Florida orange juice processors' exports to South Korea.

Fees and Charges in Effect for Processed Fruit and Vegetable Grading in 2014:

<u>Service Performed</u>	<u>Base</u>	<u>Hourly Fees</u>	
		<u>Overtime</u>	<u>Holiday</u>
Lot inspection	\$62.00	\$93.00	\$124.00
Yearly contract (in-plant)	49.00	73.50	98.00
Additional Graders (in-plant)	65.00	97.50	130.00
Seasonal contract (in-plant)	65.00	97.50	130.00

Fees and Charges in Effect for Fresh Fruit and Vegetable Grading in 2014:

Quality and condition inspections of products each in quantities of 51 or more packages and unloaded from the same land or air conveyance:

<u>Service Performed</u>	<u>Fees</u>
Over a half car lot equivalent	\$151.00
Half car lot equivalent or less of each product	125.00
For each additional lot of the same product	69.00

Note: Lots in excess of car lot equivalents are charged proportionally by the quarter car lot.

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Hourly Rates:

Hourly rate for inspections performed for other purposes during the grader's regularly scheduled work week	\$74.00
Hourly rate for inspections performed under 40 hour contracts during the grader's regularly scheduled work week	74.00
Premium rate, in addition to hourly or car lot rates	38.00
Holiday hourly rate, in addition to hourly or car lot rates	74.00
Hourly rate for auditing (travel and expenses, inclusive)	92.00

AMS conducted 38 training classes during 2014 to ensure quality service and uniform application of procedures:

- Two five-day Basic GAP training classes for new Federal and Federal/State inspector auditors.
- Four LiveMeeting commodity refresher training classes for more than 250 Federal and State inspectors.
- Six LiveMeeting audit refresher training classes for Federal and State auditors.
- Five LiveMeeting Harmonized GAP refresher training classes for Federal and State auditors.
- Nine regional classroom sessions on GAP and GHP for more than 290 fresh fruit and vegetable Federal and State auditors.
- Three industry training classes on inspection processes for various commodities and grading standards in conjunction with a formal agreement with United Fresh Produce Association.
- Five classes for the Food and Nutrition Service to train more than 160 state public school cafeteria nutrition and food specialists.
- One comprehensive six-week Market Inspector Training course for 18 new Federal and Federal/State inspectors. This course included four days of LiveMeeting training, four weeks of onsite training and a one-week on-the-job training assignment in the Hunts Point Market, Bronx, NY.
- Two three-day industry training classes for private industry personnel onsite at two California produce companies.

Meat Grading and Verification – During FY 2014, AMS provided grading and verification services to approximately 644 meat packing and processing plants, livestock producers and livestock service providers, beef export verification programs, organic certifying agencies, seed testing laboratories, state agencies, and other agricultural based establishments and companies worldwide. A total of 28.1 billion pounds of meat and meat products were verified for specification, contractual or marketing program requirements.

AMS graded a total of 19.3 billion pounds of red meat (beef, lamb, veal and calf), which represents approximately 94.4 percent of steers and heifers, 67.2 percent of lamb, and 35 percent of veal and calf commercially slaughtered in the U.S. AMS graded 27 loads of beef cattle carcasses for the Chicago Mercantile Exchange and performed one domestic and four international food audits for Department of Defense prime vendor contracts. Instrument grading has been approved for use in 19 slaughter facilities and is currently being used in 11 of those plants (representing 58 percent of the total fed cattle slaughter.)

The program conducted on-site audits of USDA-accredited certification agents to the ISO Guide 65 program, within the scope of the USDA Grass-fed Standard. This provides producers the ability to label and sell their products as USDA Certified Grass Fed as well as USDA Certified Organic through the same accredited certification agent. The program conducted on-site audits for the USDA Tenderness Standard, which gives the retail level grocery stores to label their product as USDA Tender or USDA Very Tender. Approximately 1,800 grocery stores nationwide were approved to sell Tender products at the end of FY 2014 with approximately 5.2 million pounds of product being distributed to the retail chains per month. There are 35 companies operating USDA Process Verified Programs associated with the cattle, pork, and grain industries.

The program's verification services conducted approximately 1,200 different types of Quality Management audits for the entire livestock and food industry with a staff of 12 qualified auditors.

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Fees and Charges in Effect in 2014:

<u>Service Performed</u>	<u>Hourly Fees</u>
Commitment Grading	\$61.00
Non-commitment Grading	71.00
Premium (Overtime) Grading	78.00
Holiday Grading	122.00
Audit Verification	108.00

Poultry and Egg Grading – Approximately 89 percent of poultry grading services were provided on a resident basis, where a full-time grader is usually stationed at the plant that requests service. The remaining 11 percent of poultry grading services are provided on a non-resident (lot grading) basis. During 2014, AMS provided resident service in 79 poultry plants, grading 6.9 billion pounds of poultry, and 173 shell egg plants where 2.2 billion dozen shell eggs were graded. There was a 0.35 billion pound increase in the volume of chicken received in official plants, and a 0.03 billion pound increase of turkey handled in official plants for a 0.24 billion pound total increase in poultry received. Shell eggs certified in 2014 decreased by 0.04 billion pounds. Poultry grading services covered about 22 percent of the turkeys slaughtered, 24 percent of the broilers slaughtered, and 52 percent of the shell eggs produced in the U.S., excluding eggs used for breaking and hatching.

Currently, three companies with 17 facilities are approved under the Process Verified Program with claims such as all vegetarian diet, no animal by-products, antibiotic free, raised cage free, tenderness guaranteed, and no antibiotics ever.

In 2014, AMS launched the Processed Eggs and Egg Products Export Verification Program (PEEPEV) to aid in the export of processed products containing eggs to the European Union and Mexico. This program was developed in cooperation with FDA and certifies that products containing egg were produced according to FDA’s Good Manufacturing Practices (GMPs). AMS issued 450 certificates to 40 eligible suppliers to ship product to Mexico and the EU – product valued at \$175 million.

Fees and Charges in Effect in 2014:

<u>Service Performed</u>	<u>Hourly Fees</u>
Non-Resident Plant--Regular Time	\$77.28
Resident Plant*	44.27 – 61.29
Auditing Activities	89.20

**Note: Fee rate depends on the volume of product handled in the plant.*

Voluntary Seed Testing – AMS offers seed inspection and certification services to users for a fee. Most of the users of this service are seed exporters. During 2014, AMS tested 1,716 samples and issued 1,716 Seed Analysis Certificates. This represents a four percent increase in testing requests over the previous year. Most of the samples tested and certificates issued represent seed scheduled for export. Fees collected for these activities in FY 2014 totaled \$118,151.

Fees and Charges in Effect in 2014:

<u>Service Performed</u>	<u>Hourly Fees</u>
Seed Testing Activities	\$52.00

Administration of Organization for Economic Cooperation and Development (OECD) Seed Schemes – AMS is responsible for the administration of U.S. participation in the OECD Seed Schemes, an international program through which seed companies export seed certified for varietal purity. AMS collects a fee to operate the program that is based on the amount of seed shipped. During 2014, AMS approved the shipment of approximately 175 million pounds of seed.

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Fees and Charges in Effect in 2014:

<u>Service Performed</u>	<u>Fees</u>
Seed Export Management -- Corn	\$0.20 per 100 lb.
Other Crops	0.11 per 100 lb.

AMS Laboratory Approval and Testing Division (LATD) – The LATD provides scientific, technical, and testing support services to AMS commodity programs and to the agricultural community in order to facilitate domestic and international marketing of agricultural commodities.

Specifically, LATD:

- Develops and administers laboratory approval programs to enhance and expand export market access for U.S. commodities.
- Provides scientific and market advice to federal partners to assist in negotiating and establishing export requirements and policies and administers laboratory approval programs which verify that the analysis of products destined to be exported meet various countries’ requirements.
- Through the National Science Laboratories (NSL), provides analytical testing services in the fields of chemistry, microbiology, and molecular biology on a fee-for-service basis.
 - The NSL’s primary mission is to serve AMS commodity programs, other Federal agencies, and industries, with analytical testing in support of grading, commodity purchases, exports, compliance, product specifications, and research.
 - The NSL has established a high level of quality assurance and is ISO/IEC 17025:2005 accredited.
 - The laboratory performs tests on commodities such as food products, juice products, canned and fresh fruits and vegetables, eggs and egg products, honey, meats, milk and dairy products, military and emergency food rations, oils, peanuts and other nuts, organic foods and products, and tobacco.

During FY 2014, LATD administered laboratory approvals in support of AMS commodity programs: 6 export programs (63 labs in total), 3 domestic programs (24 labs in total), and 2 programs (12 labs in total). In administering these programs, LATD conducted 49 onsite lab audits, 100 desk audits, analyzed monthly check sample data sets for 4 programs, and monitored each lab’s proficiency data.

The AMS NSL tested 78,300 samples of various agriculture commodities, many of which were tested for multiple analytes. The NSL provided analytical testing services to other Federal programs, including the National Organic Program, Agricultural Research Service, and Animal and Plant Health Inspection Service.

Fees and Charges in Effect in 2014:

<u>Service Performed</u>	<u>Fees</u>
Aflatoxin	\$29.00 – \$102.00 per test
Olive Oil Testing	83.00 per hour
Dairy	83.00 per hour
Citrus	78.00 per hour
Tobacco	290.50 – 539.50 per test
Voluntary/Other	83.00 per hour
Laboratory Approval Service	\$510 – \$16,500 per lab

Plant Variety Protection Act

Current Activities: The Plant Variety Protection (PVP) Act provides legal and intellectual property rights protection to developers of new varieties of plants that are sexually reproduced or tuber-propagated. This voluntary program is funded through application fees for certificates of protection. Each developer of a new variety is assessed a fee of \$5,150 to cover the cost of filing, searching, issuing, informing the public, and maintaining plant variety protection certificates.

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Selected Examples of Recent Progress:

More than 140 species of plants are currently protected under the PVP Act. In FY 2014, AMS received 523 applications for protecting new agricultural, floral, and seed plant varieties, which is a 7 percent increase from 2013. A total of 347 applications, including some from previous years, were pending action at the end of FY 2014. During the fiscal year, AMS conducted searches on 818 applications to determine whether the plant constituted a new variety. On the basis of those searches, the program issued 1,060 certificates of protection, a 28 percent increase from 2013. At the end of the fiscal year, 6,657 certificates were in force while protection had expired on 44 different varieties.

In October 2014, AMS completed Phase 2 of the electronic online PVP application filing (ePVP) system by launching a beta version of the web-based software for testing. The ePVP system is designed to provide U.S. PVP applicants with an interactive Web based filing system and AMS PVP examiners with the tools to conduct electronic examinations – both features that will speed processing of PVP applications and granting of intellectual property rights. The ePVP system was developed to provide a Web portal for external users to enter and submit applications; and an internal system for AMS review of PVP applications and crop specific forms. The ePVP system is now being tested by internal and external users with an updated version of the software expected in early 2015.

National Sheep Industry Improvement Center

The National Sheep Industry Improvement Center (Sheep Center) was initially authorized under the Federal Agricultural Improvement and Reform Act. The Act, as amended, was passed as part of the 1996 Farm Bill. The purpose of the Sheep Center is to allow the industry to engage in coordinated programs focusing on infrastructure development, production research, environmental stewardship efforts, and marketing. The Sheep Center's work has been instrumental in providing assistance to a declining U.S. sheep industry and was re-established under the 2008 Farm Bill, which provided a one-time, no-year appropriation to fund additional Sheep Center projects. The 2014 Farm Bill provided a one-time, no year appropriation of \$1.5 million for a Sheep Production and Marketing Program.

Selected Examples of Recent Progress:

In December 2013, AMS approved ten grants selected by the Sheep Center Board of Directors to improve the competitiveness of the U.S. sheep and goat industries for a total of \$217,222. In January 2014, AMS approved the Sheep Center's 2014 Strategic Plan and budget in the amount of \$111,260.

In addition, AMS awarded the Sheep Center \$1.475 million to administer the Sheep Production and Marketing Grant program. On October 7, 2014, the Board of Directors announced it was accepting grant proposals with applications due November 22, 2014, for both the remaining funds available under the 2008 Farm Bill program and the Sheep Production and Marketing Grant Program. The Board will meet December 5, 2014, to review grant applications for both programs. The Sheep Center has allocated approximately \$300,000 for the first year of the Sheep Production and Marketing Grant program.

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

Limitation on Administrative Expenses

Not to exceed [\$60,709,000] \$60,982,000 (from fees collected) shall be obligated during the current fiscal year for administrative expenses: *Provided*, That if crop size is understated and/or other uncontrollable events occur, the agency may exceed this limitation by up to 10 percent with notification to the Committees on Appropriations of both Houses of Congress.

Budget Estimate, 2016	\$60,982,000
2015 Enacted	<u>60,709,000</u>
Change in Appropriation	<u>+273,000</u>

AGRICULTURAL MARKETING SERVICE

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

Payments to States and Possessions

For payments to departments of agriculture, bureaus and departments of markets, and similar agencies for marketing activities under section 204(b) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623(b)), \$1,235,000.

Lead-Off Tabular Statement

Budget Estimate, 2016.....	\$1,235,000
2015 Enacted.....	<u>1,235,000</u>
Change in Appropriation.....	<u><u>-</u></u>

Summary of Increases and Decreases

(Dollars in thousands)

Program	2013 Actual	2014 Change	2015 Change	2016 Change	2016 Estimate
Discretionary Appropriations:					
Payments to States and Possessions....	\$1,235	+\$128	-\$128	-	\$1,235
Total.....	1,235	+128	-128	-	1,235

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2013 Actual		2014 Actual		2015 Enacted		Inc. or Dec.		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Appropriations:										
Payments to States and Possessions.....										
	\$1,235	-	\$1,363	1	\$1,235	1	-	-	\$1,235	1
Rescission and										
Transfers (Net).....										
	36	-	-	-	-	-	-	-	-	-
Sequestration.....										
	60	-	-	-	-	-	-	-	-	-
Total Appropriation.....										
	1,331	-	1,363	1	1,235	1	-	-	1,235	1
Rescission.....										
	-36	-	-	-	-	-	-	-	-	-
Sequestration.....										
	-60	-	-	-	-	-	-	-	-	-
Total Available.....										
	1,235	-	1,363	1	1,235	1	-	-	1,235	1
Lapsing Balances.....										
	-	-	-59	-	-	-	-	-	-	-
Total Obligations.....										
	1,235	-	1,304	1	1,235	1	-	-	1,235	1

Payments to States and Possessions

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2013 Actual		2014 Actual		2015 Enacted		Inc. or Dec.		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Obligations:										
Payments to States and Possessions.....										
	\$1,235	-	\$1,304	1	\$1,235	1	-	-	\$1,235	1
Total Obligations.....										
	1,235	-	1,304	1	1,235	1	-	-	1,235	1
Lapsing Balances.....										
	-	-	59	-	-	-	-	-	-	-
Total Available.....										
	1,235	-	1,363	1	1,235	1	-	-	1,235	1
Rescission.....										
	36	-	-	-	-	-	-	-	-	-
Sequestration.....										
	60	-	-	-	-	-	-	-	-	-
Total Appropriation.....										
	1,331	-	1,363	1	1,235	1	-	-	1,235	1

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Distribution of obligations by State is not available until projects have been selected. Projects for 2015 will be selected in the fourth quarter of 2015. Funds in 2015 for the Federal-State Marketing Improvement Program total \$1,235,000. A funding level of \$1,235,000 is proposed for 2016.

Geographic Breakdown of Obligations

(Dollars in thousands)

	<u>2013 Actual</u>	<u>2014 Actual</u>
Arkansas.....	\$50	\$53
Connecticut.....	-	48
Florida.....	70	44
Hawaii.....	75	80
Iowa.....	-	40
Kansas.....	107	125
Maryland.....	-	36
Massachusetts.....	37	-
Michigan.....	127	-
Minnesota.....	45	-
Missouri.....	-	66
Nevada.....	-	36
New York.....	106	-
North Carolina.....	-	106
North Dakota.....	78	-
Oregon.....	99	-
Texas.....	78	-
Vermont.....	89	75
Virginia.....	97	201
Washington.....	127	218
Wyoming.....	50	-
Subtotal, Grant Obligations.....	<u>1,235</u>	<u>1,128</u>
Administrative Expenses.....	-	176
Lapsing Balances.....	-	59
Total, Available.....	<u><u>1,235</u></u>	<u><u>1,363</u></u>

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Specialty Crop Block Grants

Annual funding of \$68,540,000 was provided in 2014 for the Specialty Crop Block Grant Program by the 2014 Agricultural Act. Solicitation of grant applications was released on May 9, 2014. Applications were accepted through July 10, 2014 and awarded in September 2014. This is a formula block grant program; 2015 amounts are based on the formula net sequester.

Geographic Breakdown of Obligations

(Dollars in thousands)

	<u>2013 Actual</u>	<u>2014 Actual</u>	<u>2015 Enacted</u>
Alabama	\$381	\$473	\$460
Alaska	185	232	223
Arizona	1,318	1,106	1,076
Arkansas	243	351	341
California	18,270	19,882	19,343
Colorado	684	840	817
Connecticut	376	397	386
Delaware	229	338	329
District of Columbia	172	221	215
Florida	4,222	4,579	4,455
Georgia	1,142	1,401	1,363
Hawaii	347	471	458
Idaho	1,001	1,925	1,873
Illinois	540	658	640
Indiana	373	455	443
Iowa	253	308	300
Kansas	240	314	305
Kentucky	244	303	294
Louisiana	326	437	425
Maine	402	603	587
Maryland	447	505	491
Massachusetts	420	458	446
Michigan	1,269	1,993	1,939
Minnesota	676	1,397	1,359
Mississippi	276	481	468
Missouri	319	459	447
Montana	305	991	964
Nebraska	314	600	584
Nevada	251	301	293
New Hampshire	224	273	266
New Jersey	777	813	791
New Mexico	429	551	536

AGRICULTURAL MARKETING SERVICE

Specialty Crop Block Grants

Geographic Breakdown of Obligations

(Dollars in thousands)

(continued)

	<u>2013 Actual</u>	<u>2014 Actual</u>	<u>2015 Enacted</u>
New York	\$1,010	\$1,418	\$1,380
North Carolina	1,083	3,153	3,067
North Dakota	483	1,175	1,143
Ohio	507	613	596
Oklahoma	333	657	639
Oregon	1,514	1,960	1,907
Pennsylvania	956	1,045	1,017
Rhode Island	205	256	249
South Carolina	508	602	586
South Dakota	195	292	284
Tennessee	474	519	505
Texas	1,421	1,915	1,863
Utah	280	340	331
Vermont	209	279	271
Virginia	459	567	552
Washington	3,262	4,285	4,169
West Virginia	205	270	263
Wisconsin	871	1,411	1,373
Wyoming	197	291	283
American Samoa	203	263	256
Guam	174	223	217
Northern Mariana Islands.....	-	223	217
Puerto Rico	352	525	511
Subtotal, Grant Obligations	51,556	66,398	64,596
Administrative Expenses	589	612	612
Lapsing Balances.....	50	530	-
Multi-State SCBG Transfer.....	-	1,000	2,000
Total, Available or Estimate	52,195	68,540	67,208

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Payments to States and Possessions
Classification by Objects
(Dollars in thousands)

	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
Personnel Compensation:				
Washington, D.C.....	-	\$125	\$127	\$128
11.0 Total personnel compensation.....	-	125	127	128
12.0 Personnel benefits.....	-	54	54	55
Total, personnel comp. and benefits.....	-	179	181	183
Other Objects:				
41.0 Grants, subsidies and contributions.....	1,235	1,125	1,054	1,052
Total, Other Objects.....	1,235	1,125	1,054	1,052
Total, Payments to States and Possessions.....	1,235	1,304	1,235	1,235

Position Data:

Average Salary, GS positions.....	-	\$138,136	\$139,517	\$140,912
Average Grade, GS positions.....	-	14	14	14

AGRICULTURAL MARKETING SERVICE

Status Of Programs

Payments to States and Possessions

Federal-State Marketing Improvement Program

Current Activities: The Federal-State Marketing Improvement Program (FSMIP) is a grant program which provides matching funds to State departments of agriculture, State agricultural experiment stations, and other appropriate State agencies to help them explore new market opportunities for U.S. food and agricultural products, and to encourage research and innovation aimed at improving the efficiency and performance of the marketing system.

Selected Examples of Recent Progress:

In FY 2014, FSMIP reviewed 37 matching grant proposals from 23 States to help create economic opportunities for American farmers and ranchers. AMS awarded \$1.1 million to 17 State departments of agriculture and universities in 13 States for projects that will explore agricultural marketing opportunities or address agricultural marketing challenges that have statewide or regional impact on farmers and agri-businesses. The projects will enable States to research new opportunities, and spark innovation in the marketing, transportation and distribution of U.S. agricultural products. Many of the FY 2014 projects focus on researching how to improve marketing strategies, and increasing sales of value added meat products, aquaculture products, and fresh and processed produce in local and regional food systems. Other topics include bioenergy, forestry, and horticulture.

Federal-State Marketing Improvement Program Fiscal Year 2014 Grants

Total Funding: \$1,128,000

Average Grant: \$66,353

17 Projects in 13 States

Arkansas - \$53,300

Arkansas Agriculture Department in partnership with the Natural Soybean and Grain Alliance and University of Arkansas Extension personnel to evaluate the potential of developing an aromatic rice industry in the Arkansas River Valley.

Connecticut - \$47,807

University of Connecticut to profile and quantify consumer segments likely to buy local brand milk; identify price premiums associated with locally labeled milk; and assess the effectiveness of alternative marketing practices to expand consumption of local brands of fluid milk in New England.

Florida - \$43,700

University of Florida to study the impact of orange juice attributes on consumer purchases and identify the most important attributes for the citrus industry to emphasize in their market strategies, giving special attention to demand for less than 100% not-from-concentrate orange juice.

Hawaii - \$80,437

University of Hawaii in partnership with the Hawaii Department of Agriculture to complete sensory and compositional analyses; develop grading standards packaging and labeling to improve the quality and marketability of turmeric in international markets.

Iowa - \$40,258

Iowa State University in partnership with the Leopold Center for Sustainable Agriculture to develop a decision-making guide for growers to identify and lightly process blueberries, raspberries, strawberries, and aronia berries infested with an invasive fruit fly into marketable products that meet State and Federal regulatory requirements with little or no investment for licensing, equipment or facilities.

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Kansas - \$124,577

Kansas State University in partnership with La Vaca Meat Company to determine the profit potential for industry to produce and market omega-3 enhanced beef and assess consumer acceptance demand and WTP for omega-3 steak and ground beef.

Maryland - \$35,610

Maryland Department of Agriculture in partnership with the University of Maryland and the Maryland Farm Bureau to determine the best potential contractual arrangements for farmers using a CSA business model; and examine the potential for a certification and/or regulatory structure for the State of Maryland to address consumer confidence and allow the continued successful growth of CSAs in the State.

Missouri - \$66,261

The Curators of the University of Missouri to evaluate sampling as a promotional tactic for Missouri farmers market vendors and make recommendations for integrating sampling into a vendor's promotional mix, and to capture pricing data that guide vendors to establishing prices that are fair for consumers, neighboring vendors and their markets.

Nevada - \$35,450

Nevada Department of Agriculture, in partnership with Lincoln Communities Action Team and the University of Nevada Cooperative Extension Service, to research new markets for value-added foods and conduct workshops for new entrepreneurs on Nevada regulations, food safety practices, market research and additional essential business concepts that must be addressed to create a value-added business.

North Carolina - \$105,788

North Carolina State University to assess the use of cover crops such as sun hemp, buckwheat and brown millet to reduce the microbial load and potential presence of human pathogens on the surface of melons as an alternative to post-harvest washing; determine economic impact to producers; and evaluate retailer reaction to and acceptance of this practice.

Vermont - \$75,380

University of Vermont and State Agricultural College to quantify production costs and identify fruit quality and yield characteristics for apples managed specifically for hard cider production; assist in the development of more efficient and orderly marketing methods, practices and facilities for cider apples; reduce the price spread between growers and ciders; and quantify the economic impact of hard cider and cider apple production on rural Vermont economies.

Virginia - \$87,740

Virginia Polytechnic Institute and State University, in partnership with the Texas A&M Department of Wildlife and Fisheries Science, and AquaMaof Aquaculture Technologies, Ltd. to expand domestic aquaculture production; increase the value and quality of tilapia fillets and by-product muscle; and investigate potential new uses and consumer acceptance of valued-added by-products.

Virginia - \$42,002

Virginia Polytechnic Institute and State University, in partnership with the Virginia Department of Agriculture & Consumer Services, and Local Food Hub, to conduct a statewide assessment in 6 target market sectors (farmers markets, K-12 schools; restaurants; retailers; other institutions such as hospitals, universities and distributors) regarding food safety perceptions, expectations, needs, knowledge and policies in preparation for the implementation of the Food Safety Modernization Act; and assist producers in addressing market barriers through improved alignment of food safety training and resources.

Virginia - \$71,680

Virginia Polytechnic Institute and State University to identify impediments to using modular homes in Latin America; develop plans to address these issues; and foster increased employment in the U.S. modular home industry sector, the pine lumber sector, and the wood composite industry through increased exports of modular homes to Latin America.

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Washington - \$89,058

University of Washington, in partnership with Native American tribes in the Pacific Northwest, to develop strategies for marketing agricultural products in tribal wooden gift boxes produced from sustainably managed timber for the Japanese market.

Washington - \$80,444

Washington State University, in partnership with North West Agriculture Business Center, to enhance the marketing of U.S.-grown quinoa by addressing post-harvest infrastructural needs, processing challenges, new product development, and by studying U.S. and world supply and demand trends.

Washington - \$48,508

Washington State University (WSU), in partnership with WSU Extension Service, to conduct a pilot project to obtain market information related to cider production that will help both apple growers and cider makers in Washington maintain or augment their income; and identify factors that could contribute to the growth of the U.S. cider industry and increase the economic viability of apple growers and cider makers.

Specialty Crop Block Grant Program

Current Activities: The Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621 note) authorized USDA to provide state assistance for specialty crops. All 50 States, the District of Columbia, and the Commonwealth of Puerto Rico are eligible to participate. Specialty crop block grant funds can be requested to enhance the competitiveness of specialty crops. Specialty crops are defined as fruits and vegetables, tree nuts, dried fruits, and nursery crops (including floriculture).

The 2008 Farm Bill, Section 10109, extended the Specialty Crop Block Grant Program (SCBGP) through 2012 and provided Commodity Credit Corporation funding at the following levels: \$10 million in 2008, \$49 million in 2009, and \$55 million for 2010 through 2012. The Farm Bill also amended the definition of specialty crops by adding horticulture; and added Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands to the list of “States” eligible to apply for grants.

Section 701 of the American Taxpayer Relief Act of 2012 extended funding for Section 10109 of the Farm Bill for one year until September 30, 2013.

The 2014 Farm Bill, Section 10010, extended the SCBGP through 2018 and provided Commodity Credit Corporation funding at the following levels: \$72.5 million for 2014 through 2017 and \$85 million for 2018. The Farm Bill also amended the formula to be based on the average of most recent available value and acreage of specialty crop production. It directs the USDA to issue guidance on making multistate grants for projects involving: food safety; plant pests and disease; crop-specific projects addressing common issues; and any other area that furthers the purpose of this section, as determined by the Secretary. The Farm Bill also limits administrative expenses for the USDA (3 percent) and the States (8 percent).

State grants for each fiscal year are equal to the higher of \$100,000 or 1/3 of one percent of the total amount of available funding. Program regulations require State departments of agriculture to describe their outreach efforts to specialty crop producers, including socially disadvantaged and beginning farmers; and to describe their efforts to conduct a competitive process to ensure maximum public input and benefit.

Selected Examples of Recent Progress:

The 2014 Request for Applications was published on April 15, 2014, with a grant application deadline of July 9, 2014. During 2014, grants were awarded to 50 States, American Samoa, District of Columbia, Guam, the Commonwealth of Puerto Rico, and the Commonwealth of the Northern Mariana Islands. Grant awards totaled approximately \$67 million for 839 projects. Project awards were aimed at enhancing the competitiveness of specialty crops through marketing and promotion, food safety, research, production, pest and plant health, and

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education initiatives. Information on the amounts awarded and the projects funded is available on www.ams.usda.gov/scbgp.

In FY 2014, the SCBGP monitored its grantees through document reviews (on-site and remote), document review follow-ups, and a review of performance reports. SCBGP staff conducted 4 document reviews (3 on-site and 1 remote) and 7 document review follow-ups with State departments of agriculture recipients. The document and follow-up reviews enhanced the performance of the SCBGP, identified effective practices and outstanding program outcomes, facilitated decision making by parties with responsibility of overseeing or initiating corrective action, and improved public accountability. Of the 70 corrective actions identified through document reviews conducted by the SCBGP, 46 were implemented, according to the follow-up reviews performed in fiscal year 2014. In addition, program staff reviewed over 2,300 project performance reports totaling over \$162 million in grant funds to evaluate the significance and impact of the Program in enhancing the competitiveness of specialty crops.

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Lead-Off Tabular Statement

Budget Estimate, 2016.....	\$10,980,000
2015 Estimate.....	<u>10,980,000</u>
Change in Appropriation.....	<u><u>0</u></u>

Summary of Increases and Decreases

(Dollars in thousands)

Program	2013 Actual	2014 Change	2015 Change	2016 Change	2016 Estimate
Mandatory Appropriations:					
Perishable Agricultural Commodities Act..	\$11,739	-\$39	-\$720	0	\$10,980
Total.....	<u>11,739</u>	<u>-39</u>	<u>-720</u>	<u>0</u>	<u>10,980</u>

Perishable Agricultural Commodities Act Fund

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2013 Actual		2014 Actual		2015 Estimate		Inc. or Dec.		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Appropriations:										
Appropriation (from receipts).....	\$11,739	71	\$11,700	63	\$10,980	77	-	-	\$10,980	77
Recoveries.....	216	-	266	-	-	-	-	-	-	-
Sequestration.....	-535	-	-785	-	-802	-	+802	-	-	-
Sequestration Prior Year Return.....	-	-	535	-	785	-	+17	-	802	-
Balance Available, SOY.....	6,551	-	8,196	-	9,877	-	+\$785	-	10,662	-
Total Available.....	<u>17,971</u>	<u>71</u>	<u>19,912</u>	<u>63</u>	<u>20,840</u>	<u>77</u>	<u>+1,604</u>	<u>-</u>	<u>22,444</u>	<u>77</u>
Balance Available, EOY.....	-8,196	-	-9,877	-	-10,662	-	+1,503	-	-12,165	-
Total Obligations.....	<u>9,775</u>	<u>71</u>	<u>10,035</u>	<u>63</u>	<u>10,178</u>	<u>77</u>	<u>+101</u>	<u>-</u>	<u>10,279</u>	<u>77</u>

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	<u>2013 Actual</u>		<u>2014 Actual</u>		<u>2015 Estimate</u>		<u>Inc. or Dec.</u>		<u>2016 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Obligations:										
Total Obligations.....	\$9,775	71	\$10,035	63	\$10,178	77	+\$101	-	\$10,279	77
Balance Available, EOY.....	8,196	-	9,877	-	10,662	-	+1,503	-	12,165	-
Total Available.....	17,971	71	19,912	63	20,840	77	+1,604	-	22,444	77
Recoveries.....	-216	-	-266	-	-	-	-	-	-	-
Sequestration.....	535	-	785	-	802	-	-802	-	-	-
Sequestration Prior Year Return.....	-	-	-535	-	-785	-	-17	-	-802	-
Bal. Available, SOY.....	-6,551	-	-8,196	-	-9,877	-	-\$785	-	-10,662	-
Total Appropriation (from receipts).....	11,739	71	11,700	63	10,980	77	-	-	10,980	77

Perishable Agricultural Commodities Act Fund

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	<u>2013 Actual</u>		<u>2014 Actual</u>		<u>2015 Estimate</u>		<u>2016 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Arizona.....	\$1,024	10	\$1,041	9	\$1,070	11	\$1,070	11
District of Columbia.....	6,574	40	6,813	36	6,694	43	6,795	43
Texas.....	1,124	10	1,172	9	1,163	11	1,163	11
Virginia.....	1,053	11	1,010	9	1,251	12	1,251	12
Obligations.....	9,775	71	10,035	63	10,178	77	10,279	77
Bal. Available, EOY.....	8,196	-	9,877	-	10,662	-	12,165	-
Total, Available.....	17,971	71	19,912	63	20,840	77	22,444	77

AGRICULTURAL MARKETING SERVICE

Status Of Programs

Perishable Agricultural Commodities Act Fund

Current Activities: The Perishable Agricultural Commodities Act (PACA) and the Produce Agency Act (7 U.S.C. 491 et seq.) are designed to protect producers, shippers, distributors, and retailers from loss due to unfair and fraudulent practices in the marketing of perishable agricultural commodities; and prevent the unwarranted destruction or dumping of farm products.

AMS' PACA program enforces these Acts and is funded by license and user fees paid by commission merchants, dealers, and brokers handling fresh and frozen fruits and vegetables in interstate and foreign commerce. The law provides a forum for resolving contract disputes and a mechanism for the collection of damages from anyone who fails to meet contractual obligations. In addition, PACA provides for prompt payment to fruit and vegetable sellers and may place sanctions and/or civil penalties against firms or principals who violate the law's standards for fair business practices.

AMS investigates violations of PACA, resulting in: (1) informal agreements between two parties; (2) formal decisions involving payments to injured parties; (3) suspension or revocation of licenses and/or publication of the facts; or (4) monetary penalty in lieu of license suspension or revocation.

PACA also imposes a statutory trust that attaches to perishable agricultural commodities received by regulated entities, products derived from the commodities, and any receivables or proceeds from the sale of the commodities. The trust benefits produce suppliers, sellers, or agents that have not been paid, to ensure they are paid in full.

Selected Examples of Recent Progress:

In 2014, AMS was contacted by members of the fruit and vegetable industry for assistance in resolving 1,220 informal commercial disputes. AMS resolved approximately 93 percent of those disputes informally within four months, with informal settlement amounts of over \$13 million. Decisions and orders were issued in 352 formal reparation cases involving award amounts totaling approximately \$7.4 million. AMS initiated 22 disciplinary complaints against firms for alleged violations of PACA. In addition, the PACA program assisted 2,599 telephone callers needing immediate transactional assistance.

Fees and Charges in Effect in 2014:

<u>Service Performed</u>	<u>Fees</u>
Basic License	\$995.00 per year
Branch License	600.00 per location

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

Funds for Strengthening Markets, Income and Supply (Section 32)

Funds available under Section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), shall be used only for commodity program expenses as authorized therein, including up to \$500,000 to pay for eligible small businesses' first pre-award audits, and other related operating expenses, except for: (1) transfers to the Department of Commerce as authorized by the Fish and Wildlife Act of August 8, 1956; (2) transfers otherwise provided in this Act; and (3) not more than [~~\$20,186,000~~] \$20,489,000 for formulation and administration of marketing agreements and orders pursuant to the Agricultural Marketing Agreement Act of 1937 and the Agricultural Act of 1961.

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Funds for Strengthening Markets, Income, and Supply (Section 32)

Lead-Off Tabular Statement

Enacted, 2015:

Permanent Appropriation, 2015	\$9,714,922,892
Prior Year Appropriation Available, start of year	187,485,963
Less Food and Nutrition Service (FNS) transfer from prior year funds for the Farm Bill Fresh Fruit and Vegetable Program (FFVP) <u>a/</u>	-119,000,000
Less annual transfers to:	
Department of Commerce	-143,738,031
FNS, Child Nutrition Programs	-8,355,670,824
Total, Transfers	-8,499,408,855
Farm Bill Spending Authority, 2015	1,284,000,000
Less Rescission	-121,094,000
Less Sequester	-81,906,000
Less Current Year Unavailable, held for the Farm Bill FFVP <u>b/</u>	-122,000,000
Total AMS Budget Authority, 2015	959,000,000
Less FNS transfer for the Farm Bill FFVP	-40,000,000
Total Available for Obligation, 2015	919,000,000

Budget Estimate, 2016:

Permanent Appropriation, 2016	\$10,316,645,343
Prior Year Appropriation Available, start of year	122,000,000
Less Food and Nutrition Service (FNS) transfer from prior year funds for the Farm Bill Fresh Fruit and Vegetable Program (FFVP) <u>b/</u>	-122,000,000
Less annual transfers to:	
Department of Commerce	-144,000,000
FNS, Child Nutrition Programs	-8,869,645,343
Total, Transfers	-9,013,645,343
Farm Bill Spending Authority, 2016	1,303,000,000
Less Proposed Rescission	-292,020,000
Less Current Year Unavailable, held for the Farm Bill FFVP <u>c/</u>	-125,000,000
Total AMS Budget Authority, 2016	885,980,000
Less FNS transfer for the Farm Bill FFVP	-41,000,000
Agency Request, 2016	844,980,000
Change from Adjusted 2015 Base	-74,020,000

a/ USDA appropriations for FY 2014, P.L. 113-76, General Provision Section 719, directs the transfer on October 1, 2014, of 2014 funds made available under subsection (c) of Section 14222 of P.L. 110-246 to carry out section 19(i)(1)(c) of the Richard B. Russell National School Lunch Act.

b/ USDA appropriations for FY 2015, P.L. 113-235, General Provision Section 717, directs the transfer on October 1, 2015, of 2015 funds made available under subsection (c) of Section 14222 of P.L. 110-246 to carry out section 19(i)(1)(c) of the Richard B. Russell National School Lunch Act.

c/ The FY 2016 Budget assumes that \$125 million of the July 1, 2016, transfer will not be made available until October 1, 2016.

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Funds for Strengthening Markets, Income, and Supply (Section 32)

Summary of Increases and Decreases

(Dollars in thousands)

Program	2013 Actual	2014 Change	2015 Change	2016 Change	2016 Estimate
Mandatory Appropriations:					
Child Nutrition Program Purchases	\$464,982	+\$18	-	-	\$465,000
Farm Bill Specialty Crop Purchases	53,200	-53,200	+\$206,000	-	206,000
Emergency Surplus Removal	199,845	+68,555	-268,400	-	-
Estimated Future Needs <u>a/</u>	161,686	-124,967	+143,885	-\$73,912	106,692
State Option Contract	5,000	-	-	-	5,000
Removal of Defective Commodities	2,500	-	-	-	2,500
Disaster Relief	5,000	-	-	-	5,000
Small Business Support	-	-	-	+500	500
Commodity Purchases Services	27,731	+6,891	+88	-911	33,799
Marketing Agreements and Orders	20,056	-	+130	+303	20,489
AMS Spending Authority	940,000	-102,703	+81,703	-74,020	844,980
FNS Transfer for Farm Bill Fresh					
Fruit and Vegetable Program <u>b/</u>	41,000	-	-1,000	+1,000	41,000
AMS Budget Authority	981,000	-102,703	+80,703	-73,020	885,980

a/ These funds are available for appropriate Section 32 uses based on market conditions as determined by the Secretary.

b/ Does not include amounts held for transfer on October 1 of the subsequent fiscal year.

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Funds for Strengthening Markets, Income, and Supply (Section 32)

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2013 Actual		2014 Actual		2015 Enacted		Inc. or Dec.		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Appropriations:										
Permanent Appropriation.....	\$8,990,117	160	\$9,211,183	149	\$9,714,923	172	+\$601,722	-	\$10,316,645	172
Transfers Out:										
Food and Nutrition Service (FNS),										
Child Nutrition Programs.....	-7,697,031	-	-8,011,569	-	-8,355,671	-	-513,974	-	-8,869,645	-
FNS Transfer from PY funds.....	-133,000	-	-117,000	-	-119,000	-	-3,000	-	-122,000	-
FNS, Fresh Fruit and										
Vegetable Program.....	-41,000	-	-41,000	-	-40,000	-	-1,000	-	-41,000	-
Department of Commerce.....	-131,372	-	-130,144	-	-143,738	-	-262	-	-144,000	-
Subtotal.....	-8,002,403	-	-8,299,713	-	-8,658,409	-	-518,236	-	-9,176,645	-
Rescission.....	-109,608	-	-189,000	-	-121,094	-	-170,926	-	-292,020	-
Sequestration.....	-40,392	-	-79,703	-	-81,906	-	+81,906	-	-	-
Prior Year Appropriation.....										
Available, SOY.....	219,286	-	313,530	-	187,486	-	-65,486	-	122,000	-
Recoveries.....	4,016	-	2,283	-	-	-	-	-	-	-
Offsetting Collections.....	20,184	-	14,779	-	-	-	-	-	-	-
Unavailable Resources, EOY.....	-313,530	-	-187,486	-	-122,000	-	-3,000	-	-125,000	-
Total Obligations.....	<u>767,670</u>	<u>160</u>	<u>785,873</u>	<u>149</u>	<u>919,000</u>	<u>172</u>	<u>-74,020</u>	<u>-</u>	<u>844,980</u>	<u>172</u>

Note: A rescission has been proposed for \$292 million for FY 2016.

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Funds for Strengthening Markets, Income, and Supply (Section 32)

Project Statement

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

Program	2013 Actual		2014 Actual		2015 Enacted		Inc. or Dec.		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Commodity Purchases:										
Child Nutrition Program Purchases	\$464,982	-	\$465,000	-	\$465,000	-	-	-	\$465,000	-
Farm Bill Specialty Crop Purchases	53,200	-	-	-	206,000	-	-	-	206,000	-
Emergency Surplus Removal.....	199,846	-	268,400	-	-	-	-	-	-	-
Estimated Future Needs.....	-	-	-	-	180,604	-	-\$73,912	-	106,692	-
Subtotal.....	718,028	-	733,400	-	851,604	-	-73,912	-	777,692	-
State Option Contract.....	-	-	-	-	5,000	-	-	-	5,000	-
Removal of Defective Commodities...	145	-	-	-	2,500	-	-	-	2,500	-
Disaster Relief.....	4,039	-	41	-	5,000	-	-	-	5,000	-
Small Business Support.....	-	-	-	-	-	-	+500 (1)	-	500	-
Prior Year Adjustment.....	-	-	-	-	-	-	-	-	-	-
Administrative Funds:										
Commodity Purchases Services.....	27,593	62	33,438	59	34,710	61	-911 (2)	-	33,799	61
Marketing Agreements and Orders	17,865	98	18,994	90	20,186	111	+303 (3)	-	20,489	111
Subtotal.....	45,458	160	52,432	149	54,896	172	-608	-	54,288	172
Total Obligations.....	767,670	160	785,873	149	919,000	172	-74,020	-	844,980	172
Recoveries.....	-4,016	-	-2,283	-	-	-	-	-	-	-
Offsetting Collections.....	-20,184	-	-14,779	-	-	-	-	-	-	-
Precluded from Obligation										
in Current Year.....	-117,000	-	-119,000	-	-122,000	-	-3,000	-	-125,000	-
Unavailable Resources, EOY.....	313,530	-	187,486	-	122,000	-	+3,000	-	125,000	-
Transfer to FNS.....	219,286	-	313,530	-	187,486	-	-65,486	-	122,000	-
Prior Year Appropriation										
Available, SOY.....	-219,286	-	-313,530	-	-187,486	-	+65,486	-	-122,000	-
Total Appropriation.....	940,000	160	837,297	149	919,000	172	-74,020	-	844,980	172

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Funds for Strengthening Markets, Income, and Supply (Section 32)

Justification of Increases and Decreases

- (1) Use up to \$500,000 of funding available for Section 32 purchases for first “pre-award” audits of eligible small businesses to enable them to participate in USDA’s Federal food procurement program (\$0 available in FY 2015). This request does not change total funding.

AMS has historically supported USDA’s small business goals through commodity purchases. However, high initial costs necessary to qualify for participation in the program discourages small businesses from applying. The program must regularly remove small business set-aside requirements when there are not at least two small businesses that can supply the product. To recruit more small businesses into USDA’s food purchase program, AMS proposes to pay for eligible small business first pre-award audit costs to increase the pool of available vendors.

- (2) A net decrease of \$911,000 for Commodity Purchase Services (\$34,710,000 and 61 staff years available in 2015).

The administrative costs for food buying operations and coordination with FNS and FSA are paid from the Commodity Purchase Services (CPS) activity in the Section 32 program. AMS purchases non-price supported commodities such as meats, fish, fruits, vegetables, poultry, and egg products in order to stabilize market conditions pursuant to Section 32, and in support of entitlement program needs within USDA. All purchased commodities are distributed by FNS to schools, as part of the entitlement for the National School Lunch Program, or to other domestic nutrition assistance programs. AMS coordinates food purchases with FNS to assure that the quantity, quality, and variety of commodities purchased meet the desires of schools and institutions participating in domestic nutrition assistance programs and can be used to assist individuals in meeting dietary guidelines.

CPS administrative funds also finance operating costs of the Web-Based Supply Chain Management (WBSCM) system to support the shared interests of USDA commodity purchase programs. The system supports the procurement, delivery, and management of more than 200 commodities and 4.5 million tons of food through domestic and foreign feeding programs administered by AMS, FSA, FNS, and the United States Agency for International Development (USAID).

The funding change is requested for the following items:

- a. An increase of \$108,000 for pay costs (\$22,000 for annualization of the 2015 pay increase and \$86,000 for the 2016 pay increase).
- b. A decrease of \$1,019,000 for administration of Section 32 purchases.

This reduction is necessitated by the Act of August 24, 1935 (7 U.S.C. 612c) which limits administration of Section 32 purchase activities to four percent of the funding available. No employees will be negatively affected by this reduction.

- (3) An increase of \$303,000 for Marketing Agreements and Orders administration (\$20,186,000 and 111 staff years available in 2015).

Administration of the Marketing Agreements and Orders Program at the national level is authorized from Section 32 funds through annual appropriations for program oversight and to conduct public hearings and referenda to determine producer sentiment concerning new programs and proposed revisions of marketing orders already in effect.

The funding change is requested for the following item:

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- a. An increase of \$303,000 for pay costs (\$68,000 for annualization of the 2015 pay increase and \$235,000 for the 2016 pay increase.)

Section 32 Administrative Funds

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

State/Territory	2013 Actual		2014 Actual		2015 Enacted		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
California.....	\$1,138	10	\$914	6	\$1,374	9	\$1,383	9
District of Columbia.....	42,668	136	49,817	133	51,527	150	50,897	150
Florida.....	607	5	705	4	733	5	738	5
Oregon.....	825	7	792	4	996	6	1,003	6
Texas.....	5	-	3	-	6	-	6	-
Virginia.....	215	2	201	2	260	2	261	2
Total, Available.....	45,458	160	52,432	149	54,896	172	54,288	172

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Status Of Programs

Section 32 Funds

Commodity Purchases

Current Activities: AMS purchases meat, fish, poultry, eggs and egg products, fruits, vegetables, and tree nuts to help stabilize market conditions. The commodities acquired are furnished to the Food and Nutrition Service (FNS) to meet the needs of the National School Lunch Program and other domestic nutrition assistance programs. Food purchases are coordinated with FNS to assure that the quantity, quality, and variety of commodities purchased meet the desires of schools and institutions participating in domestic nutrition assistance programs and can be used to assist individuals in meeting the *Dietary Guidelines for Americans*. The Farm Service Agency (FSA) administers the payments to vendors to whom contracts have been awarded, and ensures the proper storage of commodities when necessary. The administrative costs for food buying operations and coordination with FNS and FSA are paid from the Commodity Purchase Services (CPS) activity in the Section 32 program.

AMS also maintains a government-wide food specification program to reduce government food purchase costs by standardizing contract specifications, and conducts various programs and outreach initiatives to make AMS activities and expertise available to schools and other institutional food purchasers.

Section 4404 of the 2008 Farm Bill directs USDA to purchase additional fruits, vegetables, and tree nuts (specialty crops) using Section 32 funds, to assist growers and support domestic nutrition assistance programs. The adjusted totals, which include the \$200 million minimum purchase level established by previous legislation, are: \$390 million for 2008, \$393 million for 2009, \$399 million for 2010, \$403 million for 2011, and \$406 million for 2012 and each fiscal year thereafter. In 2014, AMS purchased over \$542.2 million of specialty crop products which is approximately 25 percent over the minimum purchase level.

Selected Examples of Recent Progress:

Commodity Purchases – In 2014, AMS purchased \$683.4 million worth of non-price supported commodities with Section 32 funds. The Department of Defense purchased an additional \$50 million of fresh fruits and vegetables for the National School Lunch Program (NSLP) from Section 32 funds on behalf of AMS. Purchased commodities were used to fulfill the NSLP's commodity subsidy entitlement of 27.75 cents per meal and for emergency surplus removal to assist agricultural producers.

Under the agreement, AMS also purchased an additional \$777.8 million (including \$179.6 million in specialty crops) of commodities on behalf of FNS using funds appropriated to FNS for entitlement programs. In total, AMS purchased approximately 1.8 billion pounds (1.3 billion pounds in specialty crops) of commodities distributed by FNS through the Department's various nutrition assistance programs.

Surplus Removal – Surplus removal (or bonus) commodities are donated to schools and other institutions in addition to entitlements purchases. The following chart reports the commodities purchased under surplus removal and reflects the variety of producers that received assistance through bonus purchases:

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2014 Contingency Fund Expenditures for Surplus Removal

<u>Commodity</u>	<u>Amount</u>
Apple Products	\$19,900,000
Blueberries, Wild	14,000,000
Blueberries, Cultivated	10,000,000
Chicken Products	24,000,000
Cranberries	27,230,000
Cherries, Tart	21,830,000
Grape Juice, Concord	31,640,000
Grapefruit Juice	9,460,000
Orange Juice	29,140,000
Potatoes, Dehydrated	7,000,000
Raisins	36,400,000
Salmon, Pink	32,900,000
Tomatoes, Fresh	4,900,000
Total	<u>\$268,400,000</u>

Disaster Assistance – Section 32 funds are available each fiscal year to purchase commodities for disaster assistance, as needed under authority of the Stafford Act. In FY 2014, \$40,771 of Section 32 was authorized to cover the cost of additional foods purchased to distribute to those individuals impacted by the drought in the Republic of the Marshall Islands, as part of the FY 2013 Presidentially-declared major disaster.

Web-Based Supply Chain Management (WBSCM) System – AMS is authorized to use Section 32 funds to develop and operate the computer system that supports the shared interests of USDA commodity purchase programs. The WBSCM system has improved the procurement, delivery, and management of more than 200 commodities and 32 billion pounds of 100 percent domestically-produced farm food commodity at an approximate cost of \$12 billion through domestic and foreign feeding programs administered by AMS, FSA, FNS, and the United States Agency for International Development (USAID). Currently, the system is supporting over 9,945 registered users; a 42 percent increase over last fiscal year.

In FY 2014, WBSCM management completed a technical upgrade of the underlying SAP (Systems, Applications & Products in Data Processing) software on schedule and within budget. The technical upgrade brought the SAP software up to the most current version, allowing all web browsers to be used when accessing WBSCM. The technical refresh also enhances several user screens, while correcting some known issues, and improving system efficiencies in data processing and handling. Additionally, the effort reduced the hardware footprint from 122 physical servers to 39 servers and relocated the Disaster Recover location from Beltsville, Maryland, to St. Louis, Missouri.

Procurement Program Redesigns – CPS continues to refine the timing of purchases to better meet market needs. At the request of industry, the sweet potato solicitation was released earlier in the year with the purpose of giving vendors more time to obtain the product necessary to meet product specifications. Also at the request of industry, two indefinite delivery/indefinite quantity (IDIQ) solicitations were issued for fruit and vegetable products (two for fruit and two for vegetables). This allowed: (1) an additional opportunity for unsuccessful vendors under the first solicitation to be successful under the second; and (2) time for the crops to be harvested and identify remaining production that could potentially be supplied. Vendors are more cautious on quantity under the first solicitation and have a better idea of harvest volumes for the second.

The timing and solicitation method for purchasing broccoli was changed from using an IDIQ contracting method to using an Invitation for Bid. Broccoli was purchased on a different schedule than other frozen products to meet the unique timing of the broccoli industry and their multiple harvests during the year.

CPS continued to build on prior efforts to use long term contract vehicles such as request for proposals. This

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process allows vendors to know a year in advance how many turkey roasts to produce while recipients receive a consistent product over the entire year.

Product Development – During FY 2014, CPS worked within AMS and FNS to make improvements to current USDA foods as well as to develop and introduce a variety of new products, improving the quality and variety available to domestic food assistance programs and creating additional outlets for domestic agricultural products and suppliers. CPS added cooked chicken strips, frozen mushrooms, and frozen diced carrots to the National School Lunch Program catalog.

A handful of items were improved by CPS' commodity procurement to assist FNS programs with acceptability of the product or to help FNS meet dietary guidelines. For example, CPS worked with the program areas to update Federal Purchase Program Specifications/Item Description and Requirements to reduce sodium content in several products, including chicken fajita strips, pork ham products, and shelf-stable chicken. Additional product improvements are also underway and will be rolled out as soon as formulations can be developed and adjusted.

Food Safety – AMS samples and tests every lot of ground beef produced under contract for foodborne pathogens (*Escherichia coli* O157:H7 and *Salmonella*) and various indicator organisms. Any lot found positive for a pathogen is rejected for purchase. AMS tests every lot of product destined for cooking at a federally inspected establishments for indicator organisms. Test results are used to measure statistical process capability, with the result that vendors found to have lost process control are downgraded from “process capable” to “conditional” status or from “conditional” status to “ineligible” status. In addition, any lot found to have indicator organism values exceeding critical limits is rejected for purchase. In FY 2014, AMS tested 53,658 samples of beef, and found less than 0.07 were positive for *E. coli* O157:H7 and less than 0.58 percent positive for *Salmonella*.

2014 Farm Bill Unprocessed Produce Pilot – In FY 2014, a limited pilot program was conducted in Michigan and Florida to expand ways for USDA to buy fresh produce for schools and provide market opportunities to producers. It allowed schools to use entitlement funding for fresh produce while still using the commercial distribution models already in place and taking advantage of local purchasing systems already used by schools. Feedback from schools/vendors in the pilot cited AMS-only audit requirements as a limiting factor. In response to this feedback, AMS conducted a revised pilot that allowed growers, producers, handlers, and warehouses to use third-party audits (using approved and standardized audit formats). AMS awarded contracts to three firms which delivered fresh produce from May to November 20, 2014.

The 2014 Farm Bill contains language requiring AMS to develop a modified unprocessed fruit and vegetable pilot program under which AMS will establish and qualify products and suppliers without going through a Federal procurement process. Instead, procurement will take place at the local level, allowing schools to use entitlement funding if their procurement results in the use of suppliers approved by AMS.

On July 21, the Commodity Procurement Staff (CPS) issued a Notice to the Trade to provide information on the Pilot Project for the Procurement of Unprocessed Fruits and Vegetables to interested vendors. On the same date, FNS requested applications for interested state distributing agencies to be considered for participation. Conference calls have been held by each agency to review the pilot and answer questions from targeted audiences (States or vendors). CPS has also developed a webpage to provide up-to-date information on the status of the program. State applications were due September 30, and FNS plans to select eligible States by November 2014. AMS has begun accepting vendor applications. There is no deadline for applications, they will be received and evaluated on an ongoing basis.

Marketing Agreements And Orders

Current Activities: Section 32 funds support the administration of Federal marketing agreements and marketing orders, which help to establish orderly marketing conditions for dairy products, fruits, vegetables, nuts and specialty crops. Marketing agreements and orders enable dairy farmers and fruit/vegetable growers to work together to solve marketing problems that they cannot solve individually, by balancing the availability of quality product with the need for adequate returns to producers and the demands of consumers. Twenty-eight marketing orders are currently

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active for fruits, vegetables, nuts and specialty crops, and they are customized to meet the needs of a particular industry and may have provisions that: (1) impose mandatory grading and inspection services to meet minimum grade levels; (2) standardize the packaging and labeling of containers; (3) sponsor production research projects; (4) create market research and product promotion activities; and (5) increase or decrease the amount of product allowed into commercial channels during periods of exceedingly high or low volume. Ten regional marketing orders are currently active for milk and dairy products to ensure orderly marketing conditions and an adequate supply of fluid milk for public consumption.

Selected Examples of Recent Progress:

Dairy Program:

Appalachian, Florida, and Southeast Milk Marketing Orders – AMS issued two final rules that permanently adopt a number of changes to the Appalachian, Florida, and Southeast Federal milk marketing orders. The final rules include revisions to the Class I pricing provisions and increases to the maximum administrative assessment rates under all three orders. Eligibility provisions pertaining to pooling and transportation credits are modified; a fuel rate adjuster is added; and transportation credit assessments are increased under the Appalachian and Southeast marketing orders. Some changes were implemented previously through interim final rules that became effective in 2006 and 2008. AMS also terminated proceedings to consider additional amendments to the Appalachian and Southeast marketing orders because the disorderly marketing conditions changed. Finalization of the interim rules and termination of the proceedings provide regulatory certainty for industry stakeholders. These actions also lifted *ex parte* restrictions, enabling AMS to engage in new conversations with industry stakeholders about related revisions to the marketing order provisions. Such discussions enable AMS to better serve the needs of the dairy industry.

Evolving Industry Needs – The 2014 Farm Bill authorized the Department to consider establishment of a Federal milk marketing order for the State of California that would recognize that State's current quota program. In response, AMS held more than 20 outreach meetings with California dairy farmers, processors, cooperative members, industry trade associations, and state government officials to provide information about the Federal marketing order system and describe the promulgation process. AMS also provided technical assistance to industry representatives, who are drafting a program proposal.

Fruits and Vegetable Program:

Evolving Industry Needs – AMS programs help U.S. producers and handlers remain competitive in domestic and global markets. In an effort to respond to industry needs, AMS personnel met with representatives from numerous industries to discuss matters of industry concern and to consider broad scale regulatory changes responsive to recent trends in production volume and handling practices. In particular, AMS attended 288 board/committee meetings and approved 28 operating budgets. AMS specialists reviewed 847 promotional pieces to ensure board/committee messaging was compliant with Departmental guidelines. AMS also reviewed proposals for dozens of research projects funded by industry assessments, each of which is designed to address issues like pest management and post-harvest handling. Fruit, vegetable, and specialty crop marketing orders directly affect and benefit more than 33,000 U.S. farmers.

The Fruit and Vegetable Industry Advisory Committee was reestablished in 2013 and nominations were solicited through a notice in the *Federal Register* in November 2013. The Secretary of Agriculture appointed members to the Committee in July 2014. The Committee is composed of 25 members from a broad cross-section of the produce industry who meet twice a year to develop and provide recommendations to the Secretary that will help USDA tailor its programs and services to better meet the needs of the U.S. produce industry.

In accordance with marketing order requirements, AMS conducted referenda among the growers (and processors, where applicable) of six commodities to determine whether continuation of those programs is desirable. Growers of Florida citrus, California kiwifruit, California walnuts, and California almonds, and growers and processors of tart cherries, voted to continue their programs. South Texas onion growers were also given an opportunity to express support for the continuation of their program. However, during the tabulation of ballots for their referendum, it was

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discovered that the grower list used for mailing ballots to eligible growers was incomplete. As a result, AMS will conduct a second referendum of South Texas onion growers in November of 2014 to ensure all eligible growers have an opportunity to vote on the future of that program.

AMS specialists conducted regional outreach and collaborated with other Agencies on projects like the Food and Nutrition Service's Farm to School Grant Program, and served on the California Food and Agriculture Council, as well as on Fruit and Vegetable Program project teams. AMS responded to inquiries from various industries interested in establishing new Federal marketing orders, including U.S. pecans and Hawaiian papaya.

Enforcement – AMS is responsible for the enforcement of 28 Federal marketing orders and 14 section 8e import regulations, as well as export regulations for 3 commodities and the U.S. Peanut Standards. Industry administrative committees are responsible for conducting initial investigations and reporting complaints of possible violations to AMS.

- AMS reviewed and analyzed 7,600 imported lots subject to section 8e regulations for potential violations, covering 700 companies, entered into 5 stipulation agreements and issued 70 official warnings to violators.
- AMS is handling a multi-million dollar compliance case:
 - *Marvin Horne, et al. v. the U.S. Department of Agriculture* was argued in front of the Supreme Court in March 2013. This case involves the violation of the raisin marketing order for the 2002-03 and 2003-04 crop years. The Supreme Court held that the plaintiff may raise their takings claim as a defense to the fines imposed on them, but took no position on the merits of the takings claim, and remanded the case to the U.S. Court of Appeals for the Ninth Circuit. Following oral arguments on February 14, 2014, the Ninth Circuit held that the reserve requirement, and the imposition of penalties for violation of the reserve requirement, does not constitute a taking under the Fifth Amendment. Horne appealed the Ninth Circuit decision before the Supreme Court, and the Supreme Court agreed to hear the case again, this time on the merits of the takings claim. On January 16, 2015, the U.S. Supreme Court (Court) granted a writ of certiorari agreeing to hear the appeal by Marvin Horne, et al. (Horne) of a decision finding that the raisin marketing order reserve mechanism does not constitute a government taking under the Fifth Amendment. At stake for Horne is \$700,000 owed for marketing order violations in the 2002-03 and part of 2003-04 crop years, along with much larger amounts for subsequent crop years if the appeal is denied.
- AMS conducted 14 compliance reviews of administrative committees and boards to ensure the integrity of the marketing programs.
- AMS signed a memorandum of understanding with the U.S. Census Bureau to share export data on shipments covered under the Export Fruit Acts and section 8e imports. AMS will use Census data for verification and enforcement purposes for the export shipment of apples, table grapes, and plums.
- A major technology project is under development that will integrate, analyze, and automate data from multiple sources to improve the monitoring and enforcement of compliance with domestic, import, and export regulations. This project will greatly enhance the agency's ability to effectively monitor and enforce the regulations of 28 domestic marketing orders, with an \$11 billion annual crop value; section 8e import regulations for 14 commodities with 150,000 shipments annually, valued at \$3 billion; the Export Fruit Acts, which cover the annual exportation of 1.4 million tons of US apples, grapes, and plums; and Congressionally mandated peanuts standards.”

Rulemaking – In all, AMS processed 88 dockets, including 30 work plans, 15 proposed rules, 6 continuance referenda, 8 interim rules, 16 final rules, and 13 final interim rules for the 28 Federal marketing order programs and export fruit acts, and peanut program it oversees. Specific rulemaking actions and activities included the following:

- AMS handled the rulemaking process for terminating the proceeding that could have established a national marketing agreement for leafy green vegetables. Termination was found to be appropriate because of

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potential impacts the Food and Drug Administration's issuance of proposed food safety rules could have on the proposed leafy green marketing agreement. *Ex parte* communication restrictions were lifted by the termination, thereby allowing discussions about evolving needs to occur between AMS and the industry.

- AMS implemented regulatory changes mandated by the 2014 Farm Bill to lessen the burden on exporters by publishing a rulemaking action that exempted bulk container shipments of apples to Canada from U.S. inspection requirements (and also defined "bulk containers"). This action was finalized before Congress' 60-day implementation deadline.
- The U.S. pecan industry is investigating whether to pursue the establishment of a pecan marketing order. AMS attended a series of meetings with members of the pecan industry in different pecan-producing regions of the U.S. These meetings provided AMS with information about industry practices and an understanding of the challenges faced by pecan producers. AMS educated industry members on how Federal marketing orders are developed and administered. The pecan industry is interested in conducting disease research, promoting the health benefits of pecans, collecting and analyzing industry supply and demand information, developing a tool to forecast nationwide production, and raising producer prices through increased domestic consumption under a Federal marketing order program.

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Shared Funding Projects
(Dollars in thousands)

	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
Working Capital Fund:				
Administration:				
Mail and Reproduction Management.....	\$902	\$672	\$592	\$602
Integrated Procurement System.....	283	284	303	303
Material Management Service Center.....	202	185	262	259
Procurement Operations.....	1	1	-	-
Subtotal.....	1,388	1,142	1,157	1,164
Communications:				
Creative Media & Broadcast Center.....	63	242	247	224
Finance and Management:				
NFC/USDA.....	706	866	879	887
Controller Operations.....	1,300	1,396	1,231	1,290
Financial Systems.....	2,400	2,815	2,016	2,640
Internal Control Support Services.....	99	91	87	87
Subtotal.....	4,505	5,168	4,213	4,904
Information Technology:				
NITC/USDA.....	4,688	4,796	3,894	4,003
Internal Technology Services.....	15	-	-	-
Telecommunications Services.....	897	936	1,032	1,135
Subtotal.....	5,600	5,732	4,926	5,138
Correspondence Management.....	143	126	129	119
Total, Working Capital Fund.....	11,699	12,410	10,672	11,549
Departmental Shared Cost Programs:				
1890's USDA Initiatives.....	78	79	81	81
Advisory Committee Liason Services.....	23	28	36	36
Classified National Security Information.....	-	-	29	29
Continuity of Operations Planning.....	55	54	59	59
Emergency Operations Center.....	61	62	65	65
Facility and Infrastructure Review and Assessment.....	11	12	12	13
Faith-Based Initiatives and Neighborhood Partnerships.....	10	6	11	11
Federal Biobased Products Preferred Procurement Program.....	9	9	-	-
Hispanic-Serving Institutions National Program.....	52	54	55	55
Honor Awards.....	1	2	2	2
Human Resources Transformation (inc. Diversity Council).....	42	46	49	49
Identity & Access Management (HSPD-12).....	175	181	187	187
Medical Services.....	22	22	54	56
People's Garden.....	17	15	21	18
Personnel and Document Security.....	34	36	31	31
Pre-authorizing Funding.....	90	97	103	103
Retirement Processor/Web Application.....	15	15	17	17
Sign Language Interpreter Services.....	63	35	-	-
TARGET Center.....	24	25	40	40

AGRICULTURAL MARKETING SERVICE

Shared Funding Projects
(Dollars in thousands)
(Continued)

	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
USDA 1994 Program	20	20	22	22
Virtual University	55	53	55	55
Visitor Information Center	6	6	-	-
Total, Department Shared Cost Programs	863	857	929	929
E-Gov:				
Budget Formulation and Execution Line of Business	3	2	3	3
Enterprise Human Resources Intigration	66	60	59	61
E-Rulemaking	28	28	22	14
E-Training	56	75	77	77
Financial Management Line of Business	5	5	5	5
Grants.gov	19	17	15	15
Human Resources Line of Business	7	7	8	8
Integrated Acquisition Environment – Loans and Grants ...	36	51	52	52
Integrated Acquisition Environment	18	18	19	19
Total, E-Gov	238	263	260	254
Agency Total	12,800	13,530	11,861	12,732

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Summary of Budget and Performance Key Performance Outcomes and Measures

The Agricultural Marketing Service (AMS) carries out a wide range of programs under the authorization of the Agricultural Marketing Act of 1946 and over 50 other statutes. 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.

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

USDA Objective: Increase agricultural opportunities by ensuring a robust safety net, creating new markets, and supporting a competitive agricultural system (Objective 2.1).

Agency Strategic Goals	Agency Objectives	Programs that Contribute	Key Outcomes
Goal 2: Provide Market Information and Intelligence and Support the Development of New Markets (MARKET INFORMATION and MARKETING INNOVATION)	Objective 2.1: Increase Market Opportunities for American Agriculture through Analysis of Domestic and International Market Information and Data	<ul style="list-style-type: none"> • Market News • Transportation 	Current, unbiased statistics, price and sales information is available to assist in the marketing and distribution of farm commodities by informing decision making by agricultural producers and agribusinesses
	Objective 2.2: Improve Access to Healthy, Locally Produced Foods while Developing Market Opportunities	<ul style="list-style-type: none"> • Market Development • Federal-State Marketing Improvement Program • Specialty Crop Block Grants • Farmers Market Promotion Program • Local Food Promotion Program 	Access to domestic markets and thriving regional food systems that help to build financial sustainability for producers and fresh, local food for consumers
	Objective 2.3: Develop International and Domestic Commodity Standards to Facilitate Global Trade and Economic Growth	<ul style="list-style-type: none"> • Standardization 	Clear and consistent descriptions and measurements of the grade, quality and quantity of products that are bought and sold for efficient marketing of agricultural products
Goal 3: Provide Quality Claims and Analyses to Facilitate Agricultural Marketing	Objective 3.1: Improve Voluntary User-Fee Services Objective 3.2: Facilitate Exports of American Agricultural Products	<ul style="list-style-type: none"> • Grading and Classing Services • Audit Verification Services • Laboratory Approval and Testing Services 	Increased agricultural opportunities based on a competitive agricultural system

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Agency Strategic Goals	Agency Objectives	Programs that Contribute	Key Outcomes
	Objective 3.3: Expand Plant Variety Protection Services	<ul style="list-style-type: none"> • Plant Variety Protection 	Support development and innovation
Goal 4: Provide Effective Oversight of Markets and Entities (REGULATORY OVERSIGHT)	Objective 4.1: Ensure Research and Promotion Programs Operate in Compliance with Acts, Orders, and Guidelines	<ul style="list-style-type: none"> • Research and Promotion Programs 	Producers can establish programs that promote consumer purchases of their commodities on a national or regional scale
	Objective 4.2: Safeguard the Quality and Wholesomeness of Agricultural Products	<ul style="list-style-type: none"> • Country of Origin Labeling • Shell Egg Surveillance Program • Federal Seed Act Program 	Inform buyers and enforce fair market practices to create a level playing field for producers
	Objective 4.3: Stabilize and Protect Markets	<ul style="list-style-type: none"> • Marketing Agreements and Orders 	Producers can establish programs that promote consumer purchases of their commodities and balance supply and demand
	Objective 4.4: Create Jobs and Expand Opportunities for Farms and Businesses by Supporting Organic Agriculture	<ul style="list-style-type: none"> • National Organic Program • Organic Cost-Share Programs 	National standards for the production and handling of agricultural products labeled as organic
	Objective 4.5: Augment Perishable Commodity Services	<ul style="list-style-type: none"> • Perishable Agricultural Commodities Act Program 	Protect producers from unfair business practices and financial risk
Goal 5: Provide Premier Procurement and Technical Solutions to Identify and Fulfill the Needs for Agricultural, Food Assistance, and Other Programs (COMMODITY PROCUREMENT)	<p>Objective 5.1: Enhance the Procurement Business Model</p> <p>Objective 5.3: Ensure and Expand Optimal Web-Based Supply Chain Management (WBSCM) Service Delivery</p>	<ul style="list-style-type: none"> • Commodity Purchases [to support domestic producers] 	Help balance supply and demand for producers

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Key Performance Measures:

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Est.	2015 Target	2016 Target
<u>Market News</u> – Relevance of Market News information based on customer surveys.							
Relevance of Market News Information	N/A	N/A	81%	81%	81%	82%	85%
Market News Funding (\$ thousands)	\$34,222	\$33,149	\$32,949	\$31,102	\$33,170	\$33,975	\$34,325
<u>Shell Egg Surveillance</u> – Percent of firms complying with EPIA and the Shell Egg Surveillance program.							
Percent	95%	95%	96%	95%	95%	95%	95%
Shell Egg Surveillance Funding (\$ thousands)	\$2,771	\$2,717	\$2,717	\$2,565	\$2,732	\$2,614	\$2,170
<u>Federal Seed Act Program</u> – Percent of seed shipped in interstate commerce that is accurately labeled.							
Percent	97%	97%	97%	98%	98%	98%	98%
Federal Seed Program Funding (\$ thousands)	\$2,474	\$2,439	\$2,439	\$2,302	\$2,455	\$2,354	\$2,379
<u>Country of Origin Labeling (COOL)</u> – Percent of retailer compliance.							
Percent	94%	94%	94%	94%	94%	96%	96%
COOL Funding (\$ thousands)	\$10,678	\$7,942	\$5,000	\$4,720	\$5,015	\$4,766	\$4,791
<u>National Organic Program</u> – Compliance with certification and accreditation criteria.							
Percent	90%	90%	96%	95%	95%	95%	95%
National Organic Program Funding (\$ thousands)	\$6,919	\$6,919	\$6,919	\$6,531	\$9,026	\$9,149	\$9,221
<u>Transportation and Market Development</u> – New markets established or expanded through technical assistance (including cooperative research reports and marketing and training tools).							
Number of Markets	N/A	N/A	N/A	200	200	250	300
Transportation & Market Development Funding (\$ thousands)	\$5,824	\$5,734	\$5,734	\$6,357	\$7,193	\$8,238	\$10,064

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

AMS is working to increase agricultural opportunities by supporting a competitive agricultural system and creating new markets through improvements and innovations in Market News reporting and Transportation and Market Development activities. Market News is working to focus reporting on information that is relevant to agricultural and other data users and improve access to the data collected. Transportation and Market Development improves access to local and regional foods while developing expanded market opportunities for agricultural producers. Other AMS programs support a competitive agricultural system by overseeing markets and entities to safeguard the quality and wholesomeness of agricultural products.

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Selected Accomplishments Expected at the FY 2016 Proposed Resource Level:

AMS must focus finite resources to meet AMS and USDA goals across all marketing activities.

USDA Strategic Goal 4: Ensure that all of America’s children have access to safe, nutritious, and balanced meals.

USDA Objective: Improve Access to Nutritious Foods (Objective 4.1)

Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
Goal 2: Provide Market Information and Intelligence and Support the Development of New Markets (MARKET INFORMATION and MARKETING INNOVATION)	Objective 2.1: Increase Market Opportunities for American Agriculture through Analysis of Domestic and International Market Information and Data	<ul style="list-style-type: none"> • Pesticide Data Program 	Data on pesticide residue on agricultural commodities in the U.S. food supply is available for risk assessment, particularly commodities highly consumed by infants and children
Goal 5: Provide Premier Procurement and Technical Solutions to Identify and Fulfill the Needs for Agricultural, Food Assistance, and Other Programs (COMMODITY PROCUREMENT)	<p>Objective 5.1: Enhance the Procurement Business Model</p> <p>Objective 5.2: Provide Greater Value and Additional Opportunities for Nutrition Assistance Program Recipients</p> <p>Objective 5.3: Ensure and Expand Optimal Web-Based Supply Chain Management (WBSCM) Service Delivery</p>	<ul style="list-style-type: none"> • Commodity Purchases [supporting USDA child nutrition programs] 	Nutritious food acquired efficiently and cost-effectively for distribution through domestic child nutrition programs

Key Performance Measures:

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Est.	2015 Target	2016 Target
<u>Pesticide Data Program</u> (PDP) – Data availability.							
5-year running total of children’s food commodities tested (of 24)	22	21	21	22	22	23	23
Percent comprehensive data available for risk assessment	90%	90%	87%	83%	83%	84%	84%
Percent of U.S. population represented in PDP data	47%	50%	50%	48%	48%	48%	48%
PDP Funding (\$ thousands)	\$15,360	\$15,330	\$15,330	\$14,471	\$15,347	\$15,020	\$15,050

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

The Pesticide Data program improves access to nutritious foods for America’s children by collecting, analyzing, and reporting pesticide residues on agricultural commodities in the U.S. food chain, especially for commodities consumed by infants and children.

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Selected Accomplishments Expected at the FY 2016 Proposed Resource Level:

AMS must focus finite resources to meet AMS and USDA goals in an environment where data needs continually evolve.

Strategic Goal and Objectives Funding Matrix

(Dollars in thousands)

Discretionary Program/ Program Items	FY 2013 Actual	FY 2014 Actual	FY 2015 Enacted	Increase or Decrease	FY 2016 Estimate
Department Strategic Goal 1: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving					
Strategic Objectives 1.2: Increase Agricultural Opportunities by Ensuring a Robust Safety Net, Creating New Markets, and Supporting a Competitive Agricultural System					
Market News.....	\$31,102	\$33,170	\$33,975	+\$350	\$34,325
Staff Years.....	233	213	239	-	239
National Organic Program	6,531	9,026	9,149	+72	9,221
Staff Years.....	33	35	43	-	43
Transportation and Market Development.....	6,357	7,193	8,238	+1,826	10,064
Staff Years.....	35	30	40	-	40
Standardization	4,667	4,976	5,076	+45	5,121
Staff Years.....	30	32	35	-	35
Federal Seed	2,302	2,455	2,354	+25	2,379
Staff Years.....	16	14	18	-	18
Shell Egg Surveillance	2,565	2,732	2,614	-444	2,170
Staff Years.....	15	8	8	-4	4
Country of Origin Labeling Program.....	4,720	5,015	4,766	+25	4,791
Staff Years.....	16	16	16	-	16
Pesticide Recordkeeping	1,728	-	-	-	-
Staff Years.....	4	-	-	-	-
Federal/State Marketing Improvement Program....	1,331	1,363	1,235	-	1,235
Staff Years.....	-	1	1	-	1
Total Costs, Strategic Goal 1.....	61,303	65,930	67,407	+1,899	69,306
Total Staff Years, Strategic Goal 1	382	349	400	-4	396
Department Strategic Goal 4: Ensure that all of America’s children have access to safe, nutritious, and balanced meals					
Strategic Objectives 4.1: Improve Access to Nutritious Food					
Pesticide Data Program	14,471	15,347	15,020	+30	15,050
Staff Years	19	15	17	-	17
Microbiological Data Program	-	-	-	-	-
Staff Years.....	1	-	-	-	-
Total Costs, Strategic Goal 4.....	\$14,471	\$15,347	\$15,020	+30	\$15,050
Total Staff Years, Strategic Goal 4	20	15	17	-	17
Total Costs, All Strategic Goals.....	75,774	81,277	82,427	+1,929	84,356
Total Staff Years, All Strategic Goals	402	364	417	-4	413

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Full Cost by Department Strategic Goal (Dollars in Thousands)

Department Strategic Goal 1: Assist Rural Communities to Create Prosperity So They Are Self Sustaining, Repopulating, and Economically Thriving

Discretionary Program/Program Items	2013 Actual	2014 Actual	2015 Enacted	2016 Estimate
Market News	\$28,231	\$30,820	\$31,471	\$31,795
Indirect Costs	2,586	2,452	2,504	2,530
Total Costs	30,817	33,272	33,975	34,325
FTEs	233	213	239	239
Performance Measure:				
Organic Market Reporting: Number products reported	246	246	246	246
Number (in millions) of (annual) eViews for market information	55.7	55.7	55.7	55.7
National Organic Program	5,721	8,361	8,475	8,541
Indirect Costs	524	665	674	680
Total Costs	6,245	9,026	9,149	9,221
FTEs	33	35	43	43
Performance Measure:				
Percentage of accredited certifying agents, foreign and domestic, in conformance with 90 percent of the NOP accreditation criteria	96%	90%	90%	90%
Transportation and Market Development	5,749	6,663	7,631	9,322
Indirect Costs	526	530	607	742
Total Costs	6,275	7,193	8,238	10,064
FTEs	35	30	40	40
Performance Measure:				
Cumulative number of farmers markets established	7,864	7,900	7,916	7,950
Number of publications and activities to improve local food access	34	34	48	75
Standardization	4,119	4,609	4,702	4,744
Indirect Costs	377	367	374	377
Total Costs	4,496	4,976	5,076	5,121
FTEs	30	32	35	35
Federal Seed	1,978	2,274	2,181	2,204
Indirect Costs	181	181	173	175
Total Costs	2,159	2,455	2,354	2,379
FTEs	16	14	18	18
Shell Egg Surveillance	2,302	2,531	2,421	2,010
Indirect Costs	211	201	193	160
Total Costs	2,513	2,732	2,614	2,170
FTEs	15	8	8	4
Country of Origin Labeling Program	4,308	4,645	4,415	4,438
Indirect Costs	394	370	351	353
Total Costs	4,702	5,015	4,766	4,791
FTEs	16	16	16	16
Performance Measure:				
Percentage of retail stores in compliance with Country of Origin Labeling regulations	96%	96%	96%	96%
Pesticide Recordkeeping	1,498	-	-	-
Indirect Costs	137	-	-	-
Total Costs	1,635	-	-	-
FTEs	4	-	-	-
Federal/State Marketing Improvement Program	1,235	1,363	1,235	1,235
Indirect Costs	-	-	-	-
Total Costs	1,235	1,363	1,235	1,235
FTEs	-	1	1	1
Total Discretionary Costs, Strategic Goal 1	\$60,077	\$66,032	\$67,407	\$69,306
Total FTEs, Strategic Goal 1	382	349	400	396

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Department Strategic Goal 4: Ensure that all of America's children have access to safe, nutritious, and balanced meals

Discretionary Program/Program Items	2013	2014	2015	2016
	Actual	Actual	Enacted	Estimate
Pesticide Data Program.....	13,257	14,216	13,913	13,941
Indirect Costs.....	1,214	1,131	1,107	1,109
Total Costs.....	14,471	15,347	15,020	15,050
FTEs.....	19	15	17	17
Performance Measure:				
Number of foods, based on top two dozen children's food commodities, in the Pesticide Data Program.....	21.0	22.0	23.0	23.0
Comprehensive pesticide residue data available for dietary risk assessment.....	89.0	89.0	89.0	89.0
Microbiological Data Program.....	84	-	-	-
Indirect Costs.....	8	-	-	-
Total Costs.....	92	-	-	-
FTEs.....	1	-	-	-
Performance Measure:				
Number of samples tested.....	0	0	0	0
Number of commodities tested.....	0.0	0.0	0.0	0.0
Total Discretionary Costs, Strategic Goal 4.....	\$14,563	\$15,347	\$15,020	\$15,050
Total FTEs, Strategic Goal 4.....	20	15	17	17
Total Discretionary Costs, All Strategic Goals.....	\$74,640	\$81,379	\$82,427	\$84,356
Total Discretionary FTEs, All Strategic Goals.....	402	364	417	413

Department Strategic Goal 1: Assist Rural Communities to Create Prosperity So They Are Self Sustaining, Repopulating, and Economically Thriving

Mandatory Program/Program Items	2013	2014	2015	2016
	Actual	Actual	Estimate	Estimate
Commodity Purchase Services - Agri. Support & Emergency (AS&E).....	9,004	11,336	14,848	12,896
Indirect Costs.....	825	902	1,181	1,026
Total, Administrative Costs.....	9,829	12,238	16,029	13,922
FTEs.....	22	22	29	29
Commodity Purchases Program Funds - AS&E.....	257,230	268,441	398,973	325,692
Marketing Agreements & Orders	18,311	17,594	18,698	18,979
Indirect Costs.....	1,499	1,400	1,488	1,510
Total, Administrative Costs.....	17,865	18,994	20,186	20,489
FTEs.....	98	90	111	111
Total Mandatory Costs, Strategic Goal 1.....	\$284,924	\$299,673	\$435,188	\$360,103
Total FTEs, Strategic Goal 1.....	120	112	140	140

Department Strategic Goal 4: Ensure that all of America's children have access to safe, nutritious, and balanced meals

Mandatory Program/Program Items	2013	2014	2015	2016
	Actual	Actual	Estimate	Estimate
Commodity Purchase Services - Child Nutrition Purchases (CNP).....	14,579	19,638	17,304	18,412
Indirect Costs.....	1,490	1,562	1,377	1,465
Total, Administrative Costs.....	17,764	21,200	18,681	19,877
FTEs.....	40	37	32	32
Commodity Purchases Program Funds - CNP.....	464,982	465,000	465,000	465,000
Total Mandatory Costs, Strategic Goal 4.....	\$482,746	\$486,200	\$483,681	\$484,877
Total FTEs, Strategic Goal 4.....	40	37	32	32
Total Mandatory Costs, All Strategic Goals.....	\$767,670	\$785,873	\$918,869	\$844,980
Total Mandatory FTEs, All Strategic Goals.....	160	149	172	172

2017 President's Budget
Agricultural Marketing Service

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AGRICULTURAL MARKETING SERVICE

Purpose Statement

The mission of the Agricultural Marketing Service (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.

AMS carries out a wide range of programs under the authorization of the Agricultural Marketing Act of 1946 as well as over 50 other statutes. More than half of the funds needed to finance AMS activities (excluding commodity purchase program funds) are derived from voluntary user fees. AMS also provides services for private industry and State/Federal agencies on a reimbursable basis. In addition, AMS conducts several appropriated program activities through cooperative arrangements with State Departments of Agriculture and other agencies.

1. Market News Service:

The Market News program is authorized by the following statutes:

Agricultural Marketing Act of 1946
Agricultural and Food Act of 1981 (as amended by the Food Security Act of 1985)
The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill)
Cotton Statistics and Estimates Act of 1927
The Mandatory Price Reporting Act of 2010
Peanut Statistics Act
Naval Stores Act
Tobacco Inspection Act of 1935
U.S. Cotton Futures Act

The AMS Market News service collects, analyzes, and disseminates market information to the public for numerous agricultural commodities, including cotton, cottonseed, and tobacco; dairy products; fruits, vegetables and ornamentals; livestock, meat, grains, poultry and eggs; organic products. Market information covers local, regional, national, and international markets and includes current data on supply, movement, contractual agreements, inventories, and prices for agricultural commodities. Market News data provides producers and marketers of farm products and those in related industries with timely, accurate, and unbiased market information that assists them in making the critical daily decisions of where and when to sell, and at what price; thereby enhancing competitiveness and helping to increase the efficiency of agricultural marketing systems.

Federal and State reporters obtain market information, which AMS experts analyze, compile, and immediately disseminate to the agricultural community, academia, and other interested parties. National information is integrated with local information and released in a form easily understood by the industry and locality served. Electronic access through internet-released market news reports and e-mail subscriptions makes Market News information quickly and widely available. The Market News Portal offers data in the format requested by the user such as customized reports, graphs, and dashboards.

2. Shell Egg Surveillance and Standardization:

These programs are authorized by the following statutes:

Egg Products Inspection Act
Agricultural Marketing Act of 1946

- a. Shell Egg Surveillance: AMS supports egg marketing by ensuring that cracked, leaking, or other types of “loss” (restricted) eggs are diverted from table egg consumption and by verifying that marketed eggs have a quality level of at least U.S. Consumer Grade B. AMS conducts this program, in cooperation with State Departments of Agriculture, to ensure that shell egg handling operations are inspected at least four times annually and hatcheries are inspected at least once each year to control the disposition of certain types of

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under grade and restricted eggs. This program diverts eggs that are not at least U.S. Consumer Grade B-- and which cannot be sold in shell form--to egg breaking plants, which reassures buyers and supports efficient markets.

- b. Standards Development: AMS develops, reviews, and maintains agricultural commodity standards that describe product quality attributes such as taste, color, texture, yield, weight, and physical condition for use in the trading of agricultural commodities. These standards provide a common language for buyers and sellers of commodities and are widely used by the agricultural industry in domestic and international trading, futures market contracts, and as a benchmark for purchase specifications in most private contracts. AMS grade standards are the basis for AMS Market News reports, grading services for cotton, milk and dairy products, eggs, fresh and processed fruits and vegetables, livestock, meat, olive oil, peanuts, poultry, rabbits, tobacco, and Federal commodity procurement. To support international markets, AMS provides technical expertise to international standards organizations to protect the interests of U.S. agricultural producers.

3. Market Protection and Promotion Programs:

AMS administers programs under several laws that stimulate innovative and improved commodity marketing, residue information to ensure proper marketing practices, and provide assistance to industry-sponsored activities.

In the administration of market protection and promotion activities, AMS operates under the following authorities:

Agricultural Marketing Act of 1946
Beef Promotion and Research Act of 1985
Capper-Volstead Act
Cotton Research and Promotion Act
Commodity Promotion, Research, and Information Act of 1996
Dairy Production Stabilization Act of 1983
Egg Research and Consumer Information Act
Export Apple Act
Export Grape and Plum Act
Farm Security and Rural Investment Act of 2002
Federal Seed Act
Fluid Milk Promotion Act of 1990
Food, Conservation, and Energy Act of 2008
Food Quality Protection Act of 1996
Hass Avocado Promotion, Research, and Information Act of 2000
Honey Research, Promotion and Consumer Information Act
Mushroom Promotion, Research and Consumer Information Act of 1990
Organic Foods Production Act of 1990
Peanut Promotion, Research and Information Order
Popcorn Promotion, Research, and Consumer Information Act
Potato Research and Promotion Act
Pork Promotion, Research and Consumer Information Act of 1985
Soybean Promotion, Research and Consumer Information Act
Specialty Crops Competitiveness Act of 2004
Watermelon Research and Promotion Act

- a. Pesticide Data Program (PDP): Established under authority of the Agricultural Marketing Act of 1946 and the 1996 Food Quality Protection Act, PDP develops and communicates comprehensive, statistically-reliable information on pesticide residues in food to improve Government dietary risk assessments. This program provides data on a continual basis to the Environmental Protection Agency (EPA) for use in the pesticide registration process and to other Federal and State agencies for use in determining policies

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intended to safeguard public health. The program particularly focuses on the foods most likely consumed by children in addition to pesticide residue data for population-wide dietary risk assessments. The pesticide residue data collected by the program enhances the competitiveness of farm economies by supporting the use of safer crop protection methods and supports marketing by providing information that can be used to re-assure consumers concerned about pesticides. To ensure integrity and the high degree of quality required for dietary risk assessment procedures, PDP's standard operating procedures parallel EPA's Good Laboratory Practice guidelines. Information on significant findings is reported to the Food and Drug Administration (FDA) for further action. This program is a cooperative effort between Federal agencies and is conducted by AMS through agreements with State agencies that provide sampling and testing services.

- b. National Organic Program (NOP): This program is authorized by the Organic Foods Production Act of 1990, which requires USDA to develop and maintain national standards governing the production and handling of agricultural products labeled as organic. AMS provides support to the National Organic Standards Board, reviews materials for the national list of allowed synthetic materials, and coordinates the enforcement and appeals process. The legislation also requires the program to examine and accredit State and private certifying agents who in turn ensure producers and handlers are in compliance with the national organic standards. AMS accredits foreign agents who certify products labeled organic for export to the U.S., and foreign governments that operate an organic accreditation program for organic exports to the U.S. which must be approved under a recognition agreement granted by USDA. This nationwide program increases the efficiency and enhances the competitiveness of domestic agricultural marketing for organic products. The 2014 Farm Bill amended the Organic Foods Production Act to provide funding to modernize NOP database and technology systems.

NOP administers the organic certification cost-share programs. The National Organic Certification Cost-Share Program was authorized by the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 6523(d)) and funded annually through 2018 by the Agricultural Act of 2014 (2014 Farm Bill), Sec. 10004(c) to offset up to 75 percent or \$750 of the certification costs incurred by organic producers and handlers. The Agricultural Management Assistance Program (7 U.S.C. 1524(b)) provides cost-share support for organic producers in 16 states which are: Connecticut, Delaware, Hawaii, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia and Wyoming.

- c. Federal Seed Program: The Federal Seed program is authorized by the Federal Seed Act and regulates agricultural and vegetable seed moving in interstate commerce. The program prohibits false labeling and advertising of seed, as well as the shipment of prohibited noxious-weed seed into a State. State seed inspectors are authorized to inspect seed subject to the Act and samples are routinely drawn by State seed inspectors to monitor seed sold commercially. Although intrastate infractions are subject to State laws, the violation is referred to AMS by the cooperating State agency should an inspection reveal infractions of the Federal Act. Based on the results of tests and investigations, AMS attempts to resolve each case administratively. For cases that cannot be resolved, AMS can initiate appropriate legal action.
- d. Country of Origin Labeling (COOL): The Agricultural Marketing Act (Act) requires retailers to notify their customers of the country of origin of covered commodities. Labeling requirements for fish and shellfish became mandatory during FY 2005, and AMS established an audit-based compliance program the following year to ensure that the public receives credible and accurate information on the country of origin of the fish and shellfish they purchase. In January 2009, USDA issued a final rule on mandatory COOL for all other covered commodities that became effective on March 16, 2009. The FY 2016 Omnibus Appropriations Act amended the Act to repeal the mandatory labeling requirements for beef and pork. The Act requires country of origin labeling for muscle cuts of lamb and ground lamb; farm-raised fish and shellfish; wild fish and shellfish; perishable agricultural commodities; peanuts, goat, chicken, ginseng, macadamia and pecan nuts. The law also requires method of production information (farm-raised or wild caught) for fish and shellfish to be noted at the final point of sale to consumers. The regulation outlines the labeling requirements for covered commodities and the recordkeeping requirements for retailers and suppliers. The program conducts retail surveillance reviews through cooperative agreements with state

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agencies. AMS trains Federal and State employees on enforcement responsibilities; responds to formal complaints; conducts supply chain audits; and develops educational and outreach activities for interested parties.

- e. Commodity Research and Promotion Programs: AMS provides oversight and direction to industry-funded and managed commodity research and promotion programs. The various research and promotion acts authorize the collection of an assessment from identified segments of the marketing chain which is used to broaden and enhance national and international markets for various commodities. Assessments to producers are most common; however, some programs assess processors, feeders, packers, handlers, importers, exporters, or other entities. These assessments are used to carry out research and promotional activities for cotton, dairy, fluid milk, beef, lamb, pork, soybeans, sorghum, eggs, blueberries, Hass avocado, honey, mango, mushrooms, peanuts, popcorn, potatoes, processed raspberries, softwood lumber, watermelon, paper and paper-based packaging. AMS is entrusted with oversight of research and promotion boards to ensure fiscal accountability, program integrity, and fair treatment of participating stakeholders. AMS reviews and approves commodity promotional campaigns – including advertising, consumer education programs, and other materials – prior to their use. AMS also approves the boards' budgets and marketing plans and is invited to attend meetings. Each research and promotion board fully reimburses AMS for the cost of implementing and overseeing its program.
- f. Sheep Production and Marketing Grant Program: The 2014 Farm Bill amends the Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.) to establish a competitive grant program to strengthen and enhance the production and marketing of sheep and sheep products in the U.S. The Farm Bill makes funding available for a grant to one or more national entities whose mission is consistent with the purpose of the program.

4. Transportation and Marketing:

Transportation and Market Development activities are authorized under the following statutes:

Agricultural Marketing Act of 1946
Agricultural Adjustment Act of 1938
Agricultural Trade and Assistance Act of 1954
Rural Development Act of 1972
International Carriage of Perishable Foodstuffs Act of 1982
The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill)
Farmer to Consumer Direct Marketing Act of 1976
American Taxpayer Relief Act of 2012

AMS monitors the agricultural transportation system (inland waterways, rail, truck, ocean bulk, and ocean containerized) and conducts market analyses that support decisions regarding the transportation of agricultural products domestically and internationally. This program assesses how the Nation's transportation system serves the agricultural and rural areas of the United States with necessary rail, barge, truck, and shipping services. AMS provides technical assistance to shippers and carriers and participates in transportation regulatory actions before various Federal agencies. In addition, AMS provides economic analyses and recommends improvements to domestic and international agricultural transportation for policy decisions.

AMS supports the development of agricultural markets through technical advice and assistance to States and municipalities that are interested in creating or upgrading wholesale market facilities, auction and collection markets, retail farmers markets, food hubs, and other direct or local markets. AMS also conducts feasibility studies in cooperation with the private sector, non-profit organizations, and other government agencies to evaluate and suggest efficient ways to handle and market agricultural commodities. AMS studies changes in the marketplace to assist States, localities, market managers/operators, and growers in making strategic decisions for future business development.

Farmers Market and Local Food Promotion Program: This program was created through amendments of the Farmer-to-Consumer Direct Marketing Act of 1976. The 2008 Farm Bill made resources available for the

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Farmers Market Promotion Program to provide grants targeted to help improve and expand domestic farmers markets, roadside stands, community-supported agriculture programs, agritourism activities, and other direct producer-to-consumer market opportunities. The 2014 Farm Bill expanded the program to assist in the development of local food business enterprises and funded the expanded program through 2018. The purpose of the Farmers Market and Local Food Promotion Program is "...to increase domestic consumption of and access to locally and regionally produced agricultural products, and to develop new market opportunities for farm and ranch operations serving local markets..." Entities eligible to apply for grants include agricultural cooperatives, producer networks, producer associations, local governments, nonprofit corporations, public benefit corporations, economic development corporations, regional farmers' market authorities, Tribal governments, and local and regional food business enterprises.

5. Payments to States and Possessions:

- a. Federal-State Marketing Improvement Program (FSMIP): FSMIP is authorized by the Agricultural Marketing Act of 1946, which gives USDA the authority to establish cooperative agreements with State departments of agriculture or similar State agencies to improve the efficiency of the agricultural marketing chain. AMS provides matching funds on a competitive basis to State departments of agriculture, State agricultural experiment stations, and other State agencies, to assist in exploring new market opportunities for U.S. food and agricultural products, and to encourage research and innovation aimed at improving the efficiency and performance of the agriculture commodities marketing system. State agencies may perform the work or contract with others, but must contribute at least one-half of the cost of the projects. This program has funded many types of projects, such as electronic marketing and agricultural product diversification.
- b. Specialty Crop Block Grant Program (SCBGP): Section 101 of the Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621) authorized USDA to provide State assistance for specialty crops, and the 2014 Farm Bill through 2018. AMS administers this program by awarding grants to State departments of agriculture to enhance the competitiveness of fruits and vegetables, tree nuts, nursery crops (including floriculture), and horticulture. AMS provides guidance and assistance to States in developing plans; submitting applications; and meeting the administrative, reporting, and audit requirements involved in managing a funded project. AMS also establishes internal review and evaluation procedures for applications and State plans, and participates in workshops, conferences, and other forums to facilitate interaction among States, USDA representatives, and industry organizations. AMS established standardized national outcome measures to demonstrate the program's performance toward fulfilling its statutory purpose. After a grant is awarded, AMS reviews annual performance reports, final reports, audit results, and final financial statements; posts final performance reports on the SCBGP website; and disseminates project findings at appropriate meetings and conferences.

6. Commodity Grading, Verification, and Plant Variety Protection:

These programs are authorized by the following statutes:

Agricultural Marketing Act of 1946
Farm Security and Rural Investment Act of 2002
Wool Standards Act
Cotton Statistics and Estimates Act of 1927
U.S. Cotton Futures Act
United States Cotton Standards Act
Naval Stores Act
Produce Agency Act of 1927
Specialty Crops Competitive Act of 1994
Tobacco Inspection Act of 1935
Tobacco Statistics Act
Plant Variety Protection Act

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- a. Grading, Certification, and Audit Verification: The grading process involves the application or verification of quality standards for agricultural commodities. AMS provides grading and certification services on agricultural commodities for which developed standards are available. AMS certification services provide assurance to buyers that the products they receive are the quantity and quality specified in their contract with the seller. AMS provides acceptance and condition inspection services for all agricultural commodities upon request. These services facilitate efficient marketing by permitting purchasers to buy commodities without having to personally inspect them and by providing an impartial evaluation of the quality of products prior to their sale. AMS certificates are also used as evidence of quality and condition in a court of law to settle commercial disputes. AMS offers production and quality control system audits (audit verification services) that reduce costs and assist the industry in making various marketing claims about their products. AMS also provides export certification services for a number of commodities, including seed. Grading, certification, and audit verification activities are performed by Federal employees or Federally-supervised State employees on a fee-for-service basis.
- b. Plant Variety Protection Program: This program is authorized by the Plant Variety Protection Act, which encourages the development of novel varieties of sexually reproduced or tuber propagated plants by providing intellectual property rights protection to the developer. The program, funded by user fees, verifies the uniqueness of variety and issues certificates that assure developers exclusive rights to sell, reproduce, import, or export such varieties, or to use them in the production of hybrids or different varieties, for a period of 20 years for most species and 25 years for woody plants.

7. Perishable Agricultural Commodities Act Program:

This program is carried out under the Perishable Agricultural Commodities Act (PACA) and the Produce Agency Act (PAA) and is funded by license fees. These Acts are designed to: (1) protect producers, shippers, distributors, and retailers from loss due to unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products handled for others. Commission merchants, dealers, and brokers handling fresh and frozen fruits and vegetables in interstate and foreign commerce must obtain a PACA license and abide by the fair trading practices established by the PACA. Traders who have been found to have committed unfair trade practices face license suspension or revocation and may be required to post surety bonds before resuming operations. To increase protection and avert financial losses to growers and licensed firms, the PACA was amended in 1984 to create a statutory trust. Sellers of fruits and vegetables who have not been paid are secured under this legislation until full payment is made. Complaints of violations are investigated and resolved through: (1) informal agreement between the two parties; (2) formal decisions involving payments to injured parties; (3) suspension or revocation of license; and (4) publication of the facts. Any interested party or group may request AMS assistance in settling disputes under the PACA.

8. Strengthening Agricultural Markets and Producer Income (Section 32):

Section 32 of the Act of August 24, 1935, (7 U.S.C. 612c) made available an appropriation equal to 30 percent of gross customs receipts collected during each preceding calendar year to encourage the domestic consumption or exportation of agricultural commodities. An amount equal to 30 percent of receipts collected on fishery products is transferred to the Department of Commerce's National Marine Fisheries Service. Section 14222 of the 2008 Farm Bill established an annual amount that can be retained from these funds for Section 32 activities, with the remaining funds transferred to the Food and Nutrition Service (FNS) for Child Nutrition Programs.

- a. Commodity Purchases and Diversions: AMS purchases non-price supported commodities such as meats, fish, fruits, vegetables, poultry and egg products, grains and bakery products, dairy products (including cheese), and oilseed products like peanut butter and sunflower seed oil in order to stabilize market conditions pursuant to Section 32, and in support of entitlement program needs within USDA. The 2002 and 2008 Farm Bills established minimum levels of specialty crop purchases. All purchased commodities are distributed by FNS to schools, as part of the entitlement for the National School Lunch Program, or to other domestic nutrition assistance programs. AMS also provides purchasing services to FNS to supply food to recipients in nutrition assistance programs and is reimbursed for the administrative costs associated

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with these purchases (Economy Act, 31 U.S.C. 1535) and contract management of the national warehouses serving USDA's Food Distribution Programs on Indian Reservations (FDPIR) and the Commodity Supplemental Food Program (CSFP).

Section 32 of the Act of August 24, 1935, authorizes the Secretary of Agriculture, through payments or indemnities, to encourage the domestic consumption of agricultural commodities or products by persons in low income groups, and to re-establish farmers' purchasing power in connection with the normal production of agricultural commodities. In addition to commodities purchased for distribution, support to growers and producers may also be accomplished through commodity diversion. The diversion program under Section 32 provides an alternative means of support to markets that are experiencing adverse economic conditions. Section 32 authority also allows USDA to finance the removal of defective commodities and to purchase foods for disaster relief (in Presidentially-declared domestic disasters under the Stafford Act).

- b. Marketing Agreements and Orders: The Marketing Agreements and Orders Program are authorized by the Agricultural Marketing Agreement Act of 1937. The program was established to assist farmers, milk producers, and handlers by allowing them to collectively work to solve marketing challenges. These instruments are designed to stabilize market conditions and improve the returns for fluid milk and fruit and vegetable producers. AMS oversees these various activities to ensure that they operate in the public interest and within legal parameters.

Marketing agreements and orders: (1) establish minimum prices that handlers pay to dairy producers; (2) regulate the quality and quantity of fruits and vegetables sold in commercial channels; and (3) provide for market development and promotion (including paid advertising). A majority of the currently active Federal marketing order programs for fruits and vegetables include minimum grade requirements. The standards used by our programs include characteristic qualities as well as criteria related to food safety (e.g., lack of mold, insects, foreign material, etc.). Presently, there are 38 active specialty crop marketing agreement and order programs covering 28 commodities, and 10 milk marketing orders. Proposed orders are subject to approval by producers of the regulated commodity. Section 32 funds authorized annually through the Appropriations Bill, are used by AMS for administering the Marketing Agreements and Orders Program at the national level, and to conduct public hearings and referenda to determine producer sentiment concerning new programs and proposed revisions of marketing orders already in effect. Program activities and administration at the local level are financed through handler assessments.

Geographic Dispersion of Offices and Employees:

Most of AMS' field offices are located to facilitate Market News data collection (near markets) or where needed to provide fee-funded grading, verification, and certification services to the agricultural industry (near customers). AMS regularly assesses, and when indicated, opens, relocates, or closes field offices to improve service delivery and reduce operational costs.

As of September 30, 2015, AMS had 2,432 employees, of whom 1,841 were permanent full-time and 591 were other than permanent full-time employees. Approximately 79 percent of AMS' employees are assigned to field offices. Of the 1,912 employees assigned to field office locations, 1,331 were permanent full-time and 581 were other-than permanent full-time employees.

Schedule A (Milk Market Administrator) employees as of September 30, 2015, totaled 357, of which 318 were permanent full-time and 39 were other than permanent full-time employees.

Office of Inspector General (OIG) Audits Completed:

#50601-002-23	12/9/2015	Evaluation of USDA's Process Verified Programs
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OIG Audits – In Progress:

#01601-0001-41	AMS Procurement & Inspection of Fruits & Vegetables
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Government Accountability Office (GAO) Audits Completed:

None

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Available Funds and Staff Years (SYs)

(Dollars in thousands)

Item	2014 Actual		2015 Actual		2016 Enacted		2017 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Agricultural Marketing Service								
Marketing Services, Discretionary	\$79,914	363	\$81,192	371	\$81,223	402	\$81,933	402
Payments to States and Possessions, Discretionary	1,363	1	1,235	1	1,235	1	1,235	1
Rescission.....	0	-	-	-	-	-	-	-
Sequestration.....	0	-	-	-	-	-	-	-
Adjusted Appropriations, Discretionary	81,277	364	82,427	372	82,458	403	83,168	403
Congressional Relations Transfer In.....	102	-	102	-	-	-	-	-
Working Capital Fund Transfer Out.....	-200	-	-	-	-	-	-	-
Total Available, Discretionary	81,179	364	82,529	372	82,458	403	83,168	403
Farm Bill Initiatives:								
Farmers Market Promotion Program.....	15,000	2	15,000	4	15,000	3	15,000	3
Local Foods Promotion Program.....	15,000	2	15,000	4	15,000	3	15,000	3
Specialty Crop Block Grants.....	72,500	3	72,500	7	72,500	8	72,500	8
Modernization Technology Upgrade - Organic.....	5,000	-	-	2	-	1	-	1
Organic Production & Marketing Data	3,500	-	-	-	-	-	-	-
Sheep Production and Marketing.....	1,500	-	-	-	-	-	-	-
National Organic Cost Share.....	11,500	-	11,500	2	11,500	2	11,500	2
AMA Organic Cost Share, Mandatory.....	1,500	-	1,000	-	1,000	-	1,000	-
Sequestration.....	-4,068	-	-8,396	-	-7,820	-	-	-
Total, Farm Bill Initiatives, Mandatory.....	121,432	7	106,605	19	107,180	17	115,000	17
Permanent Appropriations, Mandatory:								
Funds for Strengthening Markets, Income, and Supply (Sec. 32)	9,211,183	149	9,714,923	152	10,316,645	172	10,929,841	172
Rescission	-189,000	-	-121,094	-	-215,636	-	-311,000	-
Sequestration.....	-79,703	-	-81,906	-	-77,384	-	-	-
Recoveries of Prior Year Obligations	2,283	-	750	-	-	-	-	-
Offsetting Collections	14,779	-	10,397	-	-	-	-	-
Available Authority from Previously Precluded								
Balances, Start of Year	313,530	-	187,486	-	223,344	-	125,000	-
Transfers Out ^{a/}	-8,299,713	-	-8,658,409	-	-9,276,989	-	-9,776,841	-
Unavailable Resources, End of Year	-187,486	-	-223,344	-	-125,000	-	-125,000	-
Subtotal, Permanent Appropriations, Mandatory.....	785,873	149	828,803	152	844,980	172	842,000	172
Total, AMS Appropriations.....	988,484	520	1,017,937	543	1,034,618	592	1,040,168	592
Obligations Under Other USDA Appropriations:								
Food & Nutrition Service for Commodity								
Procurement Services (Sec. 32).....	1,309	9	4,335	8	4,602	31	4,602	31
Miscellaneous Reimbursements.....	-	-	-	-	-	-	-	-
Total, Other USDA.....	1,309	9	4,335	8	4,602	31	4,602	31
Total, Agricultural Marketing Service Appropriations	989,793	529	1,022,271	551	1,039,220	623	1,044,770	623
Non-Federal Funds:								
Perishable Agricultural Commodities Act Fund, Mandatory	10,035	63	9,589	64	10,279	77	10,375	77
Reimbursable work:								
Research and Promotion Boards.....	3,953	24	4,695	24	4,473	27	4,501	27
Fees for Grading of Cotton and Tobacco	43,090	331	44,928	339	60,982	418	61,227	418
Grading of Farm Products for Producers, Processors, and Municipal, State and Federal Agencies	158,334	1,243	154,151	1,231	155,357	1,351	156,969	1,351
Wool Research, Development, and Promotion	2,203	-	2,248	-	2,097	-	2,250	-
Total, Non-Federal Funds	217,615	1,661	215,612	1,658	233,188	1,873	235,322	1,873
Total, Agricultural Marketing Service	1,207,408	2,190	1,237,883	2,209	1,272,408	2,496	1,280,092	2,496
Schedule A Staff Years		348		348		359		359

^{a/} Includes the transfers to the Food and Nutrition Service (FNS), the Commerce Department, and the Fresh Fruit and Vegetable Program administered by FNS.

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Permanent Positions by Grade and Staff Year Summary

Item	2014 Actual			2015 Actual			2016 Enacted			2017 Estimate		
	Wash.		Total	Wash.		Total	Wash.		Total	Wash.		Total
	D.C.	Field		D.C.	Field		D.C.	Field		D.C.	Field	
SES.....	11	1	12	11	1	12	11	1	12	11	1	12
GS-15.....	41	3	44	46	3	49	44	3	47	44	3	47
GS-14.....	86	34	120	87	33	120	79	41	120	79	41	120
GS-13.....	152	98	250	154	110	264	141	104	245	141	104	245
GS-12.....	99	160	259	98	177	275	70	159	229	70	159	229
GS-11.....	39	155	194	38	144	182	35	142	177	35	142	177
GS-10.....	2	12	14	1	12	13	1	11	12	1	11	12
GS-9.....	26	459	485	34	448	482	24	441	465	24	441	465
GS-8.....	10	259	269	9	248	257	8	253	261	8	253	261
GS-7.....	12	155	167	14	190	204	11	276	287	11	276	287
GS-6.....	7	62	69	9	52	61	6	53	59	6	53	59
GS-5.....	5	49	54	6	67	73	5	130	135	5	130	135
GS-4.....	2	8	10	3	9	12	3	63	66	3	63	66
GS-3.....	-	-	-	-	-	-	-	12	12	-	12	12
GS-2.....	-	-	-	-	-	-	-	-	-	-	-	-
GS-1.....	-	-	-	-	-	-	-	2	2	-	2	2
Ungraded Positions.....	-	7	7	-	7	7	-	1	1	-	1	1
Total Perm. Positions without Schedule A.....	492	1,462	1,954	510	1,501	2,011	438	1,692	2,130	438	1,692	2,130
Unfilled, EOY.....	-	160	160	-	170	170	-	-	-	-	-	-
Total, Perm. Full-Time Employment, EOY.....	492	1,302	1,794	510	1,331	1,841	438	1,692	2,130	509	1,692	2,130
Staff Year Est.....	632	1,558	2,190	637	1,572	2,209	680	1,816	2,496	680	1,816	2,496
Schedule A Staff Years.....	12	336	348	12	336	348	12	347	359	12	347	359

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SIZE, COMPOSITION AND COST OF MOTOR VEHICLE FLEET

The estimated number of passenger motor vehicles available for 2017 is the minimum necessary to maintain essential services of AMS programs. These vehicles are used to provide necessary services such as: 1) traveling to places which in most cases are not accessible by common carriers, such as farms, market terminals, offices of product dealers and truckers, processing plants, canneries, stockyards, cotton gins, and compress operators; 2) carrying special grading and testing equipment used for inspecting and grading commodities and for performing other work required under the Agricultural Marketing Act of 1946; U.S. Cotton Standards Act; Cotton Statistics and Estimates Act; Tobacco Inspection Act; and Dairy and Tobacco Adjustment Act; and 3) carrying boxes of cotton standards types to use in classing work and demonstration at farmers' meetings. AMS only replaces passenger vehicles that have mileage of at least 60,000 or are six or more years of age, in accordance with standards prescribed by the General Services Administration (GSA). Additional passenger vehicles are requested when the forecasted workload is of such a nature and volume that the number of existing passenger vehicles will not be adequate for program needs.

Changes to the motor vehicle fleet. AMS does not anticipate increasing the fleet of passenger motor vehicles for 2017.

Replacement of passenger motor vehicles. AMS plans to replace 2 of the 29 passenger motor vehicles in operation in 2017.

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

Size, composition and cost of agency motor vehicle fleet as of September 30, 2015, are as follows:

Fiscal Year	Number of Vehicles by Type *							Annual Operating Costs (\$ in 00) **	
	Sedans and Station Wagons	Light Trucks, SUVs and Vans		Medium Duty Vehicles	Ambulances	Buses	Medium size Vehicles		Total Number of Vehicles
		4X2	4X4						
2014	174	74	2	0	0	0	3	253	1,261
Change	+9	-1	+2	0	0	0	-1	+9	-94
2015	183	73	4	0	0	0	2	262	1,167
Change	0	0	0	0	0	0	0	0	0
2016	183	73	4	0	0	0	2	262	1,167
Change	0	0	0	0	0	0	0	0	0
2017	183	73	4	0	0	0	2	262	1,167

* Numbers include vehicles that are owned by the Agency and leased from commercial sources or GSA.

** Excludes acquisition costs and gains from the sale of vehicles as shown in OMB Motor Vehicle FAST Database.

AGRICULTURAL MARKETING SERVICE

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

Marketing Services

For necessary expenses of the Agricultural Marketing Service [~~\$81,223,000~~] \$81,933,000: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building.

Fees may be collected for the cost of standardization activities, as established by regulation pursuant to law (31 U.S.C. 9701).

Lead-Off Tabular Statement

Budget Estimate, 2017.....	\$81,933,000
2016 Enacted.....	<u>81,223,000</u>
Change in Appropriation	<u>+710,000</u>

Summary of Increases and Decreases (Dollars in thousands)

Program	2014 Actual	2015 Change	2016 Change	2017 Change	2017 Estimate
Discretionary Appropriations:					
Market News	\$33,170	-\$682	+\$731	+\$440	\$33,659
Surveillance and Standards	7,708	-174	-	+52	7,586
Market Protection and Promotion	31,843	-67	-700	+160	31,236
Transportation and Market Development	7,193	+924	-	+58	8,175
GSA Rent & DHS Security.....	-	+1,277	-	-	1,277
Total	79,914	+1,278	+31	+710	81,933

AGRICULTURAL MARKETING SERVICE

Marketing Services

Project Statement

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

Program	<u>2014 Actual</u>		<u>2015 Actual</u>		<u>2016 Enacted</u>		<u>Inc. or Dec.</u>		<u>2017 Estimate</u>		
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Appropriations:											
Market News Service.....	\$33,170	213	\$32,488	214	\$33,219	229	+\$440	(1)	-	\$33,659	229
Shell Egg Surveillance and Standardization:											
Shell Egg Surveillance.....	2,732	8	2,563	7	2,563	7	+5	(2)	-	2,568	7
Standardization.....	4,976	32	4,971	34	4,971	35	+47	(3)	-	5,018	35
Total, Surveillance and Standardization.....	7,708	40	7,534	41	7,534	42	+52		-	7,586	42
Market Protection and Promotion:											
Federal Seed Act.....	2,455	14	2,299	14	2,299	18	+26	(4)	-	2,325	18
Country of Origin Labeling.....	5,015	16	4,718	15	4,718	16	+26	(5)	-	4,744	16
Pesticide Data.....	15,347	15	15,739	16	15,039	17	+34	(6)	-	15,073	17
National Organic Standards.....	9,026	35	9,020	43	9,020	43	+74	(7)	-	9,094	43
Total, Market Protection and Promotion.....	31,843	80	31,776	88	31,076	94	+160		-	31,236	94
Transportation and Market Development.....											
Development.....	7,193	30	8,117	28	8,117	37	+58	(8)	-	8,175	37
GSA Rent & DHS\Security.....	-	-	1,277	-	1,277	-	-		-	1,277	-
Total Adjusted Appropriation.....	79,914	363	81,192	371	81,223	402	+710		-	81,933	402
Rescissions and Sequestration (Net).....	-	-	-	-	-	-	-		-	-	-
Total Appropriation.....	79,914	363	81,192	371	81,223	402	+710		-	81,933	402
Transfers In:											
Congressional Relations.....	102	-	102	-	-	-	-		-	-	-
Transfers Out:											
Working Capital Funds.....	-200	-	-	-	-	-	-		-	-	-
Rescission.....	-	-	-	-	-	-	-		-	-	-
Sequestration.....	-	-	-	-	-	-	-		-	-	-
Total Available.....	79,816	363	81,294	371	81,223	402	+710		-	81,933	402
Lapsing Balances.....	-1,067	-	-988	-	-	-	-		-	-	-
Total Obligations.....	78,749	363	80,306	371	81,223	402	+710		-	81,933	402

AGRICULTURAL MARKETING SERVICE

Marketing Services

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2014 Actual		2015 Actual		2016 Enacted		Inc. or Dec.		2017 Estimate		
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	
Discretionary Obligations:											
Market News Service.....	\$32,566	213	\$32,053	214	\$33,219	229	+\$440	(1)	-	\$33,659	229
Shell Egg Surveillance and Standardization:											
Shell Egg Surveillance.....	2,719	8	2,499	7	2,563	7	+5	(2)	-	2,568	7
Standardization.....	4,959	32	5,085	34	4,971	35	+47	(3)	-	5,018	35
Total, Surveillance and Standardization.....	7,678	40	7,584	41	7,534	42	+52	-	-	7,586	42
Market Protection and Promotion:											
Federal Seed Act.....	2,225	14	2,254	14	2,299	18	+26	(4)	-	2,325	18
Country of Origin Labeling.....	5,000	16	4,492	15	4,718	16	+26	(5)	-	4,744	16
Pesticide Data.....	15,346	15	15,767	16	15,039	17	+34	(6)	-	15,073	17
National Organic Standards.....	8,947	35	8,968	43	9,020	43	+74	(7)	-	9,094	43
Total, Market Protection and Promotion.....	31,518	80	31,481	88	31,076	94	+160	-	-	31,236	94
Transportation and Market Development:											
Development.....	6,987	30	7,911	28	8,117	37	+58	(8)	-	8,175	37
GSA Rent & DHS/Security.....	-	-	1,277	-	1,277	-	-	-	-	1,277	-
Total Obligations.....	78,749	363	80,306	371	81,223	402	+710	-	-	81,933	402
Lapsing Balances.....	1,067	-	988	-	-	-	-	-	-	-	-
Total Available.....	79,816	363	81,294	371	81,223	402	+710	-	-	81,933	402
Transfers In:											
Congressional Relations.....	-102	-	-102	-	-	-	-	-	-	-	-
Transfers Out:											
Working Capital Funds.....	200	-	-	-	-	-	-	-	-	-	-
Rescission.....	-	-	-	-	-	-	-	-	-	-	-
Sequestration.....	-	-	-	-	-	-	-	-	-	-	-
Total Appropriation.....	79,914	363	81,192	371	81,223	402	+710	-	-	81,933	402

AGRICULTURAL MARKETING SERVICE

Marketing Services

Justifications of Increases and Decreases

For FY 2017, AMS requests funding for Marketing Services programs at the FY 2016 enacted level plus \$710,000 for pay costs.

(1) An increase of \$440,000 for Market News (\$33,219,000 and 229 staff years available in 2016).

Access to market information is crucial to fair and efficient markets; therefore, USDA strongly supports maintaining a robust Market News program. AMS Market News reports encompass a wide variety of domestic and international market data that enable producers to respond to changing market conditions. Continued availability of market sales and price information is essential to many stakeholders across a broad range of commodities. The Market News Program provides data on cotton, dairy, fruits, vegetables, specialty crops, livestock, grain, and poultry, disseminating data within hours of collection and making information available through distribution channels with a high degree of transparency. Market News information provides information to farmers, producers, buyers, and sellers across the agricultural industry, and it is particularly vital to smaller businesses and beginning farmers who need basic market information. The Market News program will continue reporting information that market participants – especially those in smaller, rural markets – depend on to make informed business decisions. The program will provide continued services to agricultural industry stakeholders with specialty reports that facilitate trade and contracting so that critical information remains available to assist producers, merchants, and other stakeholders.

AMS responds to evolving markets and products by expanding its services to meet the information needs of the public. Recent example of these new reports and services are:

- Expanded reporting of local and regional markets (auctions, farmers markets, etc),
- New reports on traditional products, but with specific attributes, such as grass fed beef
- New bioenergy reports on a regional basis

Continued availability of market information is critical to increase agricultural opportunities by providing data about new markets and support a competitive agricultural system. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- AMS reports encompass a wide variety of domestic and international market data that enable producers to respond to changing market conditions. Data is disseminated within hours of collection and made available through distribution channels with a high degree of transparency.
- The Market News Program provides data on cotton, dairy, fruits, vegetables, specialty crops, livestock, grain, and poultry.
- Stoppages or cutbacks in the program interrupt information needed across the agricultural industry.
- AMS reports are commonly used as a reliable price tool in marketing contracts, as well as in dispute resolution.

Base funding supports ongoing services and continued efforts to enhance and expand the information products that the Program provides to the public, as well as improving the ways in which information and data products are stored and delivered. AMS is developing a digital database to provide large sets of multi-year market news data to users in a common format. The Agency will continue to harmonize and merge several market news information databases into one unified database and data capture system (the Market Analysis Reporting Services, or MARS), which will simplify public access to and maintenance of market news data. These efforts require innovation in the way vital market information is captured and disseminated. AMS is developing new strategies to collect and report information and explore ways to repackage its current data to be even more useful to industry partners and data users.

AGRICULTURAL MARKETING SERVICE

The Agency partners with other key USDA data agencies, as well as with key stakeholders and secondary disseminators, identify ways to more efficiently and reliably capture data and make this data publically available in the manner that best meets the needs of customers. AMS also partners with other groups or institutions with similar duties through Cooperative agreements. These partners include states, other agencies and groups such as the Market Information Organization of the Americas (MIOA) and other institutions to harmonize efforts and capture additional data to make it available to the public on a regional and national level. This will provide important information about the value of food in local and regional food systems, international markets of importance, and will help producer's access appropriate risk management and other resources. AMS will review and adapt emerging tools for information capture and dissemination to better meet customers' information needs. The Agency will develop the most effective means to collect data for small direct marketers and make this data publically available. Funds will be used for salaries and benefits for 229 staff years, site travel, outreach, and data management systems necessary to collect, analyze, and make available large quantities of information, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports the AMS objective to increase market opportunities for American agriculture through analysis of domestic and international market information and data and the USDA strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The funding change is requested for the following item:

- a. An increase of \$440,000 for pay costs (\$80,000 for annualization of the 2016 pay increase and \$360,000 for the 2017 pay increase).
- (2) An increase of \$5,000 for the Shell Egg Surveillance Program (\$2,563,000 and 7 staff years available in 2016).

The Shell Egg Surveillance Program inspects registered shell egg packing facilities a minimum of four times annually and hatcheries once annually. The program monitors the disposition of restricted eggs to limit the number of restricted eggs in consumer channels. Stoppages in the program could disrupt markets for this product and endanger customer health. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- It prevents eggs not meeting minimum U.S. standards from entering the consumer marketplace so that only eggs fit for human consumption are available to consumers.
- As outlined by Congress upon passage of the Egg Products Inspections Act (EPIA), the "lack of effective regulation for the handling or disposition of unwholesome, otherwise adulterated, or improperly labeled or packaged egg products and certain qualities of eggs is injurious to the public welfare and destroys markets for wholesome, not adulterated, and properly labeled and packaged eggs and egg products and results in sundry losses to producers and processors, as well as injury to consumers."

Through the base funding, the program will begin updating operations to capture detailed information regarding firms that fail to comply with regulations, ensure that all inspectors obtain consistent training, and enable inspectors to enter information directly and immediately to reduce operational cost and administrative timelines to process violations and achieve compliance.

Funds will be used for salaries and benefits for 7 staff years, supervisory travel, and agreements with cooperating State agencies, or for AMS inspectors. The program cross-utilizes grading personnel to conduct inspections where State personnel are not available.

These funds support the AMS objective to safeguard the quality and wholesomeness of agricultural products and the USDA strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

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The funding change is requested for the following items:

- a. An increase of \$5,000 for pay costs (\$1,000 for annualization of the 2016 pay increase and \$4,000 for the 2017 pay increase).

- (3) An increase of \$47,000 for Standardization (\$4,971,000 and 35 staff years available in 2016).

Base funds for Standardization will fund continued development, review, and maintenance of agricultural commodity standards that describe product quality attributes for trade purposes. Standards describe product quality attributes such as taste, color, tenure, yield weight, and physical condition. AMS continually reviews the effectiveness of standards in domestic trading and provides technical guidance on standards to several international organizations. Stoppages or cutbacks in the program could interrupt domestic and international markets. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- Agricultural commodity standards and product descriptions provide a common language for buyers and sellers of commodities.
- USDA standards are widely used by the agricultural industry in trading, futures market contracts, and in purchase specifications in most private contracts.
- AMS' Standardization Program supports the development of international standards to facilitate trade of agricultural commodities and protect the interests of American agricultural producers.
- Access to international markets helps build financial sustainability for U.S. producers.

The funding increase will allow program experts to participate in domestic and international standards development, support of U.S. agriculture interests in international markets, ensure timely development of U.S. standards. The program will be able to produce the needed level of cotton grade standards, update honey standards, and provide the training and equipment as needed to keep personnel and technology up-to-date.

Funds will be used for salaries and benefits for 35 staff years, customer outreach, participation in international standards-setting forums, rent, utilities, communications, and indirect AMS and USDA costs.

A fundamental element of the agricultural marketing infrastructure, AMS Standardization supports AMS' objective to develop international and domestic commodity standards to facilitate global trade and economic growth and USDA's strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The funding change is requested for the following item:

- a. An increase of \$47,000 for pay costs (\$12,000 for annualization of the 2016 pay increase and \$35,000 for the 2017 pay increase).

- (4) An increase of \$26,000 for the Federal Seed Act Program (\$2,299,000 and 18 staff years available in 2016).

The Federal Seed Program will continue to administer Federal Seed Act (Act) regulations on the interstate shipment of agricultural and vegetable seed. Stoppages or cutbacks to the program will interrupt compliance monitoring and investigation of seed in interstate commerce, harming growers. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

AGRICULTURAL MARKETING SERVICE

Within base funding, the program will work to eliminate delays in regulatory seed testing and labeling investigations so that prompt action can be taken when violations are identified. Federal Seed Act investigations will be conducted in a timely manner in order to resolve truth-in-labeling disputes on interstate shipments of seed. This will help companies to understand and fix the problems while seed is still being sold in interstate commerce, and promote compliance from other shipments of the same lot and or by the same company. The program will provide expert advice to seed industry professionals on seed testing and sampling that facilitates Federal Seed Act enforcement activities.

Continuation of the program is critical because:

- The program protects growers by enforcing regulations on labeling of seed shipped in interstate commerce that supply information for seed buyers and truthful advertising pertaining to seed, and by monitoring shipments of prohibited noxious weed seed into a State.
- The program helps promote uniformity among State laws and fair competition within the seed trade.

The Federal Seed Program collaborates with State seed inspectors who are authorized to inspect seed subject to the Act. Samples are routinely drawn by State inspectors to monitor seed sold commercially. They refer apparent violations of the Act to AMS' Federal Seed Program for investigation and appropriate action. AMS tests seed samples and resolves violations administratively or initiates legal action. AMS trains cooperators on violations of interstate shipments, provides expert advice, and implements seed testing procedures and technology. Funds will be used for salaries and benefits for 18 staff years, cooperator training, seed testing, cooperative agreements, data management, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports AMS' objective to safeguard the quality and wholesomeness of agricultural products and USDA's strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The funding change is requested for the following item:

- a. An increase of \$26,000 for pay costs (\$7,000 for annualization of the 2016 pay increase and \$19,000 for the 2017 pay increase).
- (5) An increase of \$26,000 for the Country of Origin Labeling (\$4,718,000 and 16 staff years available in 2016).

The Country of Origin Labeling (COOL) program will continue to conduct reviews of retail stores and suppliers to ensure a high level of compliance with labeling provisions for covered commodities. Stoppage or cutbacks in this program could result in reduced information for consumers.

The FY 2016 Omnibus Appropriations Act amended the Agricultural Marketing Act to eliminate country of origin labeling requirements for beef and pork, but origin labeling for all other covered commodities remains in effect. The program will continue education and compliance monitoring activities for all of the remaining covered commodities and address non-compliance as appropriate. Because the program conducts reviews and supplier audits at retail locations, the change is expected to have minimal impact on program operations or cost.

AMS works in collaboration with all 50 States to conduct retail surveillance activities for the COOL program. The program provides training to State cooperators and outreach to retailers and stakeholders. The COOL program will continue retailer education and outreach during retail reviews to strengthen compliance with labeling requirements. To ensure effective and efficient regulatory oversight, the program will provide State cooperator training and outreach to maintain full partnerships with cooperating State agencies and conduct follow up retail reviews for retailers in locations found with critical weaknesses. Effective program delivery is dependent on State cooperators.

In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

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Continuation of the program is critical because:

- The audit-based COOL compliance program ensures that the public receives credible, accurate information regarding the source of specific foods to enable more informed choices.
- COOL provisions of the Agricultural Marketing Act of 1946 require retailers to notify their customers of the country of origin of covered commodities.

These funds will be used for salaries and benefits for 16 staff years, supervisory travel, cooperative agreements with cooperating State agencies, compliance data tracking, outreach, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports AMS' objective to safeguard the quality and wholesomeness of agricultural products and USDA's strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The funding change is requested for the following item:

- a. An increase of \$26,000 for pay costs (\$7,000 for annualization of the 2016 pay increase and \$19,000 for the 2017 pay increase).
- (6) An increase of \$34,000 for the Pesticide Data Program (\$15,039,000 and 17 staff years available in 2016).

The Pesticide Data Program (PDP) will continue to test food commodities for pesticide residues and report program findings to support pesticide regulations and the marketing of U.S. commodities. PDP will deliver data for 22 of the top 24 children's commodities and continue to include the 10 States currently cooperating in the Program. Sampling by the 10 States currently covers 48 percent of the U.S. population. Stoppages or cutbacks in the program would reduce the data available for pesticide regulation and for consumers, and could disrupt international marketing. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- PDP develops and communicates comprehensive, statistically-reliable information on pesticide residues in food to improve Government dietary risk assessments.
- PDP is a trusted, expert source for data that the Environmental Protection Agency (EPA) depends upon when looking at dietary pesticide exposure, and is a critical component to verifying that all sources of exposure to pesticides meet U.S. safety standards.
- Because PDP's mission is to focus on testing foods, particularly foods most likely consumed by infants and children, to improve Government's ability to protect human health from pesticide risk, PDP plays a critical role in ensuring that America's children have access to safe, nutritious, and balanced meals.
- PDP also supports the global marketing of U.S. products, since pesticide data results are used in promoting exports of U.S. commodities.

The PDP manages the collection, analysis, and reporting of pesticide residues on agricultural commodities in the U.S. food supply, with an emphasis on commodities consumed by infants and children, through cooperation with State Departments of Agriculture and other Federal agencies. This program provides data on a continual basis to the EPA for use in the pesticide registration process and to other Federal and State agencies for use in determining policies intended to safeguard public health. Ultimately, if the EPA determines a pesticide is not safe for consumers, it is removed from the market. Over 99 percent of the products sampled through PDP had residues below the EPA tolerances. The PDP is not designed for enforcement of EPA pesticide residue tolerances, however AMS informs the U.S. Food and Drug Administration (FDA), which is responsible for enforcing EPA tolerances, if residues detected exceed the EPA tolerance or have no EPA tolerance established. The PDP pesticide residue results are reported monthly to FDA and EPA. In instances where a PDP finding is extraordinary and may pose a safety risk, FDA and EPA are immediately notified. This system of checks and balances provides Americans with the safest food supply in the world.

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PDP will deliver current data for 22 of the top 24 children's commodities by testing milk in 2017. This will provide EPA with data needed for pesticide re-registrations related to milk, the commodity most highly consumed by children. Sampling will continue in the 10 participating States and testing will continue in the seven participating State laboratories as well as the AMS National Science Laboratory. As resources allow, the program will replace aging laboratory equipment at the end of its 10-year service life to provide the best services possible to its customers.

The PDP tests a wide variety of domestic and imported foods using a sound statistical program and the most current laboratory methods. The PDP works with State agencies representing all regions of the country and approximately half of the U.S. population. These funds will be used for salaries and benefits for 17 staff years, agreements with cooperating State and Federal agencies for sampling and testing services, specialized testing equipment, data management, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports AMS' objective to increase market opportunities for American agriculture through analysis of domestic and international market information and data, and the USDA strategic goal to ensure that all of America's children have access to safe, nutritious, and balanced meals.

The funding change is requested for the following item:

- a. An increase of \$34,000 for pay costs (\$9,000 for annualization of the 2016 pay increase and \$25,000 for the 2017 pay increase).
- (7) An increase of \$74,000 for the National Organic Program (\$9,020,000 and 43 staff years available in 2016).

The National Organic Program (NOP) will continue to support the development and maintenance of national standards governing the production and handling of agricultural products labeled as organic. Because NOP assures consumers that organically produced products meet consistent standards and facilitates the expansion of organic markets, stoppages or cutbacks in the program would reduce consumer confidence in organic agricultural products and disrupt marketing nationally and internationally. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

This funding will enable the program to maintain complaint and appeal timelines and provide Technical reports needed by the National Organic Standards Board. NOP will continue its standards development activities, including priority rulemaking; continue to effectively oversee its third party accredited certifiers, including audits, compliance audits, and training; continue to maintain and expand international organic equivalency efforts; and continue to administer its compliance, enforcement, and appeals programs. NOP will also continue its technical and administrative support to the National Organic Standards Board, its communications and outreach work, its support for the USDA Organic Working Group and implement the Secretary's Guidance on organic agriculture.

The program will continue to support the needs of a variety of stakeholders in this growing market: USDA-accredited certifying agents; governments with which USDA holds and seeks organic trade agreements; certified organic farms and businesses; farms and businesses that are considering whether organic is an option for them; and members of the public that request the investigation of complaints related to organic market activities.

Continuation of the program is critical because:

- The USDA Organic seal is well-known by consumers, and organic certification gives producers an opportunity to receive a premium for their products.
- AMS is central to the success of the program, which depends on the integrity of the seal through standards enforcement.
- Organic agriculture creates jobs and expands opportunities for farms and businesses, and domestic consumer sales of organic products continue to exponentially increase.

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AMS continues to expand market access for organic farms and businesses. Today, the industry encompasses over 19,000 certified organic businesses and has grown to \$35 billion in annual U.S. retail sales. AMS ensures the integrity of organic agricultural products through consistent compliance enforcement and increased transparency. With accredited certifying agents worldwide, organic producers and processors can maintain their compliance with organic regulations. To expand marketing opportunities for both domestic producers and international partners, AMS evaluates and establishes recognition and equivalency agreements with eight foreign governments – India, Israel, New Zealand for recognition, and Canada, European Union, Japan, Korea, and Switzerland for equivalency.

To increase the number of certified organic operations, USDA supports research and education to enable organic production, reduce overlapping requirements, and eliminate other obstacles. AMS collaborates with certifying agents and other USDA agencies to make organic certification more accessible, attainable, and affordable to U.S. producers. The Program will provide greater assistance to small and new farmers and businesses with entry into the organic market, especially those located in states included in USDA's Strike Force for rural growth and opportunity initiative. Clear standards, sound and sensible certification, and greater organic literacy will facilitate market access and reliable international trade partnerships.

The program accomplishes its mission by examining and accrediting State and private certifying agents who ensure producers and handlers are in compliance with the National Organic Standards. AMS also accredits foreign governments that operate an organic accreditation program, as well as foreign agents who certify products labeled organic for export to the U.S.

These funds will be used for salaries and benefits for 43 staff years, core travel related to international agreements and site visits, a data management system, outreach, two meetings a year for the National Organic Standards Board, technical resources for National List reviews, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports AMS' objective to create jobs and expand opportunities for farms and businesses by supporting organic agriculture, and USDA's strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The funding change is requested for the following item:

- a. An increase of \$74,000 for pay costs (\$19,000 for annualization of the 2016 pay increase and \$55,000 for the 2017 pay increase).
- (8) An increase of \$58,000 for Transportation and Market Development (\$8,117,000 and 37 staff years available in 2016).

AMS will continue to promote producer access to local and regional markets, including direct-to-consumer and other emerging opportunities, and play a crucial role in bringing locally-sourced agricultural products to communities in need. AMS will also continue to serve as an expert source for economic analysis on agricultural transportation from farm to markets, which helps agricultural shippers and government policymakers make informed decisions. Stoppages or cutbacks in the program would reduce activities that greatly benefit small to medium agricultural producers and rural communities.

AMS' Transportation and Market Development Program supports and enhances the distribution of U.S. agricultural products and increases marketing opportunities for agricultural producers and local businesses through applied research and technical services. This program promotes producer access to local and regional markets and other emerging opportunities that help hundreds of agricultural food businesses and stakeholders, including food hubs, wholesale markets, retailers, state agencies, community planning organizations, and other agricultural food groups. Direct and alternative markets are particularly important to small and beginning farmers and ranchers. AMS also serves as an expert source for economic analysis and reporting on agricultural transportation from farm to market to help agricultural shippers and government policymakers make informed

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decisions. AMS is committed to supporting these ongoing activities, which are valuable tools in supporting rural economic development.

Transportation and Market Development has begun an effort that will identify existing local and regional agricultural resources so localities and agribusiness can leverage available services and partner to enhance their local food efforts. Access to such information will also improve organizations' ability to develop more holistic strategies to address issues related to the availability of local food.

In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- Increasing consumer demand for locally-produced food is creating new opportunities for farmers, ranchers, and small businesses – local food is a multibillion-dollar market and growing, and there has been large growth in farmers markets, community-supported agriculture, and food hubs just in the last few years.
- Each year, AMS helps hundreds of agricultural food businesses – including farmers' markets, food hubs, wholesale markets, retailers, state agencies, community planning organizations, and other agri-food focused groups – enhance their local food marketing efforts to support prosperous, self-sustaining, and economically thriving communities.
- As part of USDA's effort to assist the agricultural community to create prosperity, Market Development works in cooperation with other USDA agencies to assess innovative and cost-efficient options that help producers, distributors, and planners by identifying and developing alternative market outlets that help meet growing consumer demand for local and regional foods.
- Through its Transportation and Market Development Program, AMS promotes producer access to local and regional markets, including direct-to-consumer and other emerging opportunities, and plays a crucial role in bringing locally sourced agricultural products to communities in need.
- By providing relevant, current transportation data and analysis, AMS helps to ensure equal access to domestic and international markets, build financial sustainability for producers, and enhance global food security.

AMS conducts regular data collection and analysis on farmers' markets and direct-to-consumer marketing to help stakeholders understand evolving influences on market performance and profitability. The National Farmers Market Directory connects consumers to producers at over 8,000 farmers' markets by providing location and operation information. Food hubs and other aggregation models inform retail, commercial, and institutional customers who are seeking local and regional food products. Wholesale markets and facility design provide targeted site assessment and design services for food market planners, managers, and community stakeholders to improve the efficiency of permanent food market facilities.

AMS' increased emphasis on regional food systems supports economic growth for tribal, state, county, community, non-profit, and private sector partners as well as small farmers. These new market opportunities develop and revitalize the infrastructure necessary for vibrant regional food systems and support innovation and proven business approaches such as cooperatives. AMS can help improve access to healthy, locally produced foods that focus on food production and distribution at traditional and non-traditional retail options. Increased access to locally grown fruits, vegetables, and other nutritious food through electronic benefit transfer and other technology will enable greater assistance to communities in need. These activities equip local producers to distribute and market healthy foods and develop additional farmers markets to promote healthier communities.

AMS is working with USDA's National Institute for Food and Agriculture, Land-Grant Universities, and a national data center to develop a local and regional mapping project that should lead to strategic local and regional linkages that enhance the marketing of local foods. The data is being collected to identify and map states' local food infrastructure and resources in the food supply chain, including production capacity, existing local and regional markets, distribution networks used by local buyers and sellers, processors, market size and demographics, and other food system traits.

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These funds will be used for salaries and benefits for 37 staff years, cooperative agreements for market development support, market and transportation studies, site travel, outreach, rent, utilities, communications, and indirect AMS and USDA costs.

This funding supports AMS' objectives to improve access to healthy, locally produced foods while developing market opportunities and to increase market opportunities through analysis of domestic and international market information and data. It supports USDA's goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

The funding change is requested for the following items:

- a. An increase of \$58,000 for pay costs (\$15,000 for annualization of the 2016 pay increase and \$43,000 for the 2017 pay increase).

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Marketing Services

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	2014 Actual		2015 Actual		2016 Enacted		2017 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Alabama	\$120	1	\$131	1	\$175	1	\$175	1
Arizona	478	4	671	6	621	6	673	6
Arkansas	75	1	75	1	355	2	95	2
California	3,878	9	4,235	9	4,340	9	4,341	9
Colorado	469	4	503	5	535	5	535	5
Connecticut.....	23	-	-	-	-	-	-	-
District of Columbia	46,897	195	47,742	202	43,737	218	44,738	218
Florida	1,604	2	1,933	2	1,529	2	1,933	2
Georgia	1,254	13	1,238	12	1,471	13	1,471	13
Idaho	493	5	514	5	574	5	574	5
Illinois	227	2	357	3	388	3	388	3
Iowa	1,416	14	1,339	13	2,027	14	2,027	14
Kansas	249	2	219	2	260	2	260	2
Kentucky	128	2	126	2	210	2	210	2
Louisiana	90	1	63	-	162	1	162	1
Maryland.....	238	1	254	1	254	1	265	1
Massachusetts	373	3	402	4	481	4	481	4
Michigan	1,653	4	1,719	3	1,862	4	1,862	4
Minnesota	196	1	243	2	360	2	260	2
Mississippi	-	-	-	-	178	1	-	1
Missouri	586	6	503	5	657	6	657	6
Montana	71	1	90	1	295	2	95	2
Nebraska	100	1	106	1	112	1	112	1
New Mexico	182	2	253	3	235	3	255	3
New York	2,541	3	2,248	3	2,547	3	2,547	3
North Carolina	1,851	13	1,892	13	2,210	14	2,210	14
Ohio	1,001	3	1,470	-	1,115	3	1,475	3
Oklahoma	348	3	404	4	377	4	409	4
Oregon	255	3	208	2	425	3	425	3
Pennsylvania	663	6	717	7	617	7	720	7
South Carolina	189	1	104	1	194	2	154	2
South Dakota	199	2	219	2	216	2	220	2
Tennessee	3,330	21	3,238	22	3,418	22	3,418	22
Texas	2,148	7	1,974	7	2,634	7	2,619	7
Virginia	2,421	12	2,240	13	3,188	13	3,090	14
Washington	1,535	4	1,408	3	1,831	4	1,531	4
Wisconsin	1,392	11	1,388	11	1,546	11	1,546	11
Wyoming	76	1	80	1	87	1	-	-
Obligations	78,749	363	80,306	371	81,223	402	81,933	402
Lapsing Balances	1,067	0	988	-	-	-	-	-
Total Available.....	79,816	363	81,294	371	81,223	402	81,933	402

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Marketing Services
Classification by Objects
(Dollars in thousands)

		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
		<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
Personnel Compensation:					
	Washington, D.C.....	\$17,436	\$18,399	\$19,365	\$19,889
	Field.....	14,123	14,903	15,684	16,110
11	Total personnel compensation.....	31,559	33,302	35,049	35,999
12	Personnel benefits.....	9,990	11,161	11,301	11,560
13.0	Benefits for former personnel.....	111	23	435	446
	Total, personnel comp. and benefits.....	41,660	44,486	46,785	48,004
Other Objects:					
21.0	Travel and transportation of persons.....	1,176	1,364	1,290	1,290
22.0	Transportation of things.....	19	279	18	18
23.1	Rental payments to GSA.....	165	1,151	1,151	1,151
23.2	Rental payments to others.....	1,184	976	1,253	1,253
23.3	Communications, utilities, and misc. charges.....	2,294	1,355	1,478	1,478
24.0	Printing and reproduction.....	144	206	335	335
25.2	Other services from non-Federal sources.....	15,815	17,342	16,848	16,339
25.3	Other purchases of goods and services from Federal sources.....	13,829	9,636	9,726	9,726
25.4	Other services.....	-	4	5	5
25.6	Medical care.....	-	18	20	20
25.7	Operation and maintenance of equipment.....	33	774	132	132
26.0	Supplies and materials.....	631	524	574	574
31.0	Equipment.....	1,795	2,179	1,200	1,200
42.0	Insurance Claims and Indemnities.....	4	12	8	8
	Total, Other Objects.....	37,089	35,820	34,438	33,929
99.9	Total, new obligations.....	78,749	80,306	81,223	81,933
	DHS Building Security Payment (included in 25.3).....	0	126	126	126
Position Data:					
	Average Salary (dollars), ES Position.....	\$160,242	\$163,447	\$166,716	\$171,751
	Average Salary (dollars), GS Position.....	\$75,873	\$77,390	\$78,938	\$83,795
	Average Grade, GS Position.....	11	12	12	12

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Status of Programs

Marketing Services

Market News

Current Activities: The Market News Service (Market News) provides current, unbiased information on supply, demand, prices, movement, location, quality, condition, and other market data on agricultural products in specific markets and marketing areas – both domestic and international. This information is supplied to buyers and sellers, producers and handlers, transportation and logistics companies, insurance and lending institutions, and others in the marketing chain, including consumers. The information reported by Market News provides a high level of market transparency that contributes to the orderly marketing of agricultural commodities and helps to promote fair trade for all market participants. The market information also supports government policy makers and is widely used for value determinations, such as in courts and mediation.

All market information is reported to the Agricultural Marketing Service (AMS) on a voluntary basis with the exception of Mandatory Price Reporting for specified livestock, meat, and dairy product information. The agricultural sector constantly evolves and so does the form and content of the market news reports, as well as the ways in which that information is made available to the public. AMS Market News issues hundreds of reports daily for some 700 products and commodities resulting in millions of e-views by the public on an annual basis.

Selected Examples of Recent Progress:

Local and Regional Market Reporting – The 2014 Farm Bill stipulated that USDA report prices and volumes of locally or regionally produced agricultural food products. This year, the new AMS Market News local and regional webpage allows data users to easily view Farmers Market data (currently 85 markets or about 10 percent of the National Directory) and a national local and organic retail report. The page also includes Farm-to-School prices and Direct-to-Consumer sales reports from the first states (Iowa and North Carolina) to gather that information.

Market News revised/updated or developed nine Federal-State cooperative agreements collaborating with State Departments of Agriculture to capture livestock auctions, elevator grain bids, emerging markets, and local and regional food market prices. These agreements included Departments of Agriculture in six USDA Strike Force states (Arizona, Arkansas, Alaska, Kentucky, Mississippi, and North Carolina). USDA's StrikeForce Initiative for Rural Growth and Opportunity was developed to address the specific challenges associated with rural poverty.

Redesign of Market News into Digital Data Service (MARS) – Market News is redesigning its data and technical infrastructure to provide better service to agricultural market participants by improving information transparency and increasing reporting speed, accuracy, and flexibility. This dynamic system allows Market News to combine all reporting functions into a single, user-managed platform. Improvements in data quality and management have been completed and better cooperator relationship management tools are implemented.

Customer Satisfaction Survey (CSS) – Market News is often in daily contact with its customers and users, with hundreds of daily market reports, emails, telephonic recordings issued and in the role of secondary disseminators. However, every few years Market News will reach out to the many thousands of regular users and ask for their feedback. The process used by Market News to collect this feedback is the Customer Satisfaction Survey, which incorporates questions designed to measure the following key areas:

- How are we doing in meeting their information needs?
- Which are the most important markets and products to cover?
- What ways are most used to access the reports and information?

The CSS includes the questions that make up the American Customer Satisfaction Index (ACSI) – a national indicator of customer evaluations of the quality of goods and services available to U.S. residents. Over 100 programs of Federal government agencies have used the ACSI since 1999. The index allows for the direct

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comparison or benchmarking with other Federal agencies and institutions, which helps to better frame up the results and determine areas of focus for the agency.

In July 2015, AMS Market News successfully completed its latest CSS. Market News received completed surveys from over 1,600 users. The service received an ACSI score of 70 in this survey. This score compares very favorably with the Federal Government benchmark of 64. The highest score for Market News was for Customer Service with a score of 84, followed by Quality of Information at 78, Likelihood to Recommend at 79, and a 77 for being Reliable and Accurate.

The complete results will be shared with the public on the Market News Portal in the future as the data is finalized and made available. The feedback will be applied to program assessment and planning to help ensure that Market News continues to be the “eyes and ears” of American agriculture, as Market News moves into its 101st year of service.

Market Information Organization of the Americas (MIOA) – AMS continues in its leadership role in the MIOA, a network of market information organizations from 33 countries in North, Central and South America, and the Caribbean. AMS was chosen again to serve as the Regional Representative on the Executive Committee of MIOA by the countries of the Northern Region (Canada, Mexico, and the U.S.). The various regional partners of MIOA are working to create market reports for products of interest to all and to support interregional trade. MIOA is working on several key projects that will assist all of the member countries: such as a product dictionary for the Americas called the Wiki. The organization recently addressed the World Union of Wholesale Markets (WUWM) meeting in September in Brazil to talk about the future of agricultural market information. AMS continues to work with FAS and the Inter-American Institute for Cooperation on Agriculture (IICA) in developing and maintaining a number of specialized projects, jointly funded by FAS, AMS and MIOA, including a university curriculum on market information systems and a “knowledge library” or inventory of the various training and reference materials used in capacity building and training throughout the hemisphere.

Customer Outreach and Training – AMS Market News routinely responds to requests for information from individuals, industry groups, and associations. Most of the new reports generated or products added are at the specific request of data users or customers of Market News. In 2015, AMS participated in industry meetings, which Market News used to highlight and educate the public on the various information products that Market News offers and how to use them. Market News developed and delivered several new webinars in 2015 to demonstrate these information products, including a session focused solely on organic data available from Market News.

Livestock Mandatory Reporting (LMR) – AMS’ LMR program was initiated on April 2, 2001, and reauthorized by the Agricultural Reauthorizations Act of 2015 (P.L. 114-54, Title I). The purpose of LMR is to make information on pricing, contracting, and supply and demand conditions available to encourage competition in the marketplace.

LMR provides information on:

- 78 percent of slaughter cattle
- 93 percent of boxed beef
- 94 percent of slaughter hogs
- 43 percent of slaughter sheep
- 43 percent of boxed lamb meat
- 87 percent of wholesale pork

LMR reports daily and weekly prices paid by packers to producers for cattle, hogs, and sheep; daily and weekly forward contracts, and formula marketing arrangement transactions. The published information is used by the livestock and meat industry to impact current and future marketing and production decisions and as reference prices for the calculation of formula and contract prices. Analysts and policy makers also depend on this information to assess market conditions and the performance of the livestock and meat sectors.

The legislation requires the reporting of market information to AMS by livestock processing plants that annually slaughter (on average) a minimum of 125,000 cattle, 100,000 swine, or process an average of 75,000 lambs in order to ensure the availability of information for market participants. Packers that annually slaughter an average of at

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least 200,000 sows and boars and importers who annually import an average of at least 2,500 metric tons of lamb meat products are also required to report.

The Reauthorization Act includes a few modifications to requirements for swine and lamb reporting. For swine, the Act added a definition and reporting requirements for negotiated formula and late day purchases. For lamb, the definitions of a lamb packer and a lamb importer were modified to lower the reporting thresholds of each, from a processing average of 75,000 lambs to 35,000 lambs, and from an import average of at least 2,500 metric tons of lamb meat products to an average of 1,000 metric tons of lamb meat. Lastly, the LMR reauthorization specifies that a study be conducted by the USDA (AMS and the Office of the Chief Economist) in consultation with the livestock and meat industries to analyze current livestock marketing practices; identify future legislative or regulatory recommendations; analyze price and supply information reporting services of USDA related to cattle, swine, and lamb; and address any other issues that the Secretary considers appropriate. The study is due to Congress no later than March 1, 2018.

Dairy Product Mandatory Reporting

Mandatory dairy product reporting provides sales information on:

- 11 percent of butter production
- 34 percent of cheddar cheese production
- 62 percent of nonfat dry milk production
- 44 percent of dry whey production

The purpose of the dairy mandatory program is to provide accurate and timely market information for the dairy sector. Widely available market information is needed to ensure markets operate competitively and fairly. AMS collects this data to be used as the price discovery mechanism to establish minimum prices for the Federal milk order system, accounting for 62 percent of the U.S. milk supply. The information in these reports is also used by the dairy industry, impacting current and future production levels. Prices reported through the program often are used as reference prices for trade settlement, formula pricing, and contract pricing. Market participants and policy makers depend on this information to assess the health of the dairy industry.

Market Reporting Improvements – AMS adds, modifies, or eliminates reports to support both consumers' needs and market environment changes on an on-going basis. Specific examples of new and enhanced agricultural market reports are listed below.

Cotton and Tobacco:

- Percent of crop reported during the 2014-2015 marketing year: 13.6 percent, an increase of 27.2 percent from the previous year and 56.7 percent increase from the five-year average. The 2013-2014 marketing year reported 10.7 percent and the previous five-year average was 8.7 percent.

Dairy:

- Dairy Market News started development of Latin America reporting and expects to release the first publication in 2016.
- Dairy Market News completed an evaluation of reporting methodology with industry and will adjust our methodology to capture more data from existing markets.

Specialty Crops:

- New Areas Reported at Shipping Points – Price
 - Mexican cucumbers imported through Texas
- New Retail and local markets
- North Carolina retail farmers markets
- New Retail Report Commodities
 - Apple Juice and Cider
 - Cactus Leaves
 - Cactus Pears
 - Mini Sweet Peppers

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- Papayas
- Swiss Chard

Livestock, Poultry and Grain:

- Livestock, Poultry, and Grain Market News (LPGMN) developed 20 new reports, including seven to highlight local and regional or emerging market reporting efforts for farmers markets, pork, tribal agricultural products, and non-Genetically Engineered (non-GE)/non-Genetically Modified Organism (non-GMO) commodities.
- Added information to Livestock Mandatory Reporting reports increase market transparency, including a five-day rolling average price added to eight daily purchase swine reports and four prior-day purchase swine reports. This five-day average price helps normalize the reported information and mute the volatility of daily market fluctuations.

Shell Egg Surveillance

Current Activities: The Shell Egg Surveillance (SES) Program monitors the disposition of "restricted eggs" (eggs that are cracked, dirty, incubator rejects, inedible, leaking, or otherwise unfit for human consumption) to ensure that only eggs fit for human consumption are available to consumers. Inedible eggs constitute a small proportion of all shell eggs and are most often used in animal feed; the remaining eggs are destroyed. Visits to shell egg handlers with 3,000 or more chickens or who pack product ultimately destined for consumers are made four times each year and visits to hatcheries are conducted annually. Additional follow-up visits are made when violations are found.

In 2015, AMS suspended SES inspections in control, or quarantine, zone areas identified by the Animal and Plant Health Inspection Service (APHIS) as infected with Highly Pathogenic Avian Influenza (HPAI). Where possible, AMS conducted phone-based interviews with SES applicants where physical on-site inspections were prohibited.

Also resulting from HPAI, the egg laying industry lost a significant number of layer hens. Consequently, companies that break and further process eggs began sourcing their eggs from foreign markets. AMS issued over 1,200 permits for 32.4 million dozen eggs that were sourced from 12 foreign countries to certify that the imported eggs met temperature, labeling, and sanitary requirements.

Selected Examples of Recent Progress:

<u>Inspections Conducted</u>				
<i>Quarterly visits are made to shell egg handlers with 3,000 or more chickens or who pack product ultimately for the consumer. If a violation of the Act is found, a follow-up visit is made during the quarter.</i>				
	<u>Shell Egg Handlers</u>		<u>Hatcheries</u>	
	<u>Number of Handlers</u>	<u>Total Inspections</u>	<u>Number of Hatcheries</u>	<u>Total Inspections</u>
FY 2010	492	2,404	316	329
FY 2011	493	2,485	323	333
FY 2012	472	2,406	322	331
FY 2013	474	2,282	307	310
FY 2014	462	2,019	267	266
FY 2015	471	1,834*	271	231*

Note: *Inspections above include both routine follow-up and other visits.*
**Suspended visits were due to biosecurity issues as a result of HPAI.*

Standardization

Current Activities: AMS food and fiber standards are widely used by the agricultural industry in domestic and international trading, futures market contracts, and as a benchmark for purchase specifications in most private contracts. Grade standards are also the basis for AMS Market News reports, grading services, and Federal commodity procurement.

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Pursuant to the Agricultural Marketing Act of 1946, which directs USDA to provide such quality grade standards "to encourage uniformity and consistency in commercial practices," AMS develops quality grade standards for commodities as needed by the agriculture and food industry and modifies those standards when industry practices or consumer preferences change. Before standards are implemented, AMS conducts studies and announces proposed standards. Public comments are solicited to verify that quality grade standards will facilitate commerce. There are currently more than 500 quality grade standards in place for cotton, dairy products, eggs, fresh and processed fruits and vegetables, livestock, meat, olive oil, peanuts, poultry, rabbits, and tobacco.

In addition to their use by private industry in domestic and international contracting, USDA food and fiber standards have become the basis for international harmonization of agricultural product quality grades recognized by the Codex Alimentarius and the United Nations Economic Commission for Europe (UNECE).

Selected Examples of Recent Progress:

Standards Reviews – In 2015, AMS specialists reviewed commodity standards to ensure that they continue to accurately describe current products, including 21 for cotton products; 87 for fruit and vegetable products; six for livestock, meat, and poultry products; and 13 for tobacco. These reviews resulted in the following standard revisions:

- Institutional Meat Purchase Specifications (IMPS) – AMS translated the IMPS from English to Spanish and published the Spanish version on the agency's website. AMS worked with government officials and industry stakeholders in Mexico to assist the country with developing national grade standards and establishing a national grading program for beef. Some U.S. cattle producers use harvesting facilities in Mexico, and a national grading and nomenclature system modeled after the U.S will enhance the value of carcasses and cuts from cattle harvested in Mexico.
- Beef Standards – AMS sought comments through a Notice published in the *Federal Register* concerning changes and revisions to the U.S. Standards for Grades of Carcass Beef. Comments received addressed a variety of topics and strongly suggested that any changes be based on sound science and supporting data. As a result, AMS drafted a notice announcing administrative changes to the standards for carcass beef. These changes provide clarity on the way that the Standards may currently be applied with the use of camera technology; provide more up-to-date examples that reflect heavier carcass weights; and make administrative changes to reflect current organizational structures and titles.
- Maple Syrup Standards – AMS published proposed revisions to the United States Standards for Grades of Maple Syrup in the *Federal Register* in 2014, with an effective date of March 2, 2015, to allow stakeholders to implement the new grade standards that were adopted by state regulations. AMS received a petition from the International Maple Syrup Institute (IMSI) requesting a revision of the U.S. grade standards by replacing the current grade classification requirements with new color and flavor descriptors, and revising Grade A requirements to be free from defects (off flavors and odors, cloudiness, turbidity, and sediment). AMS also proposed to change the spelling from "sirup" to the more commonly used term "syrup." The purpose of these revisions is to foster or assist in the development of new or expanded markets, and improve the marketing of maple syrup in the U.S. and internationally.
- Farm Bill for Honey – Section 10012 of the Agricultural Act of 2014 (P.L. 113-79), the 2014 Farm Bill, charged the Secretary of Agriculture with developing a report describing how a Federal standard of identity for honey would be in the interest of consumers, the honey industry, and U.S. agriculture. By definition, a Federal standard of identity promotes honesty and fair dealing in the interest of consumers. The Secretary delegated responsibility for completing the report to AMS. Pursuant to the Farm Bill mandate, AMS gathered input from stakeholders on their interest in a Federal standard of identity for honey through a *Federal Register* notice in 2014. AMS submitted the final report to the Food and Drug Administration (FDA) on December 30, 2014. The FDA announced on April 9, 2015, the availability of draft guidance to advise the industry on the proper labeling of honey and honey products to help ensure unadulterated or misbranded products do not enter commerce. The FDA Notice requested comments by June 2015.

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- Fruits and Vegetables Standards – The Little People of America requested that AMS remove the term “midget” in USDA size classifications from its grade standards. We found six documents that used the term: shelled pecans, canned lima beans, processed raisins, pickles, canned mushrooms and trail mix. A proposed rule for processed raisins was published in the *Federal Register* on August 21, 2015. Notices for other commodities have been drafted and will include removing dual nomenclature, as well as alignment with the Standards of Identity,
- Canned Baked Beans Standards – AMS is revising the current U.S. grade standards for canned baked beans to account for advances in industry processing technology. To bring the grade standards in line with current practices, a petitioner requested that AMS revise the product description with the following: “The product is prepared by heating beans and sauce in a closed or open container for a period of time sufficient to provide texture, flavor, color and consistency attributes that are typical for this product.” The proposed change would also split three grade standards into individual documents, i.e., canned dried bean grade standards, canned pork and bean grade standards, and canned baked bean grade standards. No changes are proposed for the canned dried beans and canned pork and beans other than format changes. The notice for canned baked beans was published in the *Federal Register* on August 19, 2015 with request for comments.
- Fresh Fruits and Vegetables Standards – AMS is revising 47 United States Standards for Grades of fresh fruits and vegetables, fruits and vegetables for processing, nuts, and specialty crops to remove the “Unclassified” category. This change would conform to recent changes in other grade standards and would bring these grade standards in line with the present terminology; update the standards to more accurately represent today’s marketing practices; and, provide industry with greater flexibility. The 47 U.S. Standards for Grades of Fresh Fruits and Vegetables, Fruits and Vegetables for Processing, Nuts, and Specialty Crops, FV-14 0090, was published in the *Federal Register* on September 2, 2015.
- Three Fresh Onion Standards – AMS received various inquiries in recent years seeking amendment of the various onion standards to allow packing of mixed colors. Therefore, AMS revised the United States Standards for Grades of Bermuda-Granex-Grano Type Onions, the United States Standards for Grades of Onions (other than Bermuda-Granex-Grano and Creole Type), and the United States Standards for Grades of Creole Onions to amend the similar varietal characteristics requirement to permit specified packs of mixed colors to be certified to a U.S. grade. The revisions bring the standards in line with current marketing practices, and improve the standards usefulness in serving the industry. The effective date of these grade standards was November 24, 2014.
- Cotton Standards – AMS produced approximately 2,000 Upland and Pima cotton grade standards boxes representing the 21 physical cotton grade standards. All freshly produced standards boxes were reviewed and approved by cotton industry representatives in June 2015 at meetings in Memphis, TN, and Visalia, CA. In addition, over 54,000 pounds of instrument calibration cotton standards were distributed to the domestic and international cotton industries.

International Standardization Activities – AMS remains a leader in global marketing standards initiatives and represents the U.S. in meetings of the Codex Alimentarius, the International Dairy Federation, the UNECE, the Organization for Economic Cooperation and Development, the International Organization for Standardization, the International Union for the Protection of New Varieties of Plants (UPOV), the International Seed Testing Association, the International Meat Secretariat, the American Society for Testing and Materials International, the U.S. Canadian Regulatory Cooperation Council, the Inter-American Commission on Organic Agriculture, the International Cotton Advisory Committee, international cotton outreach, and several bilateral consultative committees on Agriculture. Examples of recent progress include:

- Milk and Dairy Products: An AMS official heads the U.S. Delegation to the Codex Committee on Milk and Milk Products (CCMMP). On July 11, 2015, the 38th session of the Codex Alimentarius Commission requested New Zealand, the host country of CCMMP, to convene a physical Working Group (pWG) and solicit country comments at Step 6 on a general standards for processed cheese. A CCMMP electronic Working Group (eWG) has also made significant progress on a Codex standard for dairy permeate powder,

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currently at Step 3. The delegate submitted the official U.S. comments that address the export interest of the U.S. dairy industry and government.

- Meat, Eggs, and Poultry: AMS serves as Vice Chair of UNECE's Specialized Section on the Standardization of Meat and played a leadership role in organizing and facilitating the 24th session of the Specialized Section held September 28-30, 2015. Representatives from 15 countries and 10 international organizations attended this session that was very productive in advancing the interests of U.S. egg, meat, and poultry industries. AMS led the development of a further processed poultry standard and its pictorial annex, was co-leader for developing UNECE's variety meat standard that was officially adopted by the Working Party, and was chosen to lead the updating of the egg and egg products quality standard. AMS has worked through the UN's Specialized Section to model global standards after USDA standards to help U.S. egg, meat, and poultry producers remain competitive in international markets.
- Meat: AMS continued to provide technical assistance to the Serbian Government and its meat industry to help modernize their meat standards and specifications. AMS worked with Serbian representatives to adopt meat standards developed under the U.N.'s Agricultural Quality Standards Working Party. Adopting and implementing new standards for meat products helps Serbia to prepare for ascending to the European Union. AMS conducted capability assessments in Haiti to evaluate the potential for developing standards for livestock that will facilitate gathering and reporting market information. AMS met with government officials to discuss the development of livestock standards and toured several livestock marketing operations across the country. AMS will continue to work with Serbia, Haiti, and other countries to ensure our Nation's interests are represented in the international meat industry and to keep U.S. agricultural products competitive in global markets.
- Fruits and Vegetables: AMS representatives participated in Codex committees and working groups established to advance standards for fruit and vegetables, and participated in three international Codex outreach programs to build international support for U.S. positions at Codex committee plenary sessions. AMS coordinates its activities with the U.S. Codex Offices in the USDA/Food Safety and Inspection Service; the Food and Drug Administration; relevant domestic stakeholders; and Codex committees and working groups.
 - AMS participated in the meeting of the 2nd Session of the Codex Committee on Spices and Culinary Herbs (CCSCH) in September 2015. The U.S. delegation was comprised of one representative each from USDA/AMS, USDA Food Safety and Inspection Service - U.S. Codex Office, and the Food and Drug Administration. A representative of the American Spice Trade Association (ASTA) attended as an official Codex observer and coordinated positions with the U.S. delegation. The committee agreed with the U.S. position on food additives for standards that are yet to be developed and use of the general reference to the Codex General Standard for Food Additives (GSFA). The CCSCH also discussed a proposal to include a Glossary of Terms; proposed draft standards for oregano, pepper (black, white, and green), cumin, and thyme; sub-grouping commodities in general standards; and, proposals for new work by the committee. The meeting accepted the U.S. delegation's offer to prepare discussion papers on the scope of CCSCH standards to clarify "further processing"; and, on the Glossary of Terms for presentation at the Committee's next session.
 - Revised UNECE Geneva Protocol –After 7 years of negotiations, the 70th UNECE Working Party 7 Session approved a revised Geneva Protocol that outlines the general provisions for European commercial standardization and quality control of fresh fruit and vegetables, and dry or dried fruit dispatched in international traffic. The Geneva Protocol provides the framework through which the UNECE develops standards and is based on a U.S. proposal jointly developed by AMS, the Foreign Agricultural Service, the U.S. Trade Representative, and the Department of State. All delegations agreed that the Protocol should be voluntary and should not place any additional burdens on UNECE member countries. The United States will seek to have the document renamed to the "Geneva Understanding" to underscore its voluntary nature.

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- UNECE Specialized Section on Standardization of Fresh Fruits and Vegetables – In April 2015, AMS participated in the 63rd Session of the UNECE Specialized Section on Standardization of Fresh Fruits and Vegetables in Geneva, Switzerland. The United States joined delegations from Kenya, Malta, New Zealand, South Africa, and the United Kingdom in supporting a request from the Netherlands to set a destination market tolerance of 3 percent for decay and internal breakdown in all fresh fruit and vegetable standards. Member countries agreed to study the proposal in preparation for a final discussion at the 2016 meeting. Over the past 2 years, support for the U.S. positions on apples, citrus fruits, and tolerances for decay and internal breakdown has moved from a minority to a majority position.
- UNECE Specialized Section on Standardization of Dry and Dried Produce. From June 29 to July 3, 2015, AMS chaired the 62nd Session of the UNECE Specialized Section on Standardization of Dry and Dried Produce and Workshop on Agri-food Supply Chains in Cross-border Trade of Nuts and Dried Fruit in Izmir, Turkey. Delegates from 22 countries, 3 international governmental organizations, and 2 international industry organizations also took part in the meeting. Key outcomes included: release of an inshell walnut brochure that was developed and paid for by the U.S. walnut industry; a recommended draft Standard for Dried Apricots, Dates, and Grapes was extended for another year due to the lack of consensus on the Table of Tolerances for defects allowed, sizing, and size uniformity requirements; revised standards for Inshell Pistachios and for Almond Kernels, whose development was led by the United States, and for Dried Grapes were adopted as recommendations for one-year industry trials; the Committee agreed to develop new UNECE standards for dried sour cherries and pecan kernels; and, AMS's international standards coordinator was re-elected as chair of the specialized section.
- International Codex Outreach. From August 2015 through September 2015, AMS participated in the U.S. Codex Office's outreach efforts to the Codex Regional Committee for Latin America and the Caribbean (CCLAC), Codex Regional Committee for Asia (CCASIA), and the Codex Regional Committee for Africa (CCAFRICA). These efforts were undertaken to promote U.S. positions on issues being addressed by the CCSCH and the Codex Committee on Fresh Fruits Vegetables.
- Plant Variety: AMS, through its Plant Variety Protection Office (PVPO), is a member of the UPOV headquartered in Geneva, Switzerland. AMS participated in meetings hosted by UPOV throughout FY 2015 to provide input and feedback to several ongoing initiatives.
 - AMS is working closely with UPOV countries on the International System of Cooperation, which is an initiative to provide a more uniform approach to the testing and examination of Plant Variety Protection applications. In addition, AMS has been a major participant in the Electronic Application System (EAS) and variety name verification projects. The EAS provides an electronic system for the submission of Plant Variety Protection applications to the countries selected by an applicant. The variety name verification project aligns the U.S. with other UPOV countries by providing a means to verify variety names so they are not in conflict with other protected varieties within the UPOV and European Union's Community Variety Protection Office systems.
 - AMS also participated in meetings and workshops to improve the understanding of Plant Variety Protection in the Americas, identify opportunities for cooperation among National Plant Variety Protection Offices, and better communicate the benefits of Plant Breeders Rights. The discussions included how the Americas align with the UPOV convention. The goal of bringing several government Plant Variety Protection Offices together, as well as several countries' seed industry professionals, was to work toward a common approach for plant breeder rights and intellectual property protection for North and South America.
- Seed: AMS serves as the U.S. National Designated Authority for OECD Seed Schemes. Currently there are 58 participating OECD member countries that label seed for varietal purity for international trade. AMS participated in an OECD Seed Schemes Technical Working Group (TWG) meeting in Paris, France in January 2015, as well as the annual and TWG meetings held in Paris in June 2015. AMS completed its term

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as a member of the OECD Seed Schemes Bureau in 2015. The Bureau acts in an executive advisory capacity for all 58 OECD Seed Schemes member countries. AMS is also a member of the Strategic Planning Committee which is charged with developing short and long range planning for the continued operation and growth of the OECD Seed Schemes.

- Microbiology/Molecular Biomarkers: AMS chairs U.S. representation to the ISO TC 34/Subcommittee 16, “Horizontal methods for molecular biomarker analysis”, a group of experts in the field of microbiology who maintain a portfolio of internationally recognized and accepted methods for detection, quantitation and analysis of agriculturally important molecular biomarkers such as GMOs, meat and fish species identifiers, plant pathogens, identifiers for high valued commodities and identifiers for other foods, grains, oils. AMS also participates in the deliberations and proceedings of its parent technical committee TC 34 which provides standardization in food and food products from farm to fork.

Market Access Activities – AMS’ standardization activities enhance and expand export market access for U.S. commodities through collaboration with Federal regulatory and trade agencies and industry groups to develop market and export assistance programs (e.g., systems-based programs to meet export requirements and policies for specific countries). Due to AMS’ market expertise, Federal agencies and the agricultural industry depend on AMS to develop and administer marketing programs (e.g., quality systems verification programs, laboratory testing programs, and laboratory approval programs) to make products eligible for export to various countries.

For example, on March 12, the government of Barbados Veterinary Services Department confirmed that dairy products (bovine, ovine and caprine species) for human consumption produced in the United States should be certified by AMS’ Dairy Program. AMS served as a technical expert on the FAS Caribbean Basin Agricultural Trade Team that also includes FSIS and APHIS. On September 20—22, AMS representatives traveled to Barbados and Trinidad to meet with regulatory officials, which gained the U.S. food safety and animal health system invaluable credibility with regional inspectors. This team filled multiple knowledge gaps, clarified many misperceptions (i.e., poultry transit certs, shelf-life dates, mandatory labeling requirements, etc.), and defined our criteria for certification of dairy, egg and related products. Dairy trade with this region is currently valued at \$37 million.

Federal Seed Act

Current Activities: AMS administers Federal Seed Act (Act) regulations regarding the interstate shipment of agricultural and vegetable seeds. The Act requires that seed shipped in interstate commerce be labeled with information that allows seed buyers to make informed choices, and that seed labeling information and advertisements pertaining to the seed must be truthful. Therefore, the Federal Seed Program helps promote uniformity among State laws and fair competition within the seed trade.

AMS depends on cooperative agreements with State agencies to monitor interstate commerce of agricultural and vegetable seeds with regard to seed labeling. State inspectors routinely inspect and sample seed shipments being marketed in their States. They refer apparent violations of the Act to AMS for investigation and appropriate action. While most complaints involving mislabeled seed are submitted by State seed control officials, they may be submitted by anyone. AMS takes regulatory action against the interstate shipper when a violation is confirmed. Actions on violations include a letter of warning for minor or technical violations; a monetary penalty is imposed for serious violations.

Selected Examples of Recent Progress:

During FY 2015, AMS initiated 236 investigations based on 295 Federal Seed Act complaints from 14 States. In cooperation with State agencies, AMS received 231 regulatory seed samples from 12 States and 7 companies for trueness-to-variety testing. AMS conducted field tests on those samples to determine trueness-to-variety of seed shipped in interstate commerce.

Between September 3, 2014, and September 1, 2015, the Federal Seed Program administratively settled 216 Federal Seed Act cases with 60 warnings, 48 no-actions, and 108 with penalty assessments totaling \$75,900. Individual

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assessments ranged from \$350 to \$8,125.

To ensure uniform application of the regulations, AMS conducted training workshops for 33 seed analysts from 17 States. AMS also hosted the consolidated exam for the Association of Official Seed Analysts/Society of Commercial Seed Technologists. To increase awareness of changes to seed regulations, rules, standards, and testing techniques, AMS conducted three web-based training seminars for both State and private industry professionals, in cooperation with the Association of Official Seed Analysts and the Society of Commercial Seed Technologists. Seminars may be conducted multiple times per year as needed or requested by industry.

Country of Origin Labeling

Current Activities: The Country of Origin Labeling (COOL) provisions in the Agricultural Marketing Act of 1946 require retailers to notify their customers of the country of origin of specific foods referred to as covered commodities. Covered commodities are identified as muscle cuts of lamb, goat, and chicken; ground lamb, goat, and chicken; fish and shellfish; perishable agricultural commodities (fruits and vegetables); peanuts, pecans, macadamia nuts, and ginseng. The law also requires method of production information (farm-raised or wild caught) for fish and shellfish to be noted at the final point of sale to consumers. The Act states that “normal course of business” records and producer affidavits may be used for verification, the same requirements and penalties apply to both suppliers and retailers, and the maximum penalty per violation is \$1,000.

On May 18, 2015, the WTO Appellate Body publicly released its final report regarding the COOL case prompted by Mexico’s and Canada’s claims that amendments to the COOL rules failed to correct the faults outlined by the original panel. In mid-September, the WTO arbitration panel heard arguments from Canada, Mexico, and the United States on their respective calculations. Canada requested authorization to impose tariffs on \$2.5 billion per year of U.S. exports and Mexico requested authorization for \$713 million in tariffs. On December 7, 2015, the Arbitrator determined that the level of nullification or impairment of benefits accruing to Canada is CAD 1,054.729 million. On December 18, 2015, Congress repealed mandatory COOL requirements for muscle cuts of beef and pork and ground beef and pork. The COOL Program continues to conduct retail surveillance reviews on all covered commodities using state cooperative agreements.

Selected Examples of Recent Progress:

COOL Supplier Certification Program– To reduce the burden on suppliers, AMS implemented a new supplier certification pilot program to verify the effectiveness of COOL compliance procedures through onsite visits to the Nation’s largest covered commodity supply firms. Suppliers with sufficient systems are no longer subject to routine supplier traceback desk audits. Three suppliers were granted a 3-year certification in 2015.

Training – Beginning in May 2015, beginner and refresher COOL training was made available to State officials via webinar and two comprehensive classroom training workshops. Over 300 State officials were COOL-certified in 2015 to conduct retail reviews.

Outreach – Throughout FY 2015, COOL strengthened its education and outreach efforts for affected industry stakeholders by attending North American Seafood Expo and the National Grocers Association’s annual events. In addition, COOL developed and deployed a training module for employees of Giant Foods and conducted a webinar for members of the Food Marketing Institute that included COOL requirements, retail review procedures, and information about developing enforcement of remote (online) retail sales.

Enforcement Activities – During 2015, AMS worked in collaboration with all 47 cooperating state agencies and the Livestock, Poultry and Seed Program Quality Assessment Division to conduct retail surveillance activities for the COOL program in all 50 States. The retail review assignments distributed in FY 2015 were very different compared to past years, in that the majority of the surveillance reviews conducted in 2015 were follow up reviews in regional, small and independently owned retail store locations with critical compliance weaknesses stemming from FY 2014 surveillance activities.

The COOL Program conducted 845 initial retail reviews and 2,300 follow-up retail reviews of the roughly 37,000 regulated retailers that are subject to a Perishable Agricultural Commodities Act license. Based on the number of

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COOL covered commodities sold in a store location, overall retailer compliance to COOL was approximately 96 percent to date, based upon two-thirds completion. This is an increase from 2014 when overall retail compliance was 94 percent. The positive trend in compliance that resulted from follow up reviews ensures that consumers have more access to country of origin information when making purchase decisions.

In addition to retail surveillance activities, 97 products were audited through the supply chain. Overall compliance by suppliers to retail stores is approximately 96 percent, which is a slight reduction from 98 percent compliance in 2014. There were 218 firms audited and 9 non-compliances. The majority of the non-compliances resulted from targeted audits where supplier misbranding was gleaned from records gathered during retail reviews. Meat muscle cut commodities were not audited during FY 2015.

Pesticide Data Program

Current Activities: The Pesticide Data Program (PDP) is a critical component in meeting the requirements of the 1996 Food Quality Protection Act (FQPA), which directs the Secretary of Agriculture to provide improved data collection of pesticide residues, standardized analytical and data reporting methods, and increased sampling of foods most likely to be consumed by infants and children.

The Program has the largest database on pesticide residues in children's foods in the U.S. In a collaborative effort, AMS, the Environmental Protection Agency (EPA), and the FDA coordinate and prioritize residue-testing and program activities. In addition, AMS conducts annual planning meetings with all program participants, including the cooperating State agencies and agricultural industry stakeholders, to select commodities for inclusion in the Program.

Selected Examples of Recent Progress:

During 2015, PDP tested more than 10,100 food samples, resulting in over 2.3 million individual tests.

Commodities – Commodities surveyed by PDP include fresh and processed fruits and vegetables, milk and dairy products, beef, pork, poultry, catfish, salmon, corn grain and corn syrup, soybeans, wheat and wheat flour, barley, oats, rice, almonds, peanut butter, honey, pear juice concentrate, infant formula, bottled water, groundwater, and treated and untreated drinking water. In 2015, PDP reintroduced previously tested commodities. The number of commodities surveyed to date is 113 with the addition of frozen cherries. Data on previously tested commodities are needed to determine if there were measurable changes in the residue profile. All commodities selected for testing are based on EPA's requests for data to monitor registration-driven changes mandated by the FQPA and to respond to public food safety concerns.

Sampling – During 2015, PDP achieved 98 percent of its goal in collecting samples due to the inclusion of two highly seasonal commodities in the program (peaches and nectarines) that were not consistently available in the marketplace. PDP uses statistical tools and marketing data to enhance sample collection rates. Recent improvements in the sample tracking database and the use of electronic sample information forms allows for instant availability of data collected at food distribution points, thereby streamlining the sample collection, shipping and laboratory receipt process. PDP monitors product availability at the various collection points through frequent communication with sampling inspectors and makes necessary adjustments to sampling protocols to meet collection targets.

Testing Methods – PDP enhanced its testing methods to bring the total number of pesticides and metabolites tested to over 480. PDP laboratories have further consolidated analytical screening methods and continued to expand the use of automation to reduce costs for equipment maintenance, human resources, and the management of hazardous waste. Increased use of state of the art instruments and consolidation of testing methods augmented data quality by lowering limits of detection (LODs) by tenfold for selected compounds. PDP continues to expand pesticide testing by adding pesticides that are used overseas but are not allowed in the U.S. These illegal pesticides are used on products imported to the U.S. and are being gradually incorporated in response to requests by the Government Accountability Office (GAO) and EPA's Office of Inspector General.

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Outreach – PDP staff met routinely with EPA officials to present new information/data and to conduct program planning sessions. PDP shares presumptive tolerance violation data on a monthly basis with EPA, FDA, FAS, USDA's Office of Pest Management Policy (OPMP), and AMS' National Organic Program (NOP).

PDP works with USDA's FAS to ensure that data needed to support exports are available and can be used to assist in removing potential trade barriers. PDP works with FAS to increase the understanding and acceptance of PDP sampling and testing on an international level – PDP data now are routinely used in FAS' Compliance Plans in instances where trade barriers have arisen and have been used by other countries in their own dietary risk assessments.

To improve communications, PDP staff meet with minor crop and chemical industry representatives, including CropLife America. PDP staff participate in the Association of Analytical Chemists (AOAC) Proficiency Test Advisory Committee and Pesticides Subcommittee and attend interagency meetings with USDA's FSIS Interagency Residue Control Group (IRCG) to discuss program planning issues and to share technical information. In addition, PDP staff presented a program update at the North American Chemical Residue Workshop and performed novel outreach in the community by presenting at George Mason University and the Tenley-Friendship Library in Washington, D.C.

PDP staff also met with USDA's Office of Pest Management Policy (OPMP) Core Group, the Interagency Risk Assessment Consortium (IRAC), and the National Biosurveillance Integration Center (NBIC), Office of Health Affairs, Department of Homeland Security to participate in efforts to enhance communication and coordination among members and to promote the conduct of scientific research that will facilitate risk assessments.

Reporting – Public-domain databases containing sample identity and analytical results data for each sample tested are posted on the Program's website at <http://www.ams.usda.gov/pdp>.

National Organic Program

Current Activities: Through the work of the National Organic Program (NOP) (authorized by the Organic Foods Production Act of 1990, 7 U.S.C. 6501 et seq.), AMS facilitates market access and protects market integrity by developing, implementing, and enforcing USDA organic regulations in the rapidly expanding organic agricultural market sector. These regulations govern the production, handling, and labeling of organic agricultural products.

AMS accredits 79 third-party organic certifying agents worldwide and those certifiers oversee more than 27,800 certified organic operations around the world. AMS also establishes and maintains organic recognition and equivalency agreements with the foreign governments, including Canada, European Union, Taiwan, Japan, Korea, Switzerland, India, and Israel. To maximize public participation and transparency, AMS supports the work of the National Organic Standards Board (NOSB), a group of 15 volunteer private-sector appointees who recommend materials to be allowed or prohibited in organic operations and provide other recommendations related to organic agriculture to the Secretary.

Selected Examples of Recent Progress:

Organic Integrity & Consumer Protection (Accreditation Activities/Compliance, Enforcement, and Appeals) – In FY 2015, AMS continued its work to protect the integrity of the USDA organic seal and consumers who purchase organic products. AMS conducted a total of 34 audits of USDA-accredited organic certifiers to verify regulatory compliance. The audits found that USDA organic certifiers remained in full compliance with 96 percent of accreditation criteria.

AMS completed 390 complaint investigations, exceeding the number of complaint investigations completed in FY 2014 by approximately 37 percent. Complaint investigation activities included 221 investigative and enforcement actions which consisted of 121 Notices of Warning, 36 Cease-and-Desist Orders, and 64 referrals for investigation by certifiers and State, Federal and foreign agencies.

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In addition, 36 appeals were closed in an average of 121 days, with 95 percent of the appeals closed within the target timeframe of 180 days. This is a faster average timeline than in 2014 and 2013, when the average days to closure were 140 and 194 days, respectively. Lastly, there were a total of 13 settlement arrangements and civil penalties totaling \$1,872,815 for knowing violations of the Organic Foods Production Act (not all settlement agreements include civil penalties and not all civil penalties were levied via settlement agreements).

International Trade – In July of 2015, AMS implemented a new organic equivalency arrangement with Switzerland. As a result of this arrangement between the U.S. and Switzerland, organic products certified in the U.S. or Switzerland may be labeled as organic in either country, allowing organic farmers, processors, and businesses in both countries greater access to each other's growing market for organic products. The arrangement also allows certified food processors in both countries to source organic ingredients, which helps facilitate trade between the U.S., Switzerland and the European Union (EU). Without this equivalency arrangement, organic farmers and businesses wanting to sell organic products in either country would have to obtain separate certifications to meet each country's organic standards. Similar to other equivalency arrangements, this arrangement with Switzerland eliminates significant barriers, especially for small and medium-sized organic businesses.

Throughout the year, AMS also participated in regular meetings with the EU, Canada, Japan, Korea and India to support and advance organic trade through existing recognition and equivalency arrangements. In addition, AMS initiated discussions this year with the EU regarding plurilateral trade arrangements, and continued equivalency discussions with other countries, including Mexico, Costa Rica, Israel, New Zealand, Peru, and Taiwan. On October 26, 2015, AMS and Mexico exchanged letters of intent to work together over the next year to determine if the U.S. and Mexico's Organic Production Control Systems are equivalent. Lastly, AMS participated in Inter-American Commission on Organic Agriculture meetings in Quito, Ecuador to support greater harmonization of organic standards and improved control systems in Latin America.

Standards Development – AMS successfully led a variety of organic standards projects, all designed to clarify requirements for certifiers and operators and level the playing field across organic businesses. Standards published in FY 2015 include multiple rules regarding the National List of Allowed and Prohibited Substances and the Origin of Livestock Proposed Rule. In addition, AMS published guidance documents including Policy Memo on Biodegradable Biobased Mulch Film; Policy Memo on Electrolyzed Water; and Draft Guidance on Natural Resources and Biodiversity Conservation for Certified Organic Operations.

To facilitate the development of standards in a manner that ensures public participation and transparency, AMS collaborated with the National Organic Standards Board (NOSB) to conduct two web-based public oral comment sessions. These web-based sessions increased participation in the standards development process by reducing barriers for people from across the country who otherwise might not be able to travel to provide public oral comments. To help with development of future standards regarding hydroponics and aquaponics, AMS selected members to serve on the Hydroponic and Aquaponic Production Practices Task Force. The task force will report to the NOSB, the current hydroponic and aquaponic production methods used in organic production, and assess whether these practices align with the Organic Foods Production Act and the USDA organic regulations.

Outreach and Education – Each year, AMS conducts organic outreach and education to a wide range of stakeholders, including members of the National Organic Standards Board (NOSB); accredited certifying agents; non-organic and organic producers, processors and handlers; the media; and consumers. To reach these stakeholders and others, AMS conducts outreach and education through a variety of channels including: AMS website; fact sheets; newsletters; an email subscription service; blogs; press releases; media interviews; conferences; trade shows; presentations; training; and more. In February 2015, the training of NOSB members and accredited certifying agents took place in Washington, DC and Little Rock, AK, respectively.

In 2015, AMS continued its work to advance the Sound and Sensible organic certification initiative, focused on making organic certification more accessible, attainable, and affordable for candidate farms and businesses. This included working with 17 partner organizations through contracts to develop a comprehensive series of videos, tip sheets, and training materials to support certification across the country.

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Furthermore, throughout FY 2015, AMS representatives provided education and training through active participation in conferences and tradeshows in various cities in the U.S and other countries. Education and training focused on a wide range of topics related to standards, certification, enforcement, accreditation and trade to ensure that organic rules are clearly developed and enforced and that the integrity of the USDA organic seal and the confidence of organic consumers are protected.

Technology Investments – To provide technical solutions that identify and fulfill the needs of agriculture and to provide information that supports the development of new agricultural markets, the first release of the Organic *INTEGRITY* Database was launched near the end of FY 2015. AMS began designing and developing the new certified organic operations data system with funding from the 2014 Farm Bill. The database, which is a major upgrade to the previous one, is a modern data system. Underlying the new database is a brand new classification system (or taxonomy) for categorizing organically certified products. The new database will promote market visibility for organic operations; increase supply chain transparency; support the development of new markets; reduce the certifier reporting burden; and deter fraud. With the new database, anyone will be able to conduct market research, confirm an operation's certification status, and identify supply chain connections between buyers and sellers. In addition, the new database will establish technology connections with certifiers that will enable them to provide data in a more accurate and timely manner.

Organic Certification Cost-Share Grant Programs (Farm Bill) – In FY 2015, AMS continued supporting organic market access efforts across USDA through the National Organic Certification Cost Share Program (NOCCSP) and the Agricultural Marketing Assistance (AMA) Organic Certification Cost Share Grant Program. These programs enable organic producers and handlers to apply for reimbursement of costs up to \$750 per each of the four scopes of organic certification (crops, livestock, wild crops and handling). Through the NOCCSP, which was funded by the 2014 Farm Bill, AMS allocated approximately \$11.9 million to State departments of agriculture to support organic producers and handlers across the country. In FY 2015, a total of more than \$7.5 million in certification expenses were reimbursed, an increase of approximately \$1.5 million over FY 2014 reimbursements. This assistance can make a significant difference in a small or beginning farmer's choice to pursue organic certification.

Research and Promotion Programs

Current Activities: AMS provides administrative oversight to 22 industry-funded commodity research and promotion (checkoff) programs with over \$723.7 million in industry assessments. Industry research and promotion boards collect assessments from producers, feeders, seed stock producers, exporters, packers, importers, processors, manufacturers, and handlers, to pool their resources to establish, finance, and carry out a coordinated program of research, consumer information, nutrition, and promotion to improve, maintain, strengthen and develop new markets both domestically and internationally for agricultural products. AMS' role is to oversee research and promotion boards to ensure fiscal accountability and program integrity. AMS reviews and approves all commodity promotional campaigns including advertising, consumer education programs, and other promotional materials prior to their use. AMS also approves the boards' budgets and marketing plans and attends all board meetings. Funding of Research and Promotion (R&P) Program activities occur via collection of mandatory assessments from the industries they serve; there are no tax dollars involved in the establishment, operation, or oversight of the programs. R&P Programs reimburse AMS for the cost of administrative oversight activities.

Selected Examples of Recent Progress:

During FY 2015, AMS continued its initiative to encourage diverse agricultural leaders and focused on increasing the diversity of candidates nominated to serve on R&P boards. AMS engaged with industry and special emphasis groups in order to increase diversity among individuals nominated to serve (candidate slates) on R&P boards. AMS developed and led expanded R&P board diversity training for all boards. The training, held in conjunction with the 2015 Agricultural Outlook Forum, was attended by representatives from 20 of the 22 R&P boards.

Additionally, AMS sponsored a Marketing, Communications, and Oversight training for more than 100 R&P and Marketing Orders staff, board staff, and State program representatives. The training agenda included speakers from AMS; USDA's Center for Nutrition, Policy, and Promotion; FDA; and the Federal Trade Commission discussing topics such as food labeling claims, advertising in the marketplace, social media, updates on the *Dietary Guidelines*,

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guidelines for scientific research claims, and diversity. AMS also created and distributed R&P board fact sheets to 22 R&P boards and to at least 20 outreach organizations to increase awareness of board service opportunities and created and released a video promoting board service featuring four diverse board members and the AMS Administrator. AMS translated the Call-to-Action document into Spanish to use at Hispanic outreach events. As a result of these efforts, nominations of women and minorities for service on R&P boards has increased by 49 percent since 2009. AMS continues to work to amplify its diversity messaging through a small farmer email list (800 individuals), 50 USDA outreach representatives, 600 plus USDA partners, and 30 plus USDA liaisons.

Christmas Trees – The new Christmas Tree Promotion Board (Board) was appointed in January 2015 and quickly began to start up the program by hiring an Executive Director team to begin the management of the program. The Board has borrowed funds for start-up costs and will collect assessments on the 2015 harvest. Assessments are due from domestic producers and handlers on February 15, 2016. The Board will implement a social media campaign for this upcoming holiday season and anticipates having a much larger and higher-impact campaign for the 2016 holiday season.

Industry Research and Promotion activities:

- Cotton – The Cotton R&P Program navigated new territory due to low cotton prices and decreased market share. The Program has a renewed focus on improving the demand for and profitability of cotton. This year, the Program dedicated its efforts to improving cotton's environmental footprint throughout the supply chain, increasing speed-to-market with new projects and programs, developing call-to-action messaging that makes the 'case for cotton' to consumers and industry, and finally maximizing producer profitability through research and innovation.

Cost of production and cotton producers' bottom line continued to be a major focus. This season approximately 424 projects were funded or coordinated by Cotton Incorporated (CI), the Program's primary contractor. The ultimate goal of the research is to ensure economic efficiency of cotton operations. A new Web site was also launched (<https://cottoncultivated.cottoninc.com>) to provide a portal to help users find cotton specific information as quickly and easily as possible. Information on the site includes up-to-date, region-specific information from CI extensive research library, universities and other top sources.

In 2015, cotton's market share continued to be threatened by man-made synthetic fabrics and CI responded with authenticity. The Program launched a completely revamped advertising campaign: Cotton. Your Favorite for a ReasonSM. The goal is to show how cotton makes you look and feel good, while communicating the physical benefits of the fiber; reminding consumers to check the label and shop cotton for their next favorite. The commercials are available to view on: <https://thefabricofourlives.com>.

- Dairy Products –The Dairy R&P Program continued its focus on child health and wellness through its in-school program, Fuel Up to Play 60 (FUTP60) and launched FUTP60 *en Español* to meet the needs of Latino students and their families. FUTP60 was launched by the National Dairy Council (NDC) and the National Football League (NFL), in collaboration with USDA, and is the nation's largest in-school health and wellness program with more than 73,000 participating schools. FUTP60 has led to more than 16 million students getting more physical activity and 13 million students making more nutritious food choices, including fruits, vegetables, whole grains, lean proteins, and low-fat and fat-free dairy. FUTP60 recognized that the national student body is increasingly diverse, making it important to reach students and their families in culturally relevant ways. With the Hispanic population in schools projected to increase to 29 percent of total enrollment by 2024 and Spanish being the most spoken non-English language in the U.S., there is a need for Spanish-language resources that can help engage a greater number of kids and their families in health and wellness initiatives. The Fuel Up to Play 60 *en Español* materials are available online and include interactive Spanish-language resources and information about healthy eating and physical activity. On October 8, NDC and representatives from PepsiCo, Morgan Stanley, the Miami Dolphins, Univision, and Miami-Dade County Public Schools shared news of the program with students, educators, parents and community members in Miami, Florida. On Oct. 13, NDC celebrated the program with partners, including the National Hispanic Medical Association, California Department of Health, Pro

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Football Hall of Famer Anthony Muñoz and Los Angeles Unified School District in Los Angeles, California.

- Fluid Milk –The National Fluid Milk Processor Promotion Program and the Dairy R&P Program maintain an ongoing partnership with Feeding America to support the Great American Milk Drive, designed to raise awareness about hunger in America and the need for milk donations in food banks. Feeding America reports that milk is one of the top five foods requested by clients; however, the majority of food banks cannot keep up with demand because milk is rarely donated. To meet daily dietary recommendations, each consumer needs about 68 gallons of milk per year. Currently, the 37 million Americans served annually by Feeding America receive the equivalent of less than one gallon per year. The Great American Milk Drive is the first of its kind to help resolve this milk shortage. Consumers can donate a gallon of milk online, via text, or, participate in local events that drive in-store donations. Since 2014, the Great American Milk Drive has resulted in the donation of 6 million servings of milk.
- Eggs – The Egg R&P Program’s Good Egg Project educates consumers about egg production and promotes nutrition and philanthropy. A key goal of the project is to invite the public to join egg farmers in the fight against hunger through the donation of eggs to local food banks and Feeding America. Since the Good Egg Project began in 2009, egg farmers have donated over 45 million eggs to the Nation’s hungry population.
- Mushrooms – The Mushroom Council, in partnership with major meat processors, and the mushroom industry has created a new category of meat/mushroom products available for school and commercial foodservice. The concept is called “blendability.” The meat/mushroom blends are lower in calories and fat per serving compared to similar all-meat options. Rather than replacing students’ favorite foods, this “blendability” concept develops meal options that use mushrooms as a substitute for a portion of the traditional meat component. The Blend adoption in schools doesn’t stop with the burger. School manufacturers are producing approximately 20 different Blend products, including tacos, meatballs, chili, meatloaf, and pasta sauce. The demand for the Blend in schools is gaining momentum – the USDA commodity program has ordered seven trucks of mushrooms for the 2015 school year and anticipate ordering eight more by the end of the year. Blendability also adds an extra serving of vegetables to the plate and reduces fat and cholesterol in traditional meals.
- Softwood Lumber – The Softwood Lumber Board and USDA are jointly funding a “Tall Wood Building Competition.” It is a prize competition designed to demonstrate the architectural and commercial viability of using wood in the construction of tall buildings. In October 2014, a notice detailing the competition was published in the *Federal Register* announcing that applications were due in December 2014. In February 2015, a panel of judges met to first evaluate the applications, and the sponsors reviewed the submissions. Two winning development teams were announced by the Secretary in September 2015. They will each receive \$1.5 million in funding to support the development of tall wood demonstration projects in New York and Portland, Oregon. Both projects will showcase the safe application, practicality and sustainability of a minimum 80-foot structure that uses mass timber, composite wood technologies and innovative building techniques.

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Research and Promotion Program Industry Revenue FY 2016 Estimate (Dollars in Millions)

<u>Commodity</u>	<u>Estimated Revenue</u>
Cotton	\$75.6
Dairy	112.8
Fluid Milk	88.1
Beef	44.8
Lamb	2.6
Pork	91.0
Soybeans	103.4
Sorghum	7.5
Eggs	27.9
Blueberries	8.3
Hass Avocado Board	56.2
Honey Board	9.8
Mango Board	7.8
Mushroom Council	5.1
Paper and Paper-Packaging	24.5
Peanut Board	10.4
Popcorn Board	1.0
Potato Board	20.0
Processed Raspberries	2.7
Softwood Lumber	20.0
Watermelon Board	3.5
Total	\$723.7

Note: The boards' fiscal year coincides with the calendar year for the blueberry, cotton, dairy, egg, fluid milk, Hass avocados, honey, mangos, mushroom, pork, popcorn, and Softwood lumber boards. The other boards operate under different 12-month fiscal periods.

Transportation and Market Development

Current Activities: AMS serves as the expert source for economic analysis on agricultural transportation from farm to markets. The agency informs, represents, and helps agricultural shippers and government policymakers through market reports, regulatory representation, economic analysis, transportation disruption reports, and technical assistance.

AMS also supports and enhances the distribution of U.S. agricultural products, and marketing opportunities for agricultural producers and local food businesses through grant programs, applied research, and technical services. These activities focus on specialty crops, agricultural marketing research, and local food initiatives.

Selected Examples of Recent Progress:

Surface Transportation Board regulatory proceedings and related meetings—On behalf of agricultural transportation stakeholders, AMS drafted briefing memorandums and correspondence, reviewed, filed, and replied to public comments to the Board, under the authorities of the Agricultural Adjustment Act of 1938 and the Agricultural Marketing Act of 1946.

AMS also participated in high-level meetings on rail regulatory issues, provided studies, and helped develop rail policy recommendations. Regulatory filings with the Board and meetings with railroads led to increased market

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transparency through the publication of weekly rail service metrics, used by agricultural shippers to help with their marketing and transportation decisions.

AMS participated in meetings and task forces on transportation topics, including:

- Canadian Transportation Agency Review Panel
- Quadrennial Energy Review Task Force
- Rail Energy Transportation Advisory Committee
- National Grain Car Council
- Secretary's Agricultural Technical Advisory Committee for Trade in Grain, Feed, Oilseeds and Planting Seeds
- Inland Waterway Users Board Meetings

Transportation Reports and Studies – In addition to issuing regular transportation reports that are published weekly, quarterly, and annually, AMS developed, co-authored, sponsored, and published on its Agricultural Transportation website many new, one-time transportation analyses, articles, and resources in FY 2015. Examples include:

- *Rail Service Challenges in the Upper Midwest: Implications for Agricultural Sectors – Preliminary Analysis of the 2013 – 2014 Situation* (with Office of the Chief Economist)
- *Constrained Market Pricing and Revenue Adequacy: Regulatory Implications for Shippers and Class I U.S. Freight Railroads* (through a cooperative agreement with the University of Minnesota)
- *Wheat Transportation Profile*
- *Soybean Transportation Profile*
- *Regional Food Logistics: A Stakeholder Process to Inform Multi-System Redesign for Sustainability* (through a cooperative agreement with the University of Wisconsin)
- *USDA Perspective on Transportation Constraints to Agriculture Exports*

West Coast Port Congestion and Longshore Labor Negotiations—AMS provided updates to USDA's Agricultural Technical Advisory Committee for Trade in Processed Products and the Fruit and Vegetable Industry Advisory Committee as slowdowns and reduced vessel loading and unloading impacted agricultural exporters and importers. AMS developed new contacts at the Maritime Administration to provide USDA with accurate and up-to-date vessel status information and participated in the interagency Committee on the Marine Transportation System discussions.

Transportation Outreach and Education – In conjunction with agricultural trade groups, State associations, and other stakeholders, AMS co-sponsored an agricultural transportation summit, six workshops, and a transportation outlook session:

- Ag Transportation Summit—with the National Grain and Feed Association and the Soy Transportation Coalition, supported the second biennial summit in Rosemont, IL. Approximately 200 individuals were in attendance, with representatives from the major rail companies, shippers, ports, truckers, farmers, and government agencies.
- Ag Shipper Workshops—co-sponsored six annual workshops, facilitating discussion of ocean, rail, and truck regulatory, rate, and service issues for new and experienced agricultural and forest product shippers and exporters in Fresno and Sacramento, CA, Boise, ID, Atlanta, GA, Minneapolis, MN, and Portland, OR. The workshops support the goals of President Obama's 'National Export Initiative' and 'Made in Rural America' export and investment initiative, by connecting more rural businesses of all types to export information and assistance.
- USDA Agricultural Outlook Forum—organized and moderated the transportation session on *Moving Feed, Food and Fuel to Market* discussing how the agricultural commodities, along with oil, coal, ethanol and other users, fit into the future plans of railroads; the U.S. barge system and how it impacts agricultural commodities, and a cooperatives' perspective on the logistics of handling large crops in terms of storage, marketing, and shipping.

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Direct Marketing/Locally Grown - There continues to be an increasing demand by consumers for locally-grown products, as evidenced by the continued growth of farmers markets and the rapid emergence and development of food hubs occurring across the country. In FY 2015, AMS further expanded and developed its on-line local food directories to include national directories of food hubs, Community Supported Agriculture (CSA) enterprises, and on-farm markets to connect local food sellers to buyers and expand market opportunities for small and mid-sized farms. As of the end of FY 2015, the directories included 8,491 farmers markets, 672 CSAs, 157 food hubs, and 1,317 on-farm markets.

In FY 2015, AMS established cooperative agreements, interagency agreements and sponsorships to research, develop and support the growth of local and regional food systems:

- Colorado State University, “Building a Standardized Evidence-Based Economic Impact Assessment Toolkit for Food System Clusters: Outreach, Training and Proof of Concept.” This is an extension of a previous project in cooperation with a team of nationally recognized experts to develop a set of standardized methods for calculating the economic impact of local food systems investments, and to provide outreach and training in the use of the Toolkit. The tool encompasses a range in sophistication and data requirements so that everyone from farmers market managers to community planners can use best practices for assessments that can be supported in internal budget discussions and loan applications.
- Michigan State University to explore and develop a “Farmers Market Price Reporting and Discovery System” via mobile and web-based application. The app will enable market vendors to push current special prices to customers who have elected to receive such push notifications, thereby increasing sales and customer traffic to markets.
- Cornell University, “The Promise of Urban Agriculture: National Case Study of Commercial Farming in Urban Areas” to assess the profit/loss of two major types of urban agriculture models: land-based and structure-based (hydro, aero, other) across up to 20 operations in the US to establish baseline information.
- FamilyFarmed.org, 2015 Good Food Festival and Conference in Chicago, IL. The Good Food Festival & Conference helps connect financial resources to farms and Good Food businesses; helps grow local procurement capacity; engages local school districts; provides a forum to discuss local, statewide, and national food policy; and educates the public about the importance and impact of Good Food. Unique opportunities arise for growing the Good Food movement with all of these stakeholders networking through our important sessions and trade show exhibits.
- Environmental Protection Agency, Local Food Local Places (LFLP) initiative. LFLP provides a customized technical assistance workshop on a competitive basis to approximately 25-30 communities per year with the intention of helping them incorporate “smart growth” principles within their local food system development plans. The objective of the LFLP initiative is to help disadvantaged communities, most notably those in rural areas, become better equipped to identify their local food system needs and priorities, assess and direct their resources appropriately, and prepared to apply for Federal assistance.
- AMS, in collaboration with the U.S. Department of Defense’s (DoD) Healthy Base Initiative (HBI), and Wholesome Wave, also published the first-ever *Guide for Farmers Markets on Military Installations*. By assisting military installations in establishing farmers markets, the guide will help increase access to fresh, local food for soldiers on military installations. It is filled with effective strategies to bring the benefits of farmers markets to service members and their families stationed at installations across the country. The guide also highlights success stories, showcasing existing farmers markets on military installations in Fort Bragg, NC; Fort Meade, MD; Fort Belvoir, VA; Camp Lejeune, NC; and Quantico, VA

Infrastructure/New Market Development - In FY 2015 AMS funded an interagency agreement with National Institute of Food and Agriculture (NIFA) and Penn State University to initiate the mapping of local food infrastructure and resources in six Strike Force states (Arizona, Arkansas, Alaska, Kentucky, Mississippi, and North Carolina). This mapping will be accomplished by:

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- Leveraging/aggregating existing data and collecting new resources to create a national map that geospatially identifies local food businesses, local food infrastructure (e.g., product aggregation centers, cold storage facilities, processing and packaging facilities, kitchen incubators, food innovation centers, transportation networks, etc.), producer networks, and other food system resources to support local food businesses.
- Facilitating greater linkages at the State and local level to advance the development and growth of local food systems and create market opportunities for agricultural producers, including augmenting investments from public and private organizations.
- Leveraging other USDA maps and data such as the Know Your Farmer, Know Your Food Compass, the Economic Research Service Food Access Research Atlas, the AMS local food directories, and other relevant resources.
- Establishing a comprehensive and visual representation of food system resources/ infrastructure to help developers, planners, investors, or policy makers gain a better understanding of the opportunities and needs in select states.

Facilitating Design Projects/Studies - AMS provides direct site assessment and design services for food market planners, managers, and community stakeholders to improve the efficiency of permanent food market facilities.

AMS does not fund construction of facilities. In FY 2015, AMS provided architectural plans and design assistance to local food businesses. Examples include:

- Greenwood, South Carolina Farmers Market
 - AMS architect provided technical assistance for the development of a multi-functional farmers market on a two and one-half acre site. Construction on the last phase of the project began in early April of 2015, with estimated project completion date of January 2016, and the new features and amenities open to the public in the Spring. The plans include the market pavilion structure, restroom facilities, interactive fountain, additional landscaping, lighting, elevated lawn, and plaza. This project is funded with the investment of local hospitality taxes in partnership with the V. Kann Rasmussen Foundation, the Self Regional Healthcare Foundation, the Self Family Foundation, the City of Greenwood, the Greenwood Commissioners of Public Works, and the Greenwood Metropolitan District.
- New Albany, Mississippi Farmers Market
 - Throughout FY 2015 AMS provided technical design assistance for the proposed downtown city market. The community envisions a mixed-use, public/private development on property that is adjacent to the Tallahatchie River with a public park and arboretum, walking/ biking trail that connects the town's sportsplex and tennis facilities. The farmers market is central to this development. The work will include housing, retail, and an industrial-scale bakery along with the supporting infrastructure.
- Oneida Tribal Nation Food Hub, Green Bay, Wisconsin
 - AMS provided design assistance to develop a concept for the Food Center building which would include, but not be limited to an entrepreneurial kitchen for community members to develop their own products for sale and a cannery, both for production and for community use.

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Marketing Outreach/Training/Technical Assistance:

- Grant-writing workshops to help increase access to AMS resources:
 - AMS worked with NIFA and the USDA-funded Regional Rural Development Centers to develop a training program and conduct outreach, education, and technical assistance to eligible applicants for AMS Grant Programs. Trainings numbered 126 in-person grant writing workshops in 50 States and two U.S. territories (Virgin Islands and Puerto Rico) to better equip applicants for understanding, developing, submitting, and managing their Federal grant applications (or grants).
- AMS facilitated collaborative roundtables with farmers in three states to discuss issues related to local food system opportunities, women in agriculture, and technical, financial, and educational support services available through USDA agencies:
 - Syracuse, NY, in partnership with the New York State State Department of Agriculture and Markets, Farm Service Agency (NY), and Natural Resources Conservation Service (NY)
 - Omaha, NE, in partnership with a member of Congress and the USDA Nebraska Food and Agriculture Council (Rural Development, Farm Service Agency, and Natural Resources Conservation Service)
 - Sante Fe, NM, in partnership with the Sante Fe Farmers Market, New Mexico Department of Agriculture, and local partnering organizations
- During FY 2015, AMS provided technical assistance by responding to 770 requests for information and assistance regarding local and regional food marketing issues. AMS also participated in 18 regional and national conferences, conducted 6 webinars, 13 trainings/workshops, and 7 conference calls to share information with more than an estimated 3,000 small and mid-sized enterprises and individuals on opportunities to enhance their marketing and purchasing strategies regarding locally and regionally produced foods.

Farmers Market and Local Food Promotion Program (Farm Bill-Funded)

The Farmers Marketing and Local Food Promotion Program was authorized by the Farmer-to-Consumer Direct Marketing Act of 1976, as amended (7 U.S.C 3005). Both the Farmers Market Promotion Program and the Local Food Promotion Program fall under its umbrella. Since 2009, the Farmers Market Promotion Program (FMPP) has funded 902 projects totaling over \$59.2 million supporting direct marketing efforts for local food.

In 2015, AMS awarded \$25 million in grants to establish, improve, and support over 324 local food markets across the U.S. through its Farmers Market and Local Food Promotion Program. FMPP awarded \$13.3 million to 164 project recipients and LFPP awarded \$11.8 million to 160 project recipients.

Auditing, Certification, Grading, Testing, and Verification Services (Fee Services)

Current Activities: AMS provides impartial services verifying that agricultural products meet specified requirements. These services include AMS' grading program, which confirms that product meets USDA grade standards. These services are voluntary, with users paying for the cost of the requested service.

AMS has also developed voluntary testing and process verification programs in response to the industry's growing need to facilitate the marketing of agricultural products. AMS' Process Verified Program provides producers and marketers of livestock, seed products, and poultry products with the opportunity to assure customers of their ability to provide consistent quality products by having their written production and manufacturing processes confirmed through independent, third party audits. The USDA Process Verified Program uses the ISO 9000 series standards for documented quality management systems as a format for evaluation documentation to ensure consistent auditing practices and promote international recognition of audit results. AMS' laboratory testing services provides analytical testing services to AMS commodity programs, other Federal agencies, and the agricultural and food community, to ensure products meet testing requirements for food safety and quality.

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Selected Examples of Recent Progress:

Dairy Products Grading--Dairy products grading, laboratory analysis, and dairy plant inspections assure purity and quality of dairy products. Upon request, AMS grades dairy products sold in commercial channels. An AMS grade or quality statement is also required on some products purchased through AMS Dairy Commodity Procurement.

Fees and Charges in Effect in 2015:

<u>Services Performed</u>	<u>Fees</u>
Continuous Resident Grading Service	\$76.00 per hour
Nonresident and Intermittent Grading Service	82.00 per hour

International markets are increasing for U.S. dairy and related products. AMS Dairy Programs offer assistance with inspection and certification of dairy and related products for export. Certifications attest that dairy products are: 1) fit for human consumption; 2) produced under sanitary and wholesome conditions; and 3) free from animal diseases. The Dairy Grading Program implemented the electronic Document Creation System (eDOCS) to facilitate the issuing of export certificates for product going to the European Union. In 2015, U.S. dairy export sales declined 27 percent from 2014. Yet in 2015, the Dairy Grading program received revenue for 46,000 export certificates, which was a one percent increase over 2014. AMS Dairy Programs continues to improve the certificate issuance program. In 2015, the eDOCS system was further enhanced to improve its functionality, to allow applicants to request derogations related to EU regulatory requirements, endorser are able to conduct bulk printing, and greater sorting memory is available when conducting searches within multiple certificates.

Fruit and Vegetable, Specialty Crops Inspection-- This program offers both grading and audit-based verification services for the food industry. In 2015, AMS inspected and certified 62 billion pounds of fruit and vegetable products and 1.1 billion pounds of fruit and vegetable products valued at \$691 million for the National School Lunch Program and other feeding systems. Grading and inspection services were provided by more than 700 Federal employees at 31 Federal receiving markets, 380 processing facilities, and 30 inspection points. In addition, 2,400 Federally-licensed State inspectors provided grading services in 41 States. Federal and Federal-State inspectors are located throughout the Nation to meet the inspection and certification needs of the specialty crops industry. AMS coordinates with FDA, U.S. Customs and Border Protection, the Canadian Food Inspection Agency, and other government entities and public associations on issues related to specialty crops inspection and marketing.

Third Party Verification Audits – AMS conducts independent, third-party verification audits throughout the supply distribution chain for primary producers, food service and retail organizations, processors, and State and Federal government agencies. These audits are generally used to meet commercial or government contractual requirements as a condition of sale and address quality, food safety, sanitation or traceability of products.

The USDA Good Agricultural Practices (GAP) and Good Handling Practices (GHP) Audit Program participants' ability to conform to generally recognized "best practices" outlined in the FDA Guide to Minimize Microbial Hazards of Fresh Fruit and Vegetables that minimize the risk of food safety hazards contaminating fruits, vegetables, and other specialty products during the production, harvesting, packing, transportation and storage of the product. In 2015, AMS licensed auditors conducted approximately 3,815 audits on more than 190 different commodities in all 50 States, Puerto Rico, Canada (Quebec, Ontario, and British Columbia), and Chile.

GroupGAP Pilot Program -- In FY 2015, AMS continued the GroupGAP pilot program which allows groups of producers to collectively undergo GAP certification through a shared quality management system, rather than each individual grower undergoing his/her own certification. GroupGAP enables small growers to pool resources and share the implementation costs associated with certification. The pilot program was expanded to include 11 groups from California, Iowa, Michigan, Missouri, Montana, North Carolina, Pennsylvania, and Wisconsin which collectively represented more than 200 growers. In October 2015, AMS announced it would launch the GroupGAP Program as a full service offering in April 2016. When AMS certifies that the grower groups are following industry-recognized food safety practices under GroupGAP, more small and mid-sized farmers can demonstrate that they have met retailer food safety requirements for "buy local" programs. These new suppliers help stores build an inventory of local food from growers who previously couldn't access mainstream retail markets. GroupGAP efficiencies allow buyers and retailers to broaden their base of suppliers, so they are more resilient in the face of supply challenges or disruptions. Diverse product offerings are available from a group of growers rather than a

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single grower. Furthermore, GroupGAP will comply with upcoming FDA requirements under the Food Safety Modernization Act.

In addition to the on-farm food safety/GAP audits AMS conducted:

- Approximately 450 Food Defense surveys in support of USDA food purchases. The surveys verify the measures that operators of food establishments take to minimize the risk of intentional tampering or contamination of food.
- 31 Department of Defense, Defense Logistics Agency prime vendor audits, including 7 international audits in Japan, Singapore, Panama, Dubai, Guam, and South Korea which assess a vendors conformance to quality and food safety requirements.
- 47 Domestic Origin Verification audits at facilities to confirm products supplied for USDA food purchases were of domestic origin.
- 13 Plant Systems audits to assess an operations quality assurance system.
- 10 Identity Preservation audits to assess a marketing claim about a unique characteristic of a product.
- 9 verification audits under the Qualified Through Verification program to assess the operation's HACCP program within the fresh cut produce industry.
- Performed audits at three facilities producing Ready-to-Use Therapeutic Food contracted by the Farm Service Agency on behalf of the U.S. Agency for International Development at three facilities. This food is provided to UNICEF and the World Food Program for distribution to malnourished children from 6 months to 5 years of age.
- Reviewed for approval 1,900 label applications under the Child Nutrition (CN) Labeling program, which is managed by AMS; trained additional staff to review CN labels as needed based on label volume; conducted outreach; and provided training to CN manufacturers and school food service professionals on program and policy changes.

National School Lunch Program Support – AMS developed and implemented vendor requirements for the new Pilot Project for the Procurement of Unprocessed Fruits and Vegetables. Mandated by the 2014 Farm Bill, FNS is running the pilot program in eight States to provide State distribution agencies with flexibility to procure unprocessed fruits and vegetables for school lunches. As of the end of FY 2015, AMS approved 56 applications; an additional 41 applications are being reviewed.

Military Support – Combat Ration Inspection -- During FY 2015, AMS coordinated the inspection of 5,800 lots comprised of 311 million servings of food components for Department of Defense (DoD) combat rations at 15 processing plants nationwide and in American Samoa. Under this program, AMS in-plant graders serve as the DoD quality assurance representatives, inspecting and certifying daily production at contractors' facilities to ensure that only top-quality food components are used in DoD Operational Rations. AMS graders inspect a wide range of products for this program, including meat, poultry, tuna, and vegetarian entrees; bakery items; peanut, fruit, and cheese spreads; and, beverage powders, including those used for dairy shakes and fruit-flavored drinks. These items are used in a variety of DoD Operational Rations for both combat and training purposes, including Meals, Ready-to-Eat (MRE), the DoD's essential combat ration. AMS also coordinates with the DoD to review food specifications for ration production and inspection, and participates in projects to improve rations, including ensuring packaging integrity and enhancing product shelf life.

MRE Packaging Improvements – AMS worked with USDA, FSIS, the Defense Logistics Agency's Troop Support, and industry to develop and implement improved packaging for MRE rations that uses less material to protect the rations. These changes decreased packaging material costs and lowered MRE distribution costs due to decreased weights and volumes, for an estimated annual savings of approximately \$24 million. AMS also facilitated FSIS' reviews and approvals of involved labelling changes, and adapted our in-plant inspection procedures to provide quality assurance measures appropriate for the new packaging.

International Trade Facilitation-- Almond Voluntary Aflatoxin Sampling Plan – On August 1, 2015, AMS launched a new Pre-Export Check (PEC) program for almonds going to international markets. Implementation of the program marked the culmination of a year-long collaborative effort between AMS, the California Department of Food and Agriculture (CFDA), and the Almond Board of California (ABC) to update the Voluntary Aflatoxin

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Sampling Plan and verification process for almonds entering the European Union. Under the program, almonds may be checked for aflatoxin in the United States and a pre-export health certificate issued by AMS before export. AMS and ABC are developing a system-based audit review program that will ensure the integrity of the PEC program and allow AMS inspectors to sign health certificates. As part of this effort, AMS established a Memorandum of Understanding with the ABC that delineates AMS's role in the PEC program, including use of audit verification system.

Beyond the Border Apple Pilot Inspection Program – On May 4, 2015, AMS and the Canadian Food Inspection Agency initiated a 3-year Beyond the Border Apple Pilot Inspection Program to facilitate international trade. The pilot is intended to lower grade verification inspection rates for bulk apples that are grown in the United States and imported by Canada. Under the pilot, AMS and cooperators continue to provide grade verification inspections and oversee the tracking of bulk loads of U.S. apples greater than 440 pounds that are shipped under a Ministerial Exemption contract. Specifically, we inspect and certify loads of apples randomly selected by CFIA on an FV-205, Certificate of Inspection for Canadian Destinations; and, certify, but not inspect, all remaining loads under the pilot by including the following statement in the Remarks section of the certificate: “This FV-205 is issued without inspection as per the Canada – U.S. Beyond the Border Agri-Food Pilot for Apples.”

Fresh Electronic Inspection and Reporting System (FEIRS) -- In FY 2015, AMS deployed computers with the FEIRS application to Federal-State terminal market inspectors in 12 states. Use of this electronic inspection application for fresh fruit and vegetables across the inspection system will harmonize Federal and State cooperators' inspection processes, software, and capabilities, and provide more electronically-captured data from market inspections nationwide.

Peanut and Onion Inspection Software -- In FY 2015, AMS finalized an agreement to lease the Georgia Federal-State Inspection Service's (GA FSIS) electronic inspection program for peanuts and onions. Under the agreement, AMS obtained a software license to use the program and sub-license it to other States, and the GA FSIS agreed to provide technical and software support for the program. States that are using the application to provide peanut and onion inspections on AMS's behalf are now using a single, uniform inspection program for both incoming Farmers' Stock, and milled or blanched peanuts. Ten of the 11 States that account for 90 percent of incoming peanut inspections adopted the single electronic inspection program. Implementation of this robust automated inspection application will improve grading and reporting uniformity across all official service providers.

Olive Sizer -- In FY 2015, AMS validated the Multi-Scan I5 sizers for use in sizing olives. The validation of this sizer for domestic olives streamlines the grading and sizing process for handlers by reducing verification sampling frequency and eliminating the need for inspectors to classify fruit by hand. The validation process requires that sizers be verified using a 1,300-count reference sample of various sizes developed by the California Olive Committee (COC). It also requires that reference samples be: available at all locations where a Multi-Scan I5 is being used; introduced into the Multi-Scan I5 at least twice during each 8-hour shift (i.e., once every 4 hours); and, compared to an approved MultiScan Test Olive Grading Data sheet. All sizer verification checks must be performed by a USDA inspector. Further, the MultiScan I5 is approved to perform count only when a GA FSIS inspector is present and supervising the sampling and grading process. In response to a COC request, AMS approved the use of a 1,300-count sample entered into a machine instead of a 10-pound sample.

AMS conducted 29 training classes during 2015 to ensure quality service and uniform application of procedures.

Fees and Charges in Effect for Processed Fruit and Vegetable Grading in 2015:

<u>Service Performed</u>	<u>Fees</u>
Lot Inspections	\$62.00 per hour
In-plant Inspection under Annual Contract	49.00 per hour
Additional Graders (in-plant) or Less than Year-Round	65.00 per hour
Audit Services	92.00 per hour

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Fees and Charges in Effect for Fresh Fruit and Vegetable Grading in 2015:

Quality and condition inspections of products each in quantities of 51 or more packages and unloaded from the same land or air conveyance:

<u>Service Performed</u>	<u>Fees</u>
Quality and Condition Inspections for Whole Lots	\$151.00 per lot
Condition-Only Inspections for Whole Lots	125.00 per lot
Inspections for Additional Lots of the Same Product	69.00 per lot
Inspections for All Hourly Work	74.00 per hour
Audit Services	92.00 per hour

Livestock, Poultry, and Seed Auditing, Grading, and Verification--Auditing services – AMS provided audit services for export verification programs, organic certifying agencies, seed testing laboratories, State agencies, and other agricultural based establishments and companies worldwide during 2015. AMS conducted approximately 1,300 different types of Quality Management audits for the entire agricultural industry with a staff of 14 qualified auditors. The audits were provided to approximately 878 companies.

Process Verified Program - There are approximately 51 entities that operate a USDA Process Verified Program associated with cattle, poultry, pork, grain and Non-GMO/GE marketing claims/process verified points. New USDA Process Verified Programs are submitted on an almost weekly basis with the scope of the programs expanding past the traditional live animal or processing process verified points. In the near future, cartons of Soy Milk will appear on certain retail store shelves that are marketing the USDA Process Verified Program for NonGMO/GE ingredients.

The Processed Eggs and Egg Products Export Verification Program (PEEPEV) aids in the export of processed products containing eggs to the EU and Mexico. This program was developed in cooperation with FDA and certifies that products containing egg were produced according to FDA's Good Manufacturing Practices (GMPs). In 2015, nine more countries began accepting PEEPEV certificates for imported processed products containing egg. During FY 2015, PEEPEV certified 56.2 million pounds of eggs for export to Mexico and the EU.

AMS provided services to USDA Accredited Certifying agents to the ISO Guide 17065 Program within the scope of the Russian Export Market for the shipment of poultry to Russia. This program allow the producers the ability to label export product to Russia that meets the Russian Import requirements. Audits are also conducted on behalf of the USDA NOP for the continued approval of their approved Accredited Certifying Agents (ACA) according to the NOP Rule. During FY 2015, AMS QAD conducted 19 international and domestic audits of the ACA's.

AMS conducted on-site audits of companies involved in the USDA/ASTM Tenderness Standard, which provides retail level grocery stores the ability to label their products as USDA Tender or Very Tender. The Tender program has expanded significantly in the Midwest and East Coast areas of the U.S with approximately 2,000 individual stores having the ability to label certain meat cuts as Tender or Very Tender.

Fees and Charges in Effect in 2015:

<u>Service Performed</u>	<u>Fees</u>
Livestock and Meat Audits	108.00 per hour
Poultry Industry Audit	89.20 per hour

Livestock Grading and Verification – During FY 2015, AMS provided grading and verification services to approximately 247 meat packing and processing plants, livestock producers, and livestock service providers. A total of 23.6 billion pounds of meat and meat products were verified for specification, contractual or marketing program requirements.

AMS graded a total of 18.5 billion pounds of red meat (beef, lamb, veal and calf), which represents approximately 92.5 percent of steers and heifers, 64.6 percent of lamb, and 43.5 percent of veal and calf commercially slaughtered in the United States. AMS graded 41 loads of beef cattle carcasses for the Chicago Mercantile Exchange.

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Fees and Charges in Effect in 2015:

<u>Service Performed</u>	<u>Fees</u>
Commitment Grading	\$61.00 per hour
Non-commitment Grading	71.00 per hour

Poultry and Egg Grading – Approximately 89 percent of poultry grading services were provided on a resident basis, where a full-time grader is usually stationed at the plant that requests service. The remaining 11 percent of poultry grading services are provided on a non-resident basis. During 2015, AMS provided resident service in 78 poultry plants, grading 7.83 billion pounds of poultry, and 210 shell egg plants where 3.1 billion dozen shell eggs were graded. Poultry grading services covered about 22 percent of the turkeys slaughtered, 24 percent of the broilers slaughtered, and 52 percent of the shell eggs produced in the U.S., excluding eggs used for breaking and hatching.

Fees and Charges in Effect in 2015:

<u>Service Performed</u>	<u>Fees</u>
Resident Service (In-plant)	\$42.68 per hour*
Fee Service (non-scheduled)	77.28 per hour

**Note: Administrative charges are applied in addition to hourly rates for resident service.*

Voluntary Seed Testing – AMS offers seed inspection and certification services to users for a fee. Most of the users of this service are seed exporters. During 2015, AMS tested 1,332 samples and issued 1,332 Seed Analysis Certificates. This represents a four percent increase in testing requests over the previous year. Most of the samples tested and certificates issued represent seed scheduled for export. Fees collected for these activities in FY 2015 totaled \$64,780.

Fees and Charges in Effect in 2015:

<u>Service Performed</u>	<u>Fees</u>
Laboratory Testing	\$52.00 per hour
Administrative Fee	13.00 per certificate

Administration of Organization for Economic Cooperation and Development (OECD) Seed Schemes – AMS is responsible for the administration of U.S. participation in the OECD Seed Schemes, an international program through which seed companies export seed certified for varietal purity. AMS collects a fee to operate the program that is based on the amount of seed shipped. During 2015, AMS approved the shipment of approximately 95 million pounds of seed.

Cotton Grading--AMS classified 15.4 million bales of cotton under the grower-classing program in FY 2015, with all cotton classed by the High Volume Instrument (HVI) method. This represents a 16.67 percent production increase from the FY 2014 level. Classing information is provided electronically to owners of the cotton. In FY 2015, the Cotton Program disseminated data for over 56 million bales, a 12 percent increase from FY 2014. This data represents multiple crop years or multiple requests for the same bale.

The AMS Cotton and Tobacco Program provided classification/certifications services on 321,615 bales of cotton submitted for futures certification during FY 2015. This certification total was 63.7 percent decrease as compared to FY 2014 when certification services were provided on 886,484 samples submitted. The primary cause for the decrease in the number of samples certificated was the marketing environment during FY 2015. Many cotton merchants found it more advantageous to sell the cotton on the spot market rather than futures market.

Fees and Charges in Effect in 2015:

<u>Service Performed</u>	<u>Fees</u>
Form 1 Grading Services or Review	\$2.20 per bale <i>a/</i>
Form A, Form C, Form D, Foreign Growth Classification	2.00 per bale
Certification of Futures Contract (grading)	3.50 per bale

a/ A discount of five cents per bale is awarded to producers who are billed through voluntary central agents (e.g., cotton gins and warehouses).

AGRICULTURAL MARKETING SERVICE

Tobacco Grading--During FY 2015, AMS graded 52 million kilos of imported tobacco and 120.7 million pounds of domestic tobacco for exporting and performed pesticide testing on 14.8 million kilograms of tobacco to ensure that pesticide residue levels were within tolerance. In addition, 42 million pounds of tobacco were graded under a Memorandum of Understanding with USDA's Risk Management Agency, an increase of 780 percent from FY 2014.

Fees and Charges in Effect in 2015:

<u>Service Performed</u>	<u>Fees</u>
Domestic Permissive Inspection & Certification	\$47.40 per hour
Export Permissive Inspection & Certification	0.0025 per lb
Grading for Risk Management Agency	0.01 per lb
Pesticide Test Sampling	0.0054 per kg or .0025 per lb
Pesticide Retest Sampling	115.00 per sample or 47.40 per hour
Import Inspection and Certification	0.0154 per kg or .0070 per lb

AMS Laboratory Approval and Testing Division (LATD)--The LATD provides lab testing and approval (audit) services to AMS commodity programs and to the agricultural community in order to facilitate domestic and international marketing of food and agricultural commodities. Specifically, LATD:

- Develops and administers laboratory approval programs to enhance and expand export market access for U.S. commodities.
- Provides scientific and market advice to federal partners to assist in negotiating and establishing export requirements and policies and administers laboratory approval programs which verify that the analysis of products destined to be exported meet various countries' requirements.
- Through the National Science Laboratories (NSL), provides analytical testing services in the fields of chemistry, microbiology, and molecular biology on a fee-for-service basis.
 - The NSL's primary mission is to serve AMS commodity programs, other Federal agencies, and industries, with analytical testing in support of grading, commodity purchases, exports, compliance, product specifications, and research.
 - The NSL has established a high level of quality assurance and is ISO/IEC 17025:2005 accredited.
 - The laboratory performs tests on commodities such as food products, juice products, canned and fresh fruits and vegetables, eggs and egg products, honey, meats, milk and dairy products, military and emergency food rations, oils, peanuts and other nuts, organic foods and products, and tobacco.

During FY 2015, LATD administered laboratory approvals in support of AMS commodity programs: Export program (25 labs in total), Aflatoxin program (38 labs in total), and internal AMS programs (18 labs in total). In administering these programs, LATD conducted onsite lab audits, desk audits, analyzed monthly check sample data sets for the programs, and monitored each lab's proficiency data.

LATD showed adaptability of service to address a peanut industry stakeholder's need for cost effective and high integrity testing service. At the request of the stakeholder, LATD entered into a contract to establish satellite USDA laboratory onsite at a peanut shelling facility in order to provide testing service and laboratory supervision. USDA overseeing onsite laboratories is similar to service provided onsite by USDA AMS graders and/or inspectors. This opportunity strengthened NSL's relationship with the peanut industry with regards to analytical testing.

The AMS NSL performed over 97,000 analyses of various agriculture commodities, many of which were tested for multiple analytes. The NSL provided analytical testing services to other Federal programs, including NOP, ARS, and APHIS as well as private customers.

Fees and Charges in Effect in 2015:

<u>Service Performed</u>	<u>Fees</u>
Laboratory Testing Services	\$88.00 per hour
Laboratory Approval Services	\$136.00 per hour

AGRICULTURAL MARKETING SERVICE

Plant Variety Protection Act

Current Activities: The Plant Variety Protection (PVP) Act provides legal and intellectual property rights protection to developers of new varieties of plants that are sexually reproduced or tuber-propagated. This voluntary program is funded through application fees for certificates of protection. Each developer of a new variety is assessed a fee of \$5,150 to cover the cost of filing, searching, issuing, informing the public, and maintaining plant variety protection certificates.

Selected Examples of Recent Progress:

More than 140 species of plants are currently protected under the PVP Act. In FY 2015, AMS received 502 applications for protecting new agricultural, floral, and seed plant varieties. A total of 335 applications, including some from previous years, were pending action at the end of FY 2015. During the fiscal year, AMS conducted searches on 493 applications to determine whether the plant constituted a new variety. On the basis of those searches, the program issued 419 certificates of protection and reduced the processing time from 2.4 to 1.6 years. At the end of the fiscal year, 7,048 certificates were in force while protection had expired on 102 different varieties.

The electronic application filing (ePVP) system is being tested by internal and external users for 28 crops to ensure that the external and internal software systems are fully functioning. The ePVP system will eventually replace the legacy STAR database system for the entry and processing of PVP applications. The ePVP system is an interactive Web based filing and examination system using Microsoft (MS) Customer Relationship Management (CRM) and MS .Net software on virtual servers.

AGRICULTURAL MARKETING SERVICE

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

Limitation on Administrative Expenses

Not to exceed [\$60,982,000] \$61,227,000 (from fees collected) shall be obligated during the current fiscal year for administrative expenses: Provided, That if crop size is understated and/or other uncontrollable events occur, the agency may exceed this limitation by up to 10 percent with notification to the Committees on Appropriations of both Houses of Congress.

Budget Estimate, 2017	\$61,227,000
2016 Enacted	<u>60,982,000</u>
Change in Appropriation	<u>+245,000</u>

AGRICULTURAL MARKETING SERVICE

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

Payments to States and Possessions

For payments to departments of agriculture, bureaus and departments of markets, and similar agencies for marketing activities under section 204(b) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623(b)), \$1,235,000.

Lead-Off Tabular Statement

Budget Estimate, 2017.....	\$1,235,000
2016 Enacted.....	1,235,000
Change in Appropriation.....	-

Summary of Increases and Decreases

(Dollars in thousands)

Program	2014 Actual	2015 Change	2016 Change	2017 Change	2017 Estimate
Discretionary Appropriations:					
Payments to States and Possessions.....	\$1,363	-\$128	-	-	\$1,235
Total.....	1,363	-128	-	-	1,235

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2014 Actual		2015 Actual		2016 Enacted		Inc. or Dec.		2017 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Appropriations:										
Payments to States and Possessions.....										
	\$1,363	1	\$1,235	1	\$1,235	1	-	-	\$1,235	1
Total Appropriation.....	1,363	1	1,235	1	1,235	1	-	-	1,235	1
Total Available.....	1,363	1	1,235	1	1,235	1	-	-	1,235	1
Lapsing Balances.....	-59	-	-6	-	-	-	-	-	-	-
Total Obligations.....	1,304	1	1,229	1	1,235	1	-	-	1,235	1

Payments to States and Possessions

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2014 Actual		2015 Actual		2016 Enacted		Inc. or Dec.		2017 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Obligations:										
Payments to States and Possessions.....										
	\$1,304	1	\$1,229	1	\$1,235	1	-	-	\$1,235	1
Total Obligations.....	1,304	1	1,229	1	1,235	1	-	-	1,235	1
Lapsing Balances.....	59	-	6	-	-	-	-	-	-	-
Total Available.....	1,363	1	1,235	1	1,235	1	-	-	1,235	1
Total Appropriation.....	1,363	1	1,235	1	1,235	1	-	-	1,235	1

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions

Distribution of obligations by State is not available until projects have been selected. Projects for 2016 will be selected in the fourth quarter of 2016. Funds in 2016 for the Federal-State Marketing Improvement Program total \$1,235,000. A funding level of \$1,235,000 is proposed for 2017.

Geographic Breakdown of Obligations

(Dollars in thousands)

	<u>2014 Actual</u>	<u>2015 Actual</u>
Alaska.....	-	\$61
Arkansas.....	\$53	-
Colorado.....	-	104
Connecticut.....	48	-
Delaware.....	-	87
Florida.....	44	-
Hawaii.....	80	69
Iowa.....	40	-
Kansas.....	125	58
Maryland.....	36	-
Massachusetts.....	-	44
Minnesota.....	-	59
Missouri.....	66	-
Nevada.....	36	-
New Jersey.....	-	100
North Carolina.....	106	-
South Carolina.....	-	56
Tennessee.....	-	91
Vermont.....	75	92
Virginia.....	201	-
Washington.....	218	62
Wisconsin.....	-	57
Wyoming.....	-	65
Subtotal, Grant Obligations.....	<u>1,128</u>	<u>1,005</u>
Administrative Expenses (D.C.).....	176	224
Lapsing Balances.....	<u>59</u>	<u>6</u>
Total, Available.....	<u><u>1,363</u></u>	<u><u>1,235</u></u>

AGRICULTURAL MARKETING SERVICE

Specialty Crop Block Grants

FY 2015 funding of \$65,208,000 was provided for the Specialty Crop Block Grant Program pursuant to the 2014 Farm Bill (Public Law 113-79). Solicitation of grant applications was released on March 16, 2015. Applications were accepted through July 8, 2015 and awarded in October 5, 2015. This is a formula block grant program; 2016 amounts are estimates based on the formula net sequester.

Geographic Breakdown of Obligations

(Dollars in thousands)

	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2016 Enacted</u>
Alabama	\$473	\$434	\$337
Alaska	232	221	213
Arizona	1,106	1,214	917
Arkansas	351	308	294
California	19,882	19,759	22,339
Colorado	840	733	626
Connecticut	397	391	270
Delaware	338	326	303
District of Columbia	221	211	209
Florida	4,579	4,110	3,879
Georgia	1,401	1,162	1,071
Hawaii	471	451	423
Idaho	1,925	1,889	1,902
Illinois	658	604	521
Indiana	455	446	384
Iowa	308	297	244
Kansas	314	319	283
Kentucky	303	292	241
Louisiana	437	358	314
Maine	603	563	549
Maryland	505	424	376
Massachusetts	458	411	347
Michigan	1,993	1,930	1,885
Minnesota	1,397	1,236	1,185
Mississippi	481	363	337
Missouri	459	399	327
Montana	991	1,305	1,292
Nebraska	600	640	620
Nevada	301	295	250
New Hampshire	273	266	238
New Jersey	813	707	633
New Mexico	551	507	495

AGRICULTURAL MARKETING SERVICE

Specialty Crop Block Grants

Geographic Breakdown of Obligations

(Dollars in thousands)

(continued)

	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2016 Enacted</u>
New York	\$1,418	\$1,229	\$1,153
North Carolina	3,153	1,106	1,043
North Dakota	1,175	2,606	2,560
Ohio	613	525	528
Oklahoma	657	569	468
Oregon	1,960	1,825	1,613
Pennsylvania	1,045	994	924
Rhode Island	256	244	225
South Carolina	602	502	442
South Dakota	292	286	270
Tennessee	519	511	394
Texas	1,915	1,808	1,371
Utah	340	315	275
Vermont	279	276	257
Virginia	567	504	394
Washington	4,285	4,144	4,307
West Virginia	270	259	240
Wisconsin	1,411	1,306	1,183
Wyoming	291	311	303
American Samoa	263	250	251
Guam	223	213	211
Northern Mariana Islands.....	223	213	211
Puerto Rico	525	476	490
Virgin Islands	-	208	210
Subtotal, Grant Obligations	66,398	63,251	62,627
Administrative Expenses	612	1,951	1,943
Lapsing Balances.....	530	6	-
Total, Available or Estimate	67,540	65,208	64,570

Note: This table excludes funds for Multi-State grants.

AGRICULTURAL MARKETING SERVICE

Payments to States and Possessions
Classification by Objects
(Dollars in thousands)

	2014	2015	2016	2017
	<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
Personnel Compensation:				
Washington, D.C.....	\$138	\$139	\$141	\$143
Field.....	-	-	-	-
11 Total personnel compensation.....	138	139	141	143
12 Personnel benefits.....	38	40	40	41
Total, personnel comp. and benefits.....	<u>176</u>	<u>179</u>	<u>181</u>	<u>184</u>
Other Objects:				
23.3 Communications, utilities, and misc. charges...	-	3	-	-
25.4 Operation and maintenance of facilities.....	-	42	-	-
41.0 Grants, subsidies, and contributions.....	1,128	1,005	1,054	1,051
Total, Other Objects.....	<u>1,128</u>	<u>1,050</u>	<u>1,054</u>	<u>1,051</u>
99.9 Total, new obligations.....	<u><u>1,304</u></u>	<u><u>1,229</u></u>	<u><u>1,235</u></u>	<u><u>1,235</u></u>
Position Data:				
Average Salary (dollars), GS Position.....	\$138,136	\$139,523	\$141,555	\$142,750
Average Grade, GS Position.....	14	14	14	14

AGRICULTURAL MARKETING SERVICE

Status of Programs

Payments to States and Possessions

Federal-State Marketing Improvement Program

Current Activities: The Federal-State Marketing Improvement Program (FSMIP) is a grant program which provides matching funds to State departments of agriculture, State agricultural experiment stations, and other appropriate State agencies to help them explore new market opportunities for U.S. food and agricultural products, and to encourage research and innovation aimed at improving the efficiency and performance of the marketing system.

Selected Examples of Recent Progress:

In FY 2015, FSMIP reviewed 38 matching grant proposals from 27 States to help create economic opportunities for American farmers and ranchers. AMS awarded \$1 million to 15 State Departments of Agriculture and universities in 14 States for projects that will explore agricultural marketing opportunities or address agricultural marketing challenges that have Statewide or regional impact on farmers and agri-businesses. The projects will enable States to research new opportunities, and spark innovation in the marketing, transportation and distribution of U.S. agricultural products. Many of the FY 2015 projects support research projects to address challenges and opportunities in marketing, transporting, and distributing U.S. agricultural products domestically and internationally.

Federal-State Marketing Improvement Program Fiscal Year 2015 Grants

Total Funding: \$1,005,906; Average Grant: \$67,060; 15 Projects in 14 States

Alaska - \$60,739

University of Alaska, in partnership with Arctic Qiviut and the Alaska Natural Fiber Business Association, to develop a vibrant, diverse, and sustainable fiber industry in the state of Alaska through a needs assessment, market research, and development of quality and processing standards.

Colorado - \$104,405

Colorado Department of Agriculture, in partnership with the Colorado State University, MarketReady, Cornell Cooperative Extension of Tompkins County, Colorado Farmers Market Association, and the Northern Colorado Food Cluster, to assess the marketing strategies used by wholesale distribution channels, farmers markets, Community Supported Agriculture operations, and farm-to-school initiatives, and make recommendations to improve profits for Colorado fruit and vegetable producers.

Delaware - \$87,261

University of Delaware to explore market opportunities in Delaware, Maryland and Pennsylvania for watermelon labeled with a *Delaware Preserved Farm* label that could lead to higher price premiums and higher participation of farmers in farm preservation programs.

Hawaii - \$69,194

University of Hawaii at Manoa, in partnership with County of Manoa Office of Economic Development and Maui Chamber of Commerce, to develop an on-line marketing hub for vendors of value-added, "Made in Maui" agricultural products.

Kansas - \$24,420

Kansas Department of Agriculture to hold egg grading workshops for Kansas poultry producers to encourage uniformity and consistency in commercial practices and take advantage of opportunities to sell eggs in local markets.

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Kansas - \$33,000

Kansas Department of Agriculture, in partnership with Kansas Wheat Commission, to create a premium brand for hard white winter wheat grown in the Western High Plains of Kansas and adjoining states by establishing quality criteria, educating farmers and customers, and identifying export opportunities.

Massachusetts - \$44,297

Massachusetts Department of Agricultural Resources, in partnership with Community Involved in Sustaining Agriculture, to evaluate the effectiveness of an on-line ordering system that will enable wholesale buyers to order Massachusetts farm products, improving marketing efficiency and supporting the growth of sales of locally grown products.

Minnesota - \$59,373

University of Minnesota to create and expand markets for underutilized and low-value species Eastern Region trees; identify consumers' perceptions of chemical-free, thermally-modified, wood; investigate the marketing practices of current producers and distributors; and develop a strategic marketing plan to address barriers to increased production and utilization of thermally-modified wood.

New Jersey - \$99,803

Rutgers University, in partnership with the Northeast Organic Farming Association of New Jersey and the New Jersey Department of Agriculture, to research consumer perceptions and behaviors in the Mid-Atlantic region in order to enable growers to fully take advantage of the organic market.

South Carolina - \$55,814

South Carolina Department of Agriculture, in partnership with University of South Carolina, to determine the best marketing practices and optimum strategies to reach Millennial consumers; enhance sales of local food under the Certified South Carolina label to this emerging group of consumers; and assist the State to create a multi-year strategic marketing plan.

Tennessee - \$91,235

University of Tennessee to ascertain Statewide consumer willingness to pay for locally produced and branded beef products with different quality attributes; assess willingness of Tennessee cattle producers to participate in a branded beef program; and determine preferred ownership structure of processing facilities among interested beef cattle producers.

Vermont - \$92,200

Vermont Agency of Agriculture, Food and Markets, in partnership with Vermont Specialty Food Association, Vermont Maple Sugar Makers' Association, Vermont Fresh Network, to enhance the ability of Vermont farmers and value-added producers to market, connect and efficiently distribute high-value products to regional and national consumers through distribution infrastructure, branding, social media campaigns and e-commerce.

Washington - \$62,265

Washington State Department of Agriculture, in partnership with Northwest Agriculture Business Center, Okanogan Producers Marketing Association, Pierce Conservation District, State of Washington Department of Commerce, Washington State University Stevens County Extension, Cloud Mountain Farm Center, and others, to analyze the state's traditional and alternative supply chains for minimally processed produce and identify strategies to further develop value chain infrastructure and relationships needed for local farms to sell their products to schools.

Wisconsin - \$56,855

Wisconsin Department of Agriculture, Trade, and Consumer Protection, in partnership with Mutch Better Foods LLC, to analyze the current supply chain for local products and create a Statewide institutional procurement strategy for institutional purchasers to feasibly substitute products grown and produced in Wisconsin, in lieu of the products available through traditional distribution systems.

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Wyoming - \$65,045

University of Wyoming, in partnership with the Wyoming Department of Agriculture, to address risks and opportunities for producers when conducting private contract negotiations by conducting focus groups with producers to gain insight about their experiences, strategies, and needs for developing skills in contract and price negotiation; working with agricultural professionals to measure the impact of negotiation training on prices received by producers; and developing educational material to improve producer skills in price and contract negotiation.

Specialty Crop Block Grant Program (Farm Bill Funded)

Current Activities: The Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621 note) authorized USDA to provide State assistance for specialty crops. All 50 States, the District of Columbia, and the Commonwealth of Puerto Rico are eligible to participate. Specialty crop block grant funds can be requested to enhance the competitiveness of specialty crops. Specialty crops are defined as fruits and vegetables, tree nuts, dried fruits, and nursery crops (including floriculture).

The 2014 Farm Bill, Section 10010, extended the SCBGP through 2018 and provided Commodity Credit Corporation funding at the following levels: \$72.5 million for 2014 through 2017 and \$85 million for 2018. The Farm Bill also amended the formula to be based on the average of most recent available value and acreage of specialty crop production. It directs the USDA to issue guidance on making Multi-State grants for projects involving: food safety; plant pests and disease; crop-specific projects addressing common issues; and any other area that furthers the purpose of this section, as determined by the Secretary. The Farm Bill also limits administrative expenses for the USDA (3 percent) and the States (8 percent).

State grants for each fiscal year are equal to the higher of \$100,000 or 1/3 of one percent of the total amount of available funding. Program regulations require State departments of agriculture to describe their outreach efforts to specialty crop producers, including socially disadvantaged and beginning farmers; and to describe their efforts to conduct a competitive process to ensure maximum public input and benefit.

Selected Examples of Recent Progress:

The 2015 Request for Applications was published on March 16, 2015, with a grant application deadline of July 8, 2015. During 2015, grants were awarded to 50 States, American Samoa, District of Columbia, Guam, the U.S. Virgin Islands, the Commonwealth of Puerto Rico, and the Commonwealth of the Northern Mariana Islands. Grant awards totaled approximately \$63 million for 755 projects. Project awards were aimed at enhancing the competitiveness of specialty crops through marketing and promotion, food safety, research, production, pest and plant health, and education initiatives. Information on the amounts awarded and the projects funded is available on <http://www.ams.usda.gov/services/grants/scbgp>.

In FY 2015, the SCBGP monitored its grantees through site visits and a review of performance reports. SCBGP staff conducted 13 site visits with State Departments of Agriculture recipients and identified 92 corrective actions. These reviews enhanced the performance of the SCBGP, identified effective practices and outstanding program outcomes, facilitated decision making by parties with responsibility of overseeing and initiating corrective actions, and improved public accountability. In addition, program staff reviewed over 2,200 project performance reports totaling over \$172 million in grant funds to evaluate the significance and impact of the Program in enhancing the competitiveness of specialty crops.

Specialty Crop Multi-State Program (SCMP) - The Specialty Crop Multi-State Program (SCMP) competitive grant program made approximately \$3 million available (\$1 million from fiscal year 2014 and \$2 million from fiscal year 2015) to help develop solutions to problems affecting the specialty crop industry across State boundaries in 2015. AMS published a notice of availability of guidance with request for comments for the SCMP in the *Federal Register* on October 23, 2014. USDA received five comments which were considered during the preparation of the 2015 SCMP request for applications which was published on September 4, 2015.

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Lead-Off Tabular Statement

Budget Estimate, 2017.....	\$10,980,000
2016 Enacted.....	<u>10,980,000</u>
Change in Appropriation.....	<u><u>0</u></u>

Summary of Increases and Decreases

(Dollars in thousands)

Program	2014 Actual	2015 Change	2016 Change	2017 Change	2017 Estimate
Mandatory Appropriations:					
Perishable Agricultural Commodities Act..	\$11,700	-\$283	-\$437	0	\$10,980
Total.....	11,700	-283	-\$437	0	10,980

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Project Statement

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

Program	<u>2014 Actual</u>		<u>2015 Actual</u>		<u>2016 Enacted</u>		<u>Inc. or Dec.</u>		<u>2017 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Appropriations:										
Appropriation (from receipts).....	\$11,700	63	\$11,417	64	\$10,980	77	-	-	\$10,980	77
Recoveries.....	266	-	848	-	-	-	-	-	-	-
Sequestration.....	-785	-	-802	-	-747	-	+747	-	-	-
Sequestration Prior Year Return...	535	-	785	-	802	-	-55	-	747	-
Bal. Available, SOY.....	8,196	-	9,877	-	12,536	-	+\$756	-	13,292	-
Total Available.....	19,912	63	22,125	64	23,571	77	+1,448	-	25,019	77
Bal. Available, EOY.....	-9,877	-	-12,536	-	-13,292	-	+1,352	-	-14,644	-
Total Obligations.....	10,035	63	9,589	64	10,279	77	+96	-	10,375	77

Perishable Agricultural Commodities Act Fund

Project Statement

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

Program	<u>2014 Actual</u>		<u>2015 Actual</u>		<u>2016 Estimate</u>		<u>Inc. or Dec.</u>		<u>2017 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Obligations:										
Total Obligations.....	\$10,035	63	\$9,589	64	\$10,279	77	+\$96	-	\$10,375	77
Balance Available, EOY.....	9,877	-	12,536	-	13,292	-	+1,352	-	14,644	-
Total Available.....	19,912	63	22,125	64	23,571	77	+1,448	-	25,019	77
Recoveries.....	-266	-	-848	-	-	-	-	-	-	-
Sequestration.....	785	-	802	-	747	-	-747	-	-	-
Sequestration Prior Year Return..	-535	-	-785	-	-802	-	55	-	-747	-
Bal. Available, SOY.....	-8,196	-	-9,877	-	-12,536	-	-\$756	-	-13,292	-
Total Appropriation (from receipts).....	11,700	63	11,417	64	10,980	77	-	-	10,980	77

AGRICULTURAL MARKETING SERVICE

Perishable Agricultural Commodities Act Fund

Geographic Breakdown of Obligations and Staff Years

(Dollars in thousands and Staff Years (SYs))

State/Territory	<u>2014 Actual</u>		<u>2015 Actual</u>		<u>2016 Enacted</u>		<u>2017 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Arizona.....	\$1,041	9	\$1,115	10	\$1,070	11	\$1,131	11
District of Columbia.....	6,813	36	6,188	35	6,795	43	6,809	43
Texas.....	1,172	9	1,121	9	1,163	11	1,184	11
Virginia.....	1,010	9	1,165	10	1,251	12	1,251	12
Obligations.....	10,035	63	9,589	64	10,279	77	10,375	77
Bal. Available, EOY.....	9,877	-	12,536	-	13,292	-	14,644	-
Total, Available.....	19,912	63	22,125	64	23,571	77	25,019	77

AGRICULTURAL MARKETING SERVICE

Status of Programs

Perishable Agricultural Commodities Act Fund

Current Activities: The Perishable Agricultural Commodities Act (PACA) and the Produce Agency Act (7 U.S.C. 491 et seq.) are designed to protect producers, shippers, distributors, and retailers from loss due to unfair and fraudulent practices in the marketing of perishable agricultural commodities; and prevent the unwarranted destruction or dumping of farm products.

AMS' PACA program enforces these Acts and is funded by license and user fees paid by commission merchants, dealers, and brokers handling fresh and frozen fruits and vegetables in interstate and foreign commerce. The law provides a forum for resolving contract disputes and a mechanism for the collection of damages from anyone who fails to meet contractual obligations. In addition, PACA provides for prompt payment to fruit and vegetable sellers and may place sanctions and/or civil penalties against firms or principals who violate the law's standards for fair business practices.

AMS investigates violations of PACA, resulting in: (1) informal agreements between two parties; (2) formal decisions involving payments to injured parties; (3) suspension or revocation of licenses and/or publication of the facts; or (4) monetary penalty in lieu of license suspension or revocation.

PACA also imposes a statutory trust that attaches to perishable agricultural commodities received by regulated entities, products derived from the commodities, and any receivables or proceeds from the sale of the commodities. The trust benefits produce suppliers, sellers, or agents that have not been paid, to ensure they are paid in full.

Selected Examples of Recent Progress:

In 2015, AMS was contacted by members of the specialty crop industry for assistance in resolving 1,066 informal commercial disputes. AMS resolved approximately 88 percent of those disputes informally within four months, with informal settlement amounts of over \$11 million. Decisions and orders were issued in 318 formal reparation cases involving award amounts totaling approximately \$5.9 million. AMS initiated 30 disciplinary complaints against firms for alleged violations of PACA. In addition, the PACA program assisted 2,936 telephone callers needing immediate transactional assistance.

Fees and Charges in Effect in 2015:

<u>Service Performed</u>	<u>Fees</u>
Basic License	\$995.00 per year
Branch License	600.00 per location
Number of Licensees:	14,338
Informal Complaints Filed:	1,066
Formal Complaints Filed:	297
Counterclaims Filed:	13

Industry Outreach – AMS continued to increase efforts to inform the produce industry of the rights and responsibilities under the PACA. AMS attended several events that included attendees from multiple countries included in the Strike Force Initiative.

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

Funds for Strengthening Markets, Income and Supply (Section 32)

Funds available under Section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), shall be used only for commodity program expenses as authorized therein, and other related operating expenses, except for: (1) transfers to the Department of Commerce as authorized by the Fish and Wildlife Act of August 8, 1956; (2) transfers otherwise provided in this Act; and (3) not more than [~~\$20,489,000~~] \$20,705,000 for formulation and administration of marketing agreements and orders pursuant to the Agricultural Marketing Agreement Act of 1937 and the Agricultural Act of 1961.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income, and Supply (Section 32)

Lead-Off Tabular Statement

Permanent Appropriation, 2016	\$10,316,645,343
Prior Year Appropriation Available, start of year	223,343,796
Less Food and Nutrition Service (FNS) transfer from prior year funds for the Farm Bill Fresh Fruit and Vegetable Program (FFVP) <u>a/</u>	-122,000,000
Less annual transfers to:	
Department of Commerce	-145,810,770
FNS, Child Nutrition Programs	-8,969,178,369
Total, Transfers	-9,114,989,139
Farm Bill Spending Authority, 2016	1,303,000,000
Less Rescission	-215,636,000
Less Sequester	-77,384,000
Less Current Year Unavailable, held for the Farm Bill FFVP <u>b/</u>	-125,000,000
Total AMS Budget Authority, 2016	884,980,000
Less FNS transfer for the Farm Bill FFVP	-40,000,000
Total Available for Obligation, 2016	844,980,000
Budget Estimate, 2017:	
Permanent Appropriation, 2017	10,929,840,592
Prior Year Appropriation Available, start of year	125,000,000
Less Food and Nutrition Service (FNS) transfer from prior year funds for the Farm Bill Fresh Fruit and Vegetable Program (FFVP) <u>b/</u>	-125,000,000
Less annual transfers to:	
Department of Commerce	-146,000,000
FNS, Child Nutrition Programs	-9,461,840,592
Total, Transfers	-9,607,840,592
Farm Bill Spending Authority, 2017	1,322,000,000
Less Proposed Cancellation	-311,000,000
Less Current Year Unavailable, held for the Farm Bill FFVP <u>c/</u>	-125,000,000
Total AMS Budget Authority, 2017	886,000,000
Less FNS transfer for the Farm Bill FFVP	-44,000,000
Agency Request, 2017	842,000,000
Change in Appropriation	-2,980,000

a/ USDA appropriations for FY 2015, P.L. 113-235, General Provision Section 717, directs the transfer on October 1, 2015, of 2015 funds made available under subsection (c) of Section 14222 of P.L. 110-246 to carry out section 19(i)(1)(E) of the Richard B. Russell National School Lunch Act.

b/ USDA appropriations for FY 2016, P.L. 114-113, General Provision, Section 715, directs the transfer on October 1, 2016, of 2016 funds made available under subsection (c) of Section 14222 of P.L. 110-246 to carry out section 19(i)(1)(E) of the Richard B. Russell National School Lunch Act.

c/ The FY 2017 Budget assumes that \$125 million of the July 1, 2017 transfer will not be made available until October 1, 2017.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income, and Supply (Section 32)

Summary of Increases and Decreases - Proposed Legislation

(Dollars in thousands)

Program	2014 Actual	2015 Change	2016 Change	2017 Change	2017 Estimate
Mandatory Appropriations:					
Child Nutrition Program Purchases	\$465,000	-	-	-	\$465,000
Farm Bill Specialty Crop Purchases	-	-	+\$206,000	-	206,000
Emergency Surplus Removal	268,400	+\$37,850	-306,250	-	-
Estimated Future Needs <u>a/</u>	36,719	+43,635	+26,838	-\$4,837	102,355
State Option Contract	5,000	-	-	-	5,000
Removal of Defective Commodities	2,500	-	-	-	2,500
Disaster Relief	5,000	-	-	-	5,000
Commodity Purchases Services	34,622	+88	-911	+1,641	35,440
Marketing Agreements and Orders	20,056	+130	+303	+216	20,705
AMS Spending Authority	837,297	+81,703	-74,020	-2,980	842,000
FNS Transfer for Farm Bill Fresh					
Fruit and Vegetable Program <u>b/</u>	41,000	-1,000	-	+4,000	44,000
AMS Budget Authority	878,297	+80,703	-74,020	+1,020	886,000

a/ These funds are available for appropriate Section 32 uses based on market conditions as determined by the Secretary.

b/ Does not include amounts held for transfer on October 1 of the subsequent fiscal year.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income, and Supply (Section 32)

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2014 Actual		2015 Actual		2016 Enacted		Inc. or Dec.		2017 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Appropriations:										
Permanent Appropriation.....	\$9,211,183	149	\$9,714,923	152	\$10,316,645	172	+\$613,196	-	\$10,929,841	172
Transfers Out:										
Food and Nutrition Service (FNS),										
Child Nutrition Programs.....	-8,011,569	-	-8,355,671	-	-8,969,178	-	-492,663	-	-9,461,841	-
FNS Transfer from PY funds.....	-117,000	-	-119,000	-	-122,000	-	-3,000	-	-125,000	-
FNS, Fresh Fruit and										
Vegetable Program.....	-41,000	-	-40,000	-	-40,000	-	-4,000	-	-44,000	-
Department of Commerce.....	-130,144	-	-143,738	-	-145,811	-	-189	-	-146,000	-
Subtotal.....	-8,299,713	-	-8,658,409	-	-9,276,989	-	-499,852	-	-9,776,841	-
Rescission.....	-189,000	-	-121,094	-	-215,636	-	-95,364	-	-311,000	-
Sequestration.....	-79,703	-	-81,906	-	-77,384	-	+77,384	-	-	-
Prior Year Appropriation.....										
Available, SOY.....	313,530	-	187,486	-	223,344	-	-98,344	-	125,000	-
Recoveries.....	2,283	-	750	-	-	-	-	-	-	-
Offsetting Collections.....	14,779	-	10,397	-	-	-	-	-	-	-
Unavailable Resources, EOY.....	-187,486	-	-223,344	-	-125,000	-	-	-	-125,000	-
Total Obligations.....	785,873	149	828,803	152	844,980	172	-2,980	-	842,000	172

Note: A cancellation of unobligated balances is proposed for FY 2017.

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income, and Supply (Section 32)

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2014 Actual		2015 Actual		2016 Enacted		Inc. or Dec.		2017 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Commodity Purchases:										
Child Nutrition Program Purchases.	\$465,000	-	\$465,000	-	\$465,000	-	-	-	\$465,000	-
Farm Bill Specialty Crop Purchases	-	-	-	-	206,000	-	-	-	206,000	-
Emergency Surplus Removal.....	268,400	-	306,250	-	-	-	-	-	-	-
Estimated Future Needs.....	-	-	-	-	107,192	-	-\$4,837	-	102,355	-
Subtotal.....	733,400	-	771,250	-	778,192	-	-\$4,837	-	773,355	-
State Option Contract.....	-	-	-	-	5,000	-	-	-	5,000	-
Removal of Defective Commodities...	-	-	-	-	2,500	-	-	-	2,500	-
Disaster Relief.....	41	-	4,094	-	5,000	-	-	-	5,000	-
Prior Year Adjustment.....	-	-	-2	-	-	-	-	-	-	-
Administrative Funds:										
Commodity Purchases Services.....	33,438	59	34,618	61	33,799	61	+1,641 (1)	-	35,440	61
Marketing Agreements and Orders	18,994	90	18,843	91	20,489	111	+216 (2)	-	20,705	111
Subtotal.....	52,432	149	53,461	152	54,288	172	+1,857	-	56,145	172
Total Obligations.....	785,873	149	828,803	152	844,980	172	-2,980	-	842,000	172
Recoveries.....	-2,283	-	-750	-	-	-	-	-	-	-
Offsetting Collections.....	-14,779	-	-10,397	-	-	-	-	-	-	-
Precluded from Obligation										
in Current Year.....	-119,000	-	-122,000	-	-125,000	-	-	-	-125,000	-
Unavailable Resources, EOY.....	187,486	-	223,344	-	125,000	-	-	-	125,000	-
Transfer to FNS.....	313,530	-	187,486	-	223,344	-	-98,344	-	125,000	-
Prior Year Appropriation										
Available, SOY.....	-313,530	-	-187,486	-	-223,344	-	+98,344	-	-125,000	-
Total Appropriation.....	837,297	149	919,000	152	844,980	172	-2,980	-	842,000	172

AGRICULTURAL MARKETING SERVICE

Funds for Strengthening Markets, Income, and Supply (Section 32)

Justification of Increases and Decreases

- (1) An increase of \$1,641,000 for Commodity Purchase Services (\$33,799,000 and 61 staff years available in 2016).

The administrative costs for food buying operations and coordination with FNS and FSA are paid from the Commodity Purchase Services (CPS) activity in the Section 32 program. With Section 32 funding, AMS purchases non-price supported commodities such as meats, fish, fruits, vegetables, poultry, and egg products in order to stabilize market conditions pursuant to Section 32, and in support of entitlement program needs within USDA. All purchased commodities are distributed by FNS to schools, as part of the entitlement for the National School Lunch Program, or to other domestic nutrition assistance programs. AMS coordinates food purchases with FNS to assure that the quantity, quality, and variety of commodities purchased meet the desires of schools and institutions participating in domestic nutrition assistance programs and can be used to assist individuals in meeting dietary guidelines.

Section 32 administrative costs are used to support the annual ordering, procurement, and distribution of \$3 billion in farm food commodities to over 32 million individuals in the U.S. and abroad. These administrative costs fund the salaries and benefits of the AMS commodity procurement staff, which purchases \$2 billion in domestic agricultural products for Federal nutrition programs in the U.S. Administrative funds are also used for the maintenance of the WBSCM system, which supports those \$2 billion in purchases and another \$1 billion in domestic agricultural purchases distributed through international food aid programs.

There will be no change in total mandatory spending. Changes to Commodity Purchase Services administrative costs will be absorbed by funding for surplus removal.

The funding change is requested for the following items:

- a. An increase of \$136,000 for pay costs (\$28,000 for annualization of the 2016 pay increase and \$108,000 for the 2017 pay increase).
- b. An increase of \$1,505,000 to support Web-Based Supply Chain Management (WBSCM) system.

This change will ensure that the necessary funding is available for administration of USDA domestic food purchases. In addition to salaries and benefits, which are a necessary expenses to meet program requirements, CPS administrative funds also finance operating costs of the Web-Based Supply Chain Management (WBSCM) system to support the shared interests of USDA commodity purchase programs. The system supports the procurement, delivery, and management of more than 200 commodities and 4.5 million tons of food through domestic and foreign feeding programs administered by AMS, FSA, FNS, and the United States Agency for International Development (USAID).

Most WBSCM costs--hosting, operation, and maintenance expenses--are fixed costs necessary to keep the system functioning, and some continuous improvements and updates are necessary to meet changing program requirements. The system also requires security patching that the software vendor develops as a result of detected threats or vulnerability to the system. In light of recent data breaches that governmental systems have suffered, such a cut would result in unnecessary security risk. Inadequate funding would leave USDA vulnerable to major security threats and degradation of the Web-based Supply Chain Management System (WBSCM), impacting 10,000 users, of whom more than 9,000 are external to the Federal government.

Without this change, AMS will not be able to effectively achieve the program's mission. It is imperative that we have the funding necessary to minimize system security risks and avoid a stoppage of services that can potentially impact millions of Americans and the U.S Agricultural Economy.

AGRICULTURAL MARKETING SERVICE

- (2) An increase of \$216,000 for Marketing Agreements and Orders administration (\$20,489,000 and 111 staff years available in 2016).

Administration of the Marketing Agreements and Orders Program at the national level is authorized from Section 32 funds through annual appropriations for program oversight and to conduct public hearings and referenda to determine producer sentiment concerning new programs and proposed revisions of marketing orders already in effect.

The funding change is requested for the following item:

- a. An increase of \$216,000 for pay costs (\$46,000 for annualization of the 2016 pay increase and \$170,000 for the 2017 pay increase.)

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Section 32 Administrative Funds

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

State/Territory	<u>2014 Actual</u>		<u>2015 Actual</u>		<u>2016 Enacted</u>		<u>2017 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
California.....	\$914	6	\$950	8	\$1,383	9	\$1,401	9
District of Columbia.....	49,817	133	50,851	133	50,897	150	52,710	150
Florida.....	705	4	732	5	738	5	748	5
Oregon.....	792	4	722	5	1,003	6	1,016	6
Texas.....	3	-	3	-	6	-	6	0
Virginia.....	201	2	203	1	261	2	264	2
Total, Available.....	52,432	149	53,461	152	54,288	172	56,145	172

AGRICULTURAL MARKETING SERVICE

Status of Programs

Funds for Strengthening Markets, Income, and Supply—Section 32

Commodity Purchases

Current Activities: AMS purchases meat, fish, poultry, eggs and egg products; fruits, vegetables, beans, and tree nuts; dairy products, including cheese; and grain and oilseed products, all in support of domestic agriculture and to help stabilize market conditions. The commodities acquired are furnished to the Food and Nutrition Service (FNS) to meet the needs of the National School Lunch Program and other domestic food and nutrition assistance programs. Food purchases are coordinated with FNS to assure that the quantity, quality, and variety of commodities purchased meet the desires of schools and institutions participating in domestic nutrition assistance programs and are consistent with and support individuals in meeting the *Dietary Guidelines for Americans*. The Farm Service Agency (FSA) administers the payments to vendors to whom contracts have been awarded, and the administrative costs for food buying operations and coordination with FNS and FSA are paid from the Commodity Purchase Services (CPS) activity in the Section 32 program.

AMS maintains a government-wide food specification program to reduce government food purchase costs by standardizing contract specifications, and conducts various programs and outreach initiatives to make AMS activities and expertise available to schools and other institutional food purchasers.

Section 4404 of the 2008 Farm Bill directs USDA to purchase additional fruits, vegetables, and tree nuts (specialty crops) using Section 32 funds, to assist growers and support domestic nutrition assistance programs. The adjusted totals, which include the \$200 million minimum purchase level established by previous legislation, are: \$390 million for 2008, \$393 million for 2009, \$399 million for 2010, \$403 million for 2011, and \$406 million for 2012 and each fiscal year thereafter. In 2015, AMS purchased over \$563.4 million of specialty crop products which is approximately 38 percent over the minimum purchase level.

Selected Examples of Recent Progress:

Commodity Purchases – In FY 2015, AMS purchased \$415 million worth of non-price supported commodities for the National School Lunch Program (NSLP) with Section 32 funds. The Department of Defense purchased an additional \$50 million of fresh fruits and vegetables for NSLP on behalf of AMS, for a total of \$465 million in Section 32 fund purchases. Purchased commodities were used to fulfill the NSLP's commodity subsidy entitlement of 30.44 cents per meal.

AMS also purchased an additional \$928.7 million of Group A (non-price supported) commodities consisting of fruits, vegetables, meat and poultry products, and \$464.4 million of Group B (price supported) commodities consisting of dairy, grain and oilseed products, on behalf of FNS using funds appropriated to FNS for entitlement programs. In total, AMS purchased \$1,393.1 million worth of entitlement commodities with FNS appropriated funds.

In FY 2015, across all funding groups, AMS purchased 1,246.8 million pounds, valued at \$788.4 million in specialty crops (fruits and vegetables) of commodities distributed by FNS through the Department's various nutrition assistance programs.

Surplus Removal – Surplus removal (or bonus) commodities are donated through FNS designated programs and institutions in addition to entitlements purchases. The following chart reports the commodities purchased under surplus removal and reflects the variety of producers that received assistance through bonus purchases:

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2015 Contingency Fund Expenditures for Surplus Removal

<u>Commodity</u>	<u>Amount</u>
Apple Products	\$18,100,000
Carrots, Frozen	\$3,500,000
Chicken Products	\$35,750,000
Cranberries	\$98,640,000
Cherries, Tart	\$39,340,000
Grape Juice, Concord	\$9,600,000
Grapefruit Juice	\$10,000,000
Lamb	\$7,570,000
Orange Juice	\$20,000,000
Raisins	\$33,750,000
Salmon, Canned Sockeye	\$30,000,000
Total	\$306,250,000

Disaster Assistance – Section 32 funds are available each fiscal year to purchase commodities for disaster assistance, as needed, under authority of the Stafford Act. In FY 2015, \$4.1 million of Section 32 funding was obligated to cover the cost of additional foods purchased to distribute to those individuals impacted by the typhoon that hit the Federal States of Micronesia, as part of the FY 2015 Presidentially-declared major disaster.

Total Commodity Purchase Activity – FY 2015 (in millions)

Section 32 - Entitlement	Fruits, Vegetables, Meats and Poultry	\$415.0
Section 32 – DOD	Fresh Fruits and Vegetables	\$50.0
Appropriated Funds - Group A	Fruits, Vegetables, Meats and Poultry	\$928.7
Appropriated Funds - Group B	Dairy, Grain, and Oilseed	\$464.4
Section 32 – Surplus Removal	Fruits, Vegetables, Meats and Poultry	\$306.3
Disaster Assistance	Commodity, Transportation and Storage	\$4.1
TOTAL	ALL COMMODITY PURCHASES	\$2,168.5

Reassignment of Farm Service Agency Domestic Commodity Procurement to AMS – In 2015, USDA consolidated its domestic food procurement activities into a single agency in AMS, with the aim to improve efficiencies and reduce operational costs over time through streamlined operations. The reassignment took effect July 26, 2015, at which time 22 former-FSA employees stationed in Kansas City, Missouri, and their functions became part of AMS Commodity Procurement Staff (CPS). These functions include the procurement of grains and bakery products, dairy products (including cheese), and oilseed products like peanut butter and sunflower seed oil. The functions also include contract management of the national warehouses serving USDA’s Food Distribution Programs on Indian Reservations (FDPIR) and the Commodity Supplemental Food Program (CSFP). The addition of these activities increased CPS contracting actions by 27.3 percent.

CPS developed a communications plan to manage information sharing with key government and industry stakeholders before, during, and after the transition, and coordinated with AMS and FSA human resource offices and AMS IT to ensure a nearly flawless transition of personnel and operations to CPS. Upon completion of the consolidation, CPS began planning sessions with the Washington and Kansas City management to identify an efficient organizational structure for the enlarged scope of activities, and launched an initiative to identify and adopt best practices in terms of policies and procedures from both offices.

AGRICULTURAL MARKETING SERVICE

Web-Based Supply Chain Management (WBSCM) System – AMS is authorized to use Section 32 administrative funds to develop and operate the computer system that supports the shared interests of USDA commodity purchase programs and is the lead agency for the system in USDA. From its inception in 2011, the WBSCM system has improved the procurement, delivery, and management of more than 200 commodities and 32 billion pounds of 100 percent domestically-produced farm food commodity at an approximate value of \$12 billion through domestic and foreign feeding programs administered by AMS, FSA, FAS, FNS, and the United States Agency for International Development (USAID). Currently, the system is supporting over 10,000 registered users, executing more than 7,000 transactions weekly.

During FY 2015, CPS managed and conducted testing for five system releases, focusing on internal and external customer needs which had been put on hold during the technical refresh conducted the previous fiscal year.

CPS's WBSCM management team developed a Statement of Work, contracted for A-123 audit services, provided all documentation for the A-123 audit, and completed and compiled spreadsheets for the WBSCM Sample Prepared-by-Client (PBC) Request list. The Acquisition Approval Request was approved in January 2015 authorizing \$28.5 million in FY 2015 funds, the earliest approval ever received for the fiscal year.

WBSCM was given a 4.0 perfect score by USDA's Office of the Chief Information Officer (OCIO), and is "green" on the Office of Management and Budget (OMB) IT Dashboard.

Product Development and Market Research – During FY 2015, CPS made many improvements to existing USDA Foods and introduced various new products for domestic food assistance programs, supporting a continued outlet for domestic agricultural products through USDA purchase programs, while continuing to meet the evolving needs of program recipients.

Several product development initiatives were focused on facilitating use of USDA Foods in household food distribution programs, including the Emergency Food Assistance Program (TEFAP). For example, 3-lb bags of fresh apples and pears and 1-percent shelf-stable milk in 8 oz. containers were introduced to the TEFAP ordering catalog. Small pack sizes are especially helpful to food banks with child feeding initiatives, such as weekend "backpack" programs. Other new products added to the TEFAP lineup included reduced fat cheese in 2 pound packages, 3 pound packs of russet and round white potatoes, individually frozen catfish fillets, Kosher canned salmon, and Kosher canned tomato sauce.

A major USDA Foods initiative during FY 2015 was the addition of "traditional foods" to the Food Distribution Programs on Indian Reservations (FDPIR). CPS re-launched the frozen bison meat purchase program, awarding contracts for the delivery of approximately 640,000 pounds of frozen ground bison to FDPIR during the 2015-2016 program year. CPS also executed the first purchase of whole-grain blue cornmeal to pilot this product to FDPIR recipients. CPS continues its domestic market research into other potential "traditional" foods requested by FDPIR, including long grain wild rice and frozen salmon fillets.

In addition to the traditional foods initiatives, CPS added frozen pork chops, which were initially piloted during 2013, as part of the regularly scheduled purchase programs for FDPIR. CPS continues to work with FNS, which manages FDPIR at the federal level, to make additional changes and additions to the programs' food package, to support the dietary initiatives and specific nutritional needs of program recipients.

CPS made several changes and additions to USDA Foods for the NSLP. Random cut frozen sweet potato pieces were replaced by a uniform "chunk" product, helping program recipients use the product more efficiently in menu planning and preparation. The pilot purchase of minimally processed cooked chicken strips was expanded to allow ordering by all State agencies. CPS added a sliced deli-style turkey breast item to the NSLP, and re-launched the oven-roasted chicken purchase program to provide another minimally-processed protein option to schools. Specifications for deli-style turkey breasts, turkey ham, cooked beef and pork products, and the cooked chicken strips were updated to reduce sodium content and/or ensure soy and gluten-contributing ingredients are not allowed.

AGRICULTURAL MARKETING SERVICE

Considerable efforts were undertaken during FY 2015 to reintroduce domestically produced and processed canned tuna to the NSLP. CPS coordinated efforts with the tuna industry, AMS technical experts, and FNS to complete market research, identify and approve domestic suppliers, and revamp the product specifications and technical requirements for the program. By the end of FY 2015, CPS had entered the final pre-solicitation stage and was prepared to launch a purchase program for the second half of School Year 2015-2016.

CPS developed several new product pack sizes to help efficiently remove product from the marketplace through Section 32 surplus removal purchases, while simultaneously providing products in forms appropriate to the recipient programs receiving the donated foods. Raisins in 5 pound bags, orange juice in individual serving size cups, canned red salmon, and frozen lamb products are some examples of new product development initiatives to support these “bonus buy” purchases.

USDA Foods: Meal Patterns, Nutrition Information, and the Dietary Guidelines for Americans – CPS is committed to supporting the Dietary Guidelines for Americans through the USDA Foods purchase programs and ancillary activities. Product development activities for new and existing commodities involve consideration of the product’s nutritional value and support of Child Nutrition meal pattern requirements (for the NSLP) and the *Dietary Guidelines* (for all domestic food distribution programs). Special consideration is given during product development to identify new and existing commodity foods with lower fat and sodium content, and during FY 2015, CPS began taking steps to reduce sodium in its canned meat products, including canned beef stew and canned chili.

During FY 2015, CPS led an initiative to gather comprehensive nutrition, allergen, and ingredient information for all direct-delivered NSLP products from USDA Foods vendors. The information was provided to USDA’s Food and Nutrition Service who is currently working on a web-based portal to enable recipient agencies to use the information to make informed USDA Foods ordering decisions. CPS also took this opportunity to identify suppliers of Kosher and Halal products for potential inclusion in USDA Foods programs in support of Farm Bill initiatives to increase their availability to NSLP participants as well as other domestic food distribution programs.

The CPS Nutritionist was instrumental in coordinating comments from AMS Programs on the 2015 Dietary Guideline Advisory Committee report, and participated in a Federal Agency briefing on the “Scientific Report of the 2015 Dietary Guidelines Advisory Committee.” The nutritionist also conducted scientific literature reviews and presented findings to AMS’ Marketing Order Agreement and R&P commodity boards (including tart cherries, avocados, peanuts, almonds, walnuts and onions), and communicated best practices to R&P board representatives and AMS Program staff.

Pilot Project for the Procurement of Unprocessed Fruits and Vegetables--As part of the 2014 Farm Bill, AMS and FNS are conducting a pilot project in up to eight States to provide more purchasing flexibility and options for unprocessed fruits and vegetables, including minimally processed products such as sliced apples, baby carrots, and shredded lettuce. The Pilot project allows participating states to, (1) use multiple suppliers and products established and qualified by the Secretary, and (2) designate a geographic preference, if desired.

The goal of the Pilot Project is to develop additional opportunities for schools to purchase fresh fruits and vegetables with entitlement funding, while using pre-existing commercial distribution channels and school relationships with growers, produce wholesalers, and distributors. The pilot supports the use of locally-grown foods in school meal programs using entitlement funds.

In support of the pilot, CPS led the development of vendor eligibility requirements, including food safety and domestic origin verification requirements, and approval of vendors to participate in the pilot project. While no federal contracts will be issued under the pilot project, CPS is the lead agency for receiving invoices from the participating vendors and approving payments using federal entitlement funds set aside by participating school food authorities (SFAs) in the eight states. CPS also tested the pilot process in the Web-Based Supply Chain Management (WBSCM) system, identified areas for improvement of the program requirements, and worked with stakeholders to make changes and remove potential barriers to participation by prospective vendors.

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During FY 2015, CPS developed a communications plan and aggressively promoted the pilot project to unprocessed fruit and vegetable growers, suppliers, and distributors, to quickly build a list of eligible vendors with which participating SFAs could contract for delivery of products. CPS hosted webinars and meetings with stakeholders throughout the year, to explain the requirements and approval process, and as of September 16, 2015, has approved 54 suppliers with an additional 45 applications pending. Six of the eight states have received deliveries under the pilot thus far, and CPS has successfully paid invoices through WBSCM worth approximately \$680,000. CPS continues to seek feedback from pilot participants-SFAs, States, FNS, and the industry, to make additional adjustments to the pilot project as needed.

New Vendor and Small Business Outreach and Participation--CPS is committed to increasing marketing opportunities for agricultural businesses through its food purchasing activities. CPS made a tremendous effort during FY 2015 to promote these opportunities to small business entities, in particular minority-owned, service-disabled veteran owned, and women-owned small businesses, as well as those operating in historically underutilized business zones (HUB Zone). Overall, CPS reviewed and approved 20 new vendor applications during FY 2015. Out of those 20, two businesses were Hispanic American-owned, one was African American-owned, and one was a Women-owned small business.

CPS maintains an annual set-aside plan for small business contracting, and submitted this plan along with the mid-year and annual procurement forecast reports to USDA's Office of Small and Disadvantaged Business Utilization (OSDBU). Through its Federal contracting activities, CPS attained an overall Small Business contracting rate of 38.28 percent; a veteran-owned small business rate of 6.64 percent; a Service-Disabled Veteran-Owned small business rate of 2.92 percent; and a Women-Owned Small Business rate of 3.11 percent. Over \$1 billion in purchases by CPS were made from small business concerns during FY 2015.

In addition to awarding contracts directly to small business concerns, CPS encourages its large business federal contractors to actively award contracts to small businesses via their subcontracting plans, as required by the Federal Acquisition Regulations. CPS notified large business contractors to submit their Subcontracting Plans and Summary Subcontracting Reports in the Electronic Source Reporting System (eSRS), with 26 plans required being submitted, reviewed, and approved by CPS, OSDBU, and the Small Business Administration (SBA).

Business Process Review (BPR)/USDA Body Mass Initiative (BMI) – During FY 2015, CPS launched a long-anticipated project to conduct a thorough review of the multi-agency domestic and international commodity procurement activities. The project's goals include: establishing processes and policies that provide value to agriculture and food industries as well as the food and nutrition programs; identifying USDA materials and programs that are the most beneficial to customers and industry stakeholders; and then prioritizing identified changes in order to maximize their benefits while considering the available resources of the programs. This type of comprehensive evaluation of commodity food procurement activities has not been done since 2000.

During FY 2015, CPS developed a schedule for the award of a contract for support of the project and communicated that schedule with stakeholders and customers, including USDA's FNS, FAS, and FSA, as well as the U.S. Agency for International Development, along with AMS. These five federal agencies comprise the team for the BPR effort. CPS also communicated and promoted the BPR initiative to industry stakeholders and food distribution program recipients, working with the American Commodity Distribution Association (ACDA) to conduct a mega-discussion at their 2015 Annual Conference to receive stakeholder input into the development of the BPR scope. GSA awarded the contract to Cap Gemini in September 2015, and project activities will begin in early FY 2016 and extend into FY 2017.

Marketing Agreements and Orders

Current Activities: Section 32 funds support the administration of Federal marketing agreements and marketing orders, which help to establish orderly marketing conditions for dairy products, fruits, vegetables, nuts and specialty crops. Marketing agreements and orders enable dairy farmers and fruit/vegetable growers to work together to solve marketing problems that they cannot solve individually, by balancing the availability of quality product with the need for adequate returns to producers and the demands of consumers. Twenty-eight marketing orders are currently active for fruits, vegetables, nuts and specialty crops, and they are customized to meet the needs of a particular

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industry and may have provisions that: (1) impose mandatory grading and inspection services to meet minimum grade levels; (2) standardize the packaging and labeling of containers; (3) sponsor production research projects; (4) create market research and product promotion activities; and (5) increase or decrease the amount of product allowed into commercial channels during periods of exceedingly high or low volume. Ten regional marketing orders are currently active for milk and dairy products to ensure orderly marketing conditions and an adequate supply of fluid milk for public consumption.

Selected Examples of Recent Progress:

Dairy Program:

- California, Milk Marketing Order - AMS published a notice of hearing in the *Federal Register* on August 6, 2015, to consider promulgation of a Federal Milk Marketing Order for the State of California. The hearing began, September 22, 2015, in Clovis, California, and is continuing into November. Dairy Cooperatives representing over 75 percent of the milk produced in California requested the hearing that is intended to replace the current State milk marketing order system with a Federal milk marketing order covering the entire State. Two major proposals are being considered. One supported by the cooperatives maintains the California quota system, all-inclusive pooling, and suggests adopting the same cheese milk pricing formula as used in other Federal milk marketing orders. A competing proposal offered by the milk processors in California ask for provisions that are more closely patterned after provisions used in the current ten Federal milk marketing orders. They are requesting that the cheese milk pricing formula recognized the unique relationship between California and the rest of the country. In addition, two limited proposals address producer handlers and out of State milk are being discussed. A recommended decision is not expected until spring of 2016.
- 610 Review of Milk Marketing Orders - On February 11, 2015, AMS announced a notice of regulatory review in the *Federal Register* and requested comments from interested parties. This “610 Review” is used to measure the impact of Federal Milk Marketing Orders on small businesses and is used to determine if changes should be made to address impacts on small entities. USDA received comments from 44 different individuals. A summary of comments received and recommended actions is expected in 2016.
- Organic Milk - In late September 2015, USDA received a request by the Organic Trade Association (OTA) to consider a proposal to amend all Federal Milk Marketing Orders. The request indicates that consumer demand for organic milk and dairy products is growing faster than the supply of organic milk. USDA has requested additional information from OTA and the request is under consideration. If USDA decides to hold a hearing on the matter it will not happen until at least the spring of 2016. Until a notice of hearing is announced USDA continues to work with OTA and the organic milk community to explore options to address their milk marketing needs.
- Quality Assurance of Oversight Laboratories - The Milk Market Administrator (MMA) laboratories perform testing to establish and verify the price paid to dairy farmers for their milk. The MMA laboratories enhanced their quality assurance and standardization across the network of eight laboratories by developing and implementing a Laboratory Approval Program. This program enhanced their third-party review of their laboratories. Program requirements for milk payment testing include good laboratory, quality assurance and control practices, proficiency testing, established methods and accepted equipment, and on-site audits.

Specialty Crops Program:

Evolving Industry Needs – AMS programs help U.S. producers and handlers remain competitive in domestic and global markets. In an effort to respond to industry needs, AMS personnel met with marketing order representatives from numerous industries to discuss matters of industry concern and to consider broad scale regulatory changes responsive to recent trends in production volume and handling practices. In particular, AMS attended 295 marketing order board/committee meetings and approved 28 operating budgets. AMS specialists reviewed more than 900 promotional pieces to ensure board/committee messaging was compliant with Departmental guidelines. AMS also reviewed proposals for dozens of research projects funded by industry assessments, each of which is

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designed to address issues like pest management and post-harvest handling. Fruit, vegetable, and specialty crop marketing orders directly affect and benefit more than 60,000 U.S. farmers.

- The 2013-2015 Fruit and Vegetable Industry Advisory Committee (FVIAC) - is composed of 25 members from a broad cross-section of the produce industry who meet a minimum of twice annually in order to develop and provide recommendations to the Secretary. These recommendations are designed to help USDA tailor its programs and services to better meet the needs of the U.S. produce industry. The FVIAC was re-chartered in July 2015, for another two-year term. The current committee has held three meetings during the 2013-2015 charter term, and to date, has developed and submitted a total of 19 recommendations and statements to the Secretary on issues related to food safety, delayed inspections at ports of entry, agricultural labor, research and grant funding, and education and branding. At the meeting on September 2015, new working groups were formed to focus on new farmer education and orientation, broadband connectivity, transportation infrastructure deficiencies, and food deserts and food waste, in addition to a continued focus on the Food Safety Modernization Act, labor, and research and grant funding.
- Referenda - In accordance with marketing order requirements, AMS conducted referenda among the growers (and processors, where applicable) of three commodities to determine whether continuation of those programs is desirable. Growers of cranberries, tart cherries and Texas onions voted to continue their programs.
- Aflatoxin Testing - AMS worked with nut industries to discuss matters of industry concern and to consider program updates and alternatives for the Laboratory Approval Program for Aflatoxin Testing. This program approves, or accredits, labs to perform aflatoxin testing in support of domestic and/or export trade of almonds, peanuts, and pistachio nuts. Program requirements for aflatoxin testing include good laboratory, quality assurance and control practices, applicable domestic and international standards (such as ISO/IEC 17025:2005), proficiency testing, established methods and accepted equipment, and on-site audits.

Enforcement – AMS is responsible for the enforcement of 28 Federal marketing orders and 14 section 8e import regulations, as well as export regulations for three commodities and the U.S. Peanut Standards. Industry administrative committees are responsible for conducting initial investigations and reporting complaints of possible violations to AMS.

- Compliance Reviews - AMS conducted 15 compliance reviews and 1 program operations analysis review, approved 15 e-compliance plans, and followed up on 1,472 inspections for failing section 8e and 2,153 uninspected entries. For importers not complying with section 8e, AMS issued 9 official warning letters and one stipulation agreement, including civil penalties. AMS granted 4,904 FV-6 exemptions for 8e commodities used for processing, donated to charity or other exempted outlets. The activities ensure ongoing integrity of Federal marketing orders, the boards and committees that locally administer them, and assure an overall level playing field for American producers relative to imports.
- Legal Cases - AMS is handling multi-million dollar and program critical compliance related legal cases:
 - The Supreme Court's decision in *Marvin Horne, et al. v. USDA* was decided on June 22, 2015. The Supreme Court ruled the reserve program under the California raisin marketing order was a taking under the Fifth Amendment that requires just compensation. AMS communicated with all marketing order boards and committees on the narrow application of the Supreme Court's ruling and immediately notified the raisin industry that it would not give favorable consideration to any recommendation to implement the raisin marketing order's volume control authority. Lower courts previously ruled in USDA's favor that Mr. Horne met the definition of a handler under the marketing order. AMS has eight additional administrative cases against Mr. Horne that were stayed pending the outcome of the Supreme Court's decision. AMS is considering what actions to take next to bring Mr. Horne's business entities into marketing order compliance.

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- AMS is also providing critical support to the Office of the General Counsel and the Department of Justice in defending against five additional complaints filed in Federal courts. The first, arising from the Supreme Court decision on *Horne*, relates to the plaintiffs seeking reimbursement from the government for their legal expenses, approximately \$500,000.
- The second case involves a complaint filed by Sun-Maid Growers seeking immediate USDA action to suspend and repeal the volume control authority under the raisin marketing order. AMS has already initiated plans to conduct hearings in May, 2016 concerning proposed amendments to the raisin marketing order, including changes to or repeal of the volume control authority.
- The remaining three cases are a response to the Supreme Court decision. One of the largest California raisin producers has filed a complaint, and a two separate groups of raisin producers have filed class action complaints, seeking “just compensation” from the Federal government for raisins held in reserve during the 2009-10 and previous crop years. The potential liability to the government exceeds \$50 million, making AMS support of the Department of Justice defense against these complaints a highly critical and top priority activity for the Agency.
- Almond Exports - AMS partnered with Federal and State inspection authorities and the California almond industry to replace the Voluntary Aflatoxin Sampling Program with the more robust Pre-Export Checks program. The result is the EU’s renewed acceptance of California almonds. The Pre-Export Checks program provides regulatory and verifiable enforcement for the United States’ top export commodity (by value) at \$3.4 billion. This is the first time the EU has approved the removal of special aflatoxin-testing measures on any commodity.
- AMS completed the initial systems requirements phase of the AMS Compliance and Enforcement Management System (CEMS) on schedule and under budget, and is testing software for requirements tied to the new International Trade Data System (ITDS). The effort includes overseeing the contractor on the creation of the CEMS database and infrastructure, and liaising with partnering agencies and potential end-users to ensure it can integrate and analyze data from multiple sources. This project will greatly enhance the agency’s ability to effectively monitor and enforce the regulations of 28 domestic marketing orders, with an \$11 billion annual crop value; section 8e import regulations for 14 commodities with 200,000 shipments annually, valued at \$3 billion; the Export Fruit Acts, which cover the annual exportation of 1.4 million tons of U.S. apples, grapes, and plums; and the U.S. Peanut Standards.

Rulemaking – In all, AMS processed 54 dockets, including 18 work plans, 10 proposed rules, three continuance referenda, seven interim rules, 16 final/ final interim rules for the 28 Federal marketing orders, two export fruit acts and the U.S. Peanut Standards compliance program it oversees. Notable rulemaking actions and activities included the following:

- Pecan Marketing Order - AMS guided the American Pecan Board through the process of creating and submitting regulatory language as the basis for a proposal for a pecan marketing order to enable the industry, with a 302-million pound crop, to regulate the handling of pecans in 15 States. Specifically, the marketing order would help the industry collect data to make marketing decisions, conduct research and promotional activities, and provide authority for the industry to recommend grade, quality, size, pack and container regulations. AMS held public hearings in three locations across the production area to gather public input on the merits of the program that would help the industry balance a downward trend in U.S. consumption, counteract increased competition from other U.S. nut industries, bring equilibrium to the trade balance with Mexican pecan imports, and boost marketing capabilities for U.S. producers. AMS published a Recommended Decision in the *Federal Register* in October 2015.
- Organic Exemption - AMS developed regulatory changes mandated by the 2014 Farm Bill to allow producers, handlers, marketers, manufacturers and importers of certified organic products – those comprised of at least 95 percent organic components – to claim exemption from assessments under 23 marketing orders and 22 generic research and promotion programs. The final rule will be published in the *Federal Register* in November 2015.

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- Florida Citrus Amendments - Beginning in September 2015, AMS conducted a referendum on proposed amendments to the Florida citrus marketing order. Results will determine support for Citrus Administrative Committee-proposed amendments that were the basis of a public hearing held in April 2013 in the production area. The proposed amendments would, among other things: authorize the regulation of new varieties and hybrids of citrus fruit; authorize the regulation of intra-state shipments of fruit; revise the process for redistricting the production area; and change the term of office and tenure requirements for Committee members.

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Shared Funding Projects
(Dollars in thousands)

	2014	2015	2016	2017
	<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
Working Capital Fund:				
Administration:				
HR Enterprise System Management	-	-	\$51	\$51
Mail and Reproduction Management.....	\$736	\$536	590	547
Integrated Procurement System.....	284	303	315	313
Material Management Service Center.....	197	213	263	268
Procurement Operations.....	1	130	-	-
Subtotal.....	1,218	1,182	1,219	1,179
Communications:				
Creative Media & Broadcast Center.....	334	259	118	177
Finance and Management:				
NFC/USDA.....	866	879	885	841
Financial Management Services.....	4,576	4,437	3,329	3,346
Internal Control Support Services.....	91	87	74	88
Subtotal.....	5,533	5,403	4,288	4,275
Information Technology:				
NITC/USDA.....	4,893	3,412	3,999	4,171
Client Technology Services.....	505	524	457	467
Telecommunications Services.....	431	499	484	847
Subtotal.....	5,829	4,435	4,940	5,485
Correspondence Management.....	126	118	122	148
Total, Working Capital Fund.....	13,040	11,397	10,687	11,264
Departmental Shared Cost Programs:				
1890's USDA Initiatives.....	79	77	81	81
Advisory Committee Liason Services.....	28	30	36	36
Classified National Security Information.....	-	28	29	29
Continuity of Operations Planning.....	54	59	59	59
Emergency Operations Center.....	62	63	65	65
Facility and Infrastructure Review and Assessment.....	12	13	13	13
Faith-Based Initiatives and Neighborhood Partnerships.....	6	11	11	11
Federal Biobased Products Preferred Procurement Program.....	10	-	-	-
Hispanic-Serving Institutions National Program.....	54	50	55	55
Honor Awards.....	2	2	2	2
Human Resources Transformation (inc. Diversity Council).....	46	48	49	49
Identity & Access Management (HSPD-12).....	181	187	188	188
Intertribal Technical Assistance Network.....	-	-	-	-
Medical Services.....	22	42	56	56
People's Garden.....	15	20	18	18
Personnel and Document Security.....	36	31	31	31
Pre-authorizing Funding.....	97	105	103	103
Retirement Processor/Web Application.....	15	17	17	17
Sign Language Interpreter Services.....	35	-	-	-
TARGET Center.....	25	39	40	40

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Shared Funding Projects
(Dollars in thousands)
(Continued)

	2014	2015	2016	2017
	<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
USDA 1994 Program.....	20	19	22	22
Virtual University.....	53	55	55	55
Visitor Information Center.....	6	-	-	-
Total, Department Shared Cost Programs.....	858	896	930	930
E-Gov:				
Budget Formulation and Execution Line of Business.....	3	3	2	2
Enterprise Human Resources Intigration.....	60	58	53	53
E-Rulemaking.....	28	22	61	124
E-Training.....	75	77	77	-
Financial Management Line of Business.....	5	5	5	5
Grants.gov.....	17	15	36	58
Human Resources Line of Business.....	7	8	7	7
Integrated Acquisition Environment – Loans and Grants...	51	52	-	-
Integrated Acquisition Environment.....	18	18	47	38
Total, E-Gov.....	264	258	288	287
Agency Total.....	14,162	12,551	11,905	12,481

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Summary of Budget and Performance Statement of Department Goals and Objectives

The Agricultural Marketing Service (AMS) carries out a wide range of programs under the authorization of the Agricultural Marketing Act of 1946 and over 50 other statutes. 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.

USDA Strategic Goal 1: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving

USDA Strategic Objective 1.2: Increase agricultural opportunities by ensuring a robust safety net, creating new markets, and supporting a competitive agricultural system

AMS is working to increase agricultural opportunities by supporting a competitive agricultural system and creating new markets through improvements and innovations in Market News reporting and Transportation and Market Development activities. Market News is working to focus reporting on information that is relevant to agricultural and other data users and improve access to the data collected. Transportation and Market Development improves access to local and regional foods while developing expanded market opportunities for agricultural producers. Other AMS programs support a competitive agricultural system by overseeing markets and entities to safeguard the quality and wholesomeness of agricultural products.

AMS must focus finite resources to meet AMS and USDA goals across all marketing activities.

Agency Strategic Goals	Agency Objectives	Programs that Contribute	Key Outcomes
Goal 1: Enhance Communication between Stakeholders and AMS Programs (COMMUNICATION)	Objective 1.1: Strengthen stakeholder relationships and understanding of the Agency's role in facilitating marketing Objective 1.2: Increase outreach efforts by building and maintaining effective partnerships Objective 1.3: Encourage Board and Committee teamwork and diversity	All	Equal access and equal opportunities to AMS' diverse programs and services for industry members, stakeholders, and the public
Goal 2: Provide Market Information and Intelligence and Support the Development of New Markets (MARKET INFORMATION and MARKETING INNOVATION)	Objective 2.1: Increase Market Opportunities for American Agriculture through Analysis of Domestic and International Market Information and Data	Market News Transportation	Current, unbiased statistics, price and sales information is available to assist in the marketing and distribution of farm commodities by informing decision making by agricultural producers and agribusinesses

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Agency Strategic Goals	<u>Agency Objectives</u>	<u>Programs that Contribute</u>	<u>Key Outcomes</u>
	Objective 2.2: Improve Access to Healthy, Locally Produced Foods while Developing Market Opportunities	Market Development Federal-State Marketing Improvement Program Specialty Crop Block Grants Farmers Market Promotion Program Local Food Promotion Program	Access to domestic markets and thriving regional food systems that help to build financial sustainability for producers and fresh, local food for consumers
	Objective 2.3: Develop International and Domestic Commodity Standards to Facilitate Global Trade and Economic Growth	Standardization	Clear and consistent descriptions and measurements of the grade, quality and quantity of products that are bought and sold for efficient marketing of agricultural products
GOAL 3: Provide Quality Claims and Analyses to Facilitate Agricultural Marketing	Objective 3.1: Improve Voluntary User-Fee Services Objective 3.2: Facilitate Exports of American Agricultural Products	Grading and Classing Services Audit Verification Services Laboratory Approval and Testing Services	Increased agricultural opportunities based on a competitive agricultural system
	Objective 3.3: Expand Plant Variety Protection Services	Plant Variety Protection	Support development and innovation
GOAL 4: Provide Effective Oversight of Markets and Entities (REGULATORY OVERSIGHT)	Objective 4.1: Ensure Research and Promotion Programs Operate in Compliance with Acts, Orders, and Guidelines	Research and Promotion Programs	Producers can establish programs that promote consumer purchases of their commodities on a national or regional scale
	Objective 4.2: Safeguard the Quality and Wholesomeness of Agricultural Products	Country of Origin Labeling Shell Egg Surveillance Program Federal Seed Act Program	Inform buyers and enforce fair market practices to create a level playing field for producers
	Objective 4.3: Stabilize and Protect Markets	Marketing Agreements and Orders	Producers can establish programs that promote consumer purchases of their commodities and balance supply and demand
	Objective 4.4: Create Jobs and Expand Opportunities for Farms and Businesses by Supporting Organic Agriculture	National Organic Program Organic Cost-Share Programs	National standards for the production and handling of agricultural products labeled as organic

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Agency Strategic Goals	Agency Objectives	Programs that Contribute	Key Outcomes
	Objective 4.5: Augment Perishable Commodity Services	Perishable Agricultural Commodities Act Program	Protect producers from unfair business practices and financial risk
GOAL 5: Provide Premier Procurement and Technical Solutions to Identify and Fulfill the Needs for Agricultural, Food Assistance, and Other Programs (COMMODITY PROCUREMENT)	Objective 5.1: Enhance the Procurement Business Model Objective 5.3: Ensure and Expand Optimal Web-Based Supply Chain Management (WBSCM) Service Delivery	Commodity Purchases [to support domestic producers]	Help balance supply and demand for producers

Key Performance Measures

	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Est.	2017 Target
<u>Market News</u> – Relevance of Market News information based on customer surveys.							
Relevance of Market News Information	N/A	81%	81%	81%	79%	82%	82%
Market News Funding (\$ thousands)	\$33,149	\$32,949	\$31,102	\$33,170	\$32,488	\$33,219	\$33,659
<u>Shell Egg Surveillance</u> – Percent of firms complying with EPIA and the Shell Egg Surveillance program.							
Percent	96%	95%	95%	95%	95%	95%	95%
Shell Egg Surveillance Funding (\$ thousands)	\$2,717	\$2,717	\$2,565	\$2,732	\$2,563	\$2,563	\$2,568
<u>Federal Seed Act Program</u> – Percent of seed shipped in interstate commerce that is accurately labeled.							
Percent	97%	97%	98%	98%	98%	98%	98%
Federal Seed Program Funding (\$ thousands)	\$2,439	\$2,439	\$2,302	\$2,455	\$2,299	\$2,299	\$2,325
<u>Country of Origin Labeling</u> (COOL) – Percent of retailer compliance.							
Percent	94%	94%	94%	94%	96%	96%	96%
COOL Funding (\$ thousands)	\$7,942	\$5,000	\$4,720	\$5,015	\$4,718	\$4,718	\$4,744
<u>National Organic Program</u> – Compliance with certification and accreditation criteria.							
Percent	90%	96%	95%	95%	95%	95%	95%

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	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Est.	2017 Target
National Organic Program Funding (\$ thousands)	\$6,919	\$6,919	\$6,531	\$9,026	\$9,020	\$9,020	\$9,094
Transportation and Market Development – New markets established or expanded through technical assistance (including cooperative research reports and marketing and training tools).							
Number of Markets	N/A	N/A	200	200	250	100	100
Transportation & Market Development Funding (\$ thousands)	\$5,734	\$5,734	\$6,357	\$7,193	\$8,117	\$8,117	\$8,175
Completeness of Data – The data is considered complete after all results are reviewed and approved – results may be finalized during the year after the close of a fiscal year.							
Reliability of Data – Data collected is analyzed and considered reliable.							
Quality of Data – The quality of the data reported is satisfactory.							

Analysis of Results

Selected Past Accomplishments Toward the Achievement of the Key Outcome FY 2015:

- AMS is working to increase agricultural opportunities by supporting a competitive agricultural system and creating new markets through improvements and innovations in Market News reporting and Transportation and Market Development activities. Other AMS programs support a competitive agricultural system by overseeing markets and entities to safeguard the quality and wholesomeness of agricultural products.
- Market News focused reporting to deliver information that is relevant to agricultural and other data users and improve access to the data collected.
- In 2015, AMS launched a new, mobile-ready website so users can view information on the go, responding to industry need for value-added services and consumer need to better understand the products they buy. This effort should improve performance in 2016.
- New Market News reports focus on the global dairy trade, underserved national markets of grass-fed lamb and goats, pasture-raised pork, non-GE/GMO grains, and Tribal-grown bison and rice, plus expanded coverage to 85 farmers markets across the country.
- Transportation and Market Development improved access to local and regional foods while developing expanded market opportunities for agricultural producers.
- In 2015, AMS created three new online local food directories, provided public listings of food hubs, on-farm markets, and community supported agriculture (CSAs) in addition to the existing National Farmers Market Directory.
- AMS partnered with the U.S. Department of Defense and Wholesome Wave to release A Guide to Farmers Markets on Military Installations to help market managers and military leaders establish and operate new farmers markets.
- The National Organic Program negotiated an organic-equivalency arrangement with Switzerland and began discussions on potential equivalency arrangements with Mexico, Taiwan, Cost Rica, Peru, and Chile.

Selected Accomplishments Expected at the FY 2017 Proposed Resource Level/Challenges for the Future

- AMS must focus finite resources to meet AMS and USDA goals across all marketing activities.
- We will work to identify challenges and improvement needs and use the evidence collected in deciding which strategies lead to better results.

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USDA Strategic Goal 4: Ensure that all of America’s children have access to safe, nutritious, and balanced meals

USDA Strategic Objective 4.1: Improve Access to Nutritious Foods

The Pesticide Data program improves access to nutritious foods for America’s children by collecting, analyzing, and reporting pesticide residues on agricultural commodities in the U.S. food chain, especially for commodities consumed by infants and children. The goal for children’s food commodities is to make data available that is five years old or newer.

AMS must focus finite resources to meet AMS and USDA goals in an environment where data needs continually evolve.

Agency Strategic Goal	<u>Agency Objectives</u>	<u>Programs that Contribute</u>	<u>Key Outcome</u>
Goal 2: Provide Market Information and Intelligence and Support the Development of New Markets (MARKET INFORMATION and MARKETING INNOVATION)	Objective 2.1: Increase Market Opportunities for American Agriculture through Analysis of Domestic and International Market Information and Data	Pesticide Data Program	Data on pesticide residue on agricultural commodities in the U.S. food supply is available for risk assessment, particularly commodities highly consumed by infants and children
GOAL 5: Provide Premier Procurement and Technical Solutions to Identify and Fulfill the Needs for Agricultural, Food Assistance, and Other Programs (COMMODITY PROCUREMENT)	Objective 5.1: Enhance the Procurement Business Model Objective 5.2: Provide Greater Value and Additional Opportunities for Nutrition Assistance Program Recipients Objective 5.3: Ensure and Expand Optimal Web-Based Supply Chain Management (WBSCM) Service Delivery	Commodity Purchases [supporting USDA child nutrition programs]	Nutritious food acquired efficiently and cost-effectively for distribution through domestic child nutrition programs

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Key Performance Measures

	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Target	2017 Target
<u>Pesticide Data Program</u> (PDP) – Data availability.							
Number of children’s food commodities included in PDP	21	21	22	22	22	18+	18+
Percent comprehensive data available for risk assessment	90%	87%	83%	83%	84%	90%	90%
Percent of U.S. population represented in PDP data	50%	50%	48%	48%	48%	48%	48%
PDP Funding (\$ thousands)	\$15,330	\$15,330	\$14,471	\$15,347	\$15,739	\$15,039	\$15,073
Completeness of Data – The data is considered complete after all results are reviewed and approved – results may be finalized during the year after the close of a fiscal year.							
Reliability of Data – Data collected is analyzed and considered reliable.							
Quality of Data – The quality of the data reported is satisfactory.							

Analysis of Results

Selected Past Accomplishments Toward the Achievement of the Key Outcome FY 2015:

- AMS met or exceeded all key performance indicator targets
- The Pesticide Data program improves access to nutritious foods for America’s children by collecting, analyzing, and reporting pesticide residues on agricultural commodities in the U.S. food chain, especially for commodities consumed by infants and children.
- PDP managed the sampling, testing, and reporting of 22 commodities, exceeding the established target by 4.

Selected Accomplishments Expected at the FY 2017 Proposed Resource Level/Challenges for the Future

- AMS must focus finite resources to meet AMS and USDA goals in an environment where data needs continually evolve.
- We will work to identify challenges and improvement needs and use the evidence collected in deciding which strategies lead to better results. In 2017, the children’s food target reflects that fact PDP pesticide residue data will no longer be current for two of the top 24 children’s food commodities—wheat and pineapple. Resource constraints limit commodity sampling and testing, but AMS will continue to work with EPA to focus and prioritize data collection.

Program Evaluations

No evaluations were completed in FY 2015.

AGRICULTURAL MARKETING SERVICE

Strategic Goal Funding Matrix

(Dollars in thousands)

<u>Discretionary Program/ Program Items</u>	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2016 Enacted</u>	<u>Increase or Decrease</u>	<u>2017 Estimate</u>
Department Strategic Goal 1: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving					
Strategic Objectives 1.2: Increase Agricultural Opportunities by Ensuring a Robust Safety Net, Creating New Markets, and Supporting a Competitive Agricultural System					
Market News	\$33,170	\$32,488	\$33,219	+\$440	\$33,659
Staff Years	213	214	229	-	229
National Organic Program	9,026	9,020	9,020	+74	9,094
Staff Years	35	43	43	-	43
Transportation and Market Development.....	7,193	8,117	8,117	+58	8,175
Staff Years	30	28	37	-	37
Standardization	4,976	4,971	4,971	+47	5,018
Staff Years	32	34	35	-	35
Federal Seed	2,455	2,299	2,299	+26	2,325
Staff Years	14	14	18	-	18
Shell Egg Surveillance	2,732	2,563	2,563	+5	2,568
Staff Years	8	7	7	-	7
Country of Origin Labeling Program.....	5,015	4,718	4,718	+26	4,744
Staff Years	16	15	16	-	16
Federal/State Marketing Improvement Program.....	1,363	1,235	1,235	-	1,235
Staff Years	1	1	1	-	1
GSA Rent and DHS Security	-	1,277	1,277	-	1,277
Total Costs, Strategic Goal 1	65,930	66,688	67,419	+676	68,095
Staff Years, Strategic Goal 1	349	356	386	-	386
Department Strategic Goal 4: Ensure that all of America’s children have access to safe, nutritious, and balanced meals					
Strategic Objectives 4.1: Improve Access to Nutritious Food					
Pesticide Data Program	15,347	15,739	15,039	+34	15,073
Staff Years	15	16	17	-	17
Total Costs, Strategic Goal 4	\$15,347	\$15,739	\$15,039	+34	\$15,073
Staff Years, Strategic Goal 4	15	16	17	-	17
Total Costs, All Strategic Goals	81,277	82,427	82,458	+710	83,168
Staff Years, All Strategic Goals	364	372	403	-	403

AGRICULTURAL MARKETING SERVICE

Full Cost by Department Strategic Goal (Dollars in Thousands)

Department Strategic Goal 1: Assist Rural Communities to Create Prosperity So They Are Self Sustaining, Repopulating, and Economically Thriving

Discretionary Program/Program Items	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
Market News	\$30,166	\$29,659	\$30,738	\$31,145
Indirect Costs	2,400	2,394	2,481	2,514
Total Costs	32,566	32,053	33,219	33,659
FTEs	213	214	229	229
National Organic Program	8,288	8,298	8,346	8,415
Indirect Costs	659	670	674	679
Total Costs	8,947	8,968	9,020	9,094
FTEs	35	43	43	43
Transportation and Market Development	6,472	7,320	7,511	7,564
Indirect Costs	515	591	606	611
Total Costs	6,987	7,911	8,117	8,175
FTEs	30	28	37	37
Standardization	4,594	4,705	4,600	4,643
Indirect Costs	365	380	371	375
Total Costs	4,959	5,085	4,971	5,018
FTEs	32	34	35	35
Federal Seed	2,061	2,086	2,127	2,151
Indirect Costs	164	168	172	174
Total Costs	2,225	2,254	2,299	2,325
FTEs	14	14	18	18
Shell Egg Surveillance	2,519	2,312	2,372	2,376
Indirect Costs	200	187	191	192
Total Costs	2,719	2,499	2,563	2,568
FTEs	8	7	7	7
Country of Origin Labeling Program	4,632	4,156	4,366	4,390
Indirect Costs	369	336	352	354
Total Costs	5,000	4,492	4,718	4,744
FTEs	16	15	16	16
Federal/State Marketing Improvement Program	1,304	1,229	1,235	1,235
Indirect Costs	-	-	-	-
Total Costs	1,304	1,229	1,235	1,235
FTEs	1	1	1	1
GSA Rent and DHS Security - Total (Indirect) Cost	-	1,277	1,277	1,277
Total Discretionary Costs, Strategic Goal 1	\$64,707	\$65,768	\$67,419	\$68,095
Total FTEs, Strategic Goal 1	349	356	386	386

Department Strategic Goal 4: Ensure that all of America's children have access to safe, nutritious, and balanced meals

Discretionary Program/Program Items	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
Pesticide Data Program	14,215	14,589	13,916	13,947
Indirect Costs	1,131	1,178	1,123	1,126
Total Costs	15,346	15,767	15,039	15,073
FTEs	15	16	17	17
Total Discretionary Costs, Strategic Goal 4	\$15,346	\$15,767	\$15,039	\$15,073
Total FTEs, Strategic Goal 4	15	16	17	17
Total Discretionary Costs, All Strategic Goals	\$80,053	\$81,535	\$82,458	\$83,168
Total Discretionary FTEs, All Strategic Goals	364	372	403	403

AGRICULTURAL MARKETING SERVICE

Full Cost by Department Strategic Goal (Dollars in Thousands)

Department Strategic Goal 1: Assist Rural Communities to Create Prosperity So They Are Self Sustaining, Repopulating, and Economically Thriving

Mandatory Program/Program Items	2014 Actual	2015 Actual	2016 Estimate	2017 Estimate
Commodity Purchase Services - Agri. Support & Emergency (AS&E).....	11,336	12,822	12,929	13,389
Indirect Costs.....	902	1,035	1,044	1,081
Total, Administrative Costs.....	12,238	13,858	13,973	14,470
FTEs.....	15	16	25	25
Commodity Purchases Program Funds - AS&E.....	268,441	310,342	327,692	320,855
Marketing Agreements & Orders	17,594	17,435	18,958	19,158
Indirect Costs.....	1,400	1,408	1,531	1,547
Total, Administrative Costs.....	18,994	18,843	20,489	20,705
FTEs.....	90	91	111	111
Total Mandatory Costs, Strategic Goal 1.....	\$299,673	\$343,043	\$362,154	\$356,030
Total FTEs, Strategic Goal 1.....	105	107	136	136

Department Strategic Goal 4: Ensure that all of America's children have access to safe, nutritious, and balanced meals

Mandatory Program/Program Items	2014 Actual	2015 Actual	2016 Estimate	2017 Estimate
Commodity Purchase Services - Child Nutrition Purchases (CNP).....	19,638	19,210	18,345	19,403
Indirect Costs.....	1,562	1,551	1,481	1,566
Total, Administrative Costs.....	21,200	20,760	19,826	20,970
FTEs.....	37	37	36	36
Commodity Purchases Program Funds - CNP.....	465,000	465,000	465,000	465,000
Total Mandatory Costs, Strategic Goal 4.....	\$486,200	\$485,760	\$484,826	\$485,970
Total FTEs, Strategic Goal 4.....	37	37	36	36
Total Mandatory Costs, All Strategic Goals.....	\$785,873	\$828,803	\$846,980	\$842,000
Total Mandatory FTEs, All Strategic Goals.....	142	144	172	172
Total, All AMS Costs	\$865,926	\$910,338	\$929,438	\$925,168
Total, All AMS FTEs	506	516	575	575

Agric.marketing Service
CONSOLIDATED BALANCE SHEET
 Period Ending September 30, 2015 and 2014
 (in millions)

	<u>2015</u>	<u>2014</u>	<u>Variance</u>	
			<u>Amount</u>	<u>Percentage</u>
Assets:				
Intragovernmental:				
Fund Balance with Treasury	\$ 21,571	\$ 20,005	\$ 1,566	8 %
Investments				
Accounts Receivable, Net	1	1	0	0 %
Loans Receivable				
Other	<u>11</u>	<u>22</u>	<u>(11)</u>	<u>(50) %</u>
Total Intragovernmental	21,583	20,028	1,555	8 %
Cash and Other Monetary Assets				
Investments				
Accounts Receivable, Net	26	21	5	24 %
Taxes Receivable, Net				
Direct Loan and Loan Guarantees, Net				
Inventory and Related Property, Net				
General Property, Plant, and Equipment, Net	11	13	(2)	(15) %
Other	<u>1</u>	<u>---</u>	<u>1</u>	<u>100 %</u>
Total Assets	<u><u>21,621</u></u>	<u><u>20,062</u></u>	<u><u>1,559</u></u>	<u><u>8 %</u></u>
Stewardship PP&E				
Liabilities:				
Intragovernmental:				
Accounts Payable	---	---	---	
Debt				
Other	<u>15</u>	<u>16</u>	<u>(1)</u>	<u>(6) %</u>
Total Intragovernmental	15	16	(1)	(6) %
Accounts Payable	3	1	2	200 %
Loan Guarantee Liability				
Debt Held by the Public				
Federal Employee and Veterans Benefits	31	35	(4)	(11) %
Environmental and Disposal Liabilities				
Benefits Due and Payable				
Other	<u>81</u>	<u>94</u>	<u>(13)</u>	<u>(14) %</u>
Total Liabilities	<u>130</u>	<u>146</u>	<u>(16)</u>	<u>(11) %</u>
Commitments and Contingencies				

Agric.marketing Service
CONSOLIDATED BALANCE SHEET
 Period Ending September 30, 2015 and 2014
 (in millions)

	<u>2015</u>	<u>2014</u>	<u>Variance</u>	
			<u>Amount</u>	<u>Percentage</u>
Net Position:				
Unexpended Appropriations - Earmarked Funds	(1)	---	(1)	100 %
Unexpended Appropriations - Other Funds	82	93	(11)	(12) %
Cumulative Results of Operations - Earmarked Funds	644	512	132	26 %
Cumulative Results of Operations - Other Funds	<u>20,765</u>	<u>19,312</u>	<u>1,453</u>	<u>8 %</u>
Total Net Position	<u>21,490</u>	<u>19,916</u>	<u>1,574</u>	<u>8 %</u>
Total Liabilities and Net Position	<u>\$ 21,621</u>	<u>\$ 20,062</u>	<u>\$ 1,559</u>	<u>8 %</u>

The accompanying notes are an integral part of these statements.

AMS BALANCE SHEET		9/30/15	9/30/14	
Line 9 BS - 2015 - Q4		26,446,067.53	21,113,436.02	v
Accounts Receivable Due From The Public				
	GL Account			Net Change
ACCOUNTS RECEIVABLE	1310/ 1312			
		26,644,434.61	21,447,943.61	v 5,196,491.00
CANCLD CHECKS PEND CONF-FEDRL	1314	0.00		v 0.00
ALLOWANCE FOR LOSS - WRITEOFF	1318	0.00		v 0.00
ALLOW FOR LOSS ON ACNTS RCVBL	1319	(200,200.28)	(335,360.43)	v 135,160.15
INTEREST RECEIVABLE	1340	843.84	597.76	v 246.08
PEN, FINES AND ADMIN FEES	1360	989.36	255.08	v 734.28
		<u>26,446,067.53</u>	<u>21,113,436.02</u>	<u>5,332,631.51</u>
		0		

Line 18 BS - 2015 - Q4		14,857,661.32	16,165,755.34	
Other Liabilities - Intragovernmental				
	GL Account			Net Change
Unfunded FECA	2225	5,040,483.00	5,224,650.00	v (184,167.00)
Liability for Deposit Account	2400/ 2410	1,145,354.04	714,471.33	v 430,882.71
Employer Cont./Payroll Taxes	2213	1,391,041.85	1,081,317.06	v 309,724.79
Other Unfunded Employment Related Liability*	2290	253,162.00	332,185.00	v (79,023.00)
Custodial Liability	2980	637,364.34	637,364.34	v -
Elimination Entries - Intra-agency	2190	(636,527.30)	(43,909.81)	(592,617.49)
Other Liability	2190			
		<u>7,026,783.39</u>	<u>8,219,677.42</u>	<u>(1,192,894.03)</u>
		<u>14,857,661.32</u>	<u>16,165,755.34</u>	<u>(1,308,094.02)</u>
		0.00		

Line 26 BS - 2015 - Q4		80,951,063.16	94,330,266.11	v
Other Liabilities - With the Public				
				Net Change
Unfunded Leave	2220	13,209,447.33	12,356,736.84	v 852,710.49
Employer Cont./Payroll Taxes	2213	0.00	1,472.88	
Accrued Funded Payroll and Benefits*	2210	5,403,412.58	4,715,261.79	v 688,150.79
Other Accrued Liabilities	2190	49,711,140.93	68,890,716.84	v (19,179,575.91)
Liability for Deposit Funds/Clearing Account	2400	14,042,388.35	9,782,444.15	4,259,944.20
				v
Custodial Liability	2980	(1,415,326.03)	(1,416,304.39)	v 978.36
Liability for Advances & Prepayment	2310	0.00	(62.00)	v 62.00
		<u>80,951,063.16</u>	<u>94,330,266.11</u>	<u>(13,377,730.07)</u>
		0		

AMS STATEMENT OF CHANGES IN NET POSITION		9/30/15	9/30/14	
Line 12 NP - 2015 - Q4		36,784,533.77	34,383,336.49	v
Imputed financing				
				Net Change
Judgment Fund		165,200.00		165,200.00
HQ Allocation		19,973,968.00	16,406,409.81	v 3,567,558.19
OPM Imputed Costs		16,645,365.77	17,976,926.68	v (1,331,560.91)
Imputed Financing Sources*	5780	<u>36,784,533.77</u>	<u>34,383,336.49</u>	<u>2,401,197.28</u>

Agric.marketing Service
CONSOLIDATED STATEMENT OF NET COST
 Period Ending September 30, 2015 and 2014
 (in millions)

	2015	2014	Variance	
			Amount	Percentage
Strategic Goals:				
FY15: 45.47% Goal 1 & 54.53% Goal 4 (FY14: 42.36% Goal 1 & 57.64% contributed to Goal 4).				
Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:				
Gross Costs	\$ 569	\$ 505	\$ 64	13 %
Less: Earned Revenue	106	92	14	15 %
Net Costs	463	413	50	12 %
Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:				
Gross Costs				
Less: Earned Revenue				
Net Costs				
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:				
Gross Costs				
Less: Earned Revenue				
Net Costs				
Ensure That All of America's Children Have Access to Safe, Nutritious, and Balanced Meals:				
Gross Costs	565	606	(41)	(7) %
Less: Earned Revenue	104	110	(6)	(5) %
Net Costs	461	496	(35)	(7) %
Total Gross Costs	\$ 1,134	\$ 1,111	\$ 23	2 %
Less: Total Earned Revenue	210	202	8	4 %
Net Cost of Operations	\$ 924	\$ 909	\$ 15	2 %

The accompanying notes are an integral part of these statements.

Agric.marketing Service
CONSOLIDATED STATEMENT OF BUDGETARY RESOURCES
 Period Ending September 30, 2015 and 2014
 (in millions)

	2015		2014		Variance	
	Budgetary	Non-Budgetary	Budgetary	Non-Budgetary	Budgetary	Percentage
		Credit Reform Financing Accounts		Credit Reform Financing Accounts		
Budgetary Resources:						
1000. Unobligated balance, brought forward, October 1:	\$ 153	\$	\$ 140	\$	\$ 13	9 %
1020. Adjustment to unobligated balance brought forward, October 1 (+ or -) (Note)						
102A. Unobligated balance brought forward, October 1, as adjusted	<u>153</u>	<u>0</u>	<u>140</u>	<u>0</u>	<u>13</u>	<u>9 %</u>
1021. Recoveries of prior year unpaid obligations	23		15		8	53 %
1043. Other changes in unobligated balance (+ or -)	<u>(5)</u>		<u>(7)</u>		<u>2</u>	<u>(29) %</u>
1051. Unobligated balance from prior year budget authority, net	<u>171</u>	<u>0</u>	<u>148</u>	<u>0</u>	<u>23</u>	<u>16 %</u>
1290. Appropriations (discretionary and mandatory)	1,173		1,145		28	2 %
1490. Borrowing authority (discretionary and mandatory)						
1690. Contract authority (discretionary and mandatory)						
1890. Spending authority from offsetting collections (discretionary and mandatory)	<u>108</u>		<u>107</u>		<u>1</u>	<u>1 %</u>
1910. Total budgetary resources	<u><u>1,452</u></u>	<u><u>0</u></u>	<u><u>1,400</u></u>	<u><u>0</u></u>	<u><u>52</u></u>	<u><u>4 %</u></u>
Status of Budgetary Resources:						
2190. Obligations Incurred (Note)	1,300		1,247		53	4 %
Unobligated balance, end of year:						
2204. Apportioned	138		143		(5)	(3) %
2304. Exempt from apportionment	---		---		---	
2404. Unapportioned	<u>14</u>		<u>10</u>		<u>4</u>	<u>40 %</u>
2490. Total unobligated balance, end of year	<u>152</u>	<u>0</u>	<u>153</u>	<u>0</u>	<u>(1)</u>	<u>(1) %</u>
2500. Total budgetary resources	<u><u>1,452</u></u>	<u><u>0</u></u>	<u><u>1,400</u></u>	<u><u>0</u></u>	<u><u>52</u></u>	<u><u>4 %</u></u>
Change in Obligated Balance:						
Unpaid obligations:						
3000. Unpaid obligations, brought forward, October 1	541		213		328	154 %
3006. Adjustment to obligated balance, start of year (net)(+ or -) (Note)						
3012. Obligations incurred	1,300		1,247		53	4 %
3020. Outlays (gross) (-)	(1,172)		(905)		(267)	30 %
3032. Actual transfers, unpaid obligations (net)(+ or -)						
3042. Recoveries of prior year unpaid obligations (-)	(23)		(15)		(8)	53 %
3050. Unpaid obligations, end of year XXX	646	0	541	0	105	19 %
Uncollected payments:						
3060. Uncollected customer payments from Federal sources, brought forward, October 1 (-)	(22)		(18)		(4)	22 %
3066. Adjustment to uncollected payments, Federal sources, start of year (net)(+ or -) (Note)						
3072. Change in uncollected customer payments from Federal sources (+ or -)	1		(4)		5	(125) %
3082. Actual transfers, uncollected customer payments from Federal sources (net)(+ or -)						
3090. Uncollected payments, Federal sources, end of year (-)	(21)	0	(22)	0	1	(5) %

Memorandum (non-add) entries:						
3100. Obligated balance, start of year (+ or -)	<u>519</u>	<u>0</u>	<u>195</u>	<u>0</u>	<u>324</u>	<u>166 %</u>
3200. Obligated balance, end of year (+ or -)	<u>625</u>	<u>0</u>	<u>519</u>	<u>0</u>	<u>106</u>	<u>20 %</u>
Budget Authority and Outlays, Net:						
4175. Budget authority, gross (discretionary and mandatory)	1,281		1,252		29	2 %
4177. Actual offsetting collections (discretionary and mandatory) (-)	(109)		(103)		(6)	6 %
4178. Change in uncollected customer payments from Federal sources (discretionary and mandatory)(+ or -)	1		(4)		5	(125) %
4179. Anticipated offsetting collections (discretionary and mandatory) (+ or -)						
4180. Budget authority, net (discretionary and mandatory)	<u>1,173</u>	<u>0</u>	<u>1,145</u>	<u>0</u>	<u>28</u>	<u>2 %</u>
4185. Outlays, gross (discretionary and mandatory)	1,172		905		267	30 %
4187. Actual offsetting collections (discretionary and mandatory) (-)	(109)		(103)		(6)	6 %
4190. Outlays, net (discretionary and mandatory)	<u>1,063</u>		<u>802</u>		<u>261</u>	<u>33 %</u>
4200. Distributed offsetting receipts (-)	<u>(155)</u>		<u>(161)</u>		<u>6</u>	<u>(4) %</u>
4210. Agency outlays, net (discretionary and mandatory)	<u>908</u>	<u>0</u>	<u>641</u>	<u>0</u>	<u>267</u>	<u>42 %</u>

The accompanying notes are an integral part of these statements.

Agric.marketing Service
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
 Period Ending September 30, 2015 and 2014
 (in millions)

	2015			2014		Variance	
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total	
						Amount	Percentage
Cumulative Results of Operations:							
Beginning Balances	\$ 512	\$ 19,312	\$ 19,823	\$ 601	\$ 18,047	\$ 1,174	6 %
Adjustments:							
(a) Changes in accounting principles							
(b) Corrections of errors							
Beginning balance, as adjusted	512	19,312	19,823	601	18,047	1,174	6 %
Budgetary Financing Sources:							
Other Adjustments (recissions, etc.)		(8)	(8)		(4)	(4)	100 %
Appropriations Used	---	88	89		71	18	25 %
Non-exchange Revenue	---	---	---	---	---	---	
Donations and Forfeitures of Cash and Cash Equivalents							
Transfers in/out without Reimbursement	867	1,524	2,392	659	1,323	409	21 %
Other							
Other Financing Sources (Non-Exchange):							
Donations and Forfeitures of Property							
Transfers in/out Reimbursement							
Imputed financing	37		37	34		3	9 %
Other	1	(1)	(1)	1	1	1	(50) %
Total Financing Sources	905	1,604	2,509	694	1,390	426	20 %
Net Cost of Operations	(773)	(150)	(923)	(783)	(126)	(15)	2 %
Net Change	132	1,454	1,586	(89)	1,264	411	35 %
Cummulative Results of Operations	644	20,765	21,409	511	19,312	1,586	8 %
Unexpended Appropriations:							
Beginning Balances	---	93	93	---	89	4	4 %
Adjustments:							
(a) Changes in accounting principles							
(b) Corrections of errors							
Beginning balance, as adjusted	---	93	93	---	89	4	4 %
Budgetary Financing Sources:							
Appropriations Received	(1)	82	82		82	0	0 %
Appropriations transferred in/out		---	---		---	---	
Other Adjustments		(5)	(5)		(7)	2	(29) %
Appropriations Used	---	(88)	(89)		(71)	(18)	25 %
Total Budgetary Financing Sources	---	(11)	(11)	0	4	(15)	(375) %
Total Unexpended Appropriations	(1)	82	81	---	93	(12)	(13) %
Net Position	\$ 643	\$ 20,847	\$ 21,490	\$ 511	\$ 19,405	\$ 1,574	8 %

The accompanying notes are an integral part of these statements.

PROGRAM NAME:		Fund Review - NOV		
FY:		Marketing Services -- Appropriated		
		Fund		
		(Dollars in Thousands)		
Commitment Items (BOC#)	ODA, Standards, AIA, CO, Appeals, C&E			
	Operating Plan	YTD Obligations	Remaining Available	Plan vs Oblig. %
Salaries and Benefits (11, 12)	\$0	\$651	(\$651)	0%
Severance Pay & Unemployment Comp. (13)	0	0	\$0	0.0
Travel (21)	0	23	(\$23)	0.0
Transportation of Things (22)	0	0	\$0	0.0
Other Rent, Communications & Utilities (23)	0	105	(\$105)	0.0
Printing (24)	0	3	(\$3)	-
Other, Contractual Services (25)	0	179	(\$179)	-
Agreements (BOC 2510 & 2559)	0	0	\$0	-
Supplies (26)	0	1	(\$1)	-
Equipment (31)	0	0	0	-
AgDefault	0	0	0	-
TOTAL	0	962	(\$962)	-

PROGRAM NAME:	NOP	Fund Review - DEC Marketing Services -- Appropriated Fund (Dollars in Thousands)		
FY:	2014			
Commitment Items (BOC#)	ODA, Standards, AIA, CO, Appeals, C&E			
	Operating Plan	YTD Obligations	Remaining Available	Plan vs Oblig. %
Salaries and Benefits (11, 12)	\$0	\$1,009	(\$1,009)	0.0%
Severance Pay & Unemployment Comp. (13)	0	0	\$0	-
Travel (21)	0	30	(\$30)	0.0
Transportation of Things (22)	0	0	\$0	-
Other Rent, Communications & Utilities (23)	0	98	(\$98)	0.0
Printing (24)	0	0	\$0	-
Other, Contractual Services (25)	0	8	(\$8)	-
Agreements (BOC 2510 & 2559)	0	44	(\$44)	-
Supplies (26)	0	1	(\$1)	-
Equipment (31)	0	0	0	-
AgDefault	0	0	0	-
TOTAL	0	1,190	(\$1,190)	-

PROGRAM NAME:		Fund Review - JAN		
FY:		Marketing Services -- Appropriated Fund		
		(Dollars in Thousands)		
Commitment Items (BOC#)	Operating Plan	YTD Obligations	Remaining Available	Plan vs Oblig. %
Salaries and Benefits (11, 12)	1,322	\$1,371	(49)	103.7%
Severance Pay & Unemployment Comp. (13)	0	0	0	0.0
Travel (21)	60	29	31	(2.0)
Transportation of Things (22)	0	0	0	0.0
Other Rent, Communications & Utilities (23)	72	103	(31)	134.0
Printing (24)	0	0	0	0.0
Other, Contractual Services (25)	85	90	(5)	1.1
Agreements (BOC 2510 & 2559)	0	0	0	0.0
Supplies (26)	6	2	4	0.3
Equipment (31)	0	0	0	0.0
AgDefault	0	0	0	0.0
TOTAL	1,545	1,595	(50)	103.2

PROGRAM NAME:		NOP	Fund Review FEB		
FY:		2014	Marketing Services -- Appropriated		
			Fund		
			(Dollars in Thousands)		
Commitment Items (BOC#)	Operating Plan	YTD Obligations	Remaining Available	Plan vs Oblig. %	
Salaries and Benefits (11, 12)	1,681	\$1,710	(29)	101.7%	
Severance Pay & Unemployment Comp. (13)	0	0	0	0.0	
Travel (21)	99	48	51	(3.0)	
Transportation of Things (22)	0	0	0	0.0	
Other Rent, Communications & Utilities (23)	80	103	(23)	126.0	
Printing (24)	0	0	0	0.0	
Other, Contractual Services (25)	89	141	(52)	1.6	
Agreements (BOC 2510 & 2559)	0	0	0	0.0	
Supplies (26)	8	3	5	0.4	
Equipment (31)	1	0	1	0.0	
AgDefault	0	0	0	0.0	
TOTAL	1,958	2,005	(47)	102.4	

PROGRAM NAME:		NOP	Fund Review - MAR		
FY:		2014	Marketing Services -- Appropriated		
			Fund		
			(Dollars in Thousands)		
Commitment Items (BOC#)	Operating Plan	YTD Obligations	Remaining Available	Plan vs Oblig. %	
Salaries and Benefits (11, 12)	4,364	\$2,118	2,246	48.5%	
Severance Pay & Unemployment Comp. (13)	0	0	0	0.0	
Travel (21)	198	83	115	(32.0)	
Transportation of Things (22)	0	0	0	0.0	
Other Rent, Communications & Utilities (23)	83	103	(20)	123.0	
Printing (24)	77	4	73	0.0	
Other, Contractual Services (25)	1,773	125	1,648	0.1	
Agreements (BOC 2510 & 2559)	541	150	391	0.0	
Supplies (26)	80	5	75	0.1	
Equipment (31)	80	1	79	0.0	
AgDefault	0	0	0	0.0	
TOTAL	7,196	2,589	4,607	36.0	

PROGRAM NAME:		NOP	Fund Review - APR Marketing Services -- Appropriated Fund (Dollars in Thousands)		
FY:		2014			
Commitment Items (BOC#)	Operating Plan	YTD Obligations	Remaining Available	Plan vs Oblig. %	
Salaries and Benefits (11, 12)	4,364	\$2,445	1,919	56.0%	
Severance Pay & Unemployment Comp. (13)	0	0	0	0.0	
Travel (21)	198	71	127	(56.0)	
Transportation of Things (22)	0	0	0	0.0	
Other Rent, Communications & Utilities (23)	83	103	(20)	123.0	
Printing (24)	77	6	71	0.0	
Other, Contractual Services (25)	1,773	259	1,514	0.1	
Agreements (BOC 2510 & 2559)	541	180	361	0.0	
Supplies (26)	80	7	73	0.1	
Equipment (31)	80	1	79	0.0	
AgDefault	0	0	0	0.0	
TOTAL	7,196	3,072	4,124	42.7	

PROGRAM NAME:		Fund Review - MAY		
FY:		Marketing Services -- Appropriated		
		Fund		
		(Dollars in Thousands)		
Commitment Items (BOC#)	Operating Plan	YTD Obligations	Remaining Available	Plan vs Oblig. %
Salaries and Benefits (11, 12)	4,364	\$2,844	1,520	65.2%
Severance Pay & Unemployment Comp. (13)	0	0	0	0.0%
Travel (21)	198	78	120	39.4%
Transportation of Things (22)	0	0	0	0.0%
Other Rent, Communications & Utilities (23)	83	104	(21)	125.3%
Printing (24)	77	7	70	9.1%
Other, Contractual Services (25)	1,773	315	1,458	17.8%
Agreements (BOC 2510 & 2559)	541	180	361	33.3%
Supplies (26)	80	10	70	12.5%
Equipment (31)	80	109	-29	136.3%
AgDefault	0	0	0	0.0%
TOTAL	7,196	3,647	3,549	50.7

PROGRAM NAME:	NOP	Fund Review - JUN Marketing Services -- Appropriated Fund (Dollars in Thousands)		
FY:	2014			
		National Organic Program		
Commitment Items (BOC#)	Operating Plan	YTD Obligations	Remaining Available	Plan vs Oblig. %
Salaries and Benefits (11, 12)	4,364	\$3,208	1,156	73.5%
Severance Pay & Unemployment Comp. (13)	0	0	0	0.0%
Travel (21)	198	91	107	46.0%
Transportation of Things (22)	0	0	0	0.0%
Other Rent, Communications & Utilities (23)	83	104	(21)	125.3%
Printing (24)	77	8	69	10.4%
Other, Contractual Services (25)	1,773	532	1,241	30.0%
Agreements (BOC 2510 & 2559)	541	180	361	33.3%
Supplies (26)	80	23	57	28.8%
Equipment (31)	80	149	-69	186.3%
AgDefault	0	1	-1	0.0%
TOTAL	7,196	4,296	2,900	59.7

PROGRAM NAME:	NOP	Fund Review - JUL Marketing Services -- Appropriated Fund (Dollars in Thousands)		
FY:	2014			
National Organic Program				
Commitment Items (BOC#)	Operating Plan	YTD Obligations	Remaining Available	Plan vs Oblig. %
Salaries and Benefits (11, 12)	4,203	\$3,596	607	85.6%
Severance Pay & Unemployment Comp. (13)	0	0	0	0.0%
Travel (21)	198	111	87	56.1%
Transportation of Things (22)	0	0	0	0.0%
Other Rent, Communications & Utilities (23)	128	104	24	81.3%
Printing (24)	20	8	12	40.0%
Other, Contractual Services (25)	3,618	637	2,981	17.6%
Agreements (BOC 2510 & 2559)	531	180	351	33.9%
Supplies (26)	28	26	2	92.9%
Equipment (31)	300	154	146	51.3%
AgDefault	0	0	0	0.0%
TOTAL	9,026	4,816	4,210	53.4

PROGRAM NAME:	NOP	Fund Review - AUG Marketing Services -- Appropriated Fund (Dollars in Thousands)		
FY:	2014			
		National Organic Program		
Commitment Items (BOC#)	Operating Plan	YTD Obligations	Remaining Available	Plan vs Oblig. %
Salaries and Benefits (11, 12)	4,203	\$3,835	368	91.2%
Severance Pay & Unemployment Comp. (13)	0	0	0	0.0%
Travel (21)	198	122	76	61.6%
Transportation of Things (22)	0	0	0	0.0%
Other Rent, Communications & Utilities (23)	128	105	23	82.0%
Printing (24)	20	10	10	50.0%
Other, Contractual Services (25)	3,618	2,306	1,312	63.7%
Agreements (BOC 2510 & 2559)	531	180	351	33.9%
Supplies (26)	28	32	-4	114.3%
Equipment (31)	300	155	145	51.7%
AgDefault	0	0	0	0.0%
TOTAL	9,026	6,745	2,281	74.7

PROGRAM NAME:	NOP	Fund Review - SEP Marketing Services -- Appropriated Fund (Dollars in Thousands)		
FY:	2014			
National Organic Program				
Commitment Items (BOC#)	Operating Plan	YTD Obligations	Remaining Available	Plan vs Oblig. %
Salaries and Benefits (11, 12)	4,203	\$4,359	(156)	103.7%
Severance Pay & Unemployment Comp. (13)	0	0	0	0.0%
Travel (21)	198	164	34	82.8%
Transportation of Things (22)	0	0	0	0.0%
Other Rent, Communications & Utilities (23)	128	109	19	85.2%
Printing (24)	20	10	10	50.0%
Other, Contractual Services (25)	3,618	3,850	(232)	106.4%
Agreements (BOC 2510 & 2559)	531	201	330	37.9%
Supplies (26)	28	35	-7	125.0%
Equipment (31)	300	219	81	73.0%
AgDefault	0	0	0	0.0%
TOTAL	9,026	8,947	79	99.1

Program: NOP		Summary of Appropriated Obligations					Oct - Nov	
Fiscal Year = 2015		FY 2015 Status of Funds					% of FY: 17%	
		<i>dollars in thousands</i>						
Program/BOC	Allocation/ Operating Plan	YTD Obligations	(Over)/ Under Allocation	% of Allocation	Commit- ments	Additional Projected	EOY Total	Variance
National Organic Program								
11 & 12 - S&B	5,804	784	5,020	14%	-	3,922	4,706	1,098
13 - Unemp. Comp.			-	0%	-	-	-	-
21 - Travel	164	70	94	43%	-	-	70	94
22 - Transp of Things			-	0%	-	-	-	-
23 - Rent, Util, Com.	109	37	72	34%	-	-	37	72
24 - Printing	10	-	10	0%	-	-	-	10
25 - Contracts			-	0%	-	-	-	-
Agreements (2510)	1,094	70	1,024	6%	20	-	90	1,004
26 - Supplies	35	8	27	23%	-	-	8	27
31 - Equip.	219	41	178	19%	-	-	41	178
41 - Grants, subsid	1	-	1	0%	-	-	-	1
Other	-	-	-	0%	-	-	-	-
Total	7,436	1,010	6,426	14%	20	3,922	4,952	2,484
National Organic Standards Board								
11 & 12 - S&B	105	17	88	16%	-	80	97	8
13 - Unemp. Comp.			-	0%	-	-	-	-
21 - Travel	40	19	21	48%	-	-	-	40
22 - Transp of Things			-	0%	-	-	-	-
23 - Rent, Util, Com.	1		1	0%	-	-	-	1
24 - Printing			-	0%	-	-	-	-
25 - Contracts			-	0%	-	-	-	-
Agreements (2510)	50		50	0%	-	-	-	50
26 - Supplies	2		2	0%	-	-	-	2
31 - Equip.			-	0%	-	-	-	-
Other	-	-	-	0%	-	-	-	-
Total	198	36	162	18%	-	80	97	101

Program: NOP		Summary of Appropriated Obligations					Oct - Dec	
Fiscal Year = 2015		FY 2015 Status of Funds					% of FY: 25%	
		dollars in thousands						
Program/BOC	Allocation/ Operating Plan	YTD Obligations	(Over)/ Under Allocation	% of Allocation	Commit- ments	Additional Projected	EOY Total	Variance
National Organic Program								
11 & 12 - S&B	5,804	1,206	4,598	21%	-	4,532	5,738	66
13 - Unemp. Comp.			-	0%	-	-	-	-
21 - Travel	164	70	94	43%	-	94	164	-
22 - Transp of Things			-	0%	-	-	-	-
23 - Rent, Util, Com.	109	42	67	39%	-	-	42	67
24 - Printing	10	-	10	0%	-	-	-	10
25 - Contracts			-	0%	-	-	-	-
Agreements (2510)	1,094	113	981	10%	-	981	1,094	-
26 - Supplies	35	8	27	23%	-	-	8	27
31 - Equip.	219	41	178	19%	-	-	41	178
41 - Grants, subsid	1	-	1	0%	-	-	-	1
Other	-	-	-	0%	-	-	-	-
Total	7,436	1,480	5,956	20%	-	5,607	7,087	349
National Organic Standards Board		*Already added in with NOP total.						
11 & 12 - S&B	105	26	79	25%	-	-	26	79
13 - Unemp. Comp.			-	0%	-	-	-	-
21 - Travel	40	22	18	55%	-	-	-	40
22 - Transp of Things			-	0%	-	-	-	-
23 - Rent, Util, Com.	1		1	0%	-	-	-	1
24 - Printing			-	0%	-	-	-	-
25 - Contracts			-	0%	-	-	-	-
Agreements (2510)	50		50	0%	-	-	-	50
26 - Supplies	2		2	0%	-	-	-	2
31 - Equip.			-	0%	-	-	-	-
Other	-	-	-	0%	-	-	-	-
Total	198	48	150	24%	-	-	26	172

Program: NOP		Summary of Appropriated Obligations					Oct - Jan	
Fiscal Year = 2015		FY 2015 Status of Funds					% of FY: 33%	
		<i>dollars in thousands</i>						
Program/BOC	Allocation/ Operating Plan	YTD Obligations	(Over)/ Under Allocation	% of Allocation	Commit- ments	Additional Projected	EOY Total	Variance
National Organic Program								
11 & 12 - S&B	5,804	1,603	4,201	28%	-	3,683	5,286	518
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	164	92	72	56%	-	94	186	(22)
22 - Transp of Things	-	-	-	0%	-	-	-	-
23 - Rent, Util, Com.	109	67	42	61%	-	-	67	42
24 - Printing	10	-	10	0%	-	-	-	10
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	1,094	261	833	24%	-	981	1,242	(148)
26 - Supplies	35	11	24	31%	-	-	11	24
31 - Equip.	219	53	166	24%	-	-	53	166
41 - Grants, subsid	1	-	1	0%	-	-	-	1
Other	-	-	-	0%	-	-	-	-
Total	7,436	2,087	5,349	28%	-	4,758	6,845	591
National Organic Standards Board		*Already added in with NOP total.						
11 & 12 - S&B	105	35	70	33%	-	-	35	70
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	40	27	13	68%	-	-	-	40
22 - Transp of Things	-	-	-	0%	-	-	-	-
23 - Rent, Util, Com.	1	-	1	0%	-	-	-	1
24 - Printing	-	-	-	0%	-	-	-	-
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	50	-	50	0%	-	-	-	50
26 - Supplies	2	-	2	0%	-	-	-	2
31 - Equip.	-	-	-	0%	-	-	-	-
Other	-	-	-	0%	-	-	-	-
Total	198	62	136	31%	-	-	35	163

Program: NOP		Summary of Appropriated Obligations FY 2015 Status of Funds <i>dollars in thousands</i>					Oct - Feb	
Fiscal Year = 2015							% of FY: 42%	
Program/BOC	Allocation/ Operating Plan	YTD Obligations	(Over)/ Under Allocation	% of Allocation	Commit- ments	Additional Projected	EOY Total	Variance
National Organic Program								
11 & 12 - S&B	5,587	1,961	3,626	35%	-	3,626	5,587	-
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	164	97	67	59%	-	67	164	-
22 - Transp of Things	-	-	-	0%	-	-	-	-
23 - Rent, Util, Com.	109	68	41	62%	-	41	109	-
24 - Printing	10	-	10	0%	-	10	10	-
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	1,344	271	1,073	20%	-	1,073	1,344	-
26 - Supplies	35	11	24	31%	-	24	35	-
31 - Equip.	219	56	163	26%	-	163	219	-
41 - Grants, subsid	1	-	1	0%	-	1	1	-
Other	-	-	-	0%	-	-	-	-
Total	7,469	2,464	5,005	33%	-	5,005	7,469	-
National Organic Standards Board		*Already added in with NOP total.						
11 & 12 - S&B	105	42	63	40%	-	63	105	-
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	40	27	13	68%	-	13	40	-
22 - Transp of Things	-	-	-	0%	-	-	-	-
23 - Rent, Util, Com.	1	-	1	0%	-	1	1	-
24 - Printing	-	-	-	0%	-	-	-	-
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	50	-	50	0%	-	50	50	-
26 - Supplies	2	-	2	0%	-	2	2	-
31 - Equip.	-	-	-	0%	-	-	-	-
Other	-	-	-	0%	-	-	-	-
Total	198	69	129	35%	-	129	198	-

Program: NOP		Summary of Appropriated Obligations FY 2015 Status of Funds <i>dollars in thousands</i>					Oct - Mar	
Fiscal Year = 2015							% of FY: 50%	
Program/BOC	Allocation/ Operating Plan	YTD Obligations	(Over)/ Under Allocation	% of Allocation	Commit- ments	Additional Projected	EOY Total	Variance
National Organic Program								
11 & 12 - S&B	5,743	2,474	3,269	43%	-	2,901	5,375	368
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	172	155	17	90%	-	17	172	-
22 - Transp of Things	-	-	-	0%	-	-	-	-
23 - Rent, Util, Com.	210	79	131	38%	-	131	210	-
24 - Printing	41	4	37	10%	-	-	4	37
25 - Contracts	30	-	30	0%	-	75	75	(45)
Agreements (2510)	991	522	469	53%	-	551	1,073	(82)
26 - Supplies	67	13	54	19%	-	54	67	-
31 - Equip.	219	69	150	32%	-	100	169	50
41 - Grants, subsid	-	-	-	0%	-	-	-	-
Other	-	-	-	0%	-	-	-	-
Total	7,469	3,316	4,157	44%	-	3,829	7,145	328
National Organic Standards Board		*Already added in with NOP total.						
11 & 12 - S&B	105	51	54	49%	-	54	105	-
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	40	27	13	68%	-	13	40	-
22 - Transp of Things	-	-	-	0%	-	-	-	-
23 - Rent, Util, Com.	1	-	1	0%	-	1	1	-
24 - Printing	-	-	-	0%	-	-	-	-
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	50	-	50	0%	-	50	50	-
26 - Supplies	2	-	2	0%	-	2	2	-
31 - Equip.	-	-	-	0%	-	-	-	-
Other	-	-	-	0%	-	-	-	-
Total	198	78	120	39%	-	120	198	-

Program: NOP		Summary of Appropriated Obligations					Oct - Apr	
Fiscal Year = 2015		FY 2015 Status of Funds					% of FY: 58%	
		<i>dollars in thousands</i>						
Program/BOC	Allocation/ Operating Plan	YTD Obligations	(Over)/ Under Allocation	% of Allocation	Commit- ments	Additional Projected	EOY Total	Variance
National Organic Program								
11 & 12 - S&B	5,688	2,890	2,798	51%	-	2,375	5,265	423
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	209	202	7	97%	-	7	209	-
22 - Transp of Things	-	-	-	0%	-	-	-	-
23 - Rent, Util, Com.	159	83	76	52%	-	76	159	-
24 - Printing	41	4	37	10%	-	37	41	-
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	1,253	567	686	45%	-	686	1,253	-
26 - Supplies	67	22	45	33%	-	45	67	-
31 - Equip.	217	72	145	33%	-	145	217	-
41 - Grants, subsid	-	-	-	0%	-	-	-	-
Other	-	-	-	0%	-	-	-	-
Total	7,634	3,840	3,794	50%	-	3,371	7,211	423
National Organic Standards Board		*Already added in with NOP total.						
11 & 12 - S&B	105	61	44	58%	-	44	105	-
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	57	56	1	98%	-	1	57	-
22 - Transp of Things	-	-	-	0%	-	-	-	-
23 - Rent, Util, Com.	-	-	-	0%	-	-	-	-
24 - Printing	-	-	-	0%	-	-	-	-
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	37	37	-	100%	-	-	37	-
26 - Supplies	-	-	-	0%	-	-	-	-
31 - Equip.	-	-	-	0%	-	-	-	-
Other	-	-	-	0%	-	-	-	-
Total	199	154	45	77%	-	45	199	-

Program: NOP		Summary of Appropriated Obligations					Oct - May	
Fiscal Year = 2015		FY 2015 Status of Funds					% of FY: 67%	
		dollars in thousands						
Program/BOC	Allocation/ Operating Plan	YTD Obligations	(Over)/ Under Allocation	% of Allocation	Commit- ments	Additional Projected	EOY Total	Variance
National Organic Program								
11 & 12 - S&B	5,688	3,361	2,327	59%	-	1,962	5,323	365
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	209	175	34	84%	-	34	209	-
22 - Transp of Things	-	-	-	0%	-	-	-	-
23 - Rent, Util, Com.	159	84	75	53%	-	75	159	-
24 - Printing	41	4	37	10%	-	37	41	-
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	1,293	591	702	46%	-	702	1,293	-
26 - Supplies	67	23	44	34%	-	44	67	-
31 - Equip.	217	72	145	33%	-	145	217	-
41 - Grants, subsid	-	-	-	0%	-	-	-	-
Other	-	-	-	0%	-	-	-	-
Total	7,674	4,310	3,364	56%	-	2,999	7,309	365
National Organic Standards Board		*Already added in with NOP total.						
11 & 12 - S&B	105	69	36	66%	-	36	105	-
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	57	48	9	84%	-	9	57	-
22 - Transp of Things	-	-	-	0%	-	-	-	-
23 - Rent, Util, Com.	-	-	-	0%	-	-	-	-
24 - Printing	-	-	-	0%	-	-	-	-
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	37	37	-	100%	-	-	37	-
26 - Supplies	-	-	-	0%	-	-	-	-
31 - Equip.	-	-	-	0%	-	-	-	-
Other	-	-	-	0%	-	-	-	-
Total	199	154	45	77%	-	45	199	-

Program: NOP		Summary of Appropriated Obligations					Oct - June	
Fiscal Year = 2015		FY 2015 Status of Funds					% of FY: 75%	
		<i>dollars in thousands</i>						
Program/BOC	Allocation/ Operating Plan	YTD Obligations	(Over)/ Under Allocation	% of Allocation	Commit- ments	Additional Projected	EOY Total	Variance
National Organic Program								
11 & 12 - S&B	5,688	3,851	1,837	68%	-	1,516	5,367	321
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	209	176	33	84%	-	22	198	11
22 - Transp of Things	-	-	-	0%	-	30	30	(30)
23 - Rent, Util, Com.	159	85	74	53%	-	74	159	-
24 - Printing	41	5	36	12%	-	36	41	-
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	1,293	609	684	47%	-	653	1,262	31
26 - Supplies	67	24	43	36%	-	43	67	-
31 - Equip.	217	73	144	34%	-	182	255	(38)
41 - Grants, subsid	-	-	-	0%	-	-	-	-
Other	-	-	-	0%	-	-	-	-
Total	7,674	4,823	2,851	63%	-	2,556	7,379	295
National Organic Standards Board		*Already added in with NOP total.						
11 & 12 - S&B	105	78	27	74%	-	27	105	-
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	57	48	9	84%	-	9	57	-
22 - Transp of Things	-	-	-	0%	-	-	-	-
23 - Rent, Util, Com.	-	-	-	0%	-	-	-	-
24 - Printing	-	-	-	0%	-	-	-	-
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	37	37	-	100%	-	-	37	-
26 - Supplies	-	-	-	0%	-	-	-	-
31 - Equip.	-	-	-	0%	-	-	-	-
Other	-	-	-	0%	-	-	-	-
Total	199	163	36	82%	-	36	199	-

Program: NOP		Summary of Appropriated Obligations					Oct - July	
Fiscal Year = 2015		FY 2015 Status of Funds					% of FY: 83%	
		<i>dollars in thousands</i>						
Program/BOC	Allocation/ Operating Plan	YTD Obligations	(Over)/ Under Allocation	% of Allocation	Commit- ments	Additional Projected	EOY Total	Variance
National Organic Program								
11 & 12 - S&B	5,688	4,360	1,328	77%	-	1,105	5,465	223
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	209	184	25	88%	-	10	194	15
22 - Transp of Things	-	-	-	0%	-	30	30	(30)
23 - Rent, Util, Com.	159	101	58	64%	-	20	121	38
24 - Printing	41	8	33	20%	-	36	44	(3)
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	1,593	807	786	51%	198	667	1,672	(79)
26 - Supplies	67	26	41	39%	-	5	31	36
31 - Equip.	217	74	143	34%	171	12	257	(40)
41 - Grants, subsid	-	-	-	0%	-	-	-	-
Other	-	-	-	0%	-	-	-	-
Total	7,974	5,560	2,414	70%	369	1,885	7,814	160
National Organic Standards Board		*Already added in with NOP total.						
11 & 12 - S&B	105	88	17	84%	-	17	105	-
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	57	48	9	84%	-	-	48	9
22 - Transp of Things	-	-	-	0%	-	-	-	-
23 - Rent, Util, Com.	-	-	-	0%	-	-	-	-
24 - Printing	-	-	-	0%	-	-	-	-
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	37	37	-	100%	1	-	38	(1)
26 - Supplies	-	-	-	0%	-	-	-	-
31 - Equip.	-	-	-	0%	-	-	-	-
Other	-	-	-	0%	-	-	-	-
Total	199	173	26	87%	1	17	191	8

Program: NOP		Summary of Appropriated Obligations					Oct - Aug	
Fiscal Year = 2015		FY 2015 Status of Funds					% of FY: 92%	
		dollars in thousands						
Program/BOC	Allocation/ Operating Plan	YTD Obligations	(Over)/ Under Allocation	% of Allocation	Commit- ments	Additional Projected	EOY Total	Variance
National Organic Program								
11 & 12 - S&B	5,688	4,863	825	85%	-	462	5,325	363
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	209	192	17	92%	-	10	202	7
22 - Transp of Things	-	-	-	0%	-	-	-	-
23 - Rent, Util, Com.	139	106	33	76%	-	10	116	23
24 - Printing	41	10	31	24%	-	31	41	-
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	2,618	2,145	473	82%	740	65	2,950	(332)
26 - Supplies	67	28	39	42%	-	3	31	36
31 - Equip.	258	257	1	100%	-	6	263	(5)
41 - Grants, subsid	-	-	-	0%	-	-	-	-
Other	-	7	(7)	0%	-	-	7	(7)
Total	9,020	7,608	1,412	84%	740	587	8,935	85
National Organic Standards Board		*Already added in with NOP total.						
11 & 12 - S&B	105	96	9	91%	-	9	105	-
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	57	50	7	88%	-	-	50	7
22 - Transp of Things	-	-	-	0%	-	-	-	-
23 - Rent, Util, Com.	-	-	-	0%	-	-	-	-
24 - Printing	-	-	-	0%	-	-	-	-
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	37	37	-	100%	1	-	38	(1)
26 - Supplies	-	-	-	0%	-	-	-	-
31 - Equip.	-	-	-	0%	-	-	-	-
Other	-	-	-	0%	-	-	-	-
Total	199	183	16	92%	1	9	193	6

Program: NOP		Summary of Appropriated Obligations					Oct - Sept	
Fiscal Year = 2015		FY 2015 Status of Funds					% of FY: 100%	
		<i>dollars in thousands</i>						
Program/BOC	Allocation/ Operating Plan	YTD Obligations	(Over)/ Under Allocation	% of Allocation	Commit- ments	Additional Projected	EOY Total	Variance
National Organic Program								
11 & 12 - S&B	5,688	5,332	356	94%	-	-	5,332	356
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	209	194	15	93%	-	-	194	15
22 - Transp of Things	-	-	-	0%	-	-	-	-
23 - Rent, Util, Com.	139	111	28	80%	-	-	111	28
24 - Printing	41	33	8	80%	-	-	33	8
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	2,618	2,996	(378)	114%	-	-	2,996	(378)
26 - Supplies	67	34	33	51%	-	-	34	33
31 - Equip.	258	263	(5)	102%	-	-	263	(5)
41 - Grants, subsid	-	-	-	0%	-	-	-	-
Other	-	5	(5)	0%	-	-	5	(5)
Total	9,020	8,968	52	99%	-	-	8,968	52
National Organic Standards Board		*Already added in with NOP total.						
11 & 12 - S&B	105	105	-	100%	-	4	109	(4)
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	57	51	6	89%	-	-	51	6
22 - Transp of Things	-	-	-	0%	-	-	-	-
23 - Rent, Util, Com.	-	-	-	0%	-	-	-	-
24 - Printing	-	-	-	0%	-	-	-	-
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	37	36	1	97%	1	-	37	-
26 - Supplies	-	-	-	0%	-	-	-	-
31 - Equip.	-	-	-	0%	-	-	-	-
Other	-	-	-	0%	-	-	-	-
Total	199	192	7	96%	1	4	197	2

PROGRAM NAME:	NOP	
FY:	2014	\$000
Commitment Items (BOC#)	FY Budget	YTD Expenditures
Salaries and Benefits (11, 12)	4,203	4,359
Severance Pay & Unemployment Comp. (13)	0	0
Travel (21)	198	164
Transportation of Things (22)	0	0
Other Rent, Communications & Utilities (23)	128	109
Printing (24)	20	10
Other, Contractual Services & Agreements (25)	4,149	4,051
Supplies (26)	28	35
Equipment (31)	300	219
AgDefault	0	0
TOTAL	\$9,026	\$8,947

PROGRAM NAME:	NOP	
FY:	2015	
Commitment Items (BOC#)	FY Budget	YTD Expenditures
Salaries and Benefits (11, 12)	5,688	5,332
Severance Pay & Unemployment Comp. (13)	0	0
Travel (21)	209	195
Transportation of Things (22)	0	0
Other Rent, Communications & Utilities (23)	139	113
Printing (24)	41	38
Other, Contractual Services (25)	1,046	1,011
Agreements (BOC 2510 & 2559)	1,572	1,982
Supplies (26)	67	34
Equipment (31)	258	263
AgDefault	0	0
TOTAL	\$9,020	\$8,968

Program: NOP		Summary of Appropriated Obligations FY 2014 Status of Funds <i>dollars in thousands</i>					Oct - Sept	
Fiscal Year = 2014							% of FY: 100%	
Program/BOC	Allocation/ Operating Plan	YTD Obligations	(Over)/ Under Allocation	% of Allocation	Commit- ments	Additional Projected	EOY Total	Variance
National Organic Program								
11 & 12 - S&B	4,203	4,359	(156)	104%	-	-	4,359	(156)
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	198	164	34	83%	-	-	164	34
22 - Transp of Things	-	-	-	0%	-	-	-	-
23 - Rent, Util, Com.	128	109	19	85%	-	-	109	19
24 - Printing	20	10	10	50%	-	-	10	10
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	4,149	4,051	98	98%	-	-	4,051	98
26 - Supplies	28	35	(7)	125%	-	-	35	(7)
31 - Equip.	300	219	81	73%	-	-	219	81
41 - Grants, subsid	-	-	-	0%	-	-	-	-
Other	-	-	-	0%	-	-	-	-
Total	9,026	8,947	79	99%	-	-	8,947	79
National Organic Standards Board*								
		*Already added in with NOP total.						
11 & 12 - S&B	97	98	(1)	101%	-	-	98	(1)
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	40	32	8	80%	-	-	32	8
22 - Transp of Things	-	-	-	0%	-	-	-	-
23 - Rent, Util, Com.	1	-	1	0%	-	-	-	1
24 - Printing	-	-	-	0%	-	-	-	-
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	50	36	14	72%	-	-	36	14
26 - Supplies	2	-	2	0%	-	-	-	2
31 - Equip.	-	-	-	0%	-	-	-	-
Other	-	-	-	0%	-	-	-	-
Total	190	166	24	87%	-	-	166	24

Program: NOP		Summary of Appropriated Obligations FY 2015 Status of Funds <i>dollars in thousands</i>					Oct - Sept	
Fiscal Year = 2015							% of FY: 100%	
Program/BOC	Allocation/ Operating Plan	YTD Obligations	(Over)/ Under Allocation	% of Allocation	Commit- ments	Additional Projected	EOY Total	Variance
National Organic Program								
11 & 12 - S&B	5,688	5,332	356	94%	-	-	5,332	356
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	209	194	15	93%	-	-	194	15
22 - Transp of Things	-	-	-	0%	-	-	-	-
23 - Rent, Util, Com.	139	111	28	80%	-	-	111	28
24 - Printing	41	33	8	80%	-	-	33	8
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	2,618	2,996	(378)	114%	-	-	2,996	(378)
26 - Supplies	67	34	33	51%	-	-	34	33
31 - Equip.	258	263	(5)	102%	-	-	263	(5)
41 - Grants, subsid	-	-	-	0%	-	-	-	-
Other	-	5	(5)	0%	-	-	5	(5)
Total	9,020	8,968	52	99%	-	-	8,968	52
National Organic Standards Board		*Already added in with NOP total.						
11 & 12 - S&B	105	105	-	100%	-	4	109	(4)
13 - Unemp. Comp.	-	-	-	0%	-	-	-	-
21 - Travel	57	51	6	89%	-	-	51	6
22 - Transp of Things	-	-	-	0%	-	-	-	-
23 - Rent, Util, Com.	-	-	-	0%	-	-	-	-
24 - Printing	-	-	-	0%	-	-	-	-
25 - Contracts	-	-	-	0%	-	-	-	-
Agreements (2510)	37	36	1	97%	1	-	37	-
26 - Supplies	-	-	-	0%	-	-	-	-
31 - Equip.	-	-	-	0%	-	-	-	-
Other	-	-	-	0%	-	-	-	-
Total	199	192	7	96%	1	4	197	2